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

FORM 10-Q

(Mark One)

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

For the quarterly period ended **June 30, 2017**

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 Number: **1-2394**

HANDY & HARMAN LTD.

(Exact name of registrant as specified in its charter)

DELAWARE	**13-3768097**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
590 Madison Avenue, 32nd Floor **New York, New York**	**10022**
(Address of principal executive offices)	(Zip Code)

212-520-2300

(Registrant's telephone number, including area code)

(Former name, former address and former fiscal year, if changed since last report)

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 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 ☒ No ☐

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

Large accelerated filer ☐	Accelerated filer ☒
Non-accelerated filer ☐ (Do not check if a smaller reporting company)	Smaller reporting company ☐
	Emerging growth company ☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

The number of shares of Common Stock outstanding as of August 7, 2017 was 12,221,431.

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Item 1. - Financial Statements (unaudited)

HANDY & HARMAN LTD.
CONSOLIDATED BALANCE SHEETS
(Unaudited)

(in thousands, except par value)	June 30, 2017	December 31, 2016
ASSETS		
Current Assets:		
Cash and cash equivalents	$ 29,094	$ 29,122
Trade and other receivables - net of allowance for doubtful accounts of $2,355 and $2,489, respectively	150,563	122,550
Inventories, net	110,164	99,455
Prepaid and other current assets	6,811	8,239
Total current assets	296,632	259,366
Property, plant and equipment at cost, less accumulated depreciation	133,041	131,628
Goodwill	182,636	182,185
Other intangibles, net	135,755	144,979
Investment in associated company	14,427	12,318
Deferred income tax assets	93,634	94,906
Other non-current assets	10,396	11,138
Total assets	$ 866,521	$ 836,520
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current Liabilities:		
Trade payables	$ 74,210	$ 62,792
Accrued liabilities	38,343	45,933
Accrued environmental liabilities	9,770	9,625
Short-term debt	648	553
Current portion of long-term debt	1,874	2,937
Total current liabilities	124,845	121,840
Long-term debt	278,508	271,799
Accrued pension liabilities	259,822	265,547
Other post-retirement benefit obligations	3,709	3,540
Deferred income tax liabilities	2,395	2,826
Other non-current liabilities	9,779	4,373
Total liabilities	679,058	669,925
Commitments and Contingencies		
Stockholders' Equity:		
Common stock - $.01 par value; authorized 180,000 shares; issued 13,607 and 13,627 shares, respectively	136	136
Accumulated other comprehensive loss	(265,490)	(267,007)
Additional paid-in capital	587,676	587,705
Treasury stock, at cost - 1,386 shares	(34,852)	(34,852)
Accumulated deficit	(100,007)	(119,387)
Total stockholders' equity	187,463	166,595
Total liabilities and stockholders' equity	$ 866,521	$ 836,520

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HANDY & HARMAN LTD.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)

(in thousands, except per share)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net sales	$ 256,145	$ 200,880	$ 490,786	$ 361,677
Cost of goods sold	181,517	148,918	347,577	265,998
Gross profit	74,628	51,962	143,209	95,679
Selling, general and administrative expenses	47,795	38,332	101,981	69,616
Pension expense	2,652	2,132	5,305	4,283
Asset impairment charges	—	7,000	—	7,000
Operating income	24,181	4,498	35,923	14,780
Other:				
Interest expense	2,910	1,345	5,840	2,415
Realized and unrealized (gain) loss on derivatives	(286)	416	75	539
Other expense	318	99	617	244
Income before tax and equity investment	21,239	2,638	29,391	11,582
Tax provision	8,248	1,138	11,341	4,998
Loss (gain) from associated company, net of tax	478	2,234	(1,330)	6,862
Net income (loss)	$ 12,513	$ (734)	$ 19,380	$ (278)
Basic and diluted income (loss) per share of common stock				
Net income (loss) per share	$ 1.02	$ (0.06)	$ 1.58	$ (0.02)
Weighted-average number of common shares outstanding	12,221	12,260	12,228	12,242

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HANDY & HARMAN LTD.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)

(in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Net income (loss)	$ 12,513	$ (734)	$ 19,380	$ (278)
Other comprehensive income (loss), net of tax:				
Changes in pension liabilities and other post-retirement benefit obligations	154	—	154	(94)
Tax effect of changes in pension liabilities and other post-retirement benefit obligations	(57)	—	(57)	—
Foreign currency translation adjustments	493	(515)	1,129	(316)
Tax effect of changes in foreign currency translation adjustments	299	436	291	460
Other comprehensive income (loss)	889	(79)	1,517	50
Comprehensive income (loss)	$ 13,402	$ (813)	$ 20,897	$ (228)

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HANDY & HARMAN LTD.
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
(Unaudited)

(in thousands)	Common Stock Shares	Common Stock Amount	Accumulated Other Comprehensive Loss	Additional Paid-In Capital	Treasury Stock, at Cost	Accumulated Deficit	Total Stockholders' Equity
Balance, December 31, 2016	13,627	$ 136	$ (267,007)	$ 587,705	$ (34,852)	$ (119,387)	$ 166,595
Amortization and forfeitures of restricted stock grants	(20)	—	—	(29)	—	—	(29)
Changes in pension liabilities and other post-retirement benefit obligations, net of tax	—	—	97	—	—	—	97
Foreign currency translation adjustments, net of tax	—	—	1,420	—	—	—	1,420
Net income	—	—	—	—	—	19,380	19,380
Balance, June 30, 2017	13,607	$ 136	$ (265,490)	$ 587,676	$ (34,852)	$ (100,007)	$ 187,463

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

HANDY & HARMAN LTD.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)

	Six Months Ended June 30,	
(in thousands)	**2017**	**2016**
Cash flows from operating activities:		
Net income (loss)	$ 19,380	$ (278)
Adjustments to reconcile net income (loss) to net cash (used in) provided by operating activities:		
Loss from divestitures	412	—
Depreciation and amortization	20,335	12,350
Non-cash stock-based compensation	340	931
Non-cash (gain) loss from investment in associated company, net of tax	(1,330)	6,862
Amortization of debt issuance costs	612	550
Deferred income taxes	2,965	3,623
Gain from asset dispositions	(274)	(337)
Asset impairment charges	—	7,858
Non-cash (gain) loss from derivatives	(9)	133
Reclassification of net cash settlements on precious metal contracts to investing activities	84	406
Change in operating assets and liabilities, net of acquisitions and divestitures:		
Trade and other receivables	(28,836)	(29,034)
Inventories	(10,859)	(3,572)
Prepaid and other current assets	1,284	2,728
Other current liabilities	(7,851)	12,800
Other items, net	778	(364)
Net cash (used in) provided by operating activities	(2,969)	14,656
Cash flows from investing activities:		
Additions to property, plant and equipment	(13,096)	(9,673)
Net cash settlements on precious metal contracts	(84)	(406)
Acquisitions, net of cash acquired	2,246	(157,000)
Proceeds from sale of fixed assets	478	1,659
Proceeds from divestitures	1,975	—
Net cash used in investing activities	(8,481)	(165,420)
Cash flows from financing activities:		
Net revolver borrowings	6,876	153,967
Net repayments on loans - foreign	(1,016)	(161)
Repayments of term loans - domestic	(212)	(232)
Proceeds from equipment lease financing	5,377	—
Deferred finance charges	—	(345)
Net change in overdrafts	274	(2,027)
Purchases of treasury stock	—	(108)
Payments for taxes related to net share settlement of equity awards	(368)	(395)
Other financing activities	(22)	61
Net cash provided by financing activities	10,909	150,760
Net change for the period	(541)	(4)
Effect of exchange rate changes on cash and cash equivalents	513	(39)
Cash and cash equivalents at beginning of period	29,122	23,728
Cash and cash equivalents at end of period	$ 29,094	$ 23,685
Cash paid during the period for:		
Interest	$ 5,217	$ 1,664
Taxes	$ 11,559	$ 3,019

SEE NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1 – The Company and Nature of Operations

Handy & Harman Ltd. ("HNH") is a diversified manufacturer of engineered niche industrial products. HNH's diverse product offerings are marketed throughout the United States and internationally. HNH is a holding company that conducts operations through its wholly-owned operating subsidiaries, including its primary operating subsidiary, Handy & Harman Group Ltd. ("H&H Group"). HNH manages its group of businesses on a decentralized basis with operations principally in North America. HNH's business units encompass the following segments: Joining Materials, Tubing, Building Materials, Performance Materials, Electrical Products, and Kasco Blades and Route Repair Services ("Kasco"). All references herein to "we," "our" or the "Company" refer to HNH together with all its subsidiaries.

On June 26, 2017, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with Steel Partners Holdings L.P. ("SPLP") and Handy Acquisition Co., a Delaware corporation and a wholly-owned subsidiary of SPLP ("Merger Sub"), pursuant to which, among other things, SPLP and Merger Sub will make a tender offer ("Offer") to purchase any and all of the outstanding shares of common stock, par value $0.01 per share ("Shares"), of the Company not already owned by SPLP or any entity that is an affiliate of SPLP, for 1.484 6.0% Series A preferred units, no par value ("SPLP Preferred Units"), of SPLP that currently trade on the New York Stock Exchange for each Share ("Offer Price"). SPH Group Holdings LLC, a wholly-owned subsidiary of SPLP, beneficially owns approximately 70.0% of the outstanding Shares.

Merger Sub's obligation to accept for payment and SPLP's obligation to pay for Shares pursuant to the Offer is subject to various conditions, including (a) a nonwaivable condition that there be validly tendered and not withdrawn prior to the expiration of the Offer that number of Shares that, when added to the Shares already owned by SPLP and its subsidiaries, would represent at least a majority of all then outstanding Shares, (b) a nonwaivable condition that there be validly tendered and not withdrawn prior to the expiration of the Offer that number of Shares that would represent at least a majority of all then outstanding Shares not owned by SPLP or any of its affiliates, (c) the SPLP Preferred Units issuable in the Offer and the Merger (as defined below) have been authorized for listing on the New York Stock Exchange, (d) Shares held by stockholders that have properly exercised appraisal rights under Delaware law do not exceed ten percent (10%) of the Shares outstanding immediately prior to the expiration of the Offer, and (e) other customary conditions. There is no financing condition to the obligations to consummate the Offer.

The Merger Agreement further provides that upon the terms and subject to the conditions set forth therein, following completion of the Offer, Merger Sub will merge with and into the Company, with the Company continuing as the surviving corporation and as an indirect wholly-owned subsidiary of SPLP ("Merger"). In the Merger, each outstanding Share (other than Shares held by the Company or any of its subsidiaries, SPLP, Merger Sub or any other subsidiary of SPLP, or held by stockholders who are entitled to demand, and who properly demand, appraisal rights under Delaware law), will be converted into the right to receive the Offer Price, without interest. The Merger is subject to the following closing conditions: (i) Merger Sub having accepted for payment all Shares validly tendered and not withdrawn in the Offer and (ii) there being in effect no law or order which makes the Merger illegal or otherwise prohibits the consummation of the Merger.

The Merger Agreement includes customary representations, warranties and covenants of the Company, SPLP and Merger Sub, including, among other things, a covenant of the Company not to solicit alternative transactions or to provide information or enter into discussions in connection with alternative transactions, subject to certain exceptions to allow the Board of Directors of the Company to exercise its fiduciary duties. The Merger Agreement may be terminated under certain circumstances, including in connection with superior proposals as set forth therein. If the Company terminates the Merger Agreement to enter into an agreement for a superior proposal and in other specified circumstances, the Company would be required to pay SPLP a $3.8 million termination fee and its transaction expenses up to $1.0 million.

Note 2 – Basis of Presentation

The consolidated balance sheet as of December 31, 2016, which has been derived from audited financial statements, and the unaudited consolidated financial statements included herein have been prepared by the Company in accordance with the rules and regulations of the Securities and Exchange Commission. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles ("U.S. GAAP") have been condensed or omitted in accordance with those rules and regulations, although the Company believes that the disclosures made are adequate to make the information not misleading. This quarterly report on Form 10-Q should be read in conjunction with the Company's audited consolidated financial statements on Form 10-K for the year ended December 31, 2016.

In the opinion of management, the interim financial statements reflect all normal and recurring adjustments necessary to present fairly the consolidated financial position and the results of operations and changes in cash flows for the interim periods.

The preparation of consolidated financial statements in conformity with U.S. GAAP requires the Company to make estimates and judgments that affect the reported amounts of assets, liabilities, revenues and expenses, and related disclosure of contingent assets and liabilities. Estimates are based on historical experience, expected future cash flows and various other assumptions 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. The results of operations for the three and six months ended June 30, 2017 are not necessarily indicative of the operating results for the full year.

New or Recently Adopted Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2014-09, *Revenue from Contracts with Customers (Topic 606)*. The core principle of the guidance is that an entity should recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services, and the guidance defines a five-step process to achieve this core principle. ASU 2014-09 also requires additional disclosure about the nature, amount, timing and uncertainty of revenues and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. In August 2015, the FASB issued ASU No. 2015-14, which deferred the effective date of ASU No. 2014-09 by one year. ASU No. 2014-09 is effective for the Company's 2018 fiscal year and may be applied either (i) retrospectively to each prior reporting period presented with an election for certain specified practical expedients, or (ii) retrospectively with the cumulative effect of initially applying the ASU recognized at the date of initial application, with additional disclosure requirements. The Company expects to confirm its method of adoption by the period ended September 30, 2017, and will include any known quantitative information on transition method impact. The Company will complete its assessment of the full financial impact of ASU 2014-09 during the next six months and will adopt ASU 2014-09 when it becomes effective for the Company on January 1, 2018.

The Company is in the process of evaluating the qualitative and quantitative disclosure guidance of ASU 2014-09 for possible enhancements to the Company's consolidated financial statements that will enable users to better understand the nature, amount, timing and uncertainty of revenues and cash flows arising from contracts with customers. The Company is also in the process of assessing and implementing appropriate changes to its business processes and controls to support revenue recognition and disclosures under the new standard. The Company expects that the adoption of ASU 2014-09 will have an impact on its business processes, financial reporting disclosures and internal controls over financial reporting. As part of the assessment performed through the date of this filing, the Company has implemented a cross-functional team consisting of representatives from across its businesses, and the Company is progressing towards the completion of the diagnostic assessment of the impact of the standard, including review of customer contracts, as well as the Company's current accounting policies and procedures to identify where there may be potential differences to its revenue that may result from applying ASU 2014-09. As part of the implementation, the Company has developed an implementation project plan that will allow the Company to adopt the new revenue accounting standard on its effective date.

The Company's implementation plan includes the development of a phased project plan, an understanding of the new standard and its requirements, assessment of the Company's revenue streams and specific contracts in the streams. Additionally, the Company continues to monitor modifications, clarifications and interpretations issued by the FASB that may impact its assessment. The Company continues to assess the impact of ASU 2014-09 on the costs to acquire and fulfill its customer contracts, including whether the Company can apply the practical expedient of expensing contract costs when incurred if the amortization period of the asset that it would have recognized is one year or less. Currently, the Company's accounting policy is to expense contract costs as they are incurred.

Significant assessment and implementation matters to be addressed prior to adopting ASU 2014-09 include completing a review of customer contracts, determining the impact the new accounting standard will have on the Company's consolidated financial statements and related disclosures, and updating, as needed, the Company's business processes, systems and controls required to comply with ASU 2014-09 upon its effective date of January 1, 2018. The Company will update the implementation status related to the impact of ASU 2014-09 on the consolidated financial statements and related footnotes in the future quarterly and year-end disclosures. Upon completion of the Company's implementation plan and evaluation of the remaining revenue contracts, the Company may adopt additional internal control procedures over financial reporting and its business processes for any new revenue arrangements that the Company enters.

In July 2015, the FASB issued ASU No. 2015-11, *Inventory (Topic 330): Simplifying the Measurement of Inventory*, which requires an entity to measure inventory at the lower of cost and net realizable value. Net realizable value is the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. The amendments do not apply to inventory that is measured using the last-in, first-out ("LIFO") cost method. On January 1, 2017, the

Company began applying the inventory measurement provisions of the new ASU, and such provisions did not have and are not expected to have a material impact on the Company's consolidated financial statements.

In February 2016, the FASB issued ASU No. 2016-02, *Leases (Topic 842)*. The new standard establishes a right-of-use ("ROU") model that requires a lessee to record a ROU asset and a lease liability, measured on a discounted basis, on the balance sheet for all leases with terms longer than 12 months. Leases will be classified as either finance or operating, with classification affecting the pattern of expense recognition in the statement of operations. A modified retrospective transition approach is required for capital and operating leases existing at the date of adoption, with certain practical expedients available. The Company is currently evaluating the potential impact of this new guidance, which is effective for the Company's 2019 fiscal year.

In March 2016, the FASB issued ASU No. 2016-09, *Compensation-Stock Compensation (Topic 718): Improvements to Employee Share-Based Payment Accounting*. This new standard simplifies the accounting for share-based payment transactions, including the income tax consequences, classification of awards as either equity or liabilities, and classification in the statement of cash flows, among other things. The new standard is effective for the Company's 2017 fiscal year, and the Company has adopted its provisions as of January 1, 2017. The impacts of certain amendments in ASU No. 2016-09, such as those related to the treatment of tax windfalls from stock-based compensation that are included in net operating loss carryforwards ("NOLs") and elections made for accounting for forfeitures, are required to be adopted on a modified retrospective basis through a cumulative-effect adjustment to retained earnings or deficit. However, since the Company utilized the majority of its NOLs as of December 31, 2016, and elected to continue to estimate forfeitures under its current policy, there were no modified retrospective adjustments recorded upon adoption. The other provisions of ASU No. 2016-09, such as classification of certain items in the statement of cash flows, are being applied in 2017, with reclassification of prior period amounts where applicable.

In June 2016, the FASB issued ASU No. 2016-13, *Financial Instruments-Credit Losses (Topic 326): Measurement of Credit Losses on Financial Instruments.* The new standard changes the impairment model for most financial assets that are measured at amortized cost and certain other instruments, including trade receivables, from an incurred loss model to an expected loss model and adds certain new required disclosures. Under the expected loss model, entities will recognize estimated credit losses to be incurred over the entire contractual term of the instrument rather than delaying recognition of credit losses until it is probable the loss has been incurred. The new standard is effective for the Company's 2020 fiscal year with early adoption permitted for all entities in fiscal years beginning after December 15, 2018. The Company is currently evaluating the potential impact of this new guidance.

In August 2016, the FASB issued ASU No. 2016-15, *Statement of Cash Flows (Topic 230): Classification of Certain Cash Receipts and Cash Payments.* This new standard provides guidance to help decrease diversity in practice in how certain cash receipts and cash payments are classified in the statement of cash flows. The amendments in ASU No. 2016-15 provide guidance on eight specific cash flow issues. The new standard is effective for the Company's 2018 fiscal year. The Company is currently evaluating the potential impact of this new guidance.

In November 2016, the FASB issued ASU No. 2016-18, *Statement of Cash Flows (Topic 230): Restricted Cash.* This new standard provides guidance on the classification of restricted cash in the statement of cash flows. The amendments in ASU No. 2016-18 are effective for the Company's 2018 fiscal year. The Company is currently evaluating the potential impact of this new guidance.

In January 2017, the FASB issued ASU No. 2017-01, *Business Combinations (Topic 805): Clarifying the Definition of a Business.* This new standard provides guidance to help determine more clearly what is a business acquisition, as opposed to an asset acquisition. The amendments provide a screen to help determine when a set of components is a business, by reducing the number of transactions in an acquisition that need to be evaluated. The new standard states that to classify the acquisition of assets as a business, there must be an input and a substantive process that jointly contribute to the ability to create outputs, with outputs being defined as the key elements of the business. If all of the fair value of the assets acquired are concentrated in a single asset group, this would not qualify as a business. The amendments in ASU No. 2017-01 are effective for the Company's 2018 fiscal year. The Company is currently evaluating the potential impact of this new guidance.

In January 2017, the FASB issued ASU No. 2017-04, *Intangibles-Goodwill and Other (Topic 350): Simplifying the Test for Goodwill Impairment*. This new standard simplifies subsequent measurements of goodwill by eliminating Step 2 from the goodwill impairment test. Instead, entities will perform their interim or annual goodwill impairment testing by comparing the fair value of a reporting unit with its carrying amount, and recognizing an impairment charge based on the amount that the carrying amount exceeds the reporting unit's fair value. The loss recognized should not exceed the total goodwill allocated to the reporting unit. The amendments in ASU No. 2017-04 are effective for the Company's 2020 fiscal year. The Company is currently evaluating the potential impact of this new guidance.

In March 2017, the FASB issued ASU No. 2017-07, *Compensation-Retirement Benefits (Topic 715): Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*. This new standard requires the components of net benefit cost to be disaggregated within the statement of operations, with service cost being included in the same line item as other compensation costs, and any other components being presented outside of operating income. The amendments in ASU No. 2017-07 are effective for the Company's 2018 fiscal year. The Company is currently evaluating the potential impact of this guidance.

In May 2017, the FASB issued ASU No. 2017-09, *Compensation-Stock Compensation (Topic 718): Scope of Modification Accounting*. This new standard provides guidance about which changes to the terms or conditions of a share-based payment award require an entity to apply modification accounting. The standard states that entities should account for the effects of a modification unless the fair value of the modified award is the same as the fair value of the original award, the vesting conditions do not change, and the classification as an equity instrument or a liability instrument is the same. The amendments in ASU No. 2017-09 are effective for the Company's 2018 fiscal year. The Company is currently evaluating the potential impact of this new guidance.

Note 3 – Acquisitions

SLI

On April 6, 2016, the Company entered into a definitive merger agreement with SL Industries, Inc. ("SLI"), pursuant to which it commenced a cash tender offer to purchase all the outstanding shares of SLI's common stock, at a purchase price of $40.00 per share in cash ("SLI Offer"). SLI designs, manufactures and markets power electronics, motion control, power protection, power quality electromagnetic equipment, and custom gears and gearboxes used in a variety of medical, commercial and military aerospace, computer, datacom, industrial, architectural and entertainment lighting, and telecom applications. Consummation of the SLI Offer was subject to certain conditions, including the tender of a number of shares that constituted at least (1) a majority of SLI's outstanding shares and (2) 60% of SLI's outstanding shares not owned by HNH or any of its affiliates, as well as other customary conditions. SPLP beneficially owned approximately 25.1% of SLI's outstanding shares at the time of the SLI Offer.

On June 1, 2016, the conditions noted above, as well as all other conditions to the SLI Offer were satisfied, and the Company successfully completed its tender offer through a wholly-owned subsidiary. Pursuant to the terms of the merger agreement, the wholly-owned subsidiary merged with and into SLI, with SLI being the surviving corporation ("SLI Merger"). Upon completion of the SLI Merger, SLI became a wholly-owned subsidiary of the Company.

The aggregate consideration paid by the Company in the SLI Offer and SLI Merger was approximately $162.0 million, excluding related transaction fees and expenses. The funds necessary to consummate the SLI Offer, the SLI Merger and to pay related fees and expenses were financed with additional borrowings under the Company's senior secured revolving credit facility.

The following table summarizes the amounts of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Cash and cash equivalents	$	4,985
Trade and other receivables		32,680
Inventories		24,295
Prepaid and other current assets		8,258
Property, plant and equipment		23,950
Goodwill		54,231
Other intangibles		92,326
Other non-current assets		257
Total assets acquired		240,982
Trade payables		(18,433)
Accrued liabilities		(21,306)
Long-term debt		(9,500)
Deferred income tax liabilities		(23,567)
Other non-current liabilities		(6,191)
Net assets acquired	$	161,985

The goodwill of $54.2 million arising from the acquisition consists largely of the synergies expected from combining the operations of HNH and SLI. The goodwill is assigned to the Company's Electrical Products segment and is not expected to be deductible for income tax purposes. Other intangibles consist primarily of acquired trade names of $14.7 million, customer relationships of $59.9 million, developed technology and patents of $10.7 million, and customer order backlog of $6.9 million. The customer order backlog was amortized based on the expected period over which the orders were fulfilled, ranging from two to eight months. The remaining intangible assets have been assigned useful lives ranging from 10 to 15 years based on the long operating history, broad market recognition and continued demand for the associated brands, and the limited turnover and long-standing relationships SLI has with its existing customer base. The valuations of acquired trade names, developed technology and patents were performed utilizing a relief from royalty method, and significant assumptions used in the valuation included the royalty rate assumed and the expected level of future sales, as well as the rate of technical obsolescence for the developed technology and patents. The acquired customer relationships were valued using an excess earnings approach, and significant assumptions used in the valuation included the customer attrition rate assumed and the expected level of future sales. Included in accrued liabilities and other non-current liabilities above was a total of $10.9 million for existing and contingent liabilities relating to SLI's environmental matters, which are further discussed in Note 17 - "Commitments and Contingencies."

The amount of net sales and operating income of the acquired business included in the consolidated statement of operations for the three months ended June 30, 2017 were approximately $50.5 million and $5.4 million, respectively. The amount of net sales and operating income of the acquired business included in the consolidated statement of operations for the six months ended June 30, 2017 were approximately $95.4 million and $7.8 million, respectively. The amount of net sales and operating loss of the acquired business included in the consolidated statements of operations for both the three and six months ended June 30, 2016 were approximately $11.8 million and $(3.3) million. The operating loss in 2016 included $1.9 million of expenses associated with the acceleration of SLI's previously outstanding stock-based compensation awards, which became fully vested on the date of acquisition pursuant to the terms of the merger agreement, and which are included in selling, general and administrative expenses in the 2016 consolidated statements of operations. SLI's results of operations are reported within the Company's Electrical Products segment.

EME

On September 30, 2016, SL Montevideo Technology, Inc. ("SMTI"), a subsidiary of SLI, entered into an asset purchase agreement ("Purchase Agreement") with Hamilton Sundstrand Corporation ("Hamilton"). Pursuant to the Purchase Agreement, SMTI acquired from Hamilton certain assets of its Electromagnetic Enterprise division ("EME") used or useful in the design, development, manufacture, marketing, service, distribution, repair and sale of electric motors, starters and generators for certain commercial applications, including for use in commercial hybrid electric vehicles and refrigeration and in the aerospace and defense sectors. The acquisition of EME expands SLI's product portfolio and diversifies its customer base. SMTI purchased the acquired net assets for $60.3 million in cash and assumption of certain ordinary course business liabilities, subject to adjustments related to working capital at closing and quality of earnings of the acquired business for the period of January 1, 2016 to June 30, 2016, each as provided in the Purchase Agreement, including a reduction of $2.2 million received during the six months ended June 30, 2017. The Purchase Agreement includes a guarantee by Hamilton of a minimum level of product purchases from SMTI by an affiliate of Hamilton for calendar years 2017, 2018 and 2019, in exchange for compliance by SMTI with certain operating covenants. The transaction was financed with additional borrowings under the Company's senior secured revolving credit facility.

The following table summarizes the amounts of the assets acquired and liabilities assumed at the acquisition date (in thousands):

Trade and other receivables	$ 4,249
Inventories	3,047
Prepaid and other current assets	265
Property, plant and equipment	2,321
Goodwill	30,994
Other intangibles	28,370
Total assets acquired	69,246
Trade payables	(6,036)
Accrued liabilities	(2,881)
Net assets acquired	$ 60,329

The goodwill of $31.0 million arising from the acquisition consists largely of the synergies expected from combining the operations of SLI and EME. The goodwill is assigned to the Company's Electrical Products segment and is expected to be deductible for income tax purposes. Other intangibles consist of customer relationships of $27.2 million and customer order backlog of $1.2 million. The customer order backlog was amortized based on the expected period over which the orders were fulfilled of four months. The customer relationships have been assigned a useful life of 15 years based on the limited turnover and long-standing relationships EME has with its existing customer base. The acquired customer relationships were valued using an excess earnings approach, and significant assumptions used in the valuation included the customer attrition rate assumed and the expected level of future sales.

The amount of net sales and operating income of the acquired business included in the consolidated statement of operations for the three months ended June 30, 2017 were approximately $11.0 million and $1.0 million, respectively. The amount of net sales and operating income of the acquired business included in the consolidated statement of operations for the six months ended June 30, 2017 were approximately $27.5 million and $2.3 million, respectively. EME's results of operations are reported within the Company's Electrical Products segment.

Pro Forma Disclosures

Unaudited pro forma net sales and net income of the combined entities is presented below as if SLI and EME had both been acquired January 1, 2015.

	Six Months Ended June 30,
(in thousands, except per share)	2016
Net sales	$ 477,963
Net income	$ 4,286
Net income per share	$ 0.35
Weighted-average number of common shares outstanding	12,242

This unaudited pro forma data is presented for informational purposes only and does not purport to be indicative of the results of future operations or of the results that would have occurred had the SLI and EME acquisitions taken place on January 1, 2015. The information for the six months ended June 30, 2016 is based on historical financial information with respect to the acquisitions and does not include operational or other changes which might have been effected by the Company. The unaudited pro forma earnings were adjusted to reflect incremental depreciation and amortization expense based on the fair value adjustments for the acquired property, plant and equipment and intangible assets, which are amortized using the double-declining balance method for customer relationships and the straight line method for other intangibles, over periods principally ranging from 10 to 15 years. The unaudited pro forma earnings were also adjusted to reflect incremental interest expense on the borrowings made to finance the acquisitions, and to exclude acquisition-related costs incurred by both the Company and the acquired entities during the period presented.

Note 4 – Divestitures

In January 2017, the Company sold its Micro-Tube Fabricators, Inc. business ("MTF") for approximately $2.5 million and recorded a loss on sale of $0.4 million, which is included in other expense in the consolidated statements of operations. MTF specialized in the production of precision fabricated tubular components produced for medical device, aerospace, aircraft, automotive and electronic applications. The price was payable $2.0 million in cash at closing and a $0.5 million subordinated promissory note to the Company bearing 5% interest annually. Half the note will be paid to the Company 6-months after closing and the remainder paid 1-year after closing. In addition, the Company may receive up to $1.0 million of additional contingent consideration if certain sales volume milestones are met between the sale date and December 31, 2019. The operations of MTF were not significant to the consolidated financial statements of the Company. MTF was part of the Tubing segment.

Note 5 – Asset Impairment Charges

In connection with the integration of JPS Industries, Inc. ("JPS") after its acquisition in July 2015, the Company approved the closure of JPS' Slater, South Carolina operating facility during the second quarter of 2016 and recorded impairment charges totaling $7.9 million associated with the planned closure, including write-downs of $6.6 million to property, plant and equipment and $0.4 million to intangible assets, as well as a $0.9 million inventory write-down, which was recorded in cost of goods sold in the consolidated statements of operations.

Note 6 – Inventories

Inventories, net at June 30, 2017 and December 31, 2016 were comprised of:

(in thousands)	June 30, 2017	December 31, 2016
Finished products	$ 33,108	$ 32,339
In-process	24,729	18,482
Raw materials	35,274	34,318
Fine and fabricated precious metals in various stages of completion	17,981	15,019
	111,092	100,158
LIFO reserve	(928)	(703)
Total	$ 110,164	$ 99,455

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

Certain customers and suppliers of HNH choose to do business on a "pool" basis and furnish precious metal to HNH for return in fabricated form or for purchase from or return to the supplier. When the customer's precious metal is returned in fabricated form, the customer is charged a fabrication charge. The value of this customer metal is not included on the Company's consolidated balance sheets. To the extent HNH is able to utilize customer precious metal in its production processes, such customer metal replaces the need for HNH to purchase its own inventory. As of June 30, 2017, customer metal in HNH's custody consisted of 139,747 ounces of silver, 513 ounces of gold and 1,391 ounces of palladium.

Supplemental inventory information: (in thousands, except per ounce)	June 30, 2017	December 31, 2016
Precious metals stated at LIFO cost	$ 5,379	$ 4,977
Precious metals stated under non-LIFO cost methods, primarily at fair value	$ 11,674	$ 9,339
Market value per ounce:		
Silver	$ 16.64	$ 16.05
Gold	$ 1,242.25	$ 1,159.10
Palladium	$ 841.00	$ 676.00

<u>Note 7 – Goodwill and Other Intangibles</u>

The changes in the net carrying amount of goodwill by reportable segment for the six months ended June 30, 2017 were as follows (in thousands):

Segment	Balance at January 1, 2017	Adjustments	Additions	Impairments	Balance at June 30, 2017	Accumulated Impairment Losses
Joining Materials	$ 16,199	$ 21	$ —	$ —	$ 16,220	$ —
Tubing	1,895	—	—	—	1,895	—
Building Materials	71,388	—	—	—	71,388	
Performance Materials	7,908	—	—	—	7,908	24,254
Electrical Products	84,795	430	—	—	85,225	—
Total	$ 182,185	$ 451	$ —	$ —	$ 182,636	$ 24,254

Other intangible assets, net at June 30, 2017 and December 31, 2016 consisted of:

(in thousands)	June 30, 2017 Cost	Accumulated Amortization	Net	December 31, 2016 Cost	Accumulated Amortization	Net
Customer relationships	$ 121,797	$ (25,274)	$ 96,523	$ 121,820	$ (18,554)	$ 103,266
Trademarks, trade names and brand names	27,439	(5,104)	22,335	27,439	(4,184)	23,255
Developed technology, patents and patent applications	16,705	(4,203)	12,502	16,527	(3,518)	13,009
Non-compete agreements	774	(746)	28	774	(737)	37
Customer order backlog	8,130	(8,130)	—	8,130	(7,529)	601
Other	6,903	(2,536)	4,367	7,391	(2,580)	4,811
Total	$ 181,748	$ (45,993)	$ 135,755	$ 182,081	$ (37,102)	$ 144,979

Amortization expense totaled $4.4 million and $1.6 million for the three months ended June 30, 2017 and 2016, respectively, and $9.4 million and $2.8 million for the six months ended June 30, 2017 and 2016, respectively. The increase in amortization expense during 2017 was principally due to the SLI and EME acquisitions.

Note 8 – Investment

The Company holds an investment in the common stock of a public company, ModusLink Global Solutions, Inc. ("ModusLink"), which is classified as an investment in associated company on the consolidated balance sheets. The Company carries its ModusLink investment on the consolidated balance sheets at fair value, calculated based on the closing market price for ModusLink common stock, with unrealized gains and losses on the investment reported in net income or loss. HNH owned 8,436,715 shares of common stock of ModusLink at both June 30, 2017 and December 31, 2016, and the value of this investment increased from $12.3 million at December 31, 2016 to $14.4 million at June 30, 2017 due entirely to an increase in the share price of ModusLink's common stock.

As of June 30, 2017, SPLP and its associated companies, which include the Company, owned a combined total of 18,182,705 ModusLink common shares, which represented approximately 32.7% of ModusLink's outstanding shares. SPLP is a majority shareholder of HNH, owning directly or indirectly through its subsidiaries in excess of 50% of HNH's common shares. SPLP also holds warrants to purchase 2,000,000 additional shares of ModusLink common stock at an exercise price of $5.00 per share. These warrants will expire in March 2018.

Because of the direct ownership of stock held by the Company, as well as the ownership of SPLP and its associated companies, the Company has the ability to exercise significant influence over ModusLink's operating and financial policies, and thus accounts for its investment in ModusLink under the equity method of accounting, using the fair value option.

ModusLink's fiscal year ends on July 31. Summarized unaudited information as to assets, liabilities and results of operations of ModusLink for the quarter ended April 30, 2017, its most recently completed fiscal quarter, and the comparable prior periods are as follows:

(in thousands)	April 30, 2017	July 31, 2016
Current assets	$ 271,667	$ 319,891
Non-current assets	$ 24,804	$ 28,041
Current liabilities	$ 159,633	$ 194,766
Non-current liabilities	$ 67,909	$ 67,226
Stockholders' equity	$ 68,929	$ 85,940

	Three Months Ended April 30,		Six Months Ended April 30,	
(in thousands)	2017	2016	2017	2016
Net revenue	$ 97,948	$ 96,460	$ 215,516	$ 216,426
Gross profit	$ 8,542	$ 2,174	$ 19,740	$ 5,829
Net loss	$ (5,067)	$ (12,849)	$ (7,973)	$ (26,797)

Note 9 – Credit Facilities

Debt at June 30, 2017 and December 31, 2016 was as follows:

(in thousands)	June 30, 2017	December 31, 2016
Short-term debt		
Foreign	$ 648	$ 553
Long-term debt		
Revolving facilities	274,101	267,224
Other debt - domestic	6,281	6,493
Foreign loan facilities	—	1,019
Subtotal	280,382	274,736
Less portion due within one year	1,874	2,937
Total long-term debt	278,508	271,799
Total debt	$ 281,030	$ 275,289

Senior Credit Facility

The Company's amended and restated senior credit agreement ("Senior Credit Facility") provides for an up to $400.0 million senior secured revolving credit facility, including a $20.0 million sublimit for the issuance of letters of credit and a $20.0 million sublimit for the issuance of swing loans. Borrowings under the Senior Credit Facility bear interest, at H&H Group's option, at either LIBOR or the Base Rate, as defined, plus an applicable margin as set forth in the loan agreement (2.25% and 1.25%, respectively, for LIBOR and Base Rate borrowings at June 30, 2017), and the revolving facility provides for a commitment fee to be paid on unused borrowings. The weighted-average interest rate on the revolving facility was 3.49% at June 30, 2017. H&H Group's availability under the Senior Credit Facility was $66.1 million as of June 30, 2017.

The Senior Credit Facility will expire, with all amounts outstanding due and payable, on August 29, 2019. The Senior Credit Facility is guaranteed by substantially all existing and thereafter acquired or created domestic wholly-owned subsidiaries and certain foreign wholly-owned subsidiaries of H&H Group, and obligations under the Senior Credit Facility are collateralized by first priority security interests in and liens upon all present and future assets of H&H Group and these subsidiaries. The Senior Credit Facility restricts H&H Group's ability to transfer cash or other assets to HNH, subject to certain exceptions, including required pension payments to the WHX Corporation Pension Plan ("WHX Pension Plan") and the WHX Pension Plan II. The Senior Credit Facility is subject to certain mandatory prepayment provisions and restrictive and financial covenants, which include a maximum ratio limit on Total Leverage and a minimum ratio limit on Fixed Charge Coverage, as defined, as well as a minimum liquidity level. The Company was in compliance with all debt covenants at June 30, 2017.

Master Lease Agreement

In 2016, the Company entered into a master lease agreement with TD Equipment Finance, Inc. ("TD Equipment"), which establishes the general terms and conditions for a $10.0 million credit facility under which the Company may lease equipment and other property from TD Equipment pursuant to the terms of individual lease schedules. As of June 30, 2017, $5.4 million was outstanding under the master lease agreement. No leases had been entered into as of December 31, 2016 under the agreement.

Note 10 – Derivative Instruments

Precious Metal and Commodity Inventories

HNH's precious metal and commodity inventories are subject to market price fluctuations. HNH enters into commodity futures and forward contracts to mitigate the impact of price fluctuations on its precious and certain non-precious metal inventories that are not subject to fixed price contracts. The Company's hedging strategy is designed to protect it against normal volatility; therefore, abnormal price changes in these commodities or markets could negatively impact HNH's earnings. The Company does not enter into derivatives or other financial instruments for trading or speculative purposes.

As of June 30, 2017, the Company had the following outstanding forward contracts with settlement dates through July 2017. There were no futures contracts outstanding at June 30, 2017.

Commodity	Amount		Notional Value ($ in millions)	
Silver	728,710	ounces	$	12.1
Gold	600	ounces	$	0.7
Copper	375,000	pounds	$	1.0
Tin	30	metric tons	$	0.6

HNH accounts for these contracts as either fair value hedges or economic hedges under the guidance in Accounting Standards Codification 815, *Derivatives and Hedging*.

Fair Value Hedges. Of the total forward contracts outstanding, 573,710 ounces of silver and substantially all the copper contracts are designated and accounted for as fair value hedges. The fair values of these derivatives are recognized as derivative assets and liabilities on the consolidated balance sheets. The net change in fair value of the derivative assets and liabilities, and the change in the fair value of the underlying hedged inventory, are recognized in the consolidated statements of operations, and such amounts principally offset each other due to the effectiveness of the hedges. The fair value hedges are associated primarily with the Company's precious metal inventory carried at fair value.

Economic Hedges. The remaining outstanding forward contracts for silver, and all the contracts for gold and tin, are accounted for as economic hedges. As these derivatives are not designated as accounting hedges, they are accounted for as derivatives with no hedge designation. The derivatives are marked to market, and both realized and unrealized gains and losses are recorded in current period earnings in the consolidated statements of operations. The economic hedges are associated primarily with the Company's precious metal inventory valued using the LIFO method.

The forward contracts were made with a counterparty rated A+ by Standard & Poors. Accordingly, the Company has determined that there is minimal credit risk of default. The Company estimates the fair value of its derivative contracts through the use of market quotes or with the assistance of brokers when market information is not available. The Company maintains collateral on account with the third-party broker. Such collateral consists of both cash that varies in amount depending on the value of open contracts, as well as ounces of precious metal held on account by the broker.

Effect of Derivative Instruments in the Consolidated Statements of Operations - Income/(Expense)

Derivative	Statement of Operations Line	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
(in thousands)					
Commodity contracts	Cost of goods sold	$ 1,004	$ (1,403)	$ (179)	$ (2,381)
	Total derivatives designated as hedging instruments	1,004	(1,403)	(179)	(2,381)
Commodity contracts	Cost of goods sold	(31)	(70)	64	(95)
Commodity contracts	Realized and unrealized gain (loss) on derivatives	286	(416)	(75)	(539)
	Total derivatives not designated as hedging instruments	255	(486)	(11)	(634)
	Total derivatives	$ 1,259	$ (1,889)	$ (190)	$ (3,015)

Fair Value of Derivative Instruments on the Consolidated Balance Sheets - Asset/(Liability)

Derivative	Balance Sheet Location	June 30, 2017	December 31, 2016
(in thousands)			
Commodity contracts	Prepaid and other current assets/(Accrued liabilities)	$ 3	$ (111)
	Total derivatives designated as hedging instruments	3	(111)
Commodity contracts	(Accrued liabilities)/Prepaid and other current assets	(1)	3
	Total derivatives not designated as hedging instruments	(1)	3
	Total derivatives	$ 2	$ (108)

Note 11 – Pension and Other Post-Retirement Benefits

HNH sponsors two defined benefit pension plans, the WHX Pension Plan and the WHX Pension Plan II, covering many of HNH's employees and certain employees of HNH's former subsidiary, Wheeling-Pittsburgh Corporation. In addition, JPS sponsors a defined benefit pension plan. The following table presents the components of net periodic pension expense for the Company's pension plans for the three and six months ended June 30, 2017 and 2016:

(in thousands)	Three Months Ended June 30, 2017	Three Months Ended June 30, 2016	Six Months Ended June 30, 2017	Six Months Ended June 30, 2016
Service cost	$ —	$ (14)	$ —	$ —
Interest cost	4,514	4,585	9,029	9,373
Expected return on plan assets	(5,302)	(5,769)	(10,604)	(11,750)
Amortization of actuarial loss	3,440	3,330	6,880	6,660
Total	$ 2,652	$ 2,132	$ 5,305	$ 4,283

The Company expects to have required minimum pension contributions of $24.7 million for the remainder of 2017, and $29.6 million, $39.9 million, $36.0 million, $32.7 million and $80.6 million in 2018, 2019, 2020, 2021 and for the five years thereafter, respectively. Required future pension contributions are estimated based upon assumptions such as discount rates on future obligations, assumed rates of return on plan assets and legislative changes. Actual future pension costs and required funding obligations will be affected by changes in the factors and assumptions described in the previous sentence, as well as other changes such as any plan termination or other acceleration events.

In addition to its pension plans included in the table above, the Company also maintains several other post-retirement benefit plans covering certain of its employees and retirees. The approximate aggregate expense for these plans was $0.7 million and $0.5 million for the three months ended June 30, 2017 and 2016, respectively, and $1.5 million and $1.0 million for the six months ended June 30, 2017 and 2016, respectively.

Note 12 – Stockholders' Equity

Common Stock Repurchase Program

On April 28, 2016, the Company's Board of Directors approved the repurchase of up to an aggregate of 500,000 shares of the Company's common stock. Any such repurchases will be made from time to time on the open market at prevailing market prices or in negotiated transactions off the market, in compliance with applicable laws and regulations. The repurchase program is expected to continue unless and until revoked by the Board of Directors. As of June 30, 2017, the Company has repurchased 15,019 shares for a total purchase price of approximately $0.4 million under the 2016 repurchase program.

Accumulated Other Comprehensive Loss

Changes, net of tax, in accumulated other comprehensive loss and its components follow:

(in thousands)	Foreign Currency Translation Adjustments	Net Pension and Other Benefit Obligations	Total
Balance at December 31, 2016	$ (5,809)	$ (261,198)	$ (267,007)
Current period income	1,420	97	1,517
Balance at June 30, 2017	$ (4,389)	$ (261,101)	$ (265,490)

<u>Note 13 – Stock-Based Compensation</u>

On May 26, 2016, the Company's stockholders approved the adoption of the Company's 2016 Equity Incentive Award Plan ("2016 Plan"). The 2016 Plan provides equity-based compensation through the grant of cash-based awards, nonqualified stock options, incentive stock options, stock appreciation rights, restricted stock, restricted stock units, performance shares, performance units and other stock-based awards. The 2016 Plan replaces the Company's 2007 Incentive Stock Plan ("2007 Plan"), and no further awards will be granted under the 2007 Plan. The 2016 Plan allows for issuance of up to 1,624,953 shares of common stock. As of June 30, 2017, no awards had been granted under the 2016 Plan.

Compensation expense is measured based on the fair value of the stock-based awards on the grant date, as measured by the NASDAQ closing price for the Company's common stock. Compensation expense is recognized in the consolidated statements of operations on a straight-line basis over the requisite service period, which is the vesting period. Restricted stock grants made to employees and service providers vest in approximately equal annual installments over a three-year period from the grant date. Restricted stock grants to the Company's non-employee directors vested one year from the grant date.

The Company allows certain grantees to forego the issuance of shares to meet applicable income tax withholding due as a result of the vesting of restricted stock. Such shares are returned to the unissued shares of the Company's common stock.

Restricted stock activity was as follows for the six months ended June 30, 2017:

(shares)	Employees and Service Providers	Directors	Total
Balance, January 1, 2017	610,598	837,547	1,448,145
Forfeited	(5,640)	—	(5,640)
Reduced for income tax obligations	(13,666)	—	(13,666)
Balance, June 30, 2017	591,292	837,547	1,428,839
Vested at June 30, 2017	556,625	837,547	1,394,172
Non-vested at June 30, 2017	34,667	—	34,667

The Company recognized compensation expense related to restricted shares of $0.1 million and $0.3 million for the three months ended June 30, 2017 and 2016, respectively, and $0.3 million and $0.9 million for the six months ended June 30, 2017 and 2016, respectively. Unearned compensation expense related to restricted shares at June 30, 2017 is $0.5 million, which is net of an estimated 5% forfeiture rate for employees and service providers. This amount will be recognized over the remaining vesting period of the restricted shares.

Note 14 – Income Taxes

For the three months ended June 30, 2017 and 2016, tax provisions of $8.2 million and $1.1 million, respectively, were recorded. The effective tax rates in the three months ended June 30, 2017 and 2016 were 38.8% and 43.1%, respectively. For the six months ended June 30, 2017 and 2016, tax provisions of $11.3 million and $5.0 million, respectively, were recorded. The effective tax rates in the six months ended June 30, 2017 and 2016 were 38.6% and 43.2%, respectively. The provision for income taxes is based on the current estimate of the annual effective tax rate, adjusted for discrete items that occurred within the respective periods. Other changes in the effective tax rate arise principally from differences in the mix of income between taxable jurisdictions, including the impact of foreign sourced income and losses, as well as changes in estimates associated with our projected annual state tax expense.

Note 15 – Earnings Per Share

The computation of basic earnings per share of common stock is calculated by dividing net income (loss) by the weighted-average number of shares of the Company's common stock outstanding, as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands, except per share)	2017	2016	2017	2016
Net income (loss)	$ 12,513	$ (734)	$ 19,380	$ (278)
Weighted-average number of common shares outstanding	12,221	12,260	12,228	12,242
Net income (loss) per share	$ 1.02	$ (0.06)	$ 1.58	$ (0.02)

Diluted earnings per share gives effect to dilutive potential common shares outstanding during the reporting period. The Company had potentially dilutive common share equivalents, in the form of outstanding stock options, during the six months ended June 30, 2016, although none were dilutive because the exercise price of these equivalents exceeded the market value of the Company's common stock during those periods. The outstanding stock options expired during the first quarter of 2016.

Note 16 – Fair Value Measurements

Fair value is defined as the price that would be received to sell an asset or paid to transfer a liability (i.e. the "exit price") in an orderly transaction between market participants at the measurement date. Fair value measurements are broken down into three levels based on the reliability of inputs as follows:

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

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly. Level 2 inputs include quoted prices for similar assets or liabilities in active markets, inputs other than quoted prices that are observable for the asset or liability (e.g. interest rates and yield curves observable at commonly quoted intervals or current market) and contractual prices for the underlying financial instrument, as well as other relevant economic measures ("Level 2").

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

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

The fair value of the Company's investment in associated company is a Level 1 measurement because the underlying security is listed on a national securities exchange.

The precious metal and commodity inventories associated with the Company's fair value hedges (see Note 10 - "Derivative Instruments") are reported at fair value. Fair values of these inventories are based on quoted market prices on commodity exchanges and are considered Level 1 measurements. The derivative instruments that the Company purchases in connection with its precious metal and commodity inventories, specifically commodity futures and forward contracts, are also valued at fair value. The futures contracts are Level 1 measurements since they are traded on a commodity exchange. The forward contracts are entered into with a counterparty and are considered Level 2 measurements.

The following tables summarize the Company's assets and liabilities that are measured at fair value on a recurring basis as of June 30, 2017 and December 31, 2016:

	Asset as of June 30, 2017			
(in thousands)	Total	Level 1	Level 2	Level 3
Investment in associated company	$ 14,427	$ 14,427	$ —	$ —
Precious metal and commodity inventories recorded at fair value	$ 12,328	$ 12,328	$ —	$ —
Commodity contracts on precious metal and commodity inventories	$ 2	$ —	$ 2	$ —

	Asset (Liability) as of December 31, 2016			
(in thousands)	Total	Level 1	Level 2	Level 3
Investment in associated company	$ 12,318	$ 12,318	$ —	$ —
Precious metal and commodity inventories recorded at fair value	$ 10,143	$ 10,143	$ —	$ —
Commodity contracts on precious metal and commodity inventories	$ (108)	$ —	$ (108)	$ —

The Company's non-financial assets and liabilities measured at fair value on a non-recurring basis include goodwill and other intangible assets, any assets and liabilities acquired in a business combination, or its long-lived assets written down to fair value. To measure fair value for such assets and liabilities, the Company uses techniques including an income approach, a market approach and/or appraisals (Level 3 inputs).

Long-lived assets consisting of land and buildings used in previously operating businesses and currently unused, which total $6.3 million as of June 30, 2017, are carried at the lower of cost or fair value less cost to sell and are included primarily in other non-current assets on the consolidated balance sheets. A reduction in the carrying value of such long-lived assets is recorded as an asset impairment charge in the consolidated statement of operations.

Note 17 – Commitments and Contingencies

The Company is involved in legal proceedings and environmental matters, as discussed below. Most such legal proceedings and environmental investigations involve unspecified amounts of potential damage claims or awards, are in an initial procedural phase, involve significant uncertainty as to the outcome, or involve significant factual issues that need to be resolved, such that it is not possible for the Company to estimate a range of possible loss. For matters that have progressed sufficiently through the investigative process such that the Company is able to reasonably estimate a range of possible loss, an estimated range of possible loss will be provided, in excess of the accrued liability (if any) for such matters. Any estimated range is or will be based on currently available information and involves elements of judgment and significant uncertainties. Any estimated range of possible loss may not represent the Company's maximum possible loss exposure. The circumstances of such legal proceedings and environmental investigations will change from time to time and actual results may vary significantly from the current estimate. For current proceedings not specifically reported below, management does not anticipate that the liabilities, if any, arising from such proceedings would have a material effect on the financial position, liquidity or results of operations of the Company.

Environmental Matters

Certain H&H Group subsidiaries, including SLI, have existing and contingent liabilities relating to environmental matters, including costs of remediation, capital expenditures, and potential fines and penalties relating to possible violations of national and state environmental laws. Those subsidiaries have remediation expenses on an ongoing basis, although such costs are continually being readjusted based upon the emergence of new techniques and alternative methods. The Company recorded current liabilities of approximately $9.8 million related to estimated environmental remediation costs as of June 30, 2017. The Company also has insurance coverage available for several of these matters and believes that excess insurance coverage may be available as well. No insurance reimbursements were recorded during the six months ended June 30, 2017 or 2016.

Included among these liabilities, certain H&H Group subsidiaries have been identified as potentially responsible parties ("PRPs") under the Comprehensive Environmental Response, Compensation and Liability Act ("CERCLA") or similar state statutes at sites and are parties to administrative consent orders in connection with certain properties. Those subsidiaries may be subject to joint and several liabilities imposed by CERCLA on PRPs. Due to the technical and regulatory complexity of remedial activities and the difficulties attendant in identifying PRPs and allocating or determining liability among them, except to the extent specifically identified below, the subsidiaries are generally unable to reasonably estimate the ultimate cost of compliance with such laws.

Based upon information currently available, the H&H Group subsidiaries do not expect that their respective environmental costs, including the incurrence of additional fines and penalties, if any, will have a material adverse effect on them or that the resolution of these environmental matters will have a material adverse effect on the financial position, results of operations or cash flows of such subsidiaries or the Company, but there can be no such assurances. The Company anticipates that the H&H Group subsidiaries will pay any such amounts out of their respective working capital, although there is no assurance that they will have sufficient funds to pay them. In the event that the H&H Group subsidiaries are unable to fund their liabilities, claims could be made against their respective parent companies, including H&H Group and/or HNH, for payment of such liabilities.

The sites where certain H&H Group subsidiaries have environmental liabilities include the following:

H&H Group has been working with the Connecticut Department of Energy and Environmental Protection ("CTDEEP") with respect to its obligations under a 1989 consent order that applies to a property in Connecticut that H&H Group sold in 2003 ("Sold Parcel") and an adjacent parcel ("Adjacent Parcel") that together comprise the site of a former H&H Group manufacturing facility. The remaining remediation, monitoring and regulatory administrative costs for the Sold Parcel are expected to approximate $0.1 million. With respect to the Adjacent Parcel, an ecological risk assessment has been completed and the results, along with proposed clean up goals, were submitted in the second quarter of 2016 to the CTDEEP for their review and approval. The next phase will be a physical investigation of the upland portion of the parcel. A work plan was submitted in the third quarter of 2016 to the CTDEEP for review and approval. The CTDEEP provided comments on February 28, 2017, and H&H Group is negotiating a final work plan, which is expected to start in the second half of 2017 and is estimated to cost $0.2 million. Investigation of the wetlands portion is not expected to start until the later part of 2017, pending regulatory approvals and agreement on wetlands remediation goals. Based on the current stage of the investigation at this site at this time, we estimate that it is reasonably possible that we may incur aggregate losses over a period of several years, above our current accrued liability for this site, in a range of $2.0 million to $6.0 million. Due to the uncertainties, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of H&H Group or the Company.

In 1986, Handy & Harman Electronic Materials Corporation ("HHEM"), a subsidiary of H&H Group, entered into an administrative consent order ("ACO") with the New Jersey Department of Environmental Protection ("NJDEP") with regard to certain property that it purchased in 1984 in New Jersey. The ACO involves investigation and remediation activities to be performed with regard to soil and groundwater contamination. HHEM is actively remediating the property and continuing to investigate effective methods for achieving compliance with the ACO. HHEM anticipates entering into discussions with the NJDEP to address that agency's potential natural resource damage claims, the ultimate scope and cost of which cannot be estimated at this time. Pursuant to a settlement agreement with the former owner/operator of the site, the responsibility for site investigation and remediation costs, as well as any other costs, as defined in the settlement agreement, related to or arising from environmental contamination on the property (collectively, "Costs") are contractually allocated 75% to the former owner/operator and 25% jointly to HHEM and H&H Group, all after having the first $1.0 million paid by the former owner/operator. As of June 30, 2017, total investigation and remediation costs of approximately $6.0 million and $1.9 million have been expended by the former owner/operator and HHEM, respectively, in accordance with the settlement agreement. Additionally, HHEM is currently being reimbursed indirectly through insurance coverage for a portion of the Costs for which HHEM is responsible, although that policy is about to be exhausted. HHEM believes that there is additional excess insurance coverage, which it intends to pursue as necessary. HHEM anticipates that there will be additional remediation expenses to be incurred once a final remediation plan is agreed upon. There is no assurance that the former owner/operator or guarantors will continue to timely reimburse HHEM for expenditures and/or will be financially capable of fulfilling their obligations under the settlement agreement and the guaranties. Based on the current stage of the investigation at this site at this time, we estimate that it is reasonably possible that we may incur aggregate losses over a period of years, above our current accrued liability for this site, in a range of $0.1 million to $4.0 million, of which we expect to pay a 25% share. Due to the uncertainties, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of HHEM or the Company.

SLI may incur environmental costs in the future as a result of past activities of its former subsidiary, SurfTech, at sites located in Pennsauken, New Jersey ("Pennsauken Site") and in Camden, New Jersey ("Camden Site"). At the Pennsauken Site, SLI reached an agreement with both the U.S. Department of Justice and the Environmental Protection Agency ("EPA") related to its liability and entered into a Consent Decree which governs the agreement. SLI agreed to perform remediation, which has been completed, and to pay a fixed sum for the EPA's past costs. The fixed sum was paid in installments, and the final payment of $2.2 million was made in the second quarter of 2017. In December 2012, the NJDEP served SLI with a settlement demand of $1.8 million for alleged past and future costs, as well as alleged natural resource damages related to the Pennsauken Site. Although SLI believes that it has meritorious defenses to any claim for costs and natural resource damages, to avoid the time and expense of litigating the matter, on February 13, 2013, SLI offered to pay the State of New Jersey $0.3 million to fully resolve the claim. On June 29, 2015, the State of New Jersey rejected SLI's counteroffer. No subsequent discussions have been had. The final scope and cost of this claim cannot be estimated at this time.

With respect to the Camden Site, SLI has reported soil contamination and a groundwater contamination plume emanating from the site. A Remedial Action Workplan ("RAWP") for soils was submitted to the NJDEP in the second quarter of 2017 by the Licensed Site Remediation Professional ("LSRP") for the site. The RAWP for treatment of unsaturated soils is scheduled to be initiated during the third quarter of 2017, with post-remediation rebound testing and slab removal to be conducted in the first quarter of 2018. SLI's environmental consultants also implemented an interim remedial action pilot study to treat on-site contaminated groundwater, which consisted of injecting food-grade product into the groundwater at the down gradient property boundary to create a "bio-barrier." Post-injection groundwater monitoring to assess the bio-barrier's effectiveness was completed. Consistent decreases in target contaminants concentrations in groundwater were observed. In December 2014, a report was submitted to the NJDEP stating sufficient information was obtained from the pilot study to complete the full-scale groundwater remedy design. A full-scale groundwater bioremediation will be implemented during the fourth quarter of 2017 following the soil remediation mentioned above. A reserve of $2.9 million has been established for anticipated costs at this site, but there can be no assurance that there will not be potential additional costs associated with the site, which cannot be reasonably estimated at this time. Accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of SLI or the Company.

SLI is currently participating in environmental assessment and cleanup at a commercial facility located in Wayne, New Jersey. Contaminated soil and groundwater has undergone remediation with the NJDEP and LSRP oversight, but contaminants of concern ("COCs") in groundwater and surface water, which extend off-site, remain above applicable NJDEP remediation standards. A soil remedial action plan has been developed to remove the new soil source contamination that continues to impact groundwater. SLI's LSRP completed a supplemental groundwater remedial action, pursuant to a RAWP filed with, and permit approved by, the NJDEP, and a report was filed with the NJDEP in March 2015. SLI's consultants have developed cost estimates for supplemental remedial injections, soil excavation, and additional tests and remedial activities. The LSRP has prepared a Remedial Investigation Report, which was sent to the NJDEP in May 2016. Off-site access to the adjacent property has been negotiated and monitoring wells have been installed. Results of the initial samples detected COCs above the NJDEP standards. A reserve of $1.4 million has been established for anticipated costs, but there can be no assurance that there will not be potential additional costs associated with the site, which cannot be reasonably estimated at this time. Accordingly, there can be no assurance that the resolution of this matter will not be material to the financial position, results of operations or cash flows of SLI or the Company.

Other Litigation

In the ordinary course of our business, we are subject to other periodic lawsuits, investigations, claims and proceedings, including, but not limited to, contractual disputes, employment, environmental, health and safety matters, as well as claims associated with our historical acquisitions and divestitures. There is insurance coverage available for many of the foregoing actions. Although we cannot predict with certainty the ultimate resolution of lawsuits, investigations, claims and proceedings asserted against us, we do not believe any currently pending legal proceeding to which we are a party will have a material adverse effect on our business, prospects, financial condition, cash flows, results of operations or liquidity.

Note 18 – Related Party Transactions

As of June 30, 2017, SPLP owned directly or indirectly through its subsidiaries 8,560,592 shares of the Company's common stock, representing approximately 70.0% of outstanding shares. The power to vote and dispose of the securities held by SPLP is controlled by Steel Partners Holdings GP Inc. ("SPH GP"). Warren G. Lichtenstein, our Chairman of the Board of Directors, is also the Executive Chairman of SPH GP. Certain other affiliates of SPH GP hold positions with the Company, including Jack L. Howard, as Vice Chairman and Principal Executive Officer, John H. McNamara, Jr., as Director, Douglas B. Woodworth, as Chief Financial Officer, Leonard J. McGill, as Chief Legal Officer, and William T. Fejes, Jr. as President and Chief Executive Officer of H&H Group.

On June 26, 2017, the Company entered into a Merger Agreement with SPLP and Merger Sub, pursuant to which, among other things, SPLP and Merger Sub will make a tender offer to purchase any and all of the Shares of the Company not already owned by SPLP or any entity that is an affiliate of SPLP, for 1.484 SPLP Preferred Units for each Share. See Note 1 - "The Company and Nature of Operations" for additional information.

Pursuant to a management services agreement, as amended ("Management Services Agreement"), Steel Services Ltd ("Steel Services"), a subsidiary of SPLP, provides the Company with certain executive and corporate services, including, without limitation, legal, tax, accounting, treasury, consulting, auditing, administrative, compliance, environmental health and safety, human resources, marketing, investor relations, operating group management and other similar services rendered for the Company or its subsidiaries. The Management Services Agreement provides that the Company pay Steel Services a fixed annual fee of approximately $10.6 million. In addition, during the three months ended June 30, 2017 and 2016, the Company reimbursed Steel Services and its affiliates approximately $0.3 million and $0.6 million, respectively, for business expenses incurred on its behalf pursuant to the Management Services Agreement or related agreements. Such reimbursements totaled approximately $1.0 million and $0.8 million, respectively, during the six months ended June 30, 2017 and 2016.

The fees payable under the Management Services Agreement are subject to review and such adjustments as may be agreed upon by Steel Services and the Company. The Management Services Agreement has a term through December 31, 2017 and automatically renews for successive one-year periods unless and until terminated in accordance with the terms set forth therein. Upon any such termination, a reserve fund will be established by the Company for the payment of expenses incurred by or due to Steel Services that are attributable to the services provided to the Company.

Mutual Securities, Inc. is the custodian for the majority of the Company's holdings in ModusLink common stock. Jack L. Howard is a registered principal of Mutual Securities, Inc.

Note 19 – Reportable Segments

HNH is a diversified holding company whose strategic business units encompass the following segments: Joining Materials, Tubing, Building Materials, Performance Materials, Electrical Products and Kasco. For a more complete description of the Company's segments, see "Item 2 - Management's Discussion and Analysis of Financial Condition and Results of Operations - The Company."

Management has determined that certain operating companies should be aggregated and presented within a single segment on the basis that such segments have similar economic characteristics and share other qualitative characteristics. Management reviews net sales, gross profit and operating income to evaluate segment performance. Operating income for the segments generally includes costs directly attributable to the segment and excludes other unallocated general corporate expenses. Interest expense, other income and expense, and income taxes are not presented by segment since they are excluded from the measures of segment profitability reviewed by the Company's management.

The following table presents information about the Company's reportable segments for the three and six months ended June 30, 2017 and 2016:

Statement of Operations Data (in thousands)	**Three Months Ended June 30,**		**Six Months Ended June 30,**	
	2017	**2016**	**2017**	**2016**
Net sales:				
Joining Materials	$ 50,286	$ 46,323	$ 96,826	$ 88,994
Tubing	16,925	20,053	34,928	40,323
Building Materials	87,446	81,434	155,744	139,736
Performance Materials	24,878	26,200	50,254	50,983
Electrical Products	61,534	11,794	122,921	11,794
Kasco	15,076	15,076	30,113	29,847
Total net sales	$ 256,145	$ 200,880	$ 490,786	$ 361,677
Segment operating income (loss):				
Joining Materials	$ 6,121	$ 6,127	$ 11,541	$ 10,542
Tubing	2,641	3,558	5,326	7,769
Building Materials	14,453	11,604	23,512	18,957
Performance Materials	1,412	(7,258)	2,985	(6,965)
Electrical Products	6,412	(3,263)	10,101	(3,263)
Kasco	557	565	1,243	1,545
Total segment operating income	31,596	11,333	54,708	28,585
Unallocated corporate expenses and non-operating units	(4,931)	(4,876)	(13,754)	(9,859)
Unallocated pension expense	(2,652)	(2,132)	(5,305)	(4,283)
Gain from asset dispositions	168	173	274	337
Operating income	24,181	4,498	35,923	14,780
Interest expense	(2,910)	(1,345)	(5,840)	(2,415)
Realized and unrealized gain (loss) on derivatives	286	(416)	(75)	(539)
Other expense	(318)	(99)	(617)	(244)
Income before tax and equity investment	$ 21,239	$ 2,638	$ 29,391	$ 11,582

Item 2. - Management's Discussion and Analysis of Financial Condition and Results of Operations

The Company

Handy & Harman Ltd. ("HNH") is a diversified manufacturer of engineered niche industrial products with leading market positions in many of the markets it serves. HNH focuses on high margin products and innovative technology and serves customers across a wide range of end markets. HNH's diverse product offerings are marketed throughout the United States and internationally. HNH is a holding company that conducts operations through its wholly-owned operating subsidiaries, including its primary operating subsidiary, Handy & Harman Group Ltd. ("H&H Group"). HNH manages its group of businesses on a decentralized basis with operations principally in North America. HNH's business units encompass the following segments: Joining Materials, Tubing, Building Materials, Performance Materials, Electrical Products, and Kasco Blades and Route Repair Services ("Kasco"). All references herein to "we," "our" or the "Company" refer to HNH together with all its subsidiaries.

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

The Tubing segment manufactures a wide variety of stainless and low carbon steel tubing products. The Tubing segment manufactures some of the world's longest continuous seamless stainless steel tubing coils, up to 6,000 feet, serving the petrochemical infrastructure and shipbuilding markets. In addition, we are a top supplier of precision, small diameter (less than 3 mm) coil tubing to industry leading specifications serving the aerospace, defense and health care markets. The Tubing segment is also a leading manufacturer of mechanical and fluid carry welded low carbon tubing used for diverse industries, including the automotive, heavy truck, heating, cooling and oil and gas markets. Products are delivered in continuous lengths from 2 inches to 30,000 feet in coil, cut or spool packaging styles.

The Building Materials segment manufactures and supplies products primarily to the commercial construction and building industries. It manufactures fasteners and fastening systems for the U.S. commercial low-slope roofing industry, which are sold to building and roofing material wholesalers, roofing contractors and private label roofing system manufacturers, and a line of engineered specialty fasteners for the building products industry for fastening applications in the remodeling and construction of homes, decking and landscaping. We believe that our primary business unit in the Building Materials segment is the market leader in fasteners and accessories for commercial low-slope roofing applications and that the majority of the net sales for the segment are for the commercial construction repair and replacement market.

The Performance Materials segment manufactures sheet and mechanically formed glass, quartz, carbon and aramid materials for specialty applications in a wide expanse of markets requiring highly engineered components. Its products are used in a wide range of advanced composite applications, such as civilian and military aerospace components, printed electronic circuit boards, automotive and industrial components, and substrates for civilian and military armor applications.

The Electrical Products segment designs, manufactures and markets power electronics, motion control, power protection, power quality electromagnetic equipment, and custom gears and gearboxes used in a variety of medical, commercial and military aerospace, computer, datacom, industrial, architectural and entertainment lighting, and telecom applications. Its products are generally incorporated into larger systems to improve operating performance, safety, reliability and efficiency. The reported operations of the Electrical Products segment are comprised of the operations of SL Industries, Inc. ("SLI") and those of the former Electromagnetic Enterprise division ("EME") of Hamilton Sundstrand Corporation, which were acquired on June 1, 2016 and September 30, 2016, respectively.

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

Management has determined that certain operating companies should be aggregated and presented within a single segment on the basis that such segments have similar economic characteristics and share other qualitative characteristics. Management reviews net sales, gross profit and operating income to evaluate segment performance. Operating income for the segments generally includes costs directly attributable to the segment and excludes other unallocated general corporate expenses. Interest expense, other income and expense, and income taxes are not presented by segment since they are excluded from the measures of segment profitability reviewed by the Company's management.

Results of Operations

Comparison of the Three and Six Months Ended June 30, 2017 and 2016

The Company's consolidated operating results for the three and six months ended June 30, 2017 and 2016 are summarized in the following table:

	Three Months Ended June 30,		Six Months Ended June 30,	
(in thousands)	**2017**	**2016**	**2017**	**2016**
Net sales	$ 256,145	$ 200,880	$ 490,786	$ 361,677
Gross profit	74,628	51,962	143,209	95,679
Gross profit margin	*29.1%*	*25.9%*	*29.2%*	*26.5%*
Selling, general and administrative expenses	47,795	38,332	101,981	69,616
Pension expense	2,652	2,132	5,305	4,283
Asset impairment charges	—	7,000	—	7,000
Operating income	24,181	4,498	35,923	14,780
Other:				
Interest expense	2,910	1,345	5,840	2,415
Realized and unrealized (gain) loss on derivatives	(286)	416	75	539
Other expense	318	99	617	244
Income before tax and equity investment	21,239	2,638	29,391	11,582
Tax provision	8,248	1,138	11,341	4,998
Loss (gain) from associated company, net of tax	478	2,234	(1,330)	6,862
Net income (loss)	$ 12,513	$ (734)	$ 19,380	$ (278)

For purposes of this Management's Discussion and Analysis of Financial Condition and Results of Operations, the acquisition impact of the SLI (including EME) acquisition is defined as financial results for periods in 2017 prior to June 1, 2017 for SLI, consistent with its June 1, 2016 acquisition date, and financial results for EME for the entire six month period ended June 30, 2017, based on its September 30, 2016 acquisition date. Accordingly, only changes in SLI's operations, excluding EME, for the month of June 2017, as compared to the month of June 2016, are not reflected in the acquisition impact from these acquisitions in the discussion below.

Net Sales

Net sales for the three months ended June 30, 2017 increased by $55.3 million, or 27.5%, to $256.1 million, as compared to $200.9 million for the same period in 2016. The change in net sales reflects approximately $39.9 million in incremental sales associated with the SLI (including EME) acquisition, as defined above, as well as an increase of $0.9 million as a result of higher average silver prices. Excluding the impact of the SLI (including EME) acquisition and the change in silver prices, net sales increased by approximately $14.4 million due primarily to higher volume from the Building Materials and Joining Materials segments, as well as in the Electrical Products segment based on higher sales levels at SLI in June 2017, as compared to June 2016, partially offset by lower volume from the Tubing segment. The average silver market price was approximately $17.20 per troy ounce in the second quarter of 2017, as compared to $16.69 per troy ounce in the same period in 2016.

Net sales for the six months ended June 30, 2017 increased by $129.1 million, or 35.7%, to $490.8 million, as compared to $361.7 million for the same period in 2016. The change in net sales reflects approximately $101.3 million in incremental sales associated with the SLI (including EME) acquisition, as well as an increase of $3.9 million as a result of higher average silver prices. Excluding the impact of the SLI (including EME) acquisition and the change in silver prices, net sales increased by approximately $23.9 million due primarily to higher volume from the Building Materials and Joining Materials segments, as well as in the Electrical Products segment based on higher sales levels at SLI in June 2017, as compared to June 2016, partially offset by lower volume from the Tubing segment. The average silver market price was approximately $17.34 per troy ounce during the first half of 2017, as compared to $15.86 per troy ounce in the same period in 2016.

Gross Profit

Gross profit for the three months ended June 30, 2017 increased to $74.6 million, as compared to $52.0 million for the same period in 2016, and as a percentage of net sales, increased to 29.1%, as compared to 25.9% in the second quarter last year. The change in gross profit was primarily driven by approximately $12.4 million in incremental gross profit from the SLI (including EME) acquisition, as well as a net increase from core growth of approximately $10.1 million, principally due to higher gross profit from the Building Materials and Joining Materials segments, and the Electrical Products segment based on SLI's higher sales volume in June 2017, as compared to June 2016. The increased gross profit as a percentage of net sales during the second quarter of 2017 was primarily due to higher comparable gross profit margin from the newly acquired Electrical Products segment, the Building Materials segment and the Performance Materials segment resulting from consolidation efforts in connection with the Company's integration of JPS Industries, Inc. ("JPS"). Gross profit as a percentage of net sales during the second quarter of 2016 was also unfavorably impacted by higher duties on masonry anchors imported from Asia in the Building Materials segment, the amortization of the fair value adjustment to acquisition-date inventories associated with the SLI acquisition in the Electrical Products segment and a $0.9 million inventory write-down related to the closure of JPS' Slater, South Carolina operating facility.

Gross profit for the six months ended June 30, 2017 increased to $143.2 million, as compared to $95.7 million for the same period in 2016, and as a percentage of net sales, increased to 29.2%, as compared to 26.5% in the same period of last year. The change in gross profit reflects approximately $32.0 million incremental gross profit from the SLI (including EME) acquisition, a net increase from core growth of approximately $14.9 million driven by higher gross profit from the Building Materials and Joining Materials segments due principally to higher sales volume, and the Electrical Products segment based on SLI's higher sales volume in June 2017, as compared to June 2016, as well as $0.6 million higher gross profit due to higher average silver prices. Gross profit as a percentage of net sales during the six month period of 2016 was unfavorably impacted by higher duties on masonry anchors imported from Asia in the Building Materials segment, the amortization of the fair value adjustment to acquisition-date inventories associated with the SLI acquisition in the Electrical Products segment and a $0.9 million inventory write-down related to the closure of JPS' Slater, South Carolina operating facility, as well as JPS's lower gross profit margin prior to its restructuring activities discussed further below.

Selling, General and Administrative Expenses

Selling, general and administrative expenses ("SG&A") for the three months ended June 30, 2017 were $47.8 million, as compared to $38.3 million for the same period a year ago. Higher SG&A in the second quarter of 2017 was primarily driven by the impact of the SLI (including EME) acquisition, as compared to the same period in 2016.

SG&A for the six months ended June 30, 2017 was $102.0 million, as compared to $69.6 million for the same period a year ago. Incremental SG&A from the SLI (including EME) acquisition was approximately $25.4 million for the six months ended June 30, 2017. Excluding the impact of the SLI (including EME) acquisition, the higher SG&A in the 2017 period was primarily driven by higher benefit costs.

Pension Expense

Non-cash pension expense was $2.7 million and $5.3 million for the three and six months ended June 30, 2017, respectively, which was $0.5 million and $1.0 million higher than the three and six months ended June 30, 2016, respectively. We currently expect pension expense to be approximately $10.6 million in 2017, as compared to $8.1 million in 2016. The expected increase in 2017 pension expense is driven by the fact that the investment returns on the assets of the Company's pension plans were lower than actuarial assumptions during 2016, as well as by a reduction in the Company's assumption regarding the expected future return on plan assets.

Asset Impairment Charges

In connection with the integration of JPS after its acquisition in July 2015, the Company approved the closure of JPS' Slater, South Carolina operating facility during the second quarter of 2016 and recorded impairment charges totaling $7.9 million in the Performance Materials segment associated with the planned closure, including write-downs of $6.6 million to property, plant and equipment and $0.4 million to intangible assets, as well as a $0.9 million inventory write-down, which was recorded in cost of goods sold in the consolidated statements of operations.

Interest Expense

Interest expense for the three and six months ended June 30, 2017 was $2.9 million and $5.8 million, respectively, as compared to $1.3 million and $2.4 million for the three and six months ended June 30, 2016. The higher interest expense for the three and six months ended June 30, 2017 was primarily due to higher borrowing levels to finance the SLI (including EME) acquisition.

Realized and Unrealized (Gain) Loss on Derivatives

HNH utilizes commodity forward and futures contracts to mitigate the impact of price fluctuations on its precious metal and certain non-precious metal inventories. The factors that affect the gain or loss on these derivative instruments are changes in the price of the associated metals and the number of ounces hedged.

Tax Provision

For the three months ended June 30, 2017 and 2016, tax provisions of $8.2 million and $1.1 million, respectively, were recorded. The effective tax rates in the three months ended June 30, 2017 and 2016 were 38.8% and 43.1%, respectively. For the six months ended June 30, 2017 and 2016, tax provisions of $11.3 million and $5.0 million, respectively, were recorded. The effective tax rates in the six months ended June 30, 2017 and 2016 were 38.6% and 43.2%, respectively. The provision for income taxes is based on the current estimate of the annual effective tax rate, adjusted for discrete items that occurred within the respective periods. Other changes in the effective tax rate arise principally from differences in the mix of income between taxable jurisdictions, including the impact of foreign sourced income and losses, as well as changes in estimates associated with our projected annual state tax expense.

Loss (Gain) from Associated Company

The Company carries its investment in ModusLink Global Solutions, Inc. ("ModusLink") at fair value, calculated based on the closing market price for ModusLink common stock, and the gains or losses recorded during the three and six months ended June 30, 2017 and 2016 are due entirely to changes in the share price of ModusLink's common stock.

Segment Analysis

Segment net sales and operating income data for the three and six months ended June 30, 2017 and 2016 are shown in the following table:

(in thousands)	Three Months Ended June 30, 2017	2016	% Change	Six Months Ended June 30, 2017	2016	% Change
Net sales:						
Joining Materials	$ 50,286	$ 46,323	8.6 %	$ 96,826	$ 88,994	8.8 %
Tubing	16,925	20,053	(15.6)%	34,928	40,323	(13.4)%
Building Materials	87,446	81,434	7.4 %	155,744	139,736	11.5 %
Performance Materials	24,878	26,200	(5.0)%	50,254	50,983	(1.4)%
Electrical Products	61,534	11,794	N/A	122,921	11,794	N/A
Kasco	15,076	15,076	— %	30,113	29,847	0.9 %
Total net sales	$ 256,145	$ 200,880	27.5 %	$ 490,786	$ 361,677	35.7 %
Segment operating income (loss):						
Joining Materials	$ 6,121	$ 6,127	(0.1)%	$ 11,541	$ 10,542	9.5 %
Tubing	2,641	3,558	(25.8)%	5,326	7,769	(31.4)%
Building Materials	14,453	11,604	24.6 %	23,512	18,957	24.0 %
Performance Materials	1,412	(7,258)	N/A	2,985	(6,965)	N/A
Electrical Products	6,412	(3,263)	N/A	10,101	(3,263)	N/A
Kasco	557	565	(1.4)%	1,243	1,545	(19.5)%
Total segment operating income	$ 31,596	$ 11,333	178.8 %	$ 54,708	$ 28,585	91.4 %

Joining Materials

For the three months ended June 30, 2017, the Joining Materials segment net sales increased by $4.0 million, or 8.6%, to $50.3 million, as compared to net sales of $46.3 million for the same period in 2016. The increase in net sales was principally due to higher volume from the oil and gas exploration, appliance and electrical markets, as well as an increase of approximately $0.9 million in net sales due to a $0.51 per troy ounce increase in the average market price of silver.

Segment operating income for the second quarter of 2017 was $6.1 million, relatively flat as compared to the second quarter of 2016. Higher gross profit driven by the higher sales volume and favorable product mix were offset by higher benefit costs. The effect of higher average silver prices increased operating income by approximately $0.1 million, as compared to the same period in 2016.

For the six months ended June 30, 2017, the Joining Materials segment net sales increased by $7.8 million, or 8.8%, to $96.8 million, as compared to net sales of $89.0 million for the same period in 2016. The change in net sales is due to both higher precious metal prices and volume, including an increase of approximately $3.9 million in net sales due to a $1.48 per troy ounce increase in the average market price of silver, as well as higher sales volume in North America, primarily due to higher demand from the oil and gas exploration, appliance and electrical markets.

Segment operating income for the six months ended June 30, 2017 increased by $1.0 million to $11.5 million, as compared to $10.5 million for the same period of 2016. Higher operating income during the 2017 period was primarily driven by higher sales volume, partially offset by higher benefit costs. The effect of higher average silver prices also increased operating income by approximately $0.6 million on a year-to-date versus prior year's year-to-date basis.

Tubing

For the three months ended June 30, 2017, the Tubing segment net sales decreased by $3.1 million, or 15.6%, to $16.9 million, as compared to $20.1 million for the same period in 2016. The change in net sales was primarily due to lower sales of our steel tubing products in the oil and gas exploration markets based on lower product demand, as well as our fabricated metal tubing product line for the medical industry, which was divested during the first quarter of 2017, partially offset by higher demand for our welded carbon steel tubing products from the transportation industry.

Segment operating income for the second quarter of 2017 decreased by $0.9 million, or 25.8%, to $2.6 million, as compared to $3.6 million for the second quarter of 2016. The decrease in operating income was primarily driven by the lower sales volume, as compared to the second quarter of 2016.

For the six months ended June 30, 2017, the Tubing segment net sales decreased by $5.4 million, or 13.4%, to $34.9 million, as compared to $40.3 million for the same period in 2016. The change in net sales was primarily due to lower sales of our steel tubing products in the oil and gas exploration markets based on lower product demand, as well as our fabricated metal tubing product line for the medical industry, which was divested during the first quarter of 2017, partially offset by higher demand for our welded carbon steel tubing products from the transportation industry.

Segment operating income for the six months ended June 30, 2017 decreased by $2.4 million, or 31.4%, to $5.3 million, as compared to $7.8 million for the same period of 2016. The decrease in operating income was principally driven by the lower sales volume, as compared to the same period of 2016.

Building Materials

For the three months ended June 30, 2017, the Building Materials segment net sales increased by $6.0 million, or 7.4%, to $87.4 million, as compared to $81.4 million for the second quarter of 2016, driven by increased demand from home centers for our FastenMaster products, as well as increased demand for our private label roofing products.

Segment operating income for the second quarter of 2017 increased by $2.8 million, or 24.6%, to $14.5 million, as compared to $11.6 million for the second quarter of 2016. The increase in operating income was driven by the higher sales volume, as compared to the second quarter of 2016, partially offset by higher manufacturing and materials costs, as well as increased SG&A associated with higher personnel costs. Operating income for the same period of 2016 was also unfavorably impacted by higher duties on masonry anchors imported from Asia.

For the six months ended June 30, 2017, the Building Materials segment net sales increased by $16.0 million, or 11.5%, to $155.7 million, as compared to $139.7 million for the same period of 2016, driven by increased demand from home centers and lumberyards for our FastenMaster products, as well as increased demand for our private label roofing products, as compared to the same period of 2016.

Segment operating income for the six months ended June 30, 2017 increased by $4.6 million, or 24.0%, to $23.5 million, as compared to $19.0 million for the same period of 2016, due to higher sales volume, partially offset by higher manufacturing and materials costs, as well as increased SG&A associated with higher personnel costs. Operating income for the same period of 2016 was also unfavorably impacted by higher duties on masonry anchors imported from Asia.

Performance Materials

For the three months ended June 30, 2017, the Performance Materials segment net sales decreased by $1.3 million, or 5.0%, to $24.9 million, as compared to $26.2 million for the second quarter of 2016, primarily due to the October 2016 divestiture of the equipment, inventories and certain customer information of JPS' former Slater, South Carolina operating facility and lower fiberglass fabric sales, partially offset by higher demand in its military and aerospace markets. The Slater divestiture was completed in order to focus the business on its more strategic markets.

Segment operating income for the second quarter of 2017 increased by $8.7 million to $1.4 million, as compared to an operating loss of $7.3 million for the second quarter of 2016. The higher operating income in the 2017 period was driven by improved gross profit margin resulting from consolidation efforts in connection with the Company's continued integration of JPS, as well as reflecting the impact of $7.9 million of non-cash asset impairment charges recorded in the second quarter of 2016 associated with the integration of JPS.

For the six months ended June 30, 2017, the Performance Materials segment net sales decreased by $0.7 million, or 1.4%, to $50.3 million, as compared to $51.0 million for the same period of 2016, primarily due to the October 2016 divestiture of the equipment, inventories and certain customer information of JPS' former Slater, South Carolina operating facility, partially offset by higher demand in its military and aerospace markets.

Segment operating income for the six months ended June 30, 2017 increased by $10.0 million, to $3.0 million, as compared to an operating loss of $7.0 million for the same period of 2016. The higher operating income in the 2017 period was driven by favorable product mix and improved gross profit margin resulting from consolidation efforts in connection with the Company's continued integration of JPS, as well as reflecting the impact of $7.9 million of non-cash asset impairment charges recorded in the second quarter of 2016 associated with the integration of JPS.

Electrical Products

For the three and six months ended June 30, 2017, the Electrical Products segment net sales were $61.5 million and $122.9 million, respectively, driven by medical, industrial, military and commercial aerospace product line sales. Excluding the impact of the EME acquisition, overall demand has been relatively flat. For the three and six months ended June 30, 2016, the Electrical Products segment net sales were $11.8 million, reflecting sales from the SLI acquisition date of June 1, 2016 to the end of the quarter.

Segment operating income for the three and six months ended June 30, 2017 were $6.4 million and $10.1 million, respectively. Gross margin and operating income were positively impacted by favorable product mix and effective cost control. Segment operating loss for the three and six months ended June 30, 2016 was $3.3 million, reflecting the period from the SLI acquisition date of June 1, 2016 to the end of the quarter. The operating loss during 2016 was driven by nonrecurring expenses associated with the acceleration of SLI's previously outstanding stock-based compensation awards, which became fully vested on the date of acquisition pursuant to the terms of the merger agreement, as well as due to the amortization of the fair value adjustment to acquisition-date inventories.

Kasco

For the three months ended June 30, 2017, the Kasco segment net sales were $15.1 million, which were flat as compared to the second quarter of 2016, as higher sales from its international operations were offset by its lower domestic route business.

Segment operating income for the second quarter of 2017 was $0.6 million, which was relatively flat as compared to the second quarter of 2016.

For the six months ended June 30, 2017, the Kasco segment net sales increased by $0.3 million, or 0.9%, to $30.1 million, as compared to $29.8 million for the same period in 2016, primarily due to higher sales from its international operations, partially offset by its lower domestic route business.

Segment operating income for the six months ended June 30, 2017 decreased by $0.3 million to $1.2 million, as compared to $1.5 million in the same period of 2016, driven by higher personnel costs.

Discussion of Consolidated Cash Flows

Comparison of the Six Months Ended June 30, 2017 and 2016

The following table provides a summary of the Company's consolidated cash flows for the six months ended June 30, 2017 and 2016:

	Six Months Ended June 30,	
(in thousands)	**2017**	**2016**
Net cash (used in) provided by operating activities	$ (2,969)	$ 14,656
Net cash used in investing activities	(8,481)	(165,420)
Net cash provided by financing activities	10,909	150,760
Net change for the period	$ (541)	$ (4)

Operating Activities

Operating cash flows for the six months ended June 30, 2017 were $17.6 million lower, as compared to the same period in 2016. Operating income for the six month-period in 2017 was $21.1 million higher, including a $8.0 million increase in non-cash depreciation and amortization expense during the 2017 period and non-cash asset impairment charges of $7.9 million during the 2016 period, offset by a $8.5 million increase in cash paid for income taxes, as compared to the same period in 2016. Inventories used $10.9 million during the six-month period in 2017, as compared to $3.6 million for the same period in 2016, due primarily to inventory build in the Building Materials and Electrical Products segments to support increased sales volume. Trade and other receivables used $28.8 million, as compared to $29.0 million used during the same period in 2016. Other current liabilities used $7.9 million during the six-month period in 2017, as compared to providing $12.8 million during the same period of 2016, primarily driven by timing of payments of trade payables, certain acquisition-related payments and higher pension plan contributions.

Investing Activities

Investing activities used $8.5 million of cash for the six months ended June 30, 2017 and $165.4 million during the same period in 2016. Investing activities for the six months ended June 30, 2017 included a $2.2 million reduction of the EME purchase price. Proceeds from divestitures of $2.0 million were related to the divestiture of the Company's Micro-Tube Fabricators, Inc. business. Investing activities for the six months ended June 30, 2016 included $157.0 million paid for the acquisition of SLI, net of cash acquired. Capital spending was $13.1 million in the 2017 period, as compared to $9.7 million in the 2016 period.

Financing Activities

For the six months ended June 30, 2017, the Company's financing activities provided $10.9 million of cash. Borrowings under the Company's revolving credit facilities increased by $6.9 million during the six months ended June 30, 2017. The Company also borrowed $5.4 million under its master lease agreement to finance continued equipment purchases for a steel heat-treat production line for the Building Materials segment. For the six months ended June 30, 2016, the Company's financing activities provided $150.8 million of cash. Borrowings under the Company's revolving credit facilities increased by $154.0 million during the six months ended June 30, 2016, primarily to finance the SLI acquisition.

Liquidity and Capital Resources

The Company's principal source of liquidity is its cash flows from operations. As of June 30, 2017, the Company's current assets totaled $296.6 million, its current liabilities totaled $124.8 million and its net working capital was $171.8 million, as compared to net working capital of $137.5 million as of December 31, 2016. The Company's debt is principally held by H&H Group, a wholly-owned subsidiary of HNH. HNH's subsidiaries borrow funds to finance capital expansion programs and for working capital needs. The terms of certain of those financing arrangements place restrictions on distributions of funds to HNH, the parent company, subject to certain exceptions including required pension payments to the WHX Corporation Pension Plan ("WHX Pension Plan") and the WHX Pension Plan II. The Company does not expect these restrictions to have an impact on its ability to meet its cash obligations. HNH's ongoing operating cash flow requirements consist primarily of arranging for the funding of the minimum requirements of the WHX Pension Plan and the WHX Pension Plan II and paying HNH's administrative costs. The Company expects to have required minimum contributions to the WHX Pension Plan of $18.5 million for the remainder of 2017, and $22.9 million, $34.3 million, $32.7 million, $29.8 million and $69.1 million in 2018, 2019, 2020, 2021 and for the five years thereafter, respectively. The Company does not currently expect to make any future minimum contributions for the WHX Pension Plan II. For JPS' pension plan, the Company expects to have required minimum contributions of $6.2 million for the remainder of 2017, and $6.7 million, $5.6 million, $3.3 million, $2.9 million and $11.5 million in 2018, 2019, 2020, 2021 and for the five years thereafter, respectively, which will be made by H&H Group. Required future pension contributions are estimated based upon assumptions such as discount rates on future obligations, assumed rates of return on plan assets and legislative changes. Actual future pension costs and required funding obligations will be affected by changes in the factors and assumptions described in the previous sentence, as well as other changes such as any plan termination or other acceleration events.

The Company believes it has access to adequate resources to meet its needs for normal operating costs, capital expenditures, mandatory debt redemptions and working capital for its existing business. These resources include cash and cash equivalents, cash provided by operating activities and unused lines of credit. The Company's senior credit agreement provides for an up to $400.0 million senior secured revolving credit facility. As of June 30, 2017, H&H Group's availability under its senior secured revolving credit facility was $66.1 million. During the year ended December 31, 2016, the Company entered into a master lease agreement, which establishes the general terms and conditions for a $10.0 million credit facility under which the Company may lease equipment and other property pursuant to the terms of individual lease schedules. As of June 30, 2017, $5.4 million was outstanding under the master lease agreement.

The Company's ability to satisfy its debt service obligations, to fund planned capital expenditures and required pension payments, and to make acquisitions will depend upon its future operating performance, which will be affected by prevailing economic conditions in the markets in which it operates, as well as financial, business and other factors, some of which are beyond its control. In addition, the Company's senior secured revolving credit facility is subject to certain mandatory prepayment provisions and restrictive and financial covenants. There can be no assurances that H&H Group will continue to have access to its lines of credit if its financial performance does not satisfy the financial covenants set forth in the financing agreements. If H&H Group does not meet certain of its financial covenants, and if it is unable to secure necessary waivers or other amendments from the respective lenders on terms acceptable to management, its ability to access available lines of credit could be limited, its debt obligations could be accelerated by the respective lenders and liquidity could be adversely affected.

The Company expects that its requirements to make cash payments for federal income taxes will increase significantly in 2017, as compared to 2016, as the Company utilized its remaining U.S. federal income tax net operating loss carryforwards ("NOLs") in 2016, excluding NOLs of approximately $37.8 million at December 31, 2016 resulting from the JPS acquisition, which are subject to certain annual limitations under the ownership change rules of Section 382 of the Internal Revenue Code.

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

Off-Balance Sheet Arrangements

It is not the Company's usual business practice to enter into off-balance sheet arrangements such as guarantees on loans and financial commitments, indemnification arrangements and retained interests in assets transferred to an unconsolidated entity for securitization purposes. Certain customers and suppliers of the Joining Materials segment choose to do business on a "pool" basis and furnish precious metal to HNH for return in fabricated form or for purchase from or return to the supplier. When the customer's precious metal is returned in fabricated form, the customer is charged a fabrication charge. The value of this customer metal is not included on the Company's consolidated balance sheets. As of June 30, 2017, customer metal in HNH's custody consisted of 139,747 ounces of silver, 513 ounces of gold and 1,391 ounces of palladium.

Cautionary Statement Regarding Forward-Looking Statements

When used in Management's Discussion and Analysis of Financial Condition and Results of Operations, the words "anticipate," "estimate" and similar expressions are intended to identify forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended (the "Exchange Act"), which are intended to be covered by the safe harbors created thereby. Investors are cautioned that all forward-looking statements involve risks and uncertainty, including without limitation, general economic conditions, the ability of the Company to develop markets and sell its products and the effects of competition and pricing. Although the Company believes that the assumptions underlying the forward-looking statements are reasonable, any of the assumptions could be inaccurate, and therefore, there can be no assurance that the forward-looking statements included herein will prove to be accurate.

Item 4. - Controls and Procedures

Disclosure Controls and Procedures

As required by Rule 13a-15(b) under the Exchange Act, the Company conducted an evaluation under the supervision and with the participation of its management, including the Principal Executive Officer and the Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, the Principal Executive Officer and the Chief Financial Officer concluded that as of June 30, 2017, the Company's disclosure controls and procedures are effective in ensuring that all information required to be disclosed in reports that it files or submits under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commission rules and forms and that such information is accumulated and communicated to company management, including the Principal Executive Officer and the Chief Financial Officer, in a manner that allows timely decisions regarding required disclosure.

The Company completed the acquisitions of SLI and EME on June 1, 2016, and September 30, 2016, respectively. Our management excluded the operations of both companies from our evaluation of, and conclusion on, the effectiveness of our internal control over financial reporting as of December 31, 2016. These businesses represent approximately 33.1% of our total assets as of June 30, 2017, and approximately 25.0% of net sales for the six months then ended. Our management will fully integrate the operations of SLI and EME into its assessment of the effectiveness of our internal control over financial reporting in 2017.

Changes in Internal Control over Financial Reporting

No change in internal control over financial reporting occurred during the quarter ended June 30, 2017 that has materially affected, or is reasonably likely to materially affect, the Company's internal control over financial reporting, except for the changes in internal control over financial reporting associated with integrating the acquisitions of SLI and EME.

PART II - OTHER INFORMATION

Item 1. - Legal Proceedings

Information in this Item 1 is incorporated by reference to Part I, Notes to Consolidated Financial Statements (Unaudited), Note 17 - "Commitments and Contingencies," of this report.

Item 1A. - Risk Factors

In addition to the information set forth below and elsewhere in this Form 10-Q, you should carefully consider the factors discussed under "Cautionary Statement Regarding Forward-Looking Statements" above and under "Risk Factors" in our annual report on Form 10-K for the year ended December 31, 2016, and those risk factors set forth below. These risks could materially and adversely affect our business, financial condition and results of operations. These enumerated risks are not the only risks we face. Our operations could also be affected by additional factors that are not presently known to us or by factors that we currently consider immaterial to our business.

On June 26, 2017, the Company entered into an Agreement and Plan of Merger ("Merger Agreement") with Steel Partners Holdings L.P ("SPLP") and Handy Acquisition Co., a wholly-owned subsidiary of SPLP ("Merger Sub"), pursuant to which, among other things, SPLP and Merger Sub will make an offer ("Offer") to exchange, for each outstanding share of HNH common stock not already owned by SPLP or any entity that is an affiliate of SPLP, 1.484 6.0% Series A preferred units, no par value ("SPLP Preferred Units"), of SPLP. SPLP beneficially owns approximately 70.0% of HNH's outstanding shares. Consummation of the Offer is subject to customary conditions, including the tender of a number of shares of HNH's common stock that constitutes at least (1) a majority of HNH's outstanding shares and (2) a majority of HNH's outstanding shares not owned by SPLP or any of its affiliates, as well as other customary conditions. No assurances can be given that the transactions contemplated by the Merger Agreement will be completed or that the conditions to the Offer will be satisfied. The Company may be subject to material risks related to the proposed transaction, including the following:

- The Offer is subject to conditions that the Company, SPLP and Merger Sub cannot control, including the conditions described above;
- Under the Merger Agreement, the Company is subject to certain restrictions on the conduct of its business, which may affect its ability to execute certain of its business strategies;
- The Merger Agreement limits HNH's ability to pursue alternative transactions, and in certain instances requires payment of a termination fee and reimbursement of expenses to SPLP;
- Under the Merger Agreement, HNH stockholders will receive a fixed number of SPLP Preferred Units for each of their shares of HNH common stock. Accordingly, the market value of the transaction consideration that HNH stockholders will receive will vary based on the price of the SPLP Preferred Units at the time the transaction consideration is received;
- HNH will incur substantial expenses in connection with the transaction; and
- Management's focus and resources may be diverted from day-to-day operations to matters relating to the transaction, which could adversely affect the Company's business.

Item 2. - Unregistered Sales of Equity Securities and Use of Proceeds

2(c) - Issuer Purchases of Equity Securities

On April 28, 2016, the Company's Board of Directors approved the repurchase of up to an aggregate of 500,000 shares of the Company's common stock. Any such repurchases will be made from time to time on the open market at prevailing market prices or in negotiated transactions off the market, in compliance with applicable laws and regulations. The repurchase program is expected to continue unless and until revoked by the Board of Directors.

There were no repurchases of common stock or shares foregone for income tax obligations attributable to the vesting of restricted stock during the three months ended June 30, 2017. The maximum number of shares that may yet be purchased under the share repurchase plan described above is 484,981.

Item 6. - Exhibits

Exhibit 2.1 Agreement and Plan of Merger, dated as of June 26, 2017, by and among Steel Partners Holdings L.P., Handy Acquisition Co. and Handy & Harman Ltd. (incorporated by reference to Exhibit 2.1 to the Company's Current Report on Form 8-K filed June 26, 2017)

Exhibit 31.1 Certification of Principal Executive Officer pursuant to Rule 13a-15(f) or 15d-15(f) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. [(1)]

Exhibit 31.2 Certification of Chief Financial Officer pursuant to Rule 13a-15(f) or 15d-15(f) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. [(1)]

Exhibit 32 Certification of Principal Executive Officer and Chief Financial Officer pursuant to Rule 13a-14(b) or 15d-14(b) of the Securities Exchange Act of 1934, as amended, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 and Section 1350 of Chapter 63 of Title 18 of United States Code. [(1)]

Exhibit 101.INS XBRL Instance Document [(1)]

Exhibit 101.SCH XBRL Taxonomy Extension Schema [(1)]

Exhibit 101.CAL XBRL Taxonomy Extension Calculation Linkbase [(1)]

Exhibit 101.DEF XBRL Taxonomy Extension Definition Linkbase [(1)]

Exhibit 101.LAB XBRL Taxonomy Extension Label Linkbase [(1)]

Exhibit 101.PRE XBRL Taxonomy Extension Presentation Linkbase [(1)]

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(1) Filed herewith.

SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

HANDY & HARMAN LTD.

/s/ Douglas B. Woodworth

Douglas B. Woodworth
Senior Vice President and Chief Financial Officer
(Principal Accounting Officer)

August 8, 2017

Exhibit 31.1

CERTIFICATION OF PRINCIPAL EXECUTIVE OFFICER

CERTIFICATION

I, Jack L. Howard, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2017 (the "report") of Handy & Harman Ltd;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

    a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

    b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

    c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

    d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

    a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

    b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ Jack L. Howard

Jack L. Howard
Principal Executive Officer

Exhibit 31.2

CERTIFICATION OF CHIEF FINANCIAL OFFICER

CERTIFICATION

I, Douglas B. Woodworth, certify that:

1. I have reviewed this Form 10-Q for the quarter ended June 30, 2017 (the "report") of Handy & Harman Ltd;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the Registrant as of, and for, the periods presented in this report;

4. The Registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the Registrant and have:

   a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the Registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;

   c) Evaluated the effectiveness of the Registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   d) Disclosed in this report any change in the Registrant's internal control over financial reporting that occurred during the Registrant's most recent fiscal quarter (the Registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the Registrant's internal control over financial reporting; and

5. The Registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the Registrant's auditors and the audit committee of the Registrant's board of directors (or persons performing the equivalent functions):

   a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the Registrant's ability to record, process, summarize and report financial information; and

   b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the Registrant's internal control over financial reporting.

Date: August 8, 2017

/s/ Douglas B. Woodworth

Douglas B. Woodworth
Chief Financial Officer

Exhibit 32

Section 1350 Certification

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
(subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code)

Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (subsections (a) and (b) of Section 1350, Chapter 63 of Title 18, United States Code), each of the undersigned officers of Handy & Harman Ltd., a Delaware corporation (the "Corporation"), does hereby certify that:

The Quarterly Report on Form 10-Q for the three months ended June 30, 2017 (the "Form 10-Q") of the Corporation fully complies with the requirements of Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended, and information contained in the Form 10-Q fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: August 8, 2017

/s/ Jack L. Howard

Jack L. Howard
Principal Executive Officer

Date: August 8, 2017

/s/ Douglas B. Woodworth

Douglas B. Woodworth
Chief Financial Officer

The foregoing certification is being furnished solely pursuant to 18 U.S.C. Section 1350 and is not being filed as part of the Report or as a separate disclosure document.