

<b>Form 5500</b> Department of the Treasury Internal Revenue Service  Department of Labor Employee Benefits Security Administration  Pension Benefit Guaranty Corporation	<b>Annual Return/Report of Employee Benefit Plan</b> This form is required to be filed for employee benefit plans under sections 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and sections 6047(e), 6057(b), and 6058(a) of the Internal Revenue Code (the Code).  <p style="text-align: center;">▶ <b>Complete all entries in accordance with the instructions to the Form 5500.</b></p>	OMB Nos. 1210-0110 1210-0089  <div style="text-align: center; font-size: 1.5em; font-weight: bold;">2015</div>  <b>This Form is Open to Public Inspection</b>
---	---	--

<b>Part I</b>	<b>Annual Report Identification Information</b>
For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>	
<b>A</b> This return/report is for:	<input type="checkbox"/> a multiemployer plan; <input type="checkbox"/> a multiple-employer plan (Filers checking this box must attach a list of participating employer information in accordance with the form instructions); or <input checked="" type="checkbox"/> a single-employer plan; <input type="checkbox"/> a DFE (specify) _____
<b>B</b> This return/report is:	<input type="checkbox"/> the first return/report; <input type="checkbox"/> the final return/report; <input checked="" type="checkbox"/> an amended return/report; <input type="checkbox"/> a short plan year return/report (less than 12 months).
<b>C</b> If the plan is a collectively-bargained plan, check here. ....	<input type="checkbox"/>
<b>D</b> Check box if filing under:	<input type="checkbox"/> Form 5558; <input type="checkbox"/> automatic extension; <input type="checkbox"/> the DFVC program; <input checked="" type="checkbox"/> special extension (enter description) <u>29 CFR 2560.501C-2(B) (3)</u>

<b>Part II</b>	<b>Basic Plan Information</b> —enter all requested information		
<b>1a</b> Name of plan	<u>SCHWEITZER ENGINEERING LABORATORIES, INC. ESOP</u>	<b>1b</b> Three-digit plan number (PN) ▶	<u>001</u>
		<b>1c</b> Effective date of plan	<u>01/01/1994</u>
<b>2a</b> Plan sponsor's name (employer, if for a single-employer plan) Mailing address (include room, apt., suite no. and street, or P.O. Box) City or town, state or province, country, and ZIP or foreign postal code (if foreign, see instructions)		<b>2b</b> Employer Identification Number (EIN)	<u>91-1196408</u>
<u>SCHWEITZER ENGINEERING LABORATORIES, INC</u>		<b>2c</b> Plan Sponsor's telephone number	<u>509-332-1890</u>
<u>2350 NE HOPKINS COURT</u> <u>PULLMAN, WA 99163-5603</u>	<u>2350 NE HOPKINS COURT</u> <u>PULLMAN, WA 99163-5603</u>	<b>2d</b> Business code (see instructions)	<u>335310</u>

**Caution: A penalty for the late or incomplete filing of this return/report will be assessed unless reasonable cause is established.**

Under penalties of perjury and other penalties set forth in the instructions, I declare that I have examined this return/report, including accompanying schedules, statements and attachments, as well as the electronic version of this return/report, and to the best of my knowledge and belief, it is true, correct, and complete.

<b>SIGN HERE</b>	Filed with authorized/valid electronic signature.	11/09/2016	JOSEPH NESTEGARD
	Signature of plan administrator	Date	Enter name of individual signing as plan administrator
<b>SIGN HERE</b>	Filed with authorized/valid electronic signature.	11/09/2016	JOSEPH NESTEGARD
	Signature of employer/plan sponsor	Date	Enter name of individual signing as employer or plan sponsor
<b>SIGN HERE</b>			
	Signature of DFE	Date	Enter name of individual signing as DFE
Preparer's name (including firm name, if applicable) and address (include room or suite number)			Preparer's telephone number

<b>3a</b> Plan administrator's name and address <input checked="" type="checkbox"/> Same as Plan Sponsor	<b>3b</b> Administrator's EIN  <b>3c</b> Administrator's telephone number  <div style="background-color: #cccccc; height: 40px; width: 100%;"></div>
<b>4</b> If the name and/or EIN of the plan sponsor has changed since the last return/report filed for this plan, enter the name, EIN and the plan number from the last return/report: <b>a</b> Sponsor's name	<b>4b</b> EIN  <b>4c</b> PN
<b>5</b> Total number of participants at the beginning of the plan year	<b>5</b> 1558
<b>6</b> Number of participants as of the end of the plan year unless otherwise stated (welfare plans complete only lines <b>6a(1)</b> , <b>6a(2)</b> , <b>6b</b> , <b>6c</b> , and <b>6d</b> ).	
<b>a(1)</b> Total number of active participants at the beginning of the plan year.....	<b>6a(1)</b> 1444
<b>a(2)</b> Total number of active participants at the end of the plan year .....	<b>6a(2)</b> 1596
<b>b</b> Retired or separated participants receiving benefits.....	<b>6b</b> 32
<b>c</b> Other retired or separated participants entitled to future benefits.....	<b>6c</b> 110
<b>d</b> Subtotal. Add lines <b>6a(2)</b> , <b>6b</b> , and <b>6c</b> .....	<b>6d</b> 1738
<b>e</b> Deceased participants whose beneficiaries are receiving or are entitled to receive benefits.....	<b>6e</b> 1
<b>f</b> Total. Add lines <b>6d</b> and <b>6e</b> .....	<b>6f</b> 1739
<b>g</b> Number of participants with account balances as of the end of the plan year (only defined contribution plans complete this item).....	<b>6g</b> 1725
<b>h</b> Number of participants that terminated employment during the plan year with accrued benefits that were less than 100% vested .....	<b>6h</b> 58
<b>7</b> Enter the total number of employers obligated to contribute to the plan (only multiemployer plans complete this item) .....	<b>7</b>
<b>8a</b> If the plan provides pension benefits, enter the applicable pension feature codes from the List of Plan Characteristics Codes in the instructions: 2I 2C 2P 2Q 3H 3I	
<b>b</b> If the plan provides welfare benefits, enter the applicable welfare feature codes from the List of Plan Characteristics Codes in the instructions:	
<b>9a</b> Plan funding arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor	<b>9b</b> Plan benefit arrangement (check all that apply) (1) <input type="checkbox"/> Insurance (2) <input type="checkbox"/> Code section 412(e)(3) insurance contracts (3) <input checked="" type="checkbox"/> Trust (4) <input type="checkbox"/> General assets of the sponsor
<b>10</b> Check all applicable boxes in 10a and 10b to indicate which schedules are attached, and, where indicated, enter the number attached. (See instructions)	
<b>a Pension Schedules</b> (1) <input checked="" type="checkbox"/> <b>R</b> (Retirement Plan Information)  (2) <input type="checkbox"/> <b>MB</b> (Multiemployer Defined Benefit Plan and Certain Money Purchase Plan Actuarial Information) - signed by the plan actuary  (3) <input type="checkbox"/> <b>SB</b> (Single-Employer Defined Benefit Plan Actuarial Information) - signed by the plan actuary	<b>b General Schedules</b> (1) <input checked="" type="checkbox"/> <b>H</b> (Financial Information) (2) <input type="checkbox"/> <b>I</b> (Financial Information – Small Plan) (3) <input type="checkbox"/> <b>A</b> (Insurance Information) (4) <input type="checkbox"/> <b>C</b> (Service Provider Information) (5) <input type="checkbox"/> <b>D</b> (DFE/Participating Plan Information) (6) <input type="checkbox"/> <b>G</b> (Financial Transaction Schedules)

---

<b>Part III</b>	<b>Form M-1 Compliance Information (to be completed by welfare benefit plans)</b>
-----------------	---

---

**11a** If the plan provides welfare benefits, was the plan subject to the Form M-1 filing requirements during the plan year? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

If "Yes" is checked, complete lines 11b and 11c.

---

**11b** Is the plan currently in compliance with the Form M-1 filing requirements? (See instructions and 29 CFR 2520.101-2.) ..... ☐ Yes ☐ No

---

**11c** Enter the Receipt Confirmation Code for the 2015 Form M-1 annual report. If the plan was not required to file the 2015 Form M-1 annual report, enter the Receipt Confirmation Code for the most recent Form M-1 that was required to be filed under the Form M-1 filing requirements. (Failure to enter a valid Receipt Confirmation Code will subject the Form 5500 filing to rejection as incomplete.)

Receipt Confirmation Code \_\_\_\_\_

---

<b>SCHEDULE H</b> <b>(Form 5500)</b>  <small>Department of the Treasury Internal Revenue Service</small>  <small>Department of Labor Employee Benefits Security Administration</small>  <small>Pension Benefit Guaranty Corporation</small>	<b>Financial Information</b>  This schedule is required to be filed under section 104 of the Employee Retirement Income Security Act of 1974 (ERISA), and section 6058(a) of the Internal Revenue Code (the Code).  <b>► File as an attachment to Form 5500.</b>	<small>OMB No. 1210-0110</small>  <b>2015</b>  <b>This Form is Open to Public Inspection</b>
For calendar plan year 2015 or fiscal plan year beginning <u>01/01/2011</u> and ending <u>12/31/2011</u>		
<b>A</b> Name of plan <u>SCHWEITZER ENGINEERING LABORATORIES, INC. ESOP</u>		<b>B</b> Three-digit plan number (PN) <u>001</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>SCHWEITZER ENGINEERING LABORATORIES, INC</u>		<b>D</b> Employer Identification Number (EIN) <u>91-1196408</u>

Part I Asset and Liability Statement			
<b>1</b> Current value of plan assets and liabilities at the beginning and end of the plan year. Combine the value of plan assets held in more than one trust. Report the value of the plan's interest in a commingled fund containing the assets of more than one plan on a line-by-line basis unless the value is reportable on lines 1c(9) through 1c(14). Do not enter the value of that portion of an insurance contract which guarantees, during this plan year, to pay a specific dollar benefit at a future date. <b>Round off amounts to the nearest dollar.</b> MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 1b(1), 1b(2), 1c(8), 1g, 1h, and 1i. CCTs, PSAs, and 103-12 IEs also do not complete lines 1d and 1e. See instructions.			
Assets		(a) Beginning of Year	(b) End of Year
<b>a</b> Total noninterest-bearing cash .....	<b>1a</b>		
<b>b</b> Receivables (less allowance for doubtful accounts):			
<b>(1)</b> Employer contributions .....	<b>1b(1)</b>	17300455	18515739
<b>(2)</b> Participant contributions .....	<b>1b(2)</b>		
<b>(3)</b> Other.....	<b>1b(3)</b>		
<b>c</b> General investments:			
<b>(1)</b> Interest-bearing cash (include money market accounts & certificates of deposit) .....	<b>1c(1)</b>		
<b>(2)</b> U.S. Government securities.....	<b>1c(2)</b>		
<b>(3)</b> Corporate debt instruments (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(3)(A)</b>		
<b>(B)</b> All other.....	<b>1c(3)(B)</b>		
<b>(4)</b> Corporate stocks (other than employer securities):			
<b>(A)</b> Preferred .....	<b>1c(4)(A)</b>		
<b>(B)</b> Common .....	<b>1c(4)(B)</b>		
<b>(5)</b> Partnership/joint venture interests .....	<b>1c(5)</b>		
<b>(6)</b> Real estate (other than employer real property) .....	<b>1c(6)</b>		
<b>(7)</b> Loans (other than to participants) .....	<b>1c(7)</b>		
<b>(8)</b> Participant loans .....	<b>1c(8)</b>		
<b>(9)</b> Value of interest in common/collective trusts.....	<b>1c(9)</b>		
<b>(10)</b> Value of interest in pooled separate accounts.....	<b>1c(10)</b>		
<b>(11)</b> Value of interest in master trust investment accounts .....	<b>1c(11)</b>		
<b>(12)</b> Value of interest in 103-12 investment entities .....	<b>1c(12)</b>		
<b>(13)</b> Value of interest in registered investment companies (e.g., mutual funds).....	<b>1c(13)</b>		
<b>(14)</b> Value of funds held in insurance company general account (unallocated contracts).....	<b>1c(14)</b>		
<b>(15)</b> Other .....	<b>1c(15)</b>		

**1d** Employer-related investments:

		(a) Beginning of Year	(b) End of Year
(1) Employer securities .....	<b>1d(1)</b>	340127040	427403040
(2) Employer real property .....	<b>1d(2)</b>		
<b>e</b> Buildings and other property used in plan operation .....	<b>1e</b>		
<b>f</b> Total assets (add all amounts in lines 1a through 1e) .....	<b>1f</b>	357427495	445918779

**Liabilities**

<b>g</b> Benefit claims payable .....	<b>1g</b>		
<b>h</b> Operating payables .....	<b>1h</b>	6107192	6862190
<b>i</b> Acquisition indebtedness .....	<b>1i</b>	239255421	228062158
<b>j</b> Other liabilities .....	<b>1j</b>		
<b>k</b> Total liabilities (add all amounts in lines 1g through 1j) .....	<b>1k</b>	245362613	234924348

**Net Assets**

<b>l</b> Net assets (subtract line 1k from line 1f) .....	<b>1l</b>	112064882	210994431
---	-----------	-----------	-----------

**Part II Income and Expense Statement**

**2** Plan income, expenses, and changes in net assets for the year. Include all income and expenses of the plan, including any trust(s) or separately maintained fund(s) and any payments/receipts to/from insurance carriers. Round off amounts to the nearest dollar. MTIAs, CCTs, PSAs, and 103-12 IEs do not complete lines 2a, 2b(1)(E), 2e, 2f, and 2g.

**Income**

		(a) Amount	(b) Total
<b>a Contributions:</b>			
(1) Received or receivable in cash from: <b>(A)</b> Employers .....	<b>2a(1)(A)</b>	21696803	
<b>(B)</b> Participants .....	<b>2a(1)(B)</b>		
<b>(C)</b> Others (including rollovers) .....	<b>2a(1)(C)</b>		
(2) Noncash contributions .....	<b>2a(2)</b>		
(3) Total contributions. Add lines <b>2a(1)(A)</b> , <b>(B)</b> , <b>(C)</b> , and line <b>2a(2)</b> .....	<b>2a(3)</b>		21696803
<b>b Earnings on investments:</b>			
(1) Interest:			
<b>(A)</b> Interest-bearing cash (including money market accounts and certificates of deposit) .....	<b>2b(1)(A)</b>		
<b>(B)</b> U.S. Government securities .....	<b>2b(1)(B)</b>		
<b>(C)</b> Corporate debt instruments .....	<b>2b(1)(C)</b>		
<b>(D)</b> Loans (other than to participants) .....	<b>2b(1)(D)</b>		
<b>(E)</b> Participant loans .....	<b>2b(1)(E)</b>		
<b>(F)</b> Other .....	<b>2b(1)(F)</b>		
(G) Total interest. Add lines <b>2b(1)(A)</b> through <b>(F)</b> .....	<b>2b(1)(G)</b>		0
(2) Dividends: <b>(A)</b> Preferred stock .....	<b>2b(2)(A)</b>		
<b>(B)</b> Common stock .....	<b>2b(2)(B)</b>		
<b>(C)</b> Registered investment company shares (e.g. mutual funds) .....	<b>2b(2)(C)</b>		
(D) Total dividends. Add lines <b>2b(2)(A)</b> , <b>(B)</b> , and <b>(C)</b> .....	<b>2b(2)(D)</b>		0
(3) Rents .....	<b>2b(3)</b>		
(4) Net gain (loss) on sale of assets: <b>(A)</b> Aggregate proceeds .....	<b>2b(4)(A)</b>		
<b>(B)</b> Aggregate carrying amount (see instructions) .....	<b>2b(4)(B)</b>		
<b>(C)</b> Subtract line <b>2b(4)(B)</b> from line <b>2b(4)(A)</b> and enter result .....	<b>2b(4)(C)</b>		0
(5) Unrealized appreciation (depreciation) of assets: <b>(A)</b> Real estate .....	<b>2b(5)(A)</b>		
<b>(B)</b> Other .....	<b>2b(5)(B)</b>	87276000	
(C) Total unrealized appreciation of assets. Add lines <b>2b(5)(A)</b> and <b>(B)</b> .....	<b>2b(5)(C)</b>		87276000

		(a) Amount	(b) Total
(6) Net investment gain (loss) from common/collective trusts .....	2b(6)		
(7) Net investment gain (loss) from pooled separate accounts .....	2b(7)		
(8) Net investment gain (loss) from master trust investment accounts .....	2b(8)		
(9) Net investment gain (loss) from 103-12 investment entities .....	2b(9)		
(10) Net investment gain (loss) from registered investment companies (e.g., mutual funds) .....	2b(10)		
c Other income .....	2c		
d Total income. Add all <b>income</b> amounts in column (b) and enter total .....	2d		108972803

**Expenses**

e Benefit payment and payments to provide benefits:			
(1) Directly to participants or beneficiaries, including direct rollovers .....	2e(1)	3181064	
(2) To insurance carriers for the provision of benefits .....	2e(2)		
(3) Other .....	2e(3)		
(4) Total benefit payments. Add lines 2e(1) through (3) .....	2e(4)		3181064
f Corrective distributions (see instructions) .....	2f		
g Certain deemed distributions of participant loans (see instructions) .....	2g		
h Interest expense .....	2h		6862190
i Administrative expenses: (1) Professional fees .....	2i(1)		
(2) Contract administrator fees .....	2i(2)		
(3) Investment advisory and management fees .....	2i(3)		
(4) Other .....	2i(4)		
(5) Total administrative expenses. Add lines 2i(1) through (4) .....	2i(5)		0
j Total expenses. Add all <b>expense</b> amounts in column (b) and enter total .....	2j		10043254

**Net Income and Reconciliation**

k Net income (loss). Subtract line 2j from line 2d .....	2k		98929549
l Transfers of assets:			
(1) To this plan .....	2l(1)		
(2) From this plan .....	2l(2)		

**Part III Accountant's Opinion**

**3** Complete lines 3a through 3c if the opinion of an independent qualified public accountant is attached to this Form 5500. Complete line 3d if an opinion is not attached.

**a** The attached opinion of an independent qualified public accountant for this plan is (see instructions):

(1) ☒ Unqualified (2) ☐ Qualified (3) ☐ Disclaimer (4) ☐ Adverse

**b** Did the accountant perform a limited scope audit pursuant to 29 CFR 2520.103-8 and/or 103-12(d)?

☐ Yes ☒ No

**c** Enter the name and EIN of the accountant (or accounting firm) below:

(1) Name: MCGLADREY LLP

(2) EIN: 42-0714325

**d** The opinion of an independent qualified public accountant is **not attached** because:

(1) ☐ This form is filed for a CCT, PSA, or MTIA. (2) ☐ It will be attached to the next Form 5500 pursuant to 29 CFR 2520.104-50.

**Part IV Compliance Questions**

**4** CCTs and PSAs do not complete Part IV. MTIAs, 103-12 IEs, and GIAs do not complete lines 4a, 4e, 4f, 4g, 4h, 4k, 4m, 4n, or 5. 103-12 IEs also do not complete lines 4j and 4l. MTIAs also do not complete line 4l.

During the plan year:

	Yes	No	N/A	Amount
<b>a</b> Was there a failure to transmit to the plan any participant contributions within the time period described in 29 CFR 2510.3-102? Continue to answer "Yes" for any prior year failures until fully corrected. (See instructions and DOL's Voluntary Fiduciary Correction Program.) .....		<input checked="" type="checkbox"/>		
<b>b</b> Were any loans by the plan or fixed income obligations due the plan in default as of the close of the plan year or classified during the year as uncollectible? Disregard participant loans secured by participant's account balance. (Attach Schedule G (Form 5500) Part I if "Yes" is checked.) .....		<input checked="" type="checkbox"/>		

	Yes	No	N/A	Amount
<b>c</b> Were any leases to which the plan was a party in default or classified during the year as uncollectible? (Attach Schedule G (Form 5500) Part II if "Yes" is checked.)		X		
<b>d</b> Were there any nonexempt transactions with any party-in-interest? (Do not include transactions reported on line 4a. Attach Schedule G (Form 5500) Part III if "Yes" is checked.)		X		
<b>e</b> Was this plan covered by a fidelity bond?	X			1000000
<b>f</b> Did the plan have a loss, whether or not reimbursed by the plan's fidelity bond, that was caused by fraud or dishonesty?		X		
<b>g</b> Did the plan hold any assets whose current value was neither readily determinable on an established market nor set by an independent third party appraiser?		X		
<b>h</b> Did the plan receive any noncash contributions whose value was neither readily determinable on an established market nor set by an independent third party appraiser?		X		
<b>i</b> Did the plan have assets held for investment? (Attach schedule(s) of assets if "Yes" is checked, and see instructions for format requirements.)	X			
<b>j</b> Were any plan transactions or series of transactions in excess of 5% of the current value of plan assets? (Attach schedule of transactions if "Yes" is checked, and see instructions for format requirements.)		X		
<b>k</b> Were all the plan assets either distributed to participants or beneficiaries, transferred to another plan, or brought under the control of the PBGC?		X		
<b>l</b> Has the plan failed to provide any benefit when due under the plan?		X		
<b>m</b> If this is an individual account plan, was there a blackout period? (See instructions and 29 CFR 2520.101-3.)		X		
<b>n</b> If 4m was answered "Yes," check the "Yes" box if you either provided the required notice or one of the exceptions to providing the notice applied under 29 CFR 2520.101-3.				
<b>o</b> Did the plan trust incur unrelated business taxable income?				
<b>p</b> Were in-service distributions made during the plan year?				

**5a** Has a resolution to terminate the plan been adopted during the plan year or any prior plan year?

If "Yes," enter the amount of any plan assets that reverted to the employer this year. ☐ Yes ☒ No Amount:

**5b** If, during this plan year, any assets or liabilities were transferred from this plan to another plan(s), identify the plan(s) to which assets or liabilities were transferred. (See instructions.)

5b(1) Name of plan(s)	5b(2) EIN(s)	5b(3) PN(s)

**5c** If the plan is a defined benefit plan, is it covered under the PBGC insurance program (see ERISA section 4021)? .... ☐ Yes ☐ No ☐ Not determined

## Part V Trust Information

<b>6a</b> Name of trust	<b>6b</b> Trust's EIN
<b>6c</b> Name of trustee or custodian	<b>6d</b> Trustee's or custodian's telephone number

<b>SCHEDULE R</b> <b>(Form 5500)</b>  Department of the Treasury Internal Revenue Service  Department of Labor Employee Benefits Security Administration  Pension Benefit Guaranty Corporation	<b>Retirement Plan Information</b>  This schedule is required to be filed under section 104 and 4065 of the Employee Retirement Income Security Act of 1974 (ERISA) and section 6058(a) of the Internal Revenue Code (the Code).  ▶ <b>File as an attachment to Form 5500.</b>	OMB No. 1210-0110  <b>2015</b>  <b>This Form is Open to Public Inspection.</b>
---	--	--

For calendar plan year 2015 or fiscal plan year beginning 01/01/2011 and ending 12/31/2011

<b>A</b> Name of plan <u>SCHWEITZER ENGINEERING LABORATORIES, INC. ESOP</u>	<b>B</b> Three-digit plan number (PN) ▶ <u>001</u>
<b>C</b> Plan sponsor's name as shown on line 2a of Form 5500 <u>SCHWEITZER ENGINEERING LABORATORIES, INC</u>	<b>D</b> Employer Identification Number (EIN) <u>91-1196408</u>

<b>Part I</b>	<b>Distributions</b>
---------------	----------------------

All references to distributions relate only to payments of benefits during the plan year.

<b>1</b> Total value of distributions paid in property other than in cash or the forms of property specified in the instructions.....	<b>1</b>	
<b>2</b> Enter the EIN(s) of payor(s) who paid benefits on behalf of the plan to participants or beneficiaries during the year (if more than two, enter EINs of the two payors who paid the greatest dollar amounts of benefits):  EIN(s): <u>36-3994756</u>		
Profit-sharing plans, ESOPs, and stock bonus plans, skip line 3.		
<b>3</b> Number of participants (living or deceased) whose benefits were distributed in a single sum, during the plan year.....	<b>3</b>	

<b>Part II</b>	<b>Funding Information</b> (If the plan is not subject to the minimum funding requirements of section 412 of the Internal Revenue Code or ERISA section 302, skip this Part)
----------------	--

<b>4</b> Is the plan administrator making an election under Code section 412(d)(2) or ERISA section 302(d)(2)? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
If the plan is a defined benefit plan, go to line 8.			
<b>5</b> If a waiver of the minimum funding standard for a prior year is being amortized in this plan year, see instructions and enter the date of the ruling letter granting the waiver. Date: Month _____ Day _____ Year _____	If you completed line 5, complete lines 3, 9, and 10 of Schedule MB and do not complete the remainder of this schedule.		
<b>6 a</b> Enter the minimum required contribution for this plan year (include any prior year accumulated funding deficiency not waived) .....	<b>6a</b>	<u>4944871</u>	
<b>b</b> Enter the amount contributed by the employer to the plan for this plan year .....	<b>6b</b>	<u>21696803</u>	
<b>c</b> Subtract the amount in line 6b from the amount in line 6a. Enter the result (enter a minus sign to the left of a negative amount).....	<b>6c</b>	<u>-16751932</u>	
If you completed line 6c, skip lines 8 and 9.			
<b>7</b> Will the minimum funding amount reported on line 6c be met by the funding deadline? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input checked="" type="checkbox"/> N/A
<b>8</b> If a change in actuarial cost method was made for this plan year pursuant to a revenue procedure or other authority providing automatic approval for the change or a class ruling letter, does the plan sponsor or plan administrator agree with the change? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No	<input type="checkbox"/> N/A

<b>Part III</b>	<b>Amendments</b>
-----------------	-------------------

<b>9</b> If this is a defined benefit pension plan, were any amendments adopted during this plan year that increased or decreased the value of benefits? If yes, check the appropriate box. If no, check the "No" box. ....	<input type="checkbox"/> Increase	<input type="checkbox"/> Decrease	<input type="checkbox"/> Both	<input type="checkbox"/> No
---	-----------------------------------	-----------------------------------	-------------------------------	-----------------------------

<b>Part IV</b>	<b>ESOPs</b> (see instructions). If this is not a plan described under Section 409(a) or 4975(e)(7) of the Internal Revenue Code, skip this Part.
----------------	---

<b>10</b> Were unallocated employer securities or proceeds from the sale of unallocated securities used to repay any exempt loan? .....	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<b>11 a</b> Does the ESOP hold any preferred stock? .....	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<b>b</b> If the ESOP has an outstanding exempt loan with the employer as lender, is such loan part of a "back-to-back" loan? (See instructions for definition of "back-to-back" loan.) .....	<input type="checkbox"/> Yes	<input checked="" type="checkbox"/> No
<b>12</b> Does the ESOP hold any stock that is not readily tradable on an established securities market? .....	<input checked="" type="checkbox"/> Yes	<input type="checkbox"/> No

For Paperwork Reduction Act Notice and OMB Control Numbers, see the instructions for Form 5500.

Schedule R (Form 5500) 2015  
v. 150123



**Part V Additional Information for Multiemployer Defined Benefit Pension Plans**

**13** Enter the following information for each employer that contributed more than 5% of total contributions to the plan during the plan year (measured in dollars). See instructions. *Complete as many entries as needed to report all applicable employers.*

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**a** Name of contributing employer

**b** EIN

**c** Dollar amount contributed by employer

**d** Date collective bargaining agreement expires (If employer contributes under more than one collective bargaining agreement, check box ☐ and see instructions regarding required attachment. Otherwise, enter the applicable date.) Month \_\_\_\_\_ Day \_\_\_\_\_ Year \_\_\_\_\_

**e** Contribution rate information (If more than one rate applies, check this box ☐ and see instructions regarding required attachment. Otherwise, complete lines 13e(1) and 13e(2).)

(1) Contribution rate (in dollars and cents) \_\_\_\_\_

(2) Base unit measure: ☐ Hourly ☐ Weekly ☐ Unit of production ☐ Other (specify): \_\_\_\_\_

**14** Enter the number of participants on whose behalf no contributions were made by an employer as an employer of the participant for:

<b>a</b> The current year .....	<b>14a</b>	
<b>b</b> The plan year immediately preceding the current plan year.....	<b>14b</b>	
<b>c</b> The second preceding plan year .....	<b>14c</b>	

**15** Enter the ratio of the number of participants under the plan on whose behalf no employer had an obligation to make an employer contribution during the current plan year to:

<b>a</b> The corresponding number for the plan year immediately preceding the current plan year .....	<b>15a</b>	
<b>b</b> The corresponding number for the second preceding plan year .....	<b>15b</b>	

**16** Information with respect to any employers who withdrew from the plan during the preceding plan year:

<b>a</b> Enter the number of employers who withdrew during the preceding plan year .....	<b>16a</b>	
<b>b</b> If line 16a is greater than 0, enter the aggregate amount of withdrawal liability assessed or estimated to be assessed against such withdrawn employers .....	<b>16b</b>	

**17** If assets and liabilities from another plan have been transferred to or merged with this plan during the plan year, check box and see instructions regarding supplemental information to be included as an attachment. .... ☐

### Part VI Additional Information for Single-Employer and Multiemployer Defined Benefit Pension Plans

**18** If any liabilities to participants or their beneficiaries under the plan as of the end of the plan year consist (in whole or in part) of liabilities to such participants and beneficiaries under two or more pension plans as of immediately before such plan year, check box and see instructions regarding supplemental information to be included as an attachment ..... ☐

**19** If the total number of participants is 1,000 or more, complete lines (a) through (c)

- a** Enter the percentage of plan assets held as:  
 Stock: \_\_\_\_\_% Investment-Grade Debt: \_\_\_\_\_% High-Yield Debt: \_\_\_\_\_% Real Estate: \_\_\_\_\_% Other: \_\_\_\_\_%
- b** Provide the average duration of the combined investment-grade and high-yield debt:  
☐ 0-3 years ☐ 3-6 years ☐ 6-9 years ☐ 9-12 years ☐ 12-15 years ☐ 15-18 years ☐ 18-21 years ☐ 21 years or more
- c** What duration measure was used to calculate line 19(b)?  
☐ Effective duration ☐ Macaulay duration ☐ Modified duration ☐ Other (specify): \_\_\_\_\_

### Part VII IRS Compliance Questions

<b>20a</b> Is the plan a 401(k) plan?.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>20b</b> If "Yes," how does the 401(k) plan satisfy the nondiscrimination requirements for employee deferrals and employer matching contributions (as applicable) under sections 401(k)(3) and 401(m)(2)?.....	<input type="checkbox"/> Design-based safe harbor method	<input type="checkbox"/> ADP/ACP test
<b>20c</b> If the ADP/ACP test is used, did the 401(k) plan perform ADP/ACP testing for the plan year using the "current year testing method" for nonhighly compensated employees (Treas. Reg sections 1.401(k)-2(a)(2)(ii) and 1.401(m)-2(a)(2)(ii))? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>21a</b> Check the box to indicate the method used by the plan to satisfy the coverage requirements under section 410(b): .....	<input type="checkbox"/> Ratio percentage test	<input type="checkbox"/> Average benefit test
<b>21b</b> Does the plan satisfy the coverage and nondiscrimination tests of sections 410(b) and 401(a)(4) by combining this plan with any other plans under the permissive aggregation rules? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No
<b>22a</b> Has the plan been timely amended for all required tax law changes?.....	<input type="checkbox"/> Yes	<input type="checkbox"/> No <input type="checkbox"/> N/A
<b>22b</b> Date the last plan amendment/restatement for the required tax law changes was adopted ____/____/____. Enter the applicable code _____. (See instructions for tax law changes and codes).		
<b>22c</b> If the plan sponsor is an adopter of a pre-approved master and prototype (M&P) or volume submitter plan that is subject to a favorable IRS opinion or advisory letter, enter the date of that favorable letter ____/____/____ and the letter's serial number _____.		
<b>22d</b> If the plan is an individually-designed plan and received a favorable determination letter from the IRS, enter the date of the plan's last favorable determination letter ____/____/____.		
<b>23</b> Is the Plan maintained in a U.S. territory (i.e., Puerto Rico (if no election under ERISA section 1022(i)(2) has been made), American Samoa, Guam, the Commonwealth of the Northern Mariana Islands or the U.S. Virgin Islands)? .....	<input type="checkbox"/> Yes	<input type="checkbox"/> No

**Schweitzer Engineering  
Laboratories, Inc.  
Employee Stock  
Ownership Plan**

Financial Report  
December 31, 2011

Schweitzer  
Engineering  
Laboratories  
Inc.  
Employee  
Stock  
Ownership  
Plan

**Financial  
Report**

December 31  
2011

## **Contents**

---

<b>Independent Auditor's Report .....</b>	<b>1</b>
---	----------

### **Financial Statements**

Statements of Net Assets (Deficit) Available for Benefits .....	2
Statement of Changes in Net Assets (Deficit) Available for Benefits.....	3
Notes to Financial Statements .....	4-10

### **Supplemental Schedule**

Schedule of Assets (Held at End of Year) .....	11
--	----



## Independent Auditor's Report

Board of Trustees  
**Schweitzer Engineering Laboratories, Inc.**  
**Employee Stock Ownership Plan**  
Pullman, Washington

We have audited the accompanying statements of net assets (deficit) available for benefits of **Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan** as of December 31, 2011 and 2010, and the related statement of changes in net assets (deficit) available for benefits for the year ended December 31, 2011. These financial statements are the responsibility of the Plan's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the net assets (deficit) available for benefits of **Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan** as of December 31, 2011 and 2010, and the changes in net assets (deficit) available for benefits for the year ended December 31, 2011, in conformity with accounting principles generally accepted in the United States of America.

Our audits were made for the purpose of forming an opinion on the basic financial statements taken as a whole. The supplemental schedule of assets (held at end of year) as of December 31, 2011, is presented for the purpose of additional analysis and is not a required part of the basic financial statements, but is supplemental information required by the United States Department of Labor *Rules and Regulations for Reporting and Disclosure under the Employee Retirement Income Security Act of 1974*. The supplemental schedule is the responsibility of the Plan's management. The supplemental schedule has been subjected to the auditing procedures applied in the audits of the basic financial statements and, in our opinion, is fairly stated, in all material respects, in relation to the basic financial statements taken as a whole.

A handwritten signature in cursive script that reads "McGladrey LLP".

Seattle, Washington  
October 9, 2012

**Financial  
Statements**

# **Statements of Net Assets (Deficit) Available for Benefits**

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011 and 2010

	2011 Allocated	Unallocated	Total	2010 Allocated	Unallocated	Total
<b>Assets</b>						
Investment in Schweitzer Engineering Laboratories, Inc., Class A common stock, at fair market value	\$233,301,419	\$194,101,621	\$427,403,040	\$175,183,043	\$164,943,997	\$340,127,040
Employer contribution receivable	--	18,515,739	18,515,739	--	17,300,455	17,300,455
<b>Total assets</b>	<b>\$233,301,419</b>	<b>\$212,617,360</b>	<b>\$445,918,779</b>	<b>\$175,183,043</b>	<b>\$182,244,452</b>	<b>\$357,427,495</b>
<b>Liabilities</b>						
Interest payable	\$ --	\$ 6,862,190	\$ 6,862,190	\$ --	\$ 6,107,192	\$ 6,107,192
Loans payable	--	228,062,158	228,062,158	--	239,255,421	239,255,421
<b>Total liabilities</b>	<b>--</b>	<b>234,924,348</b>	<b>234,924,348</b>	<b>--</b>	<b>245,362,613</b>	<b>245,362,613</b>
<b>Net assets (deficit) available for benefits</b>	<b>\$233,301,419</b>	<b>(\$ 22,306,988)</b>	<b>\$210,994,431</b>	<b>\$175,183,043</b>	<b>(\$ 63,118,161)</b>	<b>\$112,064,882</b>

See notes to financial statements.



## Statement of Changes in Net Assets (Deficit) Available for Benefits

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
Year Ended December 31, 2011

	Allocated	Unallocated	Total
<b>Additions to Net Assets</b>			
Investment income:			
Net unrealized appreciation			
in fair market value of investments	\$ 44,951,659	\$42,324,341	\$ 87,276,000
Employer contributions	3,181,064	18,515,739	21,696,803
Allocation of 15,364 shares of Class A			
common stock, at fair value	13,166,717	--	13,166,717
<b>Total additions to net assets</b>	<b>61,299,440</b>	<b>60,840,080</b>	<b>122,139,520</b>
<b>Deductions from Net Assets</b>			
Interest expense	--	6,862,190	6,862,190
Distributions to participants	3,181,064	--	3,181,064
Allocation of 15,364 shares of Class A			
common stock of Schweitzer Engineering			
Laboratories, Inc., at fair value	--	13,166,717	13,166,717
<b>Total deductions from net assets</b>	<b>3,181,064</b>	<b>20,028,907</b>	<b>23,209,971</b>
<b>Net increase in net assets (deficit)</b>			
<b>available for benefits</b>	<b>58,118,376</b>	<b>40,811,173</b>	<b>98,929,549</b>
<b>Net Assets (Deficit) Available for Benefits</b>			
Beginning of year	175,183,043	(63,118,161)	112,064,882
<b>End of year</b>	<b>\$233,301,419</b>	<b>(\$22,306,988)</b>	<b>\$210,994,431</b>

See notes to financial statements.

## Notes to Financial Statements

---

### Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan December 31, 2011 and 2010

#### Note 1 - Plan Description

The following description of Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan (the Plan) provides only general information. Participants should refer to the Plan document for a more complete description of the Plan's provisions.

##### General

Schweitzer Engineering Laboratories, Inc. (the Company) established the Plan effective January 1, 1994. As of January 1, 2008, the Plan was amended and operates, in relevant part, as a leveraged employee stock ownership plan (ESOP). The Plan is designed to comply with Section 4975(e)(7), and is a stock bonus plan under Section 401(a) and the regulations thereunder of the Internal Revenue Code of 1986, as amended (IRC). The Plan is subject to applicable provisions of the Employee Retirement Income Security Act of 1974, as amended (ERISA). The Plan is administered by a committee appointed by Schweitzer Engineering Laboratories, Inc.'s board of directors. The trust department of an independent third-party bank is the Plan's trustee.

The Plan purchased Company common stock using proceeds from loans from the Company (see Note 6). The Plan holds the common stock in a trust established under the Plan. The loans are to be repaid over a period of years by fully deductible Company contributions to the trust fund. As the Plan makes each payment of principal, an appropriate percentage of stock will be allocated to eligible employee accounts in accordance with applicable regulations under the IRC. Shares vest in accordance with the vesting schedule, as defined in the Plan document.

The loans are collateralized by the unallocated shares of common stock. Accordingly, the financial statements of the Plan as of December 31, 2011 and 2010, and for the year ended December 31, 2011, present separately the assets and liabilities and changes therein pertaining to: 1) the accounts of employees with vested rights in allocated common stock (allocated) and 2) common stock not yet allocated to employees (unallocated).

##### Eligibility and Vesting

Employees of the Company are generally eligible to participate in the Plan after meeting the age and service requirements. Employees must be 18 years of age to be eligible and have completed one year of service. Once eligible, employees become participants as of the next enrollment date: January 1, April 1, July 1 or October 1. Eligibility service is a Plan year for which an employee is credited with 1,000 hours of service. Participant balances for employees are subject to a vesting schedule. After two years of service, employees are 20 percent vested, with an additional 20 percent vesting per year until the employee is fully vested after the completion of six years of service.

##### Participant Accounts and Forfeitures

The Plan is a defined contribution plan, under which a separate individual stock account is maintained to reflect the interest of each participant in the Plan. Each participant's account is credited as of the last day of each Plan year with the participant's allocable share of the Company's common stock released by the trustee from the unallocated account, along with forfeitures of terminated participants' nonvested accounts. Only those participants who are eligible employees of the Company as of the last day of the Plan year will receive an allocation. All employer contributions are allocated as of the end of each Plan year based on the ratio of each participant's eligible compensation to the total compensation of all participants.

Forfeitures of terminated nonvested account balances allocated to remaining participants at December 31, 2011, totaled \$323,971. Plan earnings are allocated to each participant's account based on the ratio of the participant's beginning of the year account balance to all participants' beginning of the year account balances.

(continued)

## Notes to Financial Statements

---

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011 and 2010

### Note 1 - Plan Description *(continued)*

#### Payment of Benefits

Upon termination of employment, payment of benefits will be made to participants and beneficiaries in cash. Under the provisions of the Plan, the Company is obligated to repurchase participant shares upon distribution request. Termination includes retirement, death or disability. Upon a participant's termination date, the participant or his or her beneficiary will be entitled to receive payment from the participant's ESOP account, based on the value of the participant's vested percentage. The valuation date will be the last day of the Plan year prior to the date payment is scheduled to be made. Payments will begin as of the valuation date coinciding with or next following the participant's termination date. Payments, generally, will be made in the following manner:

- If the value is less than \$25,000, payment will be made in a lump sum.
- If the value is greater than \$25,000, payments will be made in equal annual installments, up to 10 years.

Under the provisions of the Plan, the Company is obligated to repurchase participant shares, which have been distributed under the terms of the Plan. During 2011 the Company repurchased from participants 4,664 shares at prices determined from the independent appraisal.

#### Voting Rights

Each participant is entitled, under certain (limited) circumstances, to direct the trustee with respect to the voting shares allocated to his or her account, and is notified by the trustee prior to the time that such rights may be exercised. The trustee is required to vote any unallocated shares on behalf of the collective best interest of Plan participants and beneficiaries.

#### Termination of the Plan

The Company reserves the right to terminate the Plan at any time, subject to Plan provisions. Upon termination, the interest of each participant in the trust will be distributed to such participant or his or her beneficiary at the time prescribed by the Plan's terms and the IRC. Upon termination of the Plan, the Plan Administration Committee should direct the trustee to pay all liabilities and expenses of the trust fund and to sell shares of financed common stock held in the loan suspense account to the extent it determines such sale is necessary in order to repay the loans.

#### Put Option

Under federal income tax regulations, the employer stock held by the Plan and its participants that is not readily tradable on an established market includes a put option. The put option is a right to demand the Company buy any shares of its stock distributed to participants for which there is no market. The put price is representative of the fair market value of the stock. The purpose of the put option is to ensure the participant has the ability to ultimately obtain cash.

*(continued)*

## Notes to Financial Statements

---

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011 and 2010

### **Note 1 - Plan Description** *(concluded)*

#### **Diversification**

Diversification is offered to participants close to retirement so that they may have the opportunity to move part of their investments in Company common stock into investments that are more diversified. Participants who are at least 55 years of age, with at least 10 years of participation in the Plan may elect to diversify a portion of their accounts. Diversification is offered to each eligible participant over a six-year period. For each of the first five years, a participant may diversify up to 25 percent of the participant's stock account balance, less all amounts previously diversified. In the sixth year, the percentage changes to 50 percent. A participant who elects to diversify receives a cash distribution.

### **Note 2 - Summary of Significant Accounting Policies**

#### **Basis of Accounting**

The financial statements of the Plan are prepared using the accrual method of accounting.

#### **Investment Valuation and Income Recognition**

Class A common stock shares of the Company are valued at estimated fair value as of December 31, 2011 and 2010. Estimated fair value is determined by an annual, independent appraisal. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date. Realized gains and losses from security transactions are reported on the specific-identification method. Net appreciation includes the Plan's gains and losses on investments bought and sold as well as held during the year.

#### **Use of Estimates**

The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, and changes therein, and disclosure of contingent assets and liabilities. Actual results could differ from those estimates.

#### **Recent Accounting Pronouncement**

In May 2011, the FASB issued Accounting Standards Update (ASU) 2011-04, *Amendments to Achieve Common Fair Value Measurements and Disclosure Requirements in U.S. GAAP and IFRSs* (ASU 2011-04). ASU 2011-04 amended ASC 820, *Fair Value Measurements and Disclosures*, to converge the fair value measurement guidance in GAAP and International Financial Reporting Standards (IFRSs). Some of the amendments clarify the application of existing fair value measurement requirements, while other amendments change a particular principle in ASC 820. In addition, ASU 2011-04 requires additional fair value disclosures. The amendments are to be applied prospectively and are effective for annual periods beginning after December 15, 2011. Plan management is currently evaluating the effect the provisions of ASU 2011-04 will have on the Plan's financial statements.

*(continued)*

## **Notes to Financial Statements**

---

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011 and 2010

### **Note 2 - Summary of Significant Accounting Policies *(concluded)***

#### **Operating Expenses**

All expenses of maintaining the Plan are paid by the Company.

#### **Subsequent Events**

Subsequent events have been evaluated through October 9, 2012, which is the date the financial statements were available to be issued.

### **Note 3 - Tax Status**

The Internal Revenue Service (IRS) has determined that the Plan is qualified, and the trust established under the Plan is tax-exempt, under the appropriate sections of the Code. The Plan received a determination letter dated March 5, 2003, in which the IRS stated the Plan, as then designed, was in compliance with the applicable requirements of the IRS. The Plan has been amended since receiving the determination letter; however, the Plan administrator believes the Plan is currently designed and operated in compliance with applicable requirements of the IRC.

Accounting principles generally accepted in the United States of America require Plan management to evaluate tax positions taken by the Plan. Management evaluated the Plan's tax positions and concluded that the Plan has maintained its tax-exempt status and has taken no uncertain tax positions that require recognition or disclosure in the financial statements. Therefore, no provision or liability for income taxes has been included in the financial statements. The Plan is subject to routine audits by taxing jurisdictions; however, there are currently no audits for any tax periods in process. The Plan administrator believes the Plan is no longer subject to income tax examinations for years before 2008.

### **Note 4 - Administration of Plan Assets**

The Plan's assets consist of Class A common stock of the Company. The stock is held by the Plan trustee. Company contributions are held and managed by the trustee, which invests cash received, interest and dividend income (if any), and makes distributions to participants. The trustee also administers the payment of interest and principal on the loan, which is reimbursed to the trustee through contributions, as determined by the Company.

Certain administrative functions are performed by officers or employees of the Company. No such officers or employees receive compensation from the Plan. Administrative expenses of the Plan are paid directly by the Company.

## Notes to Financial Statements

---

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011 and 2010

### Note 5 - Investments

The Plan's investments are as follows at December 31:

	2011 Allocated	Unallocated	2010 Allocated	Unallocated
Schweitzer Engineering Laboratories, Inc. Class A common stock:				
Number of shares	272,230	226,490	256,867	241,853
Cost	\$154,146,050	\$128,246,105	\$145,446,796	\$136,945,360
Fair market value	\$233,301,419	\$194,101,621	\$175,183,043	\$164,943,997

### Note 6 - Loans Payable

During the year ended December 31, 2008, the Company and the Plan entered into a stock purchase agreement with Edmund Schweitzer to purchase 15,000 shares of Class A common stock for \$10,995,000. The Company loaned this amount to the Plan to purchase the stock. The loan bears interest at 4.4 percent and is due in August 2023. The loan is secured with shares of Company stock.

During the year ended December 31, 2009, the Company and the Plan entered into a stock purchase agreement with Edmund Schweitzer to purchase 255,740 shares of Class A common stock for \$236,559,500. The Company loaned this amount to the Plan to purchase the stock. The loan bears interest at 3 percent and is due in March 2034. The loan is secured with shares of Company stock.

The scheduled amortization of loans payable for future years ending December 31 is as follows:

2012	\$ 11,653,549
2013	7,086,818
2014	7,299,423
2015	7,518,405
2016	7,743,958
Thereafter	186,760,005
<b>Total</b>	<b>\$228,062,158</b>

## Notes to Financial Statements

---

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011 and 2010

### Note 7 - Reconciliation of Financial Statements to Form 5500

The following is a reconciliation of the changes in net assets (deficit) available for benefits per the financial statements to Form 5500 as of December 31:

	2011	2010
Total additions per Form 5500	\$108,972,803	\$118,209,073
Allocation of shares, at fair value	13,166,717	10,946,709
<b>Total additions per the financial statements</b>	<b>\$122,139,520</b>	<b>\$129,155,782</b>
Total deductions per Form 5500	\$10,043,254	\$ 8,269,250
Allocation of shares, at fair value	13,166,717	10,946,709
<b>Total deductions per the financial statements</b>	<b>\$23,209,971</b>	<b>\$19,215,959</b>

### Note 8 - Fair Value Measurements

FASB ASC 820, *Fair Value Measurements and Disclosures*, provides the framework for measuring fair value. That framework provides a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1 measurements) and the lowest priority to unobservable inputs (Level 3 measurements).

The three levels of the fair value hierarchy under FASB ASC 820 are as follows:

- Level 1: Quoted prices are available in active markets for identical assets or liabilities. Active markets are those in which transactions for the asset or liability occur with sufficient frequency and volume to provide pricing information on an ongoing basis.
- Level 2: Pricing inputs are other than quoted prices in active markets included in Level 1, which are either directly or indirectly observable as of the reporting date. Level 2 includes those financial instruments valued using models or other valuation methodologies. These models are primarily industry-standard models that consider various assumptions, including quoted forward prices for commodities, time value, volatility factors, and current market and contractual prices for the underlying instruments, as well as other relevant economic measures. Substantially all of these assumptions are observable in the marketplace throughout the full term of the instrument, can be derived from observable data, or are supported by observable levels at which transactions are executed in the marketplace.
- Level 3: Pricing inputs include significant inputs that are generally unobservable from objective sources. These inputs may be used with internally developed methodologies that result in management's best estimate of fair value. Level 3 instruments include those that may be more structured or otherwise tailored to the Plan's needs.

(continued)

## Notes to Financial Statements

---

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011 and 2010

### Note 8 - Fair Value Measurements *(concluded)*

Financial assets and liabilities are classified in their entirety based on the lowest level of input that is significant to the fair value measurement. The Plan's assessment of the significance of a particular input to the fair value measurement requires judgment and may affect the valuation of fair value assets and liabilities and their placement within the fair value hierarchy levels.

Following is a description of the valuation methodologies used for assets measured at fair value. There have been no changes in the methodologies used at December 31, 2011 and 2010.

#### Common Stock

The Company's Class A common stock share value is determined by an annual, independent appraisal, which approximates fair value. The appraisal is based on a combination of the market and income valuation techniques consistent with prior years. The appraiser took into account historical and projected cash flow and net income, return on assets, return on equity, market comparables and estimated fair value of Company assets and liabilities.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Plan believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

The following discloses by level, within the fair value hierarchy, the Plan's assets at fair value:

	Assets at Fair Value as of December 31, 2011			
	Level 1	Level 2	Level 3	Total
Class A common stock	\$- -	\$- -	\$427,403,040	\$427,403,040

	Assets at Fair Value as of December 31, 2010			
	Level 1	Level 2	Level 3	Total
Class A common stock	\$- -	\$- -	\$340,127,040	\$340,127,040

The following sets forth a summary of changes in the fair value of the Plan's Level 3 assets:

Balance, beginning of year	\$340,127,040
Net unrealized appreciation	87,276,000
Net addition of shares	--
<b>Balance, end of year</b>	<b>\$427,403,040</b>

### Note 9 - Employer Contributions

The Company is obligated to make contributions in cash to the Plan which, when aggregated with the Plan's dividends and interest earnings (if any), equal the amount necessary to enable the Plan to make its regularly scheduled payments of principal and interest due on its loans. The Company will make discretionary contributions to the Plan, as determined by the board of directors.



**Supplemental  
Schedule**

**Schedule of Assets (Held at End of Year)**

---

Schweitzer Engineering Laboratories, Inc. Employee Stock Ownership Plan  
December 31, 2011

**EIN: 91-1196408**  
**Plan Number: 001**

<b>(a) and (b) Identity of Issuer, Borrower, Lessor, or Similar Party</b>	<b>(c) Description of Investment, Including Maturity Date, Rate of Interest, Collateral, Par or Maturity Value</b>	<b>(d) Cost</b>	<b>(e) Current Value</b>
* Schweitzer Engineering Laboratories, Inc.	498,720 shares Class A common stock	\$282,392,156	\$427,403,040

\* Party-in-Interest

*See independent auditor's report.*

[illegible]