

STANDARD MOTOR PRODUCTS INC
Form 10-Q
November 04, 2013

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 September 30, 2013

or

TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934.

Commission file number: 1-4743

Standard Motor Products, Inc.

(Exact name of registrant as specified in its charter)

New York

(State or other jurisdiction of incorporation or organization)

11-1362020

(I.R.S. Employer Identification No.)

37-18 Northern Blvd., Long Island City, N.Y.

(Address of principal executive offices)

11101

(Zip Code)

(718) 392-0200

(Registrant's telephone number, including area code)

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, or a smaller reporting company. See definition of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer

Accelerated Filer

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Non-Accelerated Filer (Do not check if a smaller reporting company) Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of the close of business on October 31, 2013, there were 23,106,351 outstanding shares of the registrant's Common Stock, par value \$2.00 per share.

STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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PART I – FINANCIAL INFORMATION

ITEM 1. CONSOLIDATED FINANCIAL STATEMENTSSTANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013 (Unaudited)	2012	2013 (Unaudited)	2012
Net sales	\$264,162	\$275,975	\$764,996	\$756,561
Cost of sales	184,081	198,167	541,291	554,859
Gross profit	80,081	77,808	223,705	201,702
Selling, general and administrative expenses	50,615	50,937	150,813	142,322
Restructuring and integration expenses	1,913	642	2,531	779
Other income, net	324	433	766	454
Operating income	27,877	26,662	71,127	59,055
Other non-operating income (expense), net	233	—	(27)	(66)
Interest expense	403	702	1,621	2,257
Earnings from continuing operations before taxes	27,707	25,960	69,479	56,732
Provision for income taxes	10,021	8,516	25,827	20,073
Earnings from continuing operations	17,686	17,444	43,652	36,659
Loss from discontinued operations, net of income taxes	(389)	(604)	(1,138)	(1,221)
Net earnings	\$17,297	\$16,840	\$42,514	\$35,438
Per Share Data:				
Net earnings per common share – Basic:				
Earnings from continuing operations	\$0.77	\$0.77	\$1.90	\$1.61
Discontinued operations	(0.02)	(0.03)	(0.05)	(0.06)
Net earnings per common share – Basic	\$0.75	\$0.74	\$1.85	\$1.55
Net earnings per common share – Diluted:				
Earnings from continuing operations	\$0.76	\$0.76	\$1.88	\$1.59
Discontinued operations	(0.02)	(0.02)	(0.05)	(0.05)
Net earnings per common share – Diluted	\$0.74	\$0.74	\$1.83	\$1.54
Dividend declared per share	\$0.11	\$0.09	\$0.33	\$0.27
Average number of common shares	22,999,832	22,691,878	22,945,424	22,810,238
Average number of common shares and dilutive common shares	23,239,009	22,877,635	23,179,187	22,999,244

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months		Nine Months	
	Ended September 30, 2013 (Unaudited)	2012	Ended September 30, 2013 (Unaudited)	2012
Net earnings	\$17,297	\$16,840	\$42,514	\$35,438
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	1,033	1,449	(719)	1,615
Pension and postretirement plans:				
Amortization of:				
Prior service benefit	(1,078)	(1,197)	(3,238)	(3,589)
Unrecognized loss	781	773	2,342	2,321
Unrecognized amounts	—	—	154	437
Foreign currency exchange rate changes	8	26	(19)	24
Income tax benefit (expense) related to pension and postretirement plans	110	161	269	310
Pension and postretirement plans, net of tax	(179)	(237)	(492)	(497)
Total other comprehensive income (loss), net of tax	854	1,212	(1,211)	1,118
Comprehensive income	\$18,151	\$18,052	\$41,303	\$36,556

See accompanying notes to consolidated financial statements.

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CONSOLIDATED BALANCE SHEETS

	September 30, 2013 (Unaudited)	December 31, 2012
(In thousands, except share and per share data)		
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	\$ 10,097	\$ 13,074
Accounts receivable, less allowances for discounts and doubtful accounts of \$7,021 and \$6,124 for 2013 and 2012, respectively	141,979	98,565
Inventories, net	269,205	267,468
Deferred income taxes	34,842	33,258
Prepaid expenses and other current assets	11,639	6,188
Total current assets	467,762	418,553
Property, plant and equipment, net	63,883	64,422
Goodwill	37,959	35,827
Other intangibles, net	36,262	36,546
Deferred income taxes	9,906	11,085
Other assets	20,119	10,161
Total assets	\$ 635,891	\$ 576,594
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	\$ 32,187	\$ 40,453
Current portion of long-term debt	82	120
Accounts payable	65,165	62,283
Sundry payables and accrued expenses	42,196	41,723
Accrued customer returns	46,721	29,033
Accrued rebates	32,579	27,349
Payroll and commissions	23,698	21,211
Total current liabilities	242,628	222,172
Long-term debt	23	75
Other accrued liabilities	21,728	21,650
Accrued asbestos liabilities	24,223	25,110
Total liabilities	288,602	269,007
Commitments and contingencies		
Stockholders' equity:		
Common stock – par value \$2.00 per share:		
Authorized – 30,000,000 shares; issued 23,936,036 shares	47,872	47,872
Capital in excess of par value	85,830	82,348
Retained earnings	221,641	186,693
Accumulated other comprehensive income	2,668	3,879
Treasury stock – at cost (836,685 shares and 1,117,104 shares in 2013 and 2012, respectively)	(10,722)	(13,205)
Total stockholders' equity	347,289	307,587
Total liabilities and stockholders' equity	\$ 635,891	\$ 576,594

See accompanying notes to consolidated financial statements.

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CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Nine Months Ended September 30, 2013 2012 (Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	\$42,514	\$35,438
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	13,203	12,093
Amortization of deferred financing cost	718	870
Increase (decrease) to allowance for doubtful accounts	576	(111)
Increase to inventory reserves	4,128	3,460
Amortization of deferred gain on sale of building	(786)	(786)
Equity loss from joint ventures	80	—
Employee Stock Ownership Plan allocation	3,282	2,899
Stock-based compensation	1,981	1,586
Excess tax benefits related to the exercise of employee stock grants	(1,138)	(236)
Decrease in deferred income taxes	247	4,979
Decrease in tax valuation allowance	(383)	(363)
Loss on discontinued operations, net of tax	1,138	1,221
Change in assets and liabilities:		
Increase in accounts receivable	(43,990)	(48,008)
(Increase) decrease in inventories	(5,345)	21,082
Increase in prepaid expenses and other current assets	(4,356)	(822)
Increase (decrease) in accounts payable	(450)	4,957
Increase in sundry payables and accrued expenses	26,486	26,884
Net change in other assets and liabilities	(4,254)	(2,293)
Net cash provided by operating activities	33,651	62,850
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of and investments in businesses	(12,760)	(38,594)
Capital expenditures	(8,467)	(8,003)
Other investing activities	(596)	9
Net cash used in investing activities	(21,823)	(46,588)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net repayments of line-of-credit agreements	(8,266)	(12,740)
Principal payments of long-term debt and capital lease obligations	(90)	(77)
Purchase of treasury stock	(1,672)	(4,999)
Increase in overdraft balances	3,331	5,769
Payment of debt issuance costs	(1,261)	—
Proceeds from exercise of employee stock options	142	334
Excess tax benefits related to the exercise of employee stock grants	1,138	236
Dividends paid	(7,566)	(6,162)
Net cash used in financing activities	(14,244)	(17,639)
Effect of exchange rate changes on cash	(561)	1,393
Net increase (decrease) in cash and cash equivalents	(2,977)	16
CASH AND CASH EQUIVALENTS at beginning of period	13,074	10,871
CASH AND CASH EQUIVALENTS at end of period	\$10,097	\$10,887
Supplemental disclosure of cash flow information:		

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Cash paid during the year for:

Interest	\$929	\$1,399
Income taxes	\$26,383	\$12,050

See accompanying notes to consolidated financial statements.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Nine Months Ended September 30, 2013
(Unaudited)

	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
(In thousands)						
Balance at December 31, 2012	\$47,872	\$82,348	\$186,693	\$ 3,879	\$(13,205)	\$307,587
Net earnings	—	—	42,514	—	—	42,514
Other comprehensive income (loss), net of tax	—	—	—	(1,211)	—	(1,211)
Cash dividends paid	—	—	(7,566)	—	—	(7,566)
Purchase of treasury stock	—	—	—	—	(1,672)	(1,672)
Stock-based compensation and related tax benefits	—	1,265	—	—	1,854	3,119
Stock options exercised and related tax benefits	—	3	—	—	139	142
Employee Stock Ownership Plan	—	2,214	—	—	2,162	4,376
Balance at September 30, 2013	\$47,872	\$85,830	\$221,641	\$ 2,668	\$(10,722)	\$347,289

See accompanying notes to consolidated financial statements.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Note 1. Basis of Presentation

Standard Motor Products, Inc. and subsidiaries (referred to hereinafter in these notes to consolidated financial statements as the “Company,” “we,” “us,” or “our”) is engaged in the manufacture and distribution of replacement parts for motor vehicles in the automotive aftermarket industry with an increasing focus on the original equipment service market.

The accompanying unaudited financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2012. The unaudited consolidated financial statements include our accounts and all domestic and international companies in which we have more than a 50% equity ownership. Our investments in unconsolidated affiliates are accounted for on the equity method, as we do not have a controlling financial interest. All significant inter-company items have been eliminated.

The accompanying unaudited consolidated financial statements have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. The results of operations for the interim periods are not necessarily indicative of the results of operations for the entire year.

Reclassification

Certain prior period amounts in the accompanying consolidated financial statements and related notes have been reclassified to conform to the 2013 presentation.

Note 2. Summary of Significant Accounting Policies

The preparation of consolidated annual and quarterly financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of our consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. We have made a number of estimates and assumptions in the preparation of these consolidated financial statements. We can give no assurance that actual results will not differ from those estimates. Some of the more significant estimates include allowances for doubtful accounts, realizability of inventory, goodwill and other intangible assets, depreciation and amortization of long-lived assets, product liability, pensions and other postretirement benefits, asbestos, environmental and litigation matters, the valuation of deferred tax assets and sales return allowances.

There have been no material changes to our critical accounting policies and estimates from the information provided in Note 1 of the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012.

Recently Issued Accounting Pronouncements

Presentation of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (“ASU 2013-02”), which amends the provisions of FASB ASC 220, Comprehensive Income. The amendments in this update supercede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in FASB ASU 2011-05 and ASU 2011-12. The amendment requires an entity to present information about significant items reclassified out of accumulated other comprehensive income by component either (1) on the face of the statement where net income is presented or (2) as a separate disclosure in the notes to the consolidated financial statements. The amendment is effective for annual reporting periods beginning after December 15, 2012, which for us was January 1, 2013, and interim periods within those annual periods. As a result of the adoption of this standard, we have elected to present amounts reclassified out of accumulated other comprehensive income as a separate disclosure in the notes to the consolidated financial statements.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Indefinite-Lived Intangible Assets Impairment Testing

In July 2012, the FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment (“ASU 2012-02”), which amended the provisions of FASB ASC 350. FASB ASU 2012-02 permits an entity to make a qualitative assessment of whether it is more likely than not that an indefinite-lived intangible asset is less than its carrying amount before applying the second step of the impairment test. If an entity concludes that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, it would not be required to perform the second step of the impairment test for that indefinite-lived intangible asset. The new standard is effective for annual and interim indefinite-lived intangible assets impairment tests performed in fiscal years beginning after September 15, 2012, which for us was January 1, 2013. We will consider this new standard when conducting our annual impairment test of indefinite-lived intangible assets.

Balance Sheet Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (“ASU 2011-11”). The update requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendment was effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of FASB ASU 2011-11 did not have a material effect on our consolidated financial statements and disclosures.

Note 3. Business Acquisitions and Investments

Orange Electronic Equity Investment

In January 2013, we acquired an approximate 25% minority interest in Orange Electronic Co., Ltd. for \$6.3 million. Orange Electronic Co., Ltd. is a manufacturer of tire pressure monitoring system sensors and is located in Taiwan. Our minority interest in Orange Electronic Co., Ltd. is accounted for using the equity method of accounting.

European OE Business Acquisition

In February 2013, we acquired the original equipment business of Standard Motor Products Holdings Ltd. (“SMP Europe”), our former affiliate in the U.K., for £4.2 million (\$6.5 million). SMP Europe was a distributor of original equipment parts that were primarily manufactured in our Bialystok, Poland manufacturing facility. We anticipate incremental annual revenues from the acquisition approximating \$1 million to \$2 million.

Intangible assets acquired in the acquisition consisted of \$3.8 million of customer relationships that will be amortized on a straight-line basis over the estimated useful life of 10 years and goodwill of \$2 million. Goodwill related to the acquisition was allocated to the Engine Management Segment. The goodwill reflects business specific knowledge, replacement cost of an assembled workforce, as well as the value of expected synergies.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Revenues included in our consolidated statements of operations from the acquired business in the third quarter and nine months ended September 30, 2013 were not material.

CompressorWorks Asset Acquisition

In April 2012, we acquired substantially all of the assets of CompressorWorks, Inc. for \$38.6 million, which consisted of a purchase price of \$37.4 million and a \$1.2 million working capital adjustment. The acquisition was paid for with cash funded by our revolving credit facility. Prior to the acquisition, CompressorWorks, Inc. had manufacturing and distribution facilities in Dallas, Texas, and distributed a range of temperature control products including new compressors, fan clutches, and other A/C system and engine cooling products.

The allocation of purchase price to assets acquired and liabilities assumed is based upon their fair values. The following table presents the allocation of purchase price to assets acquired and liabilities assumed (in thousands):

Purchase price:		\$38,594
Assets acquired and liabilities assumed:		
Receivables	\$9,114	
Inventory	22,736	
Other current assets	60	
Property, plant and equipment	1,427	
Intangible assets	8,870	
Goodwill	9,703	
Current liabilities	(13,316)	
Net assets acquired		\$38,594

Intangible assets acquired of \$8.9 million consists of customer relationships of \$8 million that will be amortized on a straight-line basis over the estimated useful life of 7 years; trademarks and trade names of \$0.5 million that will be amortized on a straight-line basis over the estimated useful life of 3 years; non-compete agreements of \$0.2 million that will be amortized on a straight-line basis over the estimated useful life of 3 years; and leaseholds of \$0.2 million that will be amortized on a straight-line basis over the estimated useful life of 2.3 years. Goodwill of \$9.7 million was allocated to the Temperature Control Segment and is deductible for income tax purposes. The goodwill reflects relationships, business specific knowledge and the replacement cost of an assembled workforce associated with personal reputations, as well as the value of expected synergies.

Pro Forma Information (Unaudited)

The following table summarizes certain supplemental pro forma financial information which was prepared as if (i) the acquisition of substantially all of the assets of CompressorWorks, Inc., acquired in April 2012, had occurred as of January 1, 2011 and (ii) the acquisition of the original equipment business of SMP Europe, acquired in February 2013, had occurred as of January 1, 2012. The unaudited pro forma financial information was prepared for comparative purposes only and does not purport to be indicative of what would have occurred had the acquisitions been made at that time or of results which may occur in the future.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Supplemental unaudited pro forma financial information for the acquisitions is as follows (in thousands):

	Three Months Ended September 30, 2013		Three Months Ended September 30, 2012	
	Reported	Pro Forma	Reported	Pro Forma
Net sales	\$264,162	\$264,162	\$275,975	\$276,254
Net earnings	17,297	17,297	16,840	16,971

	Nine Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
	Reported	Pro Forma	Reported	Pro Forma
Net sales	\$764,996	\$765,310	\$756,561	\$777,508
Net earnings	42,514	42,662	35,438	37,252

Note 4. Restructuring and Integration Expenses

The aggregated liabilities included in “sundry payables and accrued expenses” and “other accrued liabilities” in the consolidated balance sheet relating to the restructuring and integration activities as of December 31, 2012 and September 30, 2013 and activity for the nine months ended September 30, 2013 consisted of the following (in thousands):

	Workforce Reduction	Other Exit Costs	Total
Exit activity liability at December 31, 2012	\$ 2,226	\$1,553	\$3,779
Restructuring and integration costs:			
Amounts provided for during 2013	2,263	268	2,531
Cash payments	(1,367)	(850)	(2,217)
Exit activity liability at September 30, 2013	\$ 3,122	\$971	\$4,093

During the third quarter of 2013, we offered a voluntary separation incentive program to certain eligible employees to reduce costs and improve our operating efficiency. Eligible employees, who accepted the program, received enhanced severance and other retiree benefit enhancements. In connection with the program, we have recorded a charge of \$1.8 million in the third quarter of 2013.

Liabilities associated with the remaining restructuring and integration costs as of September 30, 2013 relate primarily to employee severance and other retiree benefit enhancements to be paid through 2017 and environmental clean-up costs at our Long Island City, New York location in connection with the closure of our manufacturing operations at the site.

Note 5. Sale of Receivables

From time to time, we sell undivided interests in certain of our receivables to financial institutions. We enter these agreements at our discretion when we determine that the cost of factoring is less than the cost of servicing our receivables with existing debt. Under the terms of the agreements, we retain no rights or interest, have no obligations with respect to the sold receivables, and do not service the receivables after the sale. As such, these transactions are being accounted for as a sale.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Pursuant to these agreements, we sold \$193.8 million and \$528.1 million of receivables during the three months and nine months ended September 30, 2013, respectively, and \$198.1 million and \$508.6 million for the comparable periods in 2012. A charge in the amount of \$3.9 million and \$11 million related to the sale of receivables is included in selling, general and administrative expense in our consolidated statements of operations for the three months and nine months ended September 30, 2013, respectively, and \$4.3 million and \$10.5 million for the comparable periods in 2012. If we do not enter into these arrangements or if any of the financial institutions with which we enter into these arrangements were to experience financial difficulties or otherwise terminate these arrangements, our financial condition, results of operations and cash flows could be materially and adversely affected by delays or failures to collect future trade accounts receivable.

Note 6. Inventories, Net

Inventories, which are stated at the lower of cost (determined by means of the first-in, first-out method) or market, consist of the following:

	September 30, 2013	December 31, 2012
	(In thousands)	
Finished goods, net	\$177,447	\$178,158
Work-in-process, net	5,331	8,135
Raw materials, net	86,427	81,175
Total inventories, net	\$269,205	\$267,468

Note 7. Acquired Intangible Assets

Acquired identifiable intangible assets consist of the following:

	September 30, 2013	December 31, 2012
	(In thousands)	
Customer relationships	\$44,089	\$40,100
Trademarks and trade names	6,800	6,800
Non-compete agreements	910	910
Patents and supply contracts	723	723
Leaseholds	160	160
Total acquired intangible assets	52,682	48,693
Less accumulated amortization (1)	(18,072)	(14,210)
Net acquired intangible assets	\$34,610	\$34,483

(1) Applies to all intangible assets, except for trademarks and trade names totaling \$5.2 million, which have indefinite useful lives and, as such, are not being amortized.

In February 2013, we acquired the original equipment business of SMP Europe. Intangible assets acquired consist of \$3.8 million of customer relationships that will be amortized on a straight-line basis over the estimated useful life of 10 years.

Total amortization expense for acquired intangible assets was \$1.1 million and \$3.9 million for the three months and nine months ended September 30, 2013, respectively, and \$1.3 million and \$3.4 million for the comparable periods in 2012. Based on the current estimated useful lives assigned to our acquired intangible assets, amortization expense is estimated to be \$1.1 million for the remainder of 2013, \$4.5 million in 2014, \$4.3 million in 2015 and \$19.3 million in the aggregate for the years 2016 through 2028.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Note 8. Credit Facilities and Long-Term Debt

Total debt outstanding is summarized as follows:

	September 30, 2013	December 31, 2012
	(In thousands)	
Revolving credit facilities	\$32,187	\$ 40,453
Other	105	195
Total debt	\$32,292	\$ 40,648
Current maturities of debt	\$32,269	\$ 40,573
Long-term debt	23	75
Total debt	\$32,292	\$ 40,648

Deferred Financing Costs

We had deferred financing costs of \$3.2 million and \$2.6 million as of September 30, 2013 and December 31, 2012, respectively. Deferred financing costs are related to our revolving credit facility. In connection with the amendment to our revolving credit facility in May 2013, we incurred and capitalized \$1.3 million of costs related to bank, legal and other professional fees which are being amortized through March 2018, the remaining term of the amended revolving credit facility.

Deferred financing costs as of September 30, 2013 are being amortized in the amounts of \$0.2 million for the remainder of 2013, \$0.7 million in 2014, \$0.7 million in 2015, \$0.7 million in 2016 and \$0.9 million in 2017 and thereafter.

Revolving Credit Facility

In November 2010, we entered into a Third Amended and Restated Credit Agreement with General Electric Capital Corporation, as agent, and a syndicate of lenders for a secured revolving credit facility. The restated credit agreement (as amended) provides for a line of credit of up to \$250 million (inclusive of the Canadian revolving credit facility described below) and expires in March 2018. Direct borrowings under the restated credit agreement bear interest at the LIBOR rate plus the applicable margin (as defined), or floating at the index rate plus the applicable margin, at our option. The interest rate may vary depending upon our borrowing availability. The restated credit agreement is guaranteed by certain of our subsidiaries and secured by certain of our assets.

In February 2013, we amended the restated credit agreement to provide us with greater flexibility regarding the payment of cash dividends and stock repurchases. In May 2013, we further amended our restated credit agreement (1) to extend the maturity date of our credit facility to March 2018; (2) to increase the line of credit from \$200 million to \$250 million (inclusive of the Canadian revolving credit facility described below); (3) to reduce the margin added to the LIBOR rate to 1.50% - 2%; (4) to reduce the margin added to the index rate to 0.50% - 1%; (5) to reduce the unused fee to 0.25%; and (6) to provide us with greater flexibility regarding acquisitions, other permissible debt financing, cash held and capital expenditures, among other matters.

Borrowings under the restated credit agreement are collateralized by substantially all of our assets, including accounts receivable, inventory and fixed assets, and those of certain of our subsidiaries. After taking into account outstanding borrowings under the restated credit agreement, there was an additional \$144.6 million available for us to borrow pursuant to the formula at September 30, 2013. Outstanding borrowings under the restated credit agreement (inclusive of the Canadian revolving credit facility described below), which are classified as current liabilities, were \$32.2 million and \$40.4 million at September 30, 2013 and December 31, 2012, respectively. Borrowings under the restated credit agreement have been classified as current liabilities based upon the accounting rules and certain provisions in the agreement.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

At September 30, 2013, the weighted average interest rate on our restated credit agreement was 1.9%, which consisted of \$30 million in direct borrowings at 1.7% and an index loan of \$2.2 million at 3.8%. At December 31, 2012, the weighted average interest rate on our restated credit agreement was 2.7%, which consisted of \$25 million in direct borrowings at 2% and an index loan of \$15.4 million at 4%. During the nine months ended September 30, 2013, our average daily index loan balance was \$4.5 million compared to \$5.3 million for the nine months ended September 30, 2012 and \$6.1 million for the year ended December 31, 2012.

At any time that our average borrowing availability is less than \$25 million, the terms of our restated credit agreement provide for, among other provisions, a financial covenant requiring us, on a consolidated basis, to maintain specified levels of fixed charge coverage at the end of each fiscal quarter (rolling twelve months). As of September 30, 2013, we were not subject to this covenant. Availability under our restated credit agreement is based on a formula of eligible accounts receivable, eligible inventory and eligible fixed assets. Our restated credit agreement also permits dividends and distributions by us provided specific conditions are met.

Canadian Revolving Credit Facility

In May 2010, we amended our Canadian Credit Agreement with GE Canada Finance Holding Company, for itself and as agent for the lenders. The amended Canadian Credit Agreement provided for the conversion of the then existing \$10 million line of credit into a revolving credit facility. The Canadian \$10 million line of credit is part of the \$250 million available for borrowing under our restated credit agreement with General Electric Capital Corporation.

In May 2013, we further amended our Canadian Credit Agreement to extend the maturity date of the agreement to March 2018 and modify certain provisions, including interest rates, to parallel the revolving credit provisions of the restated credit agreement (described above). The amended credit agreement is guaranteed and secured by us and certain of our wholly-owned subsidiaries. Direct borrowings under the amended credit agreement bear interest at the same rate as our restated credit agreement with General Electric Capital Corporation. As of September 30, 2013, we have no outstanding borrowings under the Canadian Credit Agreement.

Capital Leases

As of September 30, 2013, our capital lease obligations related to certain equipment for use in our operations totaled \$0.1 million. Assets held under capitalized leases are included in property, plant and equipment and depreciated over the lives of the respective leases or over their economic useful lives, whichever is less.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Note 9. Accumulated Other Comprehensive Income

Changes in Accumulated Other Comprehensive Income by Component

	Three Months Ended September 30, 2013		
	Unrecognized Foreign Pension and Currency Postretirement Translation Benefit Costs Adjustment (Credit)		Total
Beginning balance at June 30, 2013	\$2,911	\$ (1,097 )	) \$1,814
Other comprehensive income before reclassifications	1,033	8	) 1,041
Amounts reclassified from accumulated other comprehensive income	—	(187 )	) (187)
Current period other comprehensive income, net	1,033	(179 )	) 854
Ending balance at September 30, 2013	\$3,944	\$ (1,276 )	) \$2,668
	Nine Months Ended September 30, 2013		
	Unrecognized Foreign Pension and Currency Postretirement Translation Benefit Costs Adjustment (Credit)		Total
Beginning balance at December 31, 2012	\$4,663	\$ (784 )	) \$3,879
Other comprehensive income before reclassifications	(719)	135	) (584)
Amounts reclassified from accumulated other comprehensive income	—	(627 )	) (627)
Current period other comprehensive income, net	(719)	(492 )	) (1,211)
Ending balance at September 30, 2013	\$3,944	\$ (1,276 )	) \$2,668

Reclassifications Out of Accumulated Other Comprehensive Income

	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2013
Details About Accumulated Other Comprehensive Income Components		
Amortization of pension and postretirement benefit plans:		
Prior service benefit (1)	\$ (1,078 )	) \$ (3,238)
Unrecognized loss (1)	781	) 2,342
Total before income tax	(297 )	) (896)
Income tax benefit	110	) 269
Total reclassifications for the period	\$ (187 )	) \$ (627)

These accumulated other comprehensive income components are included in the computation of net periodic (1) pension and postretirement benefit costs, which are included in selling, general and administrative expenses in our consolidated statements of operations (see Note 11 for additional details).

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Note 10. Stock-Based Compensation Plans

We account for our stock-based compensation plans in accordance with the provisions of FASB ASC 718, Stock Compensation, which requires that a company measure the cost of employee services received in exchange for an award of equity instruments based on the grant-date fair value of the award. The cost is recognized in the consolidated statement of operations over the period during which an employee is required to provide service in exchange for the award.

Stock Option Grants

The following is a summary of the changes in outstanding stock options for the nine months ended September 30, 2013:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2012	29,150	\$12.20	1.9
Expired	—	—	—
Exercised	(11,525)	12.37	—
Forfeited, other	—	—	—
Outstanding at September 30, 2013	17,625	\$12.09	1.3
Options exercisable at September 30, 2013	17,625	\$12.09	1.3

The aggregate intrinsic value of all outstanding stock options as of September 30, 2013 was \$0.4 million. All outstanding stock options as of September 30, 2013 are fully vested and exercisable. The total intrinsic value of options exercised was \$0.2 million for the nine months ended September 30, 2013. There were no options granted in the nine months ended September 30, 2013.

Restricted and Performance Stock Grants

As part of the 2006 Omnibus Incentive Plan, we grant shares of restricted and performance-based stock to eligible employees and directors. Selected executives and other key personnel are granted performance awards whose vesting is contingent upon meeting various performance measures with a retention feature. Performance-based shares are subject to a three-year measuring period and the achievement of performance targets and, depending upon the achievement of such performance targets, they may become vested on the third anniversary of the date of grant. Each period we evaluate the probability of achieving the applicable targets, and we adjust our accrual accordingly.

Restricted shares granted to employees become fully vested upon the third anniversary of the date of grant; and for selected key executives certain additional restricted share grants vest 25% upon the attainment of age 60, 25% upon the attainment of age 63 and become fully vested upon the attainment of age 65. Restricted shares granted to directors become fully vested upon the first anniversary of the date of grant. Forfeitures on restricted stock grants are estimated at 5% for employees and 0% for executives and directors, respectively, based on our evaluation of historical and expected future turnover.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Our restricted and performance-based share activity was as follows for the nine months ended September 30, 2013:

	Shares	Weighted Average Grant Date Fair Value Per Share
Balance at December 31, 2012	533,625	\$ 13.03
Granted	7,000	32.01
Vested	(102,625)	10.04
Forfeited	(7,125)	13.38
Balance at September 30, 2013	430,875	\$ 14.05

We recorded compensation expense related to restricted shares and performance-based shares of \$1,546,251 (\$963,160 net of tax) and \$1,207,992 (\$764,055 net of tax) for the nine months ended September 30, 2013 and 2012, respectively. The unamortized compensation expense related to our restricted and performance-based shares was \$3.8 million at September 30, 2013, and is expected to be recognized as they vest over a weighted average period of 5.7 years and 0.5 years for employees and directors, respectively.

Note 11. Employee Benefits

The components of net periodic benefit cost (credit) for our defined benefit plans and postretirement benefit plans for the three months and nine months ended September 30, 2013 and 2012 were as follows (in thousands):

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Pension benefits				
Service cost	\$45	\$32	\$135	\$97
Interest cost	59	47	176	140
Amortization of prior service cost	7	28	21	83
Actuarial net loss	172	65	517	196
Net periodic benefit cost	\$283	\$172	\$849	\$516
Postretirement benefits				
Service cost	\$—	\$1	\$1	\$3
Interest cost	9	22	28	65
Amortization of prior service benefit	(1,085)	(1,225)	(3,259)	(3,672)
Actuarial net loss	609	708	1,825	2,125
Net periodic benefit credit	\$(467)	\$(494)	\$(1,405)	\$(1,479)

For the nine months ended September 30, 2013, we made employee benefit contributions of \$0.7 million related to our postretirement plans. Based on current estimates, we believe we will be required to make approximately \$1 million in contributions for 2013.

We maintain a Supplemental Executive Retirement Plan for key employees. Under the plan, these employees may elect to defer a portion of their compensation and, in addition, we may at our discretion make contributions to the plan on behalf of the employees. In March 2013, contributions of \$0.5 million were made to the plan related to calendar year 2012.

We also have an Employee Stock Ownership Plan and Trust for employees who are not covered by a collective bargaining agreement. In connection therewith, we maintain an employee benefits trust to which we contribute shares of treasury stock. We are authorized to instruct the trustees to distribute such shares toward the satisfaction of our future obligations under the plan. The shares held in trust are not considered outstanding for purposes of calculating earnings per share until they are committed to be released. The trustees will vote the shares in accordance with their fiduciary duties. During 2013, we contributed to the trust an additional 182,000 shares from our treasury and released 182,500 shares from the trust leaving 430 shares remaining in the trust as of September 30, 2013.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Note 12. Fair Value Measurements

We follow a three-level fair value hierarchy that prioritizes the inputs to measure fair value. This hierarchy requires entities to maximize the use of “observable inputs” and minimize the use of “unobservable inputs.” The three levels of inputs used to measure fair value are as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets as of the measurement date.

Level 2: Significant other observable inputs other than Level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect assumptions that market participants would use in pricing an asset or liability.

The following is a summary of the carrying amounts and estimated fair values of our financial instruments at September 30, 2013 and December 31, 2012 (in thousands):

	September 30, 2013		December 31, 2012	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	\$10,097	\$10,097	\$13,074	\$13,074
Deferred compensation	7,981	7,981	6,678	6,678
Short term borrowings	32,269	32,269	40,573	40,573
Long-term debt	23	23	75	75

For fair value purposes, the carrying value of cash and cash equivalents approximates fair value due to the short maturity of those investments. The fair value of the underlying assets held by the deferred compensation plan are based on the quoted market prices of the funds in registered investment companies, which are considered Level 1 inputs. The carrying value of our revolving credit facilities, classified as short term borrowings, approximates fair market value because the interest rates reflect current market rates.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Note 13. Earnings Per Share

The following are reconciliations of the earnings available to common stockholders and the shares used in calculating basic and dilutive net earnings per common share (in thousands, except per share data):

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Basic Net Earnings Per Common Shares:				
Earnings from continuing operations	\$17,686	\$17,444	\$43,652	\$36,659
Loss from discontinued operations	(389)	(604)	(1,138)	(1,221)
Net earnings available to common stockholders	\$17,297	\$16,840	\$42,514	\$35,438
Weighted average common shares outstanding	23,000	22,692	22,945	22,810
Earnings from continuing operations per common share	\$0.77	\$0.77	\$1.90	\$1.61
Loss from discontinued operations per common share	(0.02)	(0.03)	(0.05)	(0.06)
Basic net earnings per common share	\$0.75	\$0.74	\$1.85	\$1.55
Diluted Net Earnings Per Common Share:				
Earnings from continuing operations	\$17,686	\$17,444	\$43,652	\$36,659
Loss from discontinued operations	(389)	(604)	(1,138)	(1,221)
Net earnings available to common stockholders	\$17,297	\$16,840	\$42,514	\$35,438
Weighted average common shares outstanding	23,000	22,692	22,945	22,810
Plus incremental shares from assumed conversions:				
Dilutive effect of restricted stock and performance stock	232	182	226	182
Dilutive effect of stock options	7	4	8	7
Weighted average common shares outstanding – Diluted	23,239	22,878	23,179	22,999
Earnings from continuing operations per common share	\$0.76	\$0.76	\$1.88	\$1.59
Loss from discontinued operations per common share	(0.02)	(0.02)	(0.05)	(0.05)
Diluted net earnings per common share	\$0.74	\$0.74	\$1.83	\$1.54

The shares listed below were not included in the computation of diluted earnings per share because to do so would have been anti-dilutive for the periods presented or because they were excluded under the treasury method (in thousands):

	Three Months Ended September 30, 2013		Nine Months Ended September 30, 2012	
Stock options	11	26	9	23
Restricted and performance shares	217	227	231	233

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Note 14. Industry Segments

We have two major reportable operating segments, each of which focuses on a specific line of replacement parts. Our Engine Management Segment manufactures and distributes ignition and emission parts, ignition wires, battery cables, fuel system parts and sensors for vehicle systems. Our Temperature Control Segment manufactures and remanufactures air conditioning compressors, air conditioning and heating parts, engine cooling system parts, power window accessories and windshield washer system parts.

The following tables show our net sales and operating income by our operating segments (in thousands):

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2013	2012	2013	2012
Net Sales				
Engine Management	\$ 177,939	\$ 175,789	\$ 535,498	\$ 511,448
Temperature Control	84,840	95,229	224,228	233,556
All Other	1,383	4,957	5,270	11,557
Consolidated	\$ 264,162	\$ 275,975	\$ 764,996	\$ 756,561
Intersegment Revenue				
Engine Management	\$ 6,722	\$ 4,480	\$ 19,741	\$ 13,326
Temperature Control	2,486	1,031	5,541	3,667
All Other	(9,208)	(5,511)	(25,282)	(16,993)
Consolidated	\$—	\$—	\$—	\$—
Operating Income				
Engine Management	\$ 26,518	\$ 20,664	\$ 72,006	\$ 51,982
Temperature Control	7,501	9,057	13,787	16,880
All Other	(6,142)	(3,059)	(14,666)	(9,807)
Consolidated	\$ 27,877	\$ 26,662	\$ 71,127	\$ 59,055

Note 15. Commitments and Contingencies

Asbestos

In 1986, we acquired a brake business, which we subsequently sold in March 1998 and which is accounted for as a discontinued operation. When we originally acquired this brake business, we assumed future liabilities relating to any alleged exposure to asbestos-containing products manufactured by the seller of the acquired brake business. In accordance with the related purchase agreement, we agreed to assume the liabilities for all new claims filed on or after September 2001. Our ultimate exposure will depend upon the number of claims filed against us on or after September 2001 and the amounts paid for indemnity and defense thereof. At September 30, 2013, approximately 2,250 cases were outstanding for which we may be responsible for any related liabilities. Since inception in September 2001 through September 30, 2013, the amounts paid for settled claims are approximately \$14.6 million. We acquired limited insurance coverage up to a fixed amount for defense and indemnity costs associated with certain asbestos-related claims and have exhausted all insurance coverage.

In evaluating our potential asbestos-related liability, we have considered various factors including, among other things, an actuarial study of the asbestos-related liabilities performed by an independent actuarial firm, our settlement amounts and whether there are any co-defendants, the jurisdiction in which lawsuits are filed, and the status and results of settlement discussions. As is our accounting policy, we consider the advice of actuarial consultants with experience in assessing asbestos-related liabilities to estimate our potential claim liability. The methodology used to project asbestos-related liabilities and costs in our actuarial study considered: (1) historical data available from publicly available studies; (2) an analysis of our recent claims history to estimate likely filing rates into the future; (3) an analysis of our currently pending claims; and (4) an analysis of our settlements to date in order to develop average settlement values.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

The most recent actuarial study was performed as of August 31, 2013. The updated study has estimated an undiscounted liability for settlement payments, excluding legal costs and any potential recovery from insurance carriers, ranging from \$24.4 million to \$37.4 million for the period through 2058. The change from the prior year study was a \$2.7 million decrease for the low end of the range and a \$4.1 million decrease for the high end of the range. The decrease in the estimated undiscounted liability from the prior year study at both the low end and high end of the range reflects our actual experience over the prior twelve months. Based on the information contained in the actuarial study and all other available information considered by us, we have concluded that no amount within the range of settlement payments was more likely than any other and, therefore, in assessing our asbestos liability we compare the low end of the range to our recorded liability to determine if an adjustment is required. Based upon the results of the August 31, 2013 actuarial study, no adjustment to the asbestos liability was recorded in our consolidated financial statements as the difference between our recorded liability and the liability in the actuarial report at the low end of the range was not material. Legal costs, which are expensed as incurred and reported in earnings (loss) from discontinued operations in the accompanying statement of operations, are estimated, according to the updated study, to range from \$27.4 million to \$48.1 million for the period through 2058.

We plan to perform an annual actuarial evaluation during the third quarter of each year for the foreseeable future. Given the uncertainties associated with projecting such matters into the future and other factors outside our control, we can give no assurance that additional provisions will not be required. We will continue to monitor the circumstances surrounding these potential liabilities in determining whether additional provisions may be necessary. At the present time, however, we do not believe that any additional provisions would be reasonably likely to have a material adverse effect on our liquidity or consolidated financial position.

Other Litigation

We are involved in various litigation and product liability matters arising in the ordinary course of business. Although the final outcome of any other litigation or product liability matter cannot be determined, based on our understanding and evaluation of the relevant facts and circumstances, it is our opinion that the final outcome of these matters will not have a material adverse effect on our business, financial condition or results of operations.

Warranties

We generally warrant our products against certain manufacturing and other defects. These product warranties are provided for specific periods of time of the product depending on the nature of the product. As of September 30, 2013 and 2012, we have accrued \$20.7 million and \$19.1 million, respectively, for estimated product warranty claims included in accrued customer returns. The accrued product warranty costs are based primarily on historical experience of actual warranty claims.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

The following table provides the changes in our product warranties (in thousands):

	Three Months		Nine Months Ended	
	Ended		September 30,	
	September 30,	September 30,	September 30,	September 30,
	2013	2012	2013	2012
Balance, beginning of period	\$23,498	\$18,849	\$17,288	\$13,500
Liabilities accrued for current year sales	20,755	23,226	61,131	58,882
Settlements of warranty claims	(23,556)	(23,021)	(57,722)	(53,328)
Balance, end of period	\$20,697	\$19,054	\$20,697	\$19,054

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2. OPERATIONS

This Report contains forward-looking statements made pursuant to the safe harbor provisions of the Private Securities Litigation Reform Act of 1995. Forward-looking statements in this Report are indicated by words such as “anticipates,” “expects,” “believes,” “intends,” “plans,” “estimates,” “projects,” “strategies” and similar expressions. These statements represent expectations based on current information and assumptions and are inherently subject to risks and uncertainties. Our actual results could differ materially from those which are anticipated or projected as a result of certain risks and uncertainties, including, but not limited to, changes in business relationships with our major customers and in the timing, size and continuation of our customers’ programs; changes in our receivables factoring arrangements; the ability of our customers to achieve their projected sales; competitive product and pricing pressures; increases in production or material costs that cannot be recouped in product pricing; the performance of the aftermarket and original equipment service markets; changes in the product mix and distribution channel mix; economic and market conditions (including access to credit and financial markets); our significant indebtedness; successful integration of acquired businesses; our ability to achieve cost savings from our restructuring initiatives; product liability and environmental matters (including, without limitation, those related to asbestos-related contingent liabilities and remediation costs at certain properties); as well as other risks and uncertainties, such as those described under Risk Factors, Quantitative and Qualitative Disclosures About Market Risk and those detailed herein and from time to time in the filings of the Company with the SEC. Forward-looking statements are made only as of the date hereof, and the Company undertakes no obligation to update or revise the forward-looking statements, whether as a result of new information, future events or otherwise. In addition, historical information should not be considered as an indicator of future performance. The following discussion should be read in conjunction with the unaudited consolidated financial statements, including the notes thereto, included elsewhere in this Report.

Business Overview

We are a leading independent manufacturer and distributor of replacement parts for motor vehicles in the automotive aftermarket industry, with an increasing focus on the original equipment service market. We are organized into two major operating segments, each of which focuses on specific lines of replacement parts. Our Engine Management Segment manufactures ignition and emission parts, ignition wires, battery cables, fuel system parts and sensors for vehicle systems. Our Temperature Control Segment manufactures and remanufactures air conditioning compressors, air conditioning and heating parts, engine cooling system parts, power window accessories, and windshield washer system parts.

We sell our products primarily to warehouse distributors, large retail chains, original equipment manufacturers and original equipment service part operations in the United States, Canada and Latin America. Our customers consist of many of the leading warehouse distributors, such as CARQUEST Corporation and NAPA Auto Parts, as well as many of the leading auto parts retail chains, such as Advance Auto Parts, Inc., AutoZone, Inc., O’Reilly Automotive, Inc., Canadian Tire Corporation Limited and The Pep Boys Manny, Moe & Jack. Our customers also include national program distribution groups, such as Federated Auto Parts Distributors, Inc., Auto Value and All Pro/Bumper to Bumper (Aftermarket Auto Parts Alliance, Inc.), Automotive Distribution Network LLC and The National Pronto Association, and specialty market distributors. We distribute parts under our own brand names, such as Standard®, BWD®, Intermotor®, GP Sorensen®, TechSmart®, OEM®, LockSmart®, Four Seasons®, Factory Air®, EVERCO®, ACi®, Imperial®, COMPRESSORWORKS®, TORQFLO® and Hayden® and through private labels, such as CARQUEST®, AutoZone®, Duralast®, O’Reilly® Import Direct® and Master Pro®, NAPA® Echlin®, NAPA® Mileage Plus®, NAPA® Temp Products and NAPA® Belden®.

Our goal is to grow revenues and earnings and deliver returns in excess of our cost of capital by providing high quality original equipment and replacement products to the engine management and temperature control markets. Our management places significant emphasis on improving our financial performance by achieving operating efficiencies

and improving asset utilization, while maintaining product quality and high customer order fill rates. We intend to continue to improve our operating efficiency, customer satisfaction and cost position by increasing cost effective vertical integration in key product lines through internal development and improving our cost effectiveness and competitive responsiveness to better serve our customer base, including sourcing certain products from low cost countries such as those in Asia.

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Seasonality. Historically, our operating results have fluctuated by quarter, with the greatest sales occurring in the second and third quarters of the year and revenues generally being recognized at the time of shipment. It is in these quarters that demand for our products is typically the highest, specifically in the Temperature Control Segment of our business. In addition to this seasonality, the demand for our Temperature Control products during the second and third quarters of the year may vary significantly with the summer weather and customer inventories. For example, a cool summer may lessen the demand for our Temperature Control products, while a hot summer may increase such demand. As a result of this seasonality and variability in demand of our Temperature Control products, our working capital requirements typically peak near the end of the second quarter, as the inventory build up of air conditioning products is converted to sales and payments on the receivables associated with such sales have yet to be received. During this period, our working capital requirements are typically funded by borrowing from our revolving credit facility.

Inventory Management. We face inventory management issues as a result of warranty and overstock returns. Many of our products carry a warranty ranging from a 90-day limited warranty to a lifetime limited warranty, which generally covers defects in materials or workmanship and failure to meet industry published specifications and/or the result of installer error. In addition to warranty returns, we also permit our customers to return products to us within customer-specific limits (which are generally limited to a specified percentage of their annual purchases from us) in the event that they have overstocked their inventories. We accrue for overstock returns as a percentage of sales, after giving consideration to recent returns history.

In order to better control warranty and overstock return levels, we have in place procedures for authorized warranty returns, including for warranty returns which result from installer error, placed restrictions on the amounts customers can return and instituted a program to better estimate potential future product returns. In addition, with respect to our air conditioning compressors, which are our most significant customer product warranty returns, we established procedures whereby a warranty will be voided if a customer does not provide acceptable proof that complete air conditioning system repair was performed.

Discounts, Allowances and Incentives. In connection with our sales activities, we offer a variety of usual customer discounts, allowances and incentives. First, we offer cash discounts for paying invoices in accordance with the specified discount terms of the invoice. Second, we offer pricing discounts based on volume and different product lines purchased from us. These discounts are principally in the form of “off-invoice” discounts and are immediately deducted from sales at the time of sale. For those customers that choose to receive a payment on a quarterly basis instead of “off-invoice,” we accrue for such payments as the related sales are made and reduce sales accordingly.

Finally, rebates and discounts are provided to customers as advertising and sales force allowances, and allowances for warranty and overstock returns are also provided. Management analyzes historical returns, current economic trends, and changes in customer demand when evaluating the adequacy of the sales returns and other allowances. Significant management judgments and estimates must be made and used in connection with establishing the sales returns and other allowances in any accounting period. We account for these discounts and allowances as a reduction to revenues, and record them when sales are recorded.

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Interim Results of Operations:

Comparison of the Three Months Ended September 30, 2013 to the Three Months Ended September 30, 2012

Sales. Consolidated net sales for the three months ended September 30, 2013 were \$264.2 million, a decrease of \$11.8 million compared to \$276 million in the same period of 2012. Consolidated net sales decreased primarily due to the lower results achieved by our Temperature Control Segment.

The following table summarizes net sales by segment for the quarters ended September 30, 2013 and 2012, respectively:

Three Months Ended September 30, <u>2013</u>	Engine Management	Temperature Control	Other	Total
Net sales	\$ 177,939	\$ 84,840	\$ 1,383	\$264,162
Gross margins	56,654	20,496	2,931	80,081
Gross margin percentage	31.8 %	24.2 %	— %	30.3 %
 <u>2012</u>				
Net sales	\$ 175,789	\$ 95,229	\$ 4,957	\$275,975
Gross margins	51,285	23,156	3,367	77,808
Gross margin percentage	29.2 %	24.3 %	— %	28.2 %

Engine Management's net sales increased \$2.1 million, or 1.2%, to \$177.9 million for the third quarter of 2013.

Year-over-year increases in net sales were achieved in the traditional, retail and OE/OES markets as compared to the third quarter of 2012.

Temperature Control's net sales decreased \$10.4 million, or 10.9%, to \$84.8 million for the third quarter of 2013. The year-over-year decrease in net sales at Temperature Control resulted from the impact of a cool wet spring and milder summer weather conditions in 2013 as compared to the same period in the prior year.

Gross Margins. Gross margins, as a percentage of consolidated net sales, increased to 30.3% in the third quarter of 2013, compared to 28.2% in the third quarter of 2012. Compared to the third quarter of 2012, gross margins at Engine Management increased 2.6 percentage points from 29.2% to 31.8%, while gross margins at Temperature Control remained essentially flat year-over-year. The gross margin percentage improvement in Engine Management compared to the prior year was primarily the result of increased volume, improved global sourcing, and manufacturing efficiencies, including the increase in manufacturing at our lower cost facilities.

Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") were \$50.6 million, or 19.2% of consolidated net sales, in the third quarter of 2013, as compared to \$50.9 million, or 18.5% of consolidated net sales, in the third quarter of 2012.

Restructuring and Integration Expenses. Restructuring and integration expenses increased to \$1.9 million in the third quarter of 2013 compared to \$0.6 million for the same period in 2012. Components of our restructuring and integration accruals, by segment, were as follows (in thousands):

	Engine Management	Temperature Control	Other	Total
Exit activity liability at June 30, 2013	\$ 2,451	\$ 273	\$ 288	\$3,012
Restructuring and integration costs:				

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Amounts provided for during 2013	69	—	1,844	1,913
Cash payments	(560) (107) (165) (832
Exit activity liability at September 30, 2013	\$ 1,960	\$ 166	\$1,967	\$4,093

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During the third quarter of 2013, we offered a voluntary separation incentive program to certain eligible employees to reduce costs and improve our operating efficiency. Eligible employees, who accepted the program, received enhanced severance and other retiree benefit enhancements. In connection with the program, we have recorded a charge of \$1.8 million in the third quarter of 2013.

Other Income, Net. Other income, net decreased \$0.1 million to \$0.3 million in the third quarter of 2013 as compared to \$0.4 million in the same period last year. During 2013 and 2012, we recognized \$0.3 million of deferred gain related to the sale-leaseback of our Long Island City, New York facility. In addition, other income, net for the third quarter of 2012 included a \$0.2 million gain on the sale of land located in the U.K. and a \$0.1 million loss on the disposal of certain machinery and equipment.

Operating Income. Operating income increased \$1.2 million to \$27.9 million in the third quarter of 2013 as compared to \$26.7 million in the third quarter of 2012. In spite of lower consolidated net sales, year-over-year operating income increased as a result of higher gross margins as a percentage of consolidated net sales and slightly lower SG&A expenses.

Interest Expense. Interest expense decreased to \$0.4 million in the third quarter of 2013, compared to \$0.7 million in the third quarter of 2012, as average outstanding borrowings and average interest rates during the quarter declined year-over-year. The year-over-year decline in interest rates reflects the impact of the lower interest rates in our May 2013 amendment to our restated credit agreement.

Income Tax Provision. The income tax provision in the third quarter of 2013 was \$10 million at an effective tax rate of 36.2% compared to \$8.5 million at an effective tax rate of 32.8% for the same period in 2012. The effective tax rate in the third quarter of 2013 and 2012 was favorably impacted by \$0.4 million and \$0.8 million, respectively, related to certain foreign tax and research and development credits, and production deductions which were finalized during the period.

Loss from Discontinued Operations. Loss from discontinued operations, net of income tax, reflects information contained in the most recent actuarial study performed as of August 31, 2013 and other information available and considered by us, and legal expenses incurred associated with our asbestos-related liability. During the third quarters of 2013 and 2012, we recorded a loss of \$0.4 million and \$0.6 million from discontinued operations, respectively. As discussed more fully in Note 15 in the notes to our consolidated financial statements, we are responsible for certain future liabilities relating to alleged exposure to asbestos containing products.

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Comparison of the Nine Months Ended September 30, 2013 to the Nine Months Ended September 30, 2012

Sales. Consolidated net sales for the nine months ended September 30, 2013 were \$765 million, an increase of \$8.4 million, or 1.1%, compared to \$756.6 million in the same period of 2012. Consolidated net sales increased primarily due to higher sales in the retail, traditional and OE/OES markets of our Engine Management Segment as compared to the first nine months of 2012, which more than offset the lower sales achieved by our Temperature Control Segment.

The following table summarizes net sales and gross margins by segment for the nine months ended September 30, 2013 and 2012, respectively:

Nine Months Ended September 30, <u>2013</u>	Engine Management	Temperature Control	Other	Total
Net sales	\$ 535,498	\$ 224,228	\$ 5,270	\$ 764,996
Gross margins	162,748	51,824	9,133	223,705
Gross margin percentage	30.4	% 23.1	% —	29.2 %
<u>2012</u>				
Net sales	\$ 511,448	\$ 233,556	\$ 11,557	\$ 756,561
Gross margins	140,555	51,604	9,543	201,702
Gross margin percentage	27.5	% 22.1	% —	26.7 %

Engine Management's net sales increased \$24.1 million, or 4.7%, to \$535.5 million for the first nine months of 2013. Year-over-year increases in net sales were achieved in the retail, traditional and OE/OES markets as compared to the first nine months of 2012.

Temperature Control's net sales decreased \$9.3 million, or 4%, to \$224.2 million for the first nine months of 2013. Included in the first nine months of 2013 are incremental sales of \$16.6 million from our asset acquisition of CompressorWorks, Inc., acquired in April 2012. Excluding the incremental sales from the acquisition, Temperature Control net sales decreased \$25.9 million compared to the first nine months of 2012. The year-over-year decline in net sales resulted from the impact of a cool wet spring and milder summer weather conditions in 2013 as compared to the same period in the prior year.

Gross Margins. Gross margins, as a percentage of consolidated net sales, for the nine months ended September 30, 2013 increased to 29.2%, as compared to 26.7% during the same period in 2012. Compared to the first nine months of 2012, gross margins at Engine Management increased 2.9 percentage points from 27.5% to 30.4%, while gross margins at Temperature Control increased 1 percentage point from 22.1% to 23.1%. The gross margin percentage improvement in Engine Management compared to the prior year was primarily the result of increased volume, improved global sourcing, and manufacturing efficiencies, including the increase in manufacturing at our lower cost facilities. The gross margin percentage improvement in Temperature Control compared to the prior year was primarily the result of the increase in manufacturing at our lower cost facilities and the benefits achieved as a result of the integration of CompressorWorks' product lines.

Selling, General and Administrative Expenses. SG&A increased by \$8.5 million to \$150.8 million, or 19.7% of consolidated net sales, in the nine months ended September 30, 2013, as compared to \$142.3 million, or 18.8% of consolidated net sales, in the same period of 2012. The increase in SG&A expenses is principally due to the incremental expenses from our asset acquisition of CompressorWorks, Inc., including amortization of intangible assets acquired, higher sales, marketing and distribution expenses, and higher expenses related to the sale of receivables.

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Restructuring and Integration Expenses. Restructuring and integration expenses increased to \$2.5 million for the nine months ended September 30, 2013, compared to \$0.8 million for the same period in 2012. Components of our restructuring and integration accruals, by segment, were as follows (in thousands):

	Engine Management	Temperature Control	Other	Total
Exit activity liability at December 31, 2012	\$ 3,203	\$ 203	\$373	\$3,779
Restructuring and integration costs:				
Amounts provided for during 2013	439	248	1,844	2,531
Cash payments	(1,682)	(285)	(250)	(2,217)
Exit activity liability at September 30, 2013	\$ 1,960	\$ 166	\$1,967	\$4,093

During the third quarter of 2013, we offered a voluntary separation incentive program to certain eligible employees to reduce costs and improve our operating efficiency. Eligible employees, who accepted the program, received enhanced severance and other retiree benefit enhancements. In connection with the program, we have recorded a charge of \$1.8 million in the third quarter of 2013.

Other Income, Net. Other income, net increased \$0.3 million to \$0.8 million for the nine months ended September 30, 2013 as compared to \$0.5 million in the same period in 2012. During 2013 and 2012, we recognized \$0.8 million of deferred gain related to the sale-leaseback of our Long Island City, New York facility. In addition, other income, net for the nine months ended September 30, 2012 included a \$0.5 million loss on the disposal of certain machinery and equipment and a \$0.2 million gain on the sale of land located in the U.K.

Operating Income. Operating income was \$71.1 million in the first nine months of 2013, compared to \$59.1 million for the same period in 2012. The increase of \$12 million is the result of higher year-over-year consolidated net sales and higher gross margins as a percentage of consolidated net sales offset, in part, by higher SG&A expenses.

Interest Expense. Interest expense decreased by \$0.7 million to \$1.6 million in the nine months ended September 30, 2013, compared to \$2.3 million for the same period in 2012, as average outstanding borrowings and average interest rates declined year-over-year. The year-over-year decline in interest rates reflects the impact of the lower interest rates in our May 2013 amendment to our revolving credit facility.

Income Tax Provision. The income tax provision for the nine months ended September 30, 2013 was \$25.8 million at an effective tax rate of 37.2%, compared to \$20.1 million and an effective tax rate of 35.4% for the same period in 2012. The effective tax rate in the first nine months of 2013 and 2012 was favorably impacted by \$0.4 million and \$0.8 million, respectively, related to certain foreign tax and research and development credits, and production deductions which were finalized during the period.

Loss from Discontinued Operations. Loss from discontinued operations, net of income tax, reflects information contained in the most recent actuarial study performed as of August 31, 2013 and other information available and considered by us, and legal expenses incurred associated with our asbestos-related liability. During the nine months ended September 30, 2013 and 2012, we recorded a loss of \$1.1 million and \$1.2 million from discontinued operations, respectively. As discussed more fully in Note 15 in the notes to our consolidated financial statements, we are responsible for certain future liabilities relating to alleged exposure to asbestos containing products.

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Restructuring and Integration Expenses

The aggregated liabilities included in “sundry payables and accrued expenses” and “other accrued liabilities” in the consolidated balance sheet relating to the restructuring and integration activities as of December 31, 2012 and September 30, 2013 and activity for the nine months ended September 30, 2013 consisted of the following (in thousands):

	Workforce Reduction	Other Exit Costs	Total
Exit activity liability at December 31, 2012	\$ 2,226	\$1,553	\$3,779
Restructuring and integration costs:			
Amounts provided for during 2013	2,263	268	2,531
Cash payments	(1,367)	(850)	(2,217)
Exit activity liability at September 30, 2013	\$ 3,122	\$971	\$4,093

During the third quarter of 2013, we offered a voluntary separation incentive program to certain eligible employees to reduce costs and improve our operating efficiency. Eligible employees, who accepted the program, received enhanced severance and other retiree benefit enhancements. In connection with the program, we have recorded a charge of \$1.8 million in the third quarter of 2013.

Liabilities associated with the remaining restructuring and integration costs as of September 30, 2013 relate primarily to employee severance and other retiree benefit enhancements to be paid through 2017 and environmental clean-up costs at our Long Island City, New York location in connection with the closure of our manufacturing operations at the site.

Liquidity and Capital Resources

Operating Activities. During the first nine months of 2013, cash provided by operations amounted to \$33.7 million compared to cash provided by operations of \$62.9 million in the same period of 2012. The year-over-year decrease in cash provided by operations is primarily the result of a year-over-year increase in inventory, prepaid expenses and other current assets and a year-over-year decrease in accounts payable balances partially offset by a smaller increase in accounts receivable balances. Inventory balances increased during the first nine months of 2013 resulting in a \$5.3 million cash usage as compared to a decrease in inventory balances during the first nine months of 2012 providing \$21.1 million of operating cash flow. Prepaid expenses and other current assets increased during the first nine months of 2013 resulting in a \$4.4 million cash usage as compared to a \$0.8 million cash usage in 2012. Accounts payable decreased during the first nine months of 2013 resulting in a cash usage of \$0.4 million as compared to an increase accounts payable in the same period of 2012 providing \$5 million of operating cash flow. The increase in accounts receivable balances during the first nine months of 2013 resulted in a cash usage of \$44 million as compared to a \$48 million cash usage in the same period of 2012. The increase in accounts receivable reflects the seasonality in our business. We anticipate that receivable levels will be reduced from nine month increases by year-end.

Investing Activities. Cash used in investing activities was \$21.8 million in the first nine months of 2013, as compared to \$46.6 million in the first nine months of 2012. Investing activities in 2013 consisted primarily of (1) our acquisition of an approximate 25% minority interest in Orange Electronic Co. Ltd., our supplier of tire pressure monitoring systems located in Taiwan, for \$6.3 million, (2) our acquisition of the original equipment business of Standard Motor Products Holdings Ltd., our former affiliate in the U.K., for \$6.5 million, and (3) \$8.5 million in capital expenditures. Investing activities in 2012 consisted of (1) our acquisition of substantially all of the assets of CompressorWorks, Inc. for \$38.6 million and (2) capital expenditures of \$8 million.

Financing Activities. Cash used in financing activities was \$14.2 million in the first nine months of 2013, compared to \$17.6 million in the same period of 2012. The excess cash provided by operations over cash used in investing activities in the first nine months of 2013 was used to pay down debt under our revolving credit facility, to fund the purchase of 58,654 shares of our common stock for \$1.7 million, and to pay \$1.3 million of debt issuance costs in connection with our May 2013 amendment to our restated credit agreement. In the first nine months of 2012, the excess cash provided by operations over cash used in investing activities was used to pay down debt under our revolving credit facility and to fund the purchase of 380,777 shares of our common stock for \$5 million. Dividends of \$7.6 million were paid in the first nine months of 2013 compared to \$6.2 million in the comparable period during the prior year. In January 2013, our Board of Directors voted to increase our quarterly dividend from \$0.09 per share in 2012 to \$0.11 per share in 2013.

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In November 2010, we entered into a Third Amended and Restated Credit Agreement with General Electric Capital Corporation, as agent, and a syndicate of lenders for a secured revolving credit facility. The restated credit agreement (as amended) provides for a line of credit of up to \$250 million (inclusive of the Canadian revolving credit facility described below) and expires in March 2018. Direct borrowings under the restated credit agreement bear interest at the LIBOR rate plus the applicable margin (as defined), or floating at the index rate plus the applicable margin, at our option. The interest rate may vary depending upon our borrowing availability. The restated credit agreement is guaranteed by certain of our subsidiaries and secured by certain of our assets.

In February 2013, we amended the restated credit agreement to provide us with greater flexibility regarding the payment of cash dividends and stock repurchases. In May 2013, we further amended our restated credit agreement (1) to extend the maturity date of our credit facility to March 2018; (2) to increase the line of credit from \$200 million to \$250 million (inclusive of the Canadian revolving credit facility described below); (3) to reduce the margin added to the LIBOR rate to 1.50% - 2%; (4) to reduce the margin added to the index rate to 0.50% - 1%; (5) to reduce the unused fee to 0.25%; and (6) to provide us with greater flexibility regarding acquisitions, other permissible debt financing, cash held and capital expenditures, among other matters.

Borrowings under the restated credit agreement are collateralized by substantially all of our assets, including accounts receivable, inventory and fixed assets, and those of certain of our subsidiaries. After taking into account outstanding borrowings under the restated credit agreement, there was an additional \$144.6 million available for us to borrow pursuant to the formula at September 30, 2013. Outstanding borrowings under the restated credit agreement (inclusive of the Canadian revolving credit facility described below), which are classified as current liabilities, were \$32.2 million and \$40.4 million at September 30, 2013 and December 31, 2012, respectively. Borrowings under the restated credit agreement have been classified as current liabilities based upon the accounting rules and certain provisions in the agreement.

At September 30, 2013, the weighted average interest rate on our restated credit agreement was 1.9%, which consisted of \$30 million in direct borrowings at 1.7% and an index loan of \$2.2 million at 3.8%. At December 31, 2012, the weighted average interest rate on our restated credit agreement was 2.7%, which consisted of \$25 million in direct borrowings at 2% and an index loan of \$15.4 million at 4%. During the nine months ended September 30, 2013 our average daily index loan balance was \$4.5 million compared to \$5.3 million for the nine months ended September 30, 2012 and \$6.1 million for the year ended December 31, 2012.

At any time that our average borrowing availability is less than \$25 million, the terms of our restated credit agreement provide for, among other provisions, a financial covenant requiring us, on a consolidated basis, to maintain specified levels of fixed charge coverage at the end of each fiscal quarter (rolling twelve months). As of September 30, 2013, we were not subject to this covenant. Availability under our restated credit agreement is based on a formula of eligible accounts receivable, eligible inventory and eligible fixed assets. Our restated credit agreement also permits dividends and distributions by us provided specific conditions are met.

In May 2010, we amended our Canadian Credit Agreement with GE Canada Finance Holding Company, for itself and as agent for the lenders. The amended Canadian Credit Agreement provided for the conversion of the then existing \$10 million line of credit into a revolving credit facility. The Canadian \$10 million line of credit is part of the \$250 million available for borrowing under our restated credit agreement with General Electric Capital Corporation.

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In May 2013, we further amended our Canadian Credit Agreement to extend the maturity date of the agreement to March 2018 and modify certain provisions, including interest rates, to parallel the revolving credit provisions of the restated credit agreement (described above). The amended credit agreement is guaranteed and secured by us and certain of our wholly-owned subsidiaries. Direct borrowings under the amended credit agreement bear interest at the same rate as our restated credit agreement with General Electric Capital Corporation. As of September 30, 2013, we have no outstanding borrowings under the Canadian Credit Agreement.

As of September 30, 2013, our capital lease obligations related to certain equipment for use in our operations totaled \$0.1 million. Assets held under capitalized leases are included in property, plant and equipment and depreciated over the lives of the respective leases or over their economic useful lives, whichever is less.

In order to reduce our accounts receivable balances and improve our cash flow, we sell undivided interests in certain of our receivables to financial institutions. We enter these agreements at our discretion when we determine that the cost of factoring is less than the cost of servicing our receivables with existing debt. Under the terms of the agreements, we retain no rights or interest, have no obligations with respect to the sold receivables, and do not service the receivables after the sale. As such, these transactions are being accounted for as a sale.

Pursuant to these agreements, we sold \$198.3 million and \$528.1 million of receivables during the three months and nine months ended September 30, 2013, respectively, and \$198.1 million and \$508.6 million for the comparable periods in 2012. A charge in the amount of \$3.9 million and \$11 million related to the sale of receivables is included in selling, general and administrative expense in our consolidated statements of operations for the three months and nine months ended September 30, 2013, respectively, and \$4.3 million and \$10.5 million for the comparable periods in 2012. If we do not enter into these arrangements or if any of the financial institutions with which we enter into these arrangements were to experience financial difficulties or otherwise terminate these arrangements, our financial condition, results of operations and cash flows could be materially and adversely affected by delays or failures to collect future trade accounts receivable.

In May 2012, our Board of Directors authorized the purchase of up to \$5 million of our common stock under a stock repurchase program. Under this program, during the three months ended March 31, 2013 and the year ended December 31, 2012, we repurchased 21,601 shares and 312,527 shares, respectively, of our common stock at a total cost of \$0.6 million and \$4.1 million, respectively. In the second quarter, 2013, we repurchased an additional 9,000 shares of our common stock under this program at a total cost of \$0.3 million. No stock repurchases remain available under the 2012 program as the entire \$5 million was utilized.

In February 2013, our Board of Directors authorized the purchase of up to an additional \$6 million of our common stock under a stock repurchase program. During the three months ended June 30, 2013 and September 30, 2013, we repurchased 10,700 shares and 17,353 shares, respectively, of our common stock under this program at a total cost of \$0.3 million and \$0.5 million, respectively. As of September 30, 2013, there was approximately \$5.2 million available for future stock repurchases under the program.

We anticipate that our present sources of funds, including funds from operations and additional borrowings, will continue to be adequate to meet our financing needs over the next twelve months. We continue to evaluate alternative sources to further improve the liquidity of our business. The timing, terms, size and pricing of any alternative sources of financing will depend on investor interest and market conditions, and there can be no assurance that we will be able to obtain any such financing. In addition, we have a substantial amount of indebtedness which could, among other things, increase our vulnerability to general adverse economic and industry conditions, make it more difficult to satisfy our obligations, limit our ability to pay future dividends, limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate, and require that a portion of our cash flow from operations be used for the payment of interest on our indebtedness instead of for funding working capital, capital expenditures, acquisitions or for other corporate purposes. If we default on any of our indebtedness, or breach any

financial covenant in our revolving credit facility, our business could be adversely affected.

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For further information regarding the risks of our business, please refer to the Risk Factors section of our Annual Report on Form 10-K for the year ended December 31, 2012.

The following table summarizes our contractual commitments as of September 30, 2013 and expiration dates of commitments through 2022:

(In thousands)	2013	2014	2015	2016	2017	2018- 2022	Total
Lease obligations	\$2,105	\$7,001	\$5,122	\$4,455	\$2,483	\$2,762	\$23,928
Postretirement and pension benefits	479	1,202	6,916	1,271	67	83	10,018
Severance payments related to restructuring and integration	698	2,016	277	76	55	—	3,122
Total commitments (1)	\$3,282	\$10,219	\$12,315	\$5,802	\$2,605	\$2,845	\$37,068

Indebtedness under our revolving credit facilities is not included in the table above as it is reported as a current (1) liability in our consolidated balance sheets. As of September 30, 2013, amounts outstanding under our revolving credit facilities were \$32.2 million.

Critical Accounting Policies

We have identified the policies below as critical to our business operations and the understanding of our results of operations. The impact and any associated risks related to these policies on our business operations is discussed throughout “Management’s Discussion and Analysis of Financial Condition and Results of Operations,” where such policies affect our reported and expected financial results. There have been no material changes to our critical accounting policies and estimates from the information provided in Note 1 of the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2012. You should be aware that preparation of our consolidated quarterly financial statements in this Report requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, the disclosure of contingent assets and liabilities at the date of our consolidated financial statements, and the reported amounts of revenue and expenses during the reporting periods. We can give no assurances that actual results will not differ from those estimates. Although we do not believe that there is a reasonable likelihood that there will be a material change in the future estimate or in the assumptions that we use in calculating the estimate, unforeseen changes in the industry, or business could materially impact the estimate and may have a material adverse effect on our business, financial condition and results of operations.

Revenue Recognition. We derive our revenue primarily from sales of replacement parts for motor vehicles from both our Engine Management and Temperature Control Segments. We recognize revenues when products are shipped and title has been transferred to a customer, the sales price is fixed and determinable, and collection is reasonably assured. For some of our sales of remanufactured products, we also charge our customers a deposit for the return of a used core component which we can use in our future remanufacturing activities. Such deposit is not recognized as revenue but rather carried as a core liability. The liability is extinguished when a core is actually returned to us. We estimate and record provisions for cash discounts, quantity rebates, sales returns and warranties in the period the sale is recorded, based upon terms of sale, our prior experience and current trends. As described below, significant management judgments and estimates must be made and used in estimating sales returns and allowances relating to revenue recognized in any accounting period.

Inventory Valuation. Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. Where appropriate, standard cost systems are utilized for purposes of determining cost; the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or market value of inventory are determined based upon current economic conditions, historical sales quantities and patterns and, in some cases, the

specific risk of loss on specifically identified inventories.

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We also evaluate inventories on a regular basis to identify inventory on hand that may be obsolete or in excess of current and future projected market demand. For inventory deemed to be obsolete, we provide a reserve on the full value of the inventory. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates our estimate of future demand. Future projected demand requires management judgment and is based upon (a) our review of historical trends and (b) our estimate of projected customer specific buying patterns and trends in the industry and markets in which we do business. Using rolling twelve month historical information, we estimate future demand on a continuous basis. As such, the historical volatility of such estimates has been minimal.

We utilize cores (used parts) in our remanufacturing processes for air conditioning compressors. The production of air conditioning compressors involves the rebuilding of used cores, which we acquire either in outright purchases from used parts brokers or from returns pursuant to an exchange program with customers. Under such exchange programs, we reduce our inventory, through a charge to cost of sales, when we sell a finished good compressor, and put back to inventory the used core exchanged at standard cost through a credit to cost of sales when it is actually received from the customer.

Sales Returns and Other Allowances and Allowance for Doubtful Accounts. We must make estimates of potential future product returns related to current period product revenue. We analyze historical returns, current economic trends, and changes in customer demand when evaluating the adequacy of the sales returns and other allowances. Significant judgments and estimates must be made and used in connection with establishing the sales returns and other allowances in any accounting period. At September 30, 2013, the allowance for sales returns was \$46.7 million.

Similarly, we must make estimates of the uncollectability of our accounts receivables. We specifically analyze accounts receivable and analyze historical bad debts, customer concentrations, customer credit worthiness, current economic trends and changes in our customer payment terms when evaluating the adequacy of the allowance for doubtful accounts. At September 30, 2013, the allowance for doubtful accounts and for discounts was \$7 million.

New Customer Acquisition Costs. New customer acquisition costs refer to arrangements pursuant to which we incur change-over costs to induce a new customer to switch from a competitor's brand. In addition, change-over costs include the costs related to removing the new customer's inventory and replacing it with Standard Motor Products inventory commonly referred to as a stocklift. New customer acquisition costs are recorded as a reduction to revenue when incurred.

Accounting for Income Taxes. As part of the process of preparing our consolidated financial statements, we are required to estimate our income taxes in each of the jurisdictions in which we operate. This process involves estimating our actual current tax expense together with assessing temporary differences resulting from differing treatment of items for tax and accounting purposes. These differences result in deferred tax assets and liabilities, which are included within our consolidated balance sheet. We must then assess the likelihood that our deferred tax assets will be recovered from future taxable income, and to the extent we believe that it is more likely than not that the deferred tax assets will not be recovered, we must establish a valuation allowance. To the extent we establish a valuation allowance or increase or decrease this allowance in a period, we must include an expense or recovery, respectively, within the tax provision in the statement of operations.

We maintain valuation allowances when it is more likely than not that all or a portion of a deferred asset will not be realized. In determining whether a valuation allowance is warranted, we evaluate factors such as prior earnings history, expected future earnings, carryback and carryforward periods and tax strategies. Management considers all positive and negative evidence to estimate if sufficient future taxable income will be generated to realize the deferred tax asset. We consider cumulative losses in recent years as well as the impact of one-time events in assessing our core pretax earnings. Assumptions regarding future taxable income require significant judgment. Our assumptions are consistent with estimates and plans used to manage our business, which includes restructuring and integration initiatives that are expected to generate significant savings in future periods.

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The valuation allowance of \$6.8 million as of September 30, 2013 is intended to provide for the uncertainty regarding the ultimate realization of our state tax credit carryovers, U.S. capital loss carryforwards, U.S. foreign tax credit carryovers, and foreign net operating loss carryforwards. The assessment of the adequacy of our valuation allowance is based on our estimates of taxable income in these jurisdictions and the period over which our deferred tax assets will be recoverable.

In the event that actual results differ from these estimates, or we adjust these estimates in future periods for current trends or expected changes in our estimating assumptions, we may need to modify the level of valuation allowance which could materially impact our business, financial condition and results of operations.

In accordance with generally accepted accounting practices, we recognize in our financial statements only those tax positions that meet the more-likely-than-not-recognition threshold. We establish tax reserves for uncertain tax positions that do not meet this threshold. Interest and penalties associated with income tax matters are included in the provision for income taxes in our consolidated statement of operations.

Valuation of Long Lived and Intangible Assets and Goodwill. At acquisition, we estimate and record the fair value of purchased intangible assets, which primarily consists of customer relationships, trademarks and trade names, patents and non-compete agreements. The fair values of these intangible assets are estimated based on our assessment.

Goodwill is the excess of the purchase price over the fair value of identifiable net assets acquired in business combinations. Goodwill and certain other intangible assets having indefinite lives are not amortized to earnings, but instead are subject to periodic testing for impairment. Intangible assets determined to have definite lives are amortized over their remaining useful lives.

We assess the impairment of long lived assets, identifiable intangibles assets and goodwill whenever events or changes in circumstances indicate that the carrying value may not be recoverable. With respect to goodwill and identifiable intangible assets having indefinite lives, we test for impairment on an annual basis or in interim periods if an event occurs or circumstances change that may indicate the fair value is below its carrying amount. Factors we consider important, which could trigger an impairment review, include the following: (a) significant underperformance relative to expected historical or projected future operating results; (b) significant changes in the manner of our use of the acquired assets or the strategy for our overall business; and (c) significant negative industry or economic trends. We review the fair values using the discounted cash flows method and market multiples.

When performing our evaluation of goodwill for impairment, if we conclude qualitatively that it is not more likely than not that the fair value of the reporting unit is less than its carrying amount, than the two-step impairment test is not required. If we are unable to reach this conclusion, then we would perform the two-step impairment test. Initially, the fair value of the reporting unit is compared to its carrying amount. To the extent the carrying amount of a reporting unit exceeds the fair value of the reporting unit; we are required to perform a second step, as this is an indication that the reporting unit goodwill may be impaired. In this step, we compare the implied fair value of the reporting unit goodwill with the carrying amount of the reporting unit goodwill and recognize a charge for impairment to the extent the carrying value exceeds the implied fair value. The implied fair value of goodwill is determined by allocating the fair value of the reporting unit to all of the assets (recognized and unrecognized) and liabilities of the reporting unit in a manner similar to a purchase price allocation. The residual fair value after this allocation is the implied fair value of the reporting unit goodwill. In addition, identifiable intangible assets having indefinite lives are reviewed for impairment on an annual basis using a methodology consistent with that used to evaluate goodwill.

Intangible assets having definite lives and other long-lived assets are reviewed for impairment whenever events such as product discontinuance, plant closures, product dispositions or other changes in circumstances indicate that the carrying amount may not be recoverable. In reviewing for impairment, we compare the carrying value of such assets to the estimated undiscounted future cash flows expected from the use of the assets and their eventual disposition.

When the estimated undiscounted future cash flows are less than their carrying amount, an impairment loss is

recognized equal to the difference between the assets fair value and their carrying value.

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There are inherent assumptions and estimates used in developing future cash flows requiring our judgment in applying these assumptions and estimates to the analysis of identifiable intangibles and long lived asset impairment including projecting revenues, interest rates, tax rates and the cost of capital. Many of the factors used in assessing fair value are outside our control and it is reasonably likely that assumptions and estimates will change in future periods. These changes can result in future impairments. In the event our planning assumptions were modified resulting in impairment to our assets, we would be required to include an expense in our statement of operations, which could materially impact our business, financial condition and results of operations.

Retirement and Postretirement Medical Benefits. Each year, we calculate the costs of providing retiree benefits under the provisions of FASB ASC 712, Nonretirement Postemployment Benefits, and FASB ASC 715, "Retirement Benefits." The determination of defined benefit pension and postretirement plan obligations and their associated costs requires the use of actuarial computations to estimate participant plan benefits the employees will be entitled to. The key assumptions used in making these calculations are the eligibility criteria of participants and the discount rate used to value the future obligation. The discount rate reflects the yields available on high-quality, fixed-rate debt securities.

Share-Based Compensation. The provisions of FASB ASC 718, Stock Compensation, require the measurement and recognition of compensation expense for all share-based payment awards made to employees and directors based on estimated fair values on the grant date using an option-pricing model. The value of the portion of the award that is ultimately expected to vest is recognized as expense on a straight-line basis over the requisite service periods in our condensed consolidated statement of operations. Forfeitures are estimated at the time of grant based on historical trends in order to estimate the amount of share-based awards that will ultimately vest. We monitor actual forfeitures for any subsequent adjustment to forfeiture rates.

Environmental Reserves. We are subject to various U.S. Federal, state and local environmental laws and regulations and are involved in certain environmental remediation efforts. We estimate and accrue our liabilities resulting from such matters based upon a variety of factors including the assessments of environmental engineers and consultants who provide estimates of potential liabilities and remediation costs. Such estimates are not discounted to reflect the time value of money due to the uncertainty in estimating the timing of the expenditures, which may extend over several years. Potential recoveries from insurers or other third parties of environmental remediation liabilities are recognized independently from the recorded liability, and any asset related to the recovery will be recognized only when the realization of the claim for recovery is deemed probable.

Asbestos Litigation. We are responsible for certain future liabilities relating to alleged exposure to asbestos-containing products. In accordance with our accounting policy, our most recent actuarial study as of August 31, 2013 estimated an undiscounted liability for settlement payments, excluding legal costs and any potential recovery from insurance carriers, ranging from \$24.4 million to \$37.4 million for the period through 2058. Based on the information contained in the actuarial study and all other available information considered by us, we have concluded that no amount within the range of settlement payments was more likely than any other and, therefore, in assessing our asbestos liability we compare the low end of the range to our recorded liability to determine if an adjustment is required. Based upon the results of the August 31, 2013 actuarial study, no adjustment to the asbestos liability was recorded in our consolidated financial statements as the difference between our recorded liability and the liability in the actuarial report at the low end of the range was not material. In addition, according to the updated study, legal costs, which are expensed as incurred and reported in earnings (loss) from discontinued operations, are estimated to range from \$27.4 million to \$48.1 million during the same period. We will continue to perform an annual actuarial analysis during the third quarter of each year for the foreseeable future. Based on this analysis and all other available information, we will continue to reassess the recorded liability and, if deemed necessary, record an adjustment to the reserve, which will be reflected as a loss or gain from discontinued operations. The aforementioned estimated settlement payments and legal costs do not reflect any limited coverage that we may obtain pursuant to agreements with insurance carriers for certain asbestos-related claims.

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Other Loss Reserves. We have other loss exposures, for such matters as product liability and litigation. Establishing loss reserves for these matters requires the use of estimates and judgment of risk exposure and ultimate liability. We estimate losses using consistent and appropriate methods; however, changes to our assumptions could materially affect our recorded liabilities.

Recently Issued Accounting Pronouncements

Presentation of Accumulated Other Comprehensive Income

In February 2013, the FASB issued ASU 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income (“ASU 2013-02”), which amends the provisions of FASB ASC 220, Comprehensive Income. The amendments in this update supercede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in FASB ASU 2011-05 and ASU 2011-12. The amendment requires an entity to present information about significant items reclassified out of accumulated other comprehensive income by component either (1) on the face of the statement where net income is presented or (2) as a separate disclosure in the notes to the consolidated financial statements. The amendment is effective for annual reporting periods beginning after December 15, 2012, which for us was January 1, 2013, and interim periods within those annual periods. As a result of the adoption of this standard, we have elected to present amounts reclassified out of accumulated other comprehensive income as a separate disclosure in the notes to the consolidated financial statements.

Indefinite-Lived Intangible Assets Impairment Testing

In July 2012, the FASB issued ASU 2012-02, Testing Indefinite-Lived Intangible Assets for Impairment (“ASU 2012-02”), which amended the provisions of FASB ASC 350. FASB ASU 2012-02 permits an entity to make a qualitative assessment of whether it is more likely than not that an indefinite-lived intangible asset is less than its carrying amount before applying the second step of the impairment test. If an entity concludes that it is not more likely than not that the fair value of an indefinite-lived intangible asset is less than its carrying amount, it would not be required to perform the second step of the impairment test for that indefinite-lived intangible asset. The new standard is effective for annual and interim indefinite-lived intangible assets impairment tests performed in fiscal years beginning after September 15, 2012, which for us was January 1, 2013. We will consider this new standard when conducting our annual impairment test of indefinite-lived intangible assets.

Balance Sheet Disclosures about Offsetting Assets and Liabilities

In December 2011, the FASB issued ASU 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities (“ASU 2011-11”). The update requires an entity to disclose information about offsetting and related arrangements to enable users of its financial statements to understand the effect of those arrangements on its financial position. The amendment was effective for annual reporting periods beginning on or after January 1, 2013, and interim periods within those annual periods. The adoption of FASB ASU 2011-11 did not have a material effect on our consolidated financial statements and disclosures.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk, primarily related to foreign currency exchange and interest rates. These exposures are actively monitored by management. Our exposure to foreign exchange rate risk is due to certain costs, revenues and borrowings being denominated in currencies other than one of our subsidiary’s functional currency. Similarly, we are exposed to market risk as the result of changes in interest rates, which may affect the cost of our financing. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage exposures. We do

not hold or issue derivative financial instruments for trading or speculative purposes. As of September 30, 2013, we did not have any derivative financial instruments.

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Exchange Rate Risk

We have exchange rate exposure, primarily, with respect to the Canadian dollar, the Euro, the British Pound, the Polish zloty, the Mexican Peso, the Taiwan dollar and the Hong Kong dollar. As of September 30, 2013 and December 31, 2012, our monetary assets and liabilities which are subject to this exposure are immaterial, therefore the potential immediate loss to us that would result from a hypothetical 10% change in foreign currency exchange rates would not be expected to have a material impact on our earnings or cash flows. This sensitivity analysis assumes an unfavorable 10% fluctuation in the exchange rates affecting the foreign currencies in which monetary assets and liabilities are denominated and does not take into account the offsetting effect of such a change on our foreign currency denominated revenues.

Interest Rate Risk

We manage our exposure to interest rate risk through the proportion of fixed rate debt and variable rate debt in our debt portfolio. To manage a portion of our exposure to interest rate changes, we have in the past entered into interest rate swap agreements. We invest our excess cash in highly liquid short-term investments. Our percentage of variable rate debt to total debt was 99.7% at September 30, 2013 and 99.5% at December 31, 2012.

Other than the aforementioned, there have been no significant changes to the information presented in Item 7A (Market Risk) of our Annual Report on Form 10-K for the year ended December 31, 2012.

ITEM 4. CONTROLS AND PROCEDURES

(a) Evaluation of Disclosure Controls and Procedures.

We maintain disclosure controls and procedures that are designed to ensure that information required to be disclosed in reports we file or submit under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosure.

Under the supervision and with the participation of our management, including our Chief Executive Officer and Chief Financial Officer, we conducted an evaluation of our disclosure controls and procedures, as such term is defined under Rule 13a-15(e) and Rule 15d-15(e) promulgated under the Exchange Act, as of the end of the period covered by this Report. Based upon that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of the end of the period covered by this Report.

(b) Changes in Internal Control Over Financial Reporting.

During the quarter ended September 30, 2013, we have not made any changes in the Company's internal control over financial reporting that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

We continue to review, document and test our internal control over financial reporting, and may from time to time make changes aimed at enhancing their effectiveness and to ensure that our systems evolve with our business. These efforts may lead to various changes in our internal control over financial reporting.

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PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

In 1986, we acquired a brake business, which we subsequently sold in March 1998 and which is accounted for as a discontinued operation. When we originally acquired this brake business, we assumed future liabilities relating to any alleged exposure to asbestos-containing products manufactured by the seller of the acquired brake business. In accordance with the related purchase agreement, we agreed to assume the liabilities for all new claims filed on or after September 2001. Our ultimate exposure will depend upon the number of claims filed against us on or after September 2001 and the amounts paid for indemnity and defense thereof. At September 30, 2013, approximately 2,250 cases were outstanding for which we may be responsible for any related liabilities. Since inception in September 2001 through September 30, 2013, the amounts paid for settled claims are approximately \$14.6 million. We acquired limited insurance coverage up to a fixed amount for defense and indemnity costs associated with certain asbestos-related claims and have exhausted all insurance coverage.

In evaluating our potential asbestos-related liability, we have considered various factors including, among other things, an actuarial study of the asbestos-related liabilities performed by an independent actuarial firm, our settlement amounts and whether there are any co-defendants, the jurisdiction in which lawsuits are filed, and the status and results of settlement discussions. As is our accounting policy, we consider the advice of actuarial consultants with experience in assessing asbestos-related liabilities to estimate our potential claim liability. The methodology used to project asbestos-related liabilities and costs in our actuarial study considered: (1) historical data available from publicly available studies; (2) an analysis of our recent claims history to estimate likely filing rates into the future; (3) an analysis of our currently pending claims; and (4) an analysis of our settlements to date in order to develop average settlement values.

The most recent actuarial study was performed as of August 31, 2013. The updated study has estimated an undiscounted liability for settlement payments, excluding legal costs and any potential recovery from insurance carriers, ranging from \$24.4 million to \$37.4 million for the period through 2058. The change from the prior year study was a \$2.7 million decrease for the low end of the range and a \$4.1 million decrease for the high end of the range. The decrease in the estimated undiscounted liability from the prior year study at both the low end and high end of the range reflects our actual experience over the prior twelve months. Based on the information contained in the actuarial study and all other available information considered by us, we have concluded that no amount within the range of settlement payments was more likely than any other and, therefore, in assessing our asbestos liability we compare the low end of the range to our recorded liability to determine if an adjustment is required. Based upon the results of the August 31, 2013 actuarial study, no adjustment to the asbestos liability was recorded in our consolidated financial statements as the difference between our recorded liability and the liability in the actuarial report at the low end of the range was not material. Legal costs, which are expensed as incurred and reported in earnings (loss) from discontinued operations in the accompanying statement of operations, are estimated, according to the updated study, to range from \$27.4 million to \$48.1 million for the period through 2058.

We plan to perform an annual actuarial evaluation during the third quarter of each year for the foreseeable future. Given the uncertainties associated with projecting such matters into the future and other factors outside our control, we can give no assurance that additional provisions will not be required. We will continue to monitor the circumstances surrounding these potential liabilities in determining whether additional provisions may be necessary. At the present time, however, we do not believe that any additional provisions would be reasonably likely to have a material adverse effect on our liquidity or consolidated financial position.

We are involved in various other litigation and product liability matters arising in the ordinary course of business. Although the final outcome of any other litigation or product liability matter cannot be determined, based on our understanding and evaluation of the relevant facts and circumstances, it is our opinion that the final outcome of these

matters will not have a material adverse effect on our business, financial condition or results of operations.

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IndexITEM 2. UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

The following table provides information relating to the Company's purchases of its common stock for the third quarter of 2013:

Period	Total Number of Shares Purchased (1)	Average Price Paid Per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs (2)	Maximum Number (or Approximate Dollar Value) of Shares that may yet be Purchased Under the Plans or Programs (2)
July 1-31, 2013	—	—	—	—
August 1-31, 2013	10,200	\$ 30.00	10,200	\$ 5,407,348
September 1-30, 2013	7,153	30.01	7,153	5,192,702
Total	17,353	\$ 30.00	17,353	\$ 5,192,702

(1) All shares were purchased through the publicly announced stock repurchase programs in open-market transactions.

In February 2013, our Board of Directors authorized the purchase of up to an additional \$6 million of our common stock under a stock repurchase program. During the three months ended June 30, 2013 and September 30, 2013, (2) we repurchased 10,700 shares and 17,353 shares, respectively, of our common stock under this program at a total cost of \$0.3 million and \$0.5 million, respectively. As of September 30, 2013, there was approximately \$5.2 million available for future stock repurchases under the program.

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ITEM 6. EXHIBITS

31.1 Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of Chief Executive Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2 Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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.

STANDARD MOTOR PRODUCTS, INC.

(Registrant)

Date: November 4, 2013 /s/ James J. Burke

James J. Burke
Vice President Finance,
Chief Financial Officer
(Principal Financial and
Accounting Officer)

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STANDARD MOTOR PRODUCTS, INC.
EXHIBIT INDEX

Exhibit
Number

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101.INS** XBRL Instance Document

101.SCH** XBRL Taxonomy Extension Schema Document

101.CAL** XBRL Taxonomy Extension Calculation Linkbase Document

101.LAB** XBRL Taxonomy Extension Label Linkbase Document

101.PRE** XBRL Taxonomy Extension Presentation Linkbase Document

101.DEF** XBRL Taxonomy Extension Definition Linkbase Document

** In accordance with Regulation S-T, the XBRL-related information in Exhibit 101 to the Original Filing shall be deemed to be “furnished” and not “filed.”