STANDARD MOTOR PRODUCTS INC
Form 10-Q
July 31, 2015

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

FORM 10-Q
(Mark One)
QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15 (d) OF THE SECURITIES EXCHANGE ACT OF 1934.

For the quarterly period ended June 30, 2015

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	11-1362020
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

37-18 Northern Blvd., Long Island City, N.Y.	11101
(Address of principal executive offices)	(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
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 July 28, 2015, there were 22,820,134 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 STATEMENTS

STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS

(In thousands, except share and per share data)	Three Months Ended June 30, 2015 (Unaudited)	2014	Six Months Ended June 30, 2015 (Unaudited)	2014
Net sales	$269,382	$272,540	$496,971	$505,292
Cost of sales	196,622	195,141	360,322	359,983
Gross profit	72,760	77,399	136,649	145,309
Selling, general and administrative expenses	51,736	48,847	100,934	96,441
Litigation charge	--	10,650	--	10,650
Restructuring and integration expenses	(26)	555	31	726
Other income, net	262	273	543	533
Operating income	21,312	17,620	36,227	38,025
Other non-operating income (expense), net	548	307	699	(106)
Interest expense	480	457	906	765
Earnings from continuing operations before taxes	21,380	17,470	36,020	37,154
Provision for income taxes	7,572	6,301	12,873	13,578
Earnings from continuing operations	13,808	11,169	23,147	23,576
Loss from discontinued operations, net of income taxes	(430)	(529)	(821)	(1,211)
Net earnings	$13,378	$10,640	$22,326	$22,365
Per Share Data:				
Net earnings per common share – Basic:				
Earnings from continuing operations	$0.60	$0.49	$1.01	$1.03
Discontinued operations	(0.02)	(0.02)	(0.04)	(0.05)
Net earnings per common share – Basic	$0.58	$0.47	$0.97	$0.98
Net earnings per common share – Diluted:				
Earnings from continuing operations	$0.59	$0.48	$1.00	$1.02
Discontinued operations	(0.01)	(0.02)	(0.04)	(0.06)
Net earnings per common share – Diluted	$0.58	$0.46	$0.96	$0.96
Dividend declared per share	$0.15	$0.13	$0.30	$0.26
Average number of common shares	22,917,718	22,874,002	22,914,322	22,910,419
Average number of common shares and dilutive common shares	23,261,094	23,196,713	23,256,255	23,219,055

See accompanying notes to consolidated financial statements (unaudited).

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CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months Ended June 30, 2015	2014	Six Months Ended June 30, 2015	2014
	(Unaudited)		(Unaudited)	
Net earnings	$13,378	$10,640	$22,326	$22,365
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	822	(141)	(2,252)	(731)
Pension and postretirement plans:				
Amortization of:				
Prior service benefit	(29)	(755)	(58)	(1,509)
Unrecognized loss	512	546	1,130	1,138
Unrecognized actuarial gains	421	150	421	150
Foreign currency exchange rate changes	25	(3)	33	(25)
Income tax (expense) benefit related to pension and postretirement plans	(367)	17	(608)	75
Pension and postretirement plans, net of tax	562	(45)	918	(171)
Total other comprehensive income (loss), net of tax	1,384	(186)	(1,334)	(902)
Comprehensive income	$14,762	$10,454	$20,992	$21,463

See accompanying notes to consolidated financial statements (unaudited).

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CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	June 30, 2015 (Unaudited)	December 31, 2014
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 12,704	$ 13,728
Accounts receivable, less allowances for discounts and doubtful accounts of $6,135 and $6,369 for 2015 and 2014, respectively	160,618	126,524
Inventories	277,261	278,051
Deferred income taxes	36,667	36,534
Prepaid expenses and other current assets	12,686	11,196
Total current assets	499,936	466,033
Property, plant and equipment, net	68,263	64,611
Goodwill	54,999	54,975
Other intangibles, net	31,836	34,402
Deferred income taxes	14,165	14,941
Other assets	40,060	38,589
Total assets	$ 709,259	$ 673,551
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 52,916	$ 56,558
Current portion of long-term debt	69	175
Accounts payable	88,939	70,674
Sundry payables and accrued expenses	47,342	49,412
Accrued customer returns	39,285	30,621
Accrued rebates	29,933	26,076
Payroll and commissions	16,206	17,313
Total current liabilities	274,690	250,829
Long-term debt	69	83
Other accrued liabilities	14,609	15,024
Accrued asbestos liabilities	33,294	33,462
Total liabilities	322,662	299,398
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	94,202	91,411
Retained earnings	274,610	259,160
Accumulated other comprehensive income	(3,986)	(2,652)
Treasury stock – at cost (1,115,902 shares and 1,043,064 shares in 2015 and 2014, respectively)	(26,101)	(21,638)
Total stockholders' equity	386,597	374,153
Total liabilities and stockholders' equity	$ 709,259	$ 673,551

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30, 2015	2014
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$22,326	$22,365
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	8,552	8,440
Amortization of deferred financing cost	348	350
Increase (decrease) to allowance for doubtful accounts	39	(359)
Increase to inventory reserves	396	1,960
Amortization of deferred gain on sale of building	(524)	(524)
Equity income from joint ventures	(966)	(147)
Employee Stock Ownership Plan allocation	1,104	913
Stock-based compensation	2,927	2,397
Excess tax benefits related to exercise of employee stock grants	(130)	(152)
Increase in deferred income taxes	(53)	(273)
Loss on discontinued operations, net of tax	821	1,211
Change in assets and liabilities:		
Increase in accounts receivable	(34,563)	(16,149)
Increase in inventories	(820)	(19,527)
Increase in prepaid expenses and other current assets	(489)	(6,702)
Increase in accounts payable	18,327	13,847
Increase in sundry payables and accrued expenses	9,947	13,526
Net change in other assets and liabilities	(1,070)	(3,558)
Net cash provided by operating activities	26,172	17,618
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of and investments in businesses	—	(37,726)
Capital expenditures	(10,184)	(6,379)
Other investing activities	26	11
Net cash used in investing activities	(10,158)	(44,094)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings (repayments) under line-of-credit agreements	(3,642)	37,664
Principal payments of long-term debt and capital lease obligations	(119)	(44)
Purchase of treasury stock	(7,046)	(5,860)
Increase in overdraft balances	279	1,784
Proceeds from exercise of employee stock options	109	97
Excess tax benefits related to the exercise of employee stock grants	130	152
Dividends paid	(6,876)	(5,955)
Net cash provided by (used in) financing activities	(17,165)	27,838
Effect of exchange rate changes on cash	127	(704)
Net increase (decrease) in cash and cash equivalents	(1,024)	658
CASH AND CASH EQUIVALENTS at beginning of period	13,728	5,559
CASH AND CASH EQUIVALENTS at end of period	$12,704	$6,217
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		

Interest	$558	$370
Income taxes	$13,987	$18,516

See accompanying notes to consolidated financial statements (unaudited).

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2015
(Unaudited)

(In thousands)	Common Stock	Capital in Excess of Par Value	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total
Balance at December 31, 2014	$47,872	$91,411	$259,160	$(2,652)	$(21,638)	$374,153
Net earnings	—	—	22,326	—	—	22,326
Other comprehensive income (loss), net of tax	—	—	—	(1,334)	—	(1,334)
Cash dividends paid	—	—	(6,876)	—	—	(6,876)
Purchase of treasury stock	—	—	—	—	(7,046)	(7,046)
Stock-based compensation and related tax benefits	—	1,809	—	—	1,169	2,978
Stock options exercised and related tax benefits	—	(19)	—	—	207	188
Employee Stock Ownership Plan	—	1,001	—	—	1,207	2,208
Balance at June 30, 2015	$47,872	$94,202	$274,610	$(3,986)	$(26,101)	$386,597

See accompanying notes to consolidated financial statements (unaudited).

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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 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, 2014. 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.

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, 2014.

Recently Issued Accounting Pronouncements

Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"), which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and "represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results." The new standard applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The amendment is effective for annual reporting periods beginning after December 15, 2014. We adopted the new standard as of January 1, 2015. The adoption of the new standard did not change the manner in which we present discontinued operations in our consolidated financial statements.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Under the new guidance, "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The new standard provides entities the option of using either a full retrospective or a modified approach to adopt the guidance. The new standard is effective for annual reporting periods beginning after December 15, 2016, which for us is January 1, 2017, and interim periods within those annual periods.

In July 2015, the FASB agreed to defer by one year the effective date of the new standard. The new standard is now effective for annual reporting periods beginning after December 15, 2017, which for us is January 1, 2018, and interim periods within those annual periods. Early adoption is now permitted, but not before the original effective date, which for us is January 1, 2017. We are currently evaluating the impact, if any, this new standard will have on our consolidated financial statements, when we will adopt the new standard, and the method of adoption.

Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"), which provides guidance on determining when and how to disclose going concern uncertainties in the consolidated financial statements. Under the new guidance, management would be required to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. Certain disclosures must be provided if "conditions or events raise substantial doubt about an entity's ability to continue as a going concern." The new standard is effective for annual reporting periods ending after December 15, 2016, which for us is December 31, 2016, and interim periods thereafter. Early adoption is permitted. Upon adoption, although we do not anticipate that the new standard will have an impact on our disclosures, we will consider the new standard when conducting our interim and annual assessments of our ability to continue as a going concern.

Income Statement - Extraordinary and Unusual Items

In January 2015, the FASB issued ASU 2015-01, Income Statement – Extraordinary and Unusual Items, ("ASU 2015-01"), which removes the concept of extraordinary items from U.S. GAAP. Under the existing guidance, an entity is required to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is both unusual and occurs infrequently. This separate, net-of-tax presentation will no longer be allowed. The existing requirement to separately disclose events or transactions that are unusual or occur infrequently on a pre-tax basis within continuing operations in the income statement has been retained. Similarly, the new guidance requires that items that are both unusual and infrequent be presented separately within continuing operations in the income statement. The new standard is effective for periods beginning after December 15, 2015, which for us is January 1, 2016. Early adoption is permitted, but only as of the beginning of the fiscal year of adoption. Upon adoption, we will present transactions that are both unusual and infrequent, if any, on a pre-tax basis within continuing operations in the income statement.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, ("ASU 2015-03"), which requires that debt issuance costs be presented in the balance sheet as a direct deduction of the carrying value of the associated debt liability. Under the existing guidance, debt issuance costs are required to be presented in the balance sheet as a deferred charge (i.e., an asset). The new standard is effective for periods beginning after December 15, 2015, which for us is January 1, 2016. Early adoption is permitted for financial statements that have not been previously issued. The new standard should be applied retrospectively to all periods presented in the financial statements.

In June 2015, at the Emerging Issues Task Force meeting, the FASB clarified that ASU 2015-03 does not address debt issuance costs related to revolving credit debt arrangements. In connection therewith, at the June 2015 meeting, the SEC staff announced that it would not object to the presentation of issuance costs related to revolving debt arrangements as an asset that is amortized over the term of the arrangement. Currently, we present debt financing costs related to our revolving credit facility debt as an asset in our consolidated balance sheets. We are currently evaluating ASU 2015-03, and have not yet concluded as to the impact it will have on our consolidated financial statements upon adoption.

Note 3. Restructuring and Integration Costs

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, 2014 and June 30, 2015 and activity for the six months ended June 30, 2015 consisted of the following (in thousands):

	Workforce Reduction	Other Exit Costs	Total
Exit activity liability at December 31, 2014	$ 947	$729	$1,676
Restructuring and integration costs:			
Amounts provided for during 2015	(24)	55	31
Cash payments	(384)	(166)	(550)
Exit activity liability at June 30, 2015	$ 539	$618	$1,157

Liabilities associated with the remaining restructuring and integration costs as of June 30, 2015 relate primarily to employee severance and other retiree benefit enhancements to be paid through 2019 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 4. 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.

Pursuant to these agreements, we sold $196.6 million and $340.6 million of receivables during the three months and six months ended June 30, 2015, respectively, and $188.8 million and $366.2 million for the comparable periods in 2014. A charge in the amount of $4 million and $6.9 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 six months ended June 30, 2015, respectively, and $3.6 million and $6.9 million for the comparable periods in 2014. 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.

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

Note 5. Inventories

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:

	June 30, 2015	December 31, 2014
	(In thousands)	
Finished goods	$180,249	$185,655
Work-in-process	5,770	4,722
Raw materials	91,242	87,674
Total inventories	$277,261	$278,051

Note 6. Acquired Intangible Assets

Acquired identifiable intangible assets consist of the following:

	June 30, 2015	December 31, 2014
	(In thousands)	
Customer relationships	$48,696	$48,646
Trademarks and trade names	6,800	6,800
Non-compete agreements	970	970
Patents and supply contracts	723	723
Leaseholds	160	160
Total acquired intangible assets	57,349	57,299
Less accumulated amortization (1)	(26,661)	(24,120)
Net acquired intangible assets	$30,688	$33,179

(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.

Total amortization expense for acquired intangible assets was $1.2 million and $2.5 million for the three months and six months ended June 30, 2015, respectively, and $1.2 million and $2.4 million for the comparable periods in 2014. Based on the current estimated useful lives assigned to our acquired intangible assets, amortization expense is estimated to be $2.5 million for the remainder of 2015, $4.9 million in 2016, $4.7 million in 2017, $4.5 million in 2018 and $8.9 million in the aggregate for the years 2019 through 2028.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

Note 7. Credit Facilities and Long-Term Debt

Total debt outstanding is summarized as follows:

	June 30, 2015	December 31, 2014
	(In thousands)	
Revolving credit facilities	$52,916	$ 56,558
Other	138	258
Total debt	$53,054	$ 56,816
Current maturities of debt	$52,985	$ 56,733
Long-term debt	69	83
Total debt	$53,054	$ 56,816

Deferred Financing Costs

We had deferred financing costs of $1.9 million and $2.3 million as of June 30, 2015 and December 31, 2014, respectively. Deferred financing costs are related to our revolving credit facility. Deferred financing costs as of June 30, 2015 are being amortized in the amounts of $0.3 million for the remainder of 2015, $0.7 million in 2016, $0.7 million in 2017, and $0.2 million in 2018.

Revolving Credit Facility

We entered into the 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.

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 $161.1 million available for us to borrow pursuant to the formula at June 30, 2015. Outstanding borrowings under the restated credit agreement (inclusive of the Canadian revolving credit facility described below), which are classified as current liabilities, were $52.9 million and $56.6 million at June 30, 2015 and December 31, 2014, 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 June 30, 2015, the weighted average interest rate on our restated credit agreement was 1.8%, which consisted of $50 million in direct borrowings at 1.7% and an index loan of $2.9 million at 3.8%. At December 31, 2014, the weighted average interest rate on our restated credit agreement was 1.8%, which consisted of $53 million in direct borrowings at 1.7% and an index loan of $3.6 million at 3.8%. During the six months ended June 30, 2015, our average daily index loan balance was $3.9 million compared to $4.5 million for the six months ended June 30, 2014 and $4.4 million for the year ended December 31, 2014.

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 June 30, 2015, we were not subject to these covenants. Availability under our restated credit agreement is based on a formula of eligible accounts receivable, eligible inventory and eligible fixed assets. Provided specific conditions are met, our restated credit agreement permits cash dividends, stock repurchases, acquisitions, permissible debt financing and capital expenditures. In June 2015, we amended the revolving credit agreement to increase the amount of cash dividends that we may pay in any twelve month period by $5 million to $20 million, and to increase the amount of cash that we may utilize to purchase or redeem our common stock in any fiscal year by $10 million to $20 million.

Canadian Revolving Credit Facility

Our Canadian Credit Agreement (as amended) with GE Canada Finance Holding Company, for itself and as agent for the lenders, provides for a $10 million revolving credit facility that expires in March 2018. 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.

The Canadian 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 June 30, 2015, we have no outstanding borrowings under the Canadian Credit Agreement.

Note 8. Accumulated Other Comprehensive Income

Changes in Accumulated Other Comprehensive Income by Component

	Three Months Ended June 30, 2015		
	Foreign Currency Translation Adjustments	Unrecognized Pension and Postretirement Benefit Costs (Credit)	Total
Balance at March 31, 2015	$(3,293)	$ (2,077)	$(5,370)
Other comprehensive income before reclassifications	822	446	1,268
Amounts reclassified from accumulated other comprehensive income	—	116	116
Other comprehensive income, net	822	562	1,384
Balance at June 30, 2015	$(2,471)	$ (1,515)	$(3,986)

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

	Six Months Ended June 30, 2015		
	Foreign Currency Translation Adjustments	Unrecognized Pension and Postretirement Benefit Costs (Credit)	Total
Balance at December 31, 2014	$(219)	$ (2,433)	$(2,652)
Other comprehensive income before reclassifications	(2,252)	454	(1,798)
Amounts reclassified from accumulated other comprehensive income	—	464	464
Other comprehensive income, net	(2,252)	918	(1,334)
Balance at June 30, 2015	$(2,471)	$ (1,515)	$(3,986)

Reclassifications Out of Accumulated Other Comprehensive Income

Details About Accumulated Other Comprehensive Income Components	Three Months Ended June 30, 2015	Six Months Ended June 30, 2015
Amortization of pension and postretirement benefit plans:		
Prior service benefit (1)	$ (29)	$ (58)
Unrecognized loss (1)	512	1,130
Total before income tax	483	1,072
Income tax expense	(367)	(608)
Total reclassifications for the period	$ 116	$ 464

(1) These accumulated other comprehensive income components are included in the computation of net periodic pension and postretirement benefit costs, which are included in selling, general and administrative expenses in our consolidated statements of operations (see Note 10 for additional details).

Note 9. 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.

STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

Stock Option Grants

The following is a summary of the changes in outstanding stock options for the six months ended June 30, 2015:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2014	9,875	$ 10.99	0.4
Expired	—	—	—
Exercised	(9,875)	10.99	—
Forfeited, other	—	—	—
Outstanding at June 30, 2015	—	$ —	—
Options exercisable at June 30, 2015	—	$ —	—

The total intrinsic value of options exercised was $0.3 million for the six months ended June 30, 2015. There were no options granted in the six months ended June 30, 2015.

Restricted and Performance Stock Grants

As part of the 2006 Omnibus Incentive Plan, we currently grant shares of restricted stock to eligible employees and our independent directors and performance-based stock to eligible employees. 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.

Our restricted and performance-based share activity was as follows for the six months ended June 30, 2015:

	Shares	Weighted Average Grant Date Fair Value Per Share
Balance at December 31, 2014	749,018	$ 24.62

Granted	7,000	35.07
Vested	(44,293)	34.47
Forfeited	(2,675)	25.00
Balance at June 30, 2015	709,050	$ 24.10

We recorded compensation expense related to restricted shares and performance-based shares of $2.5 million ($1.6 million, net of tax) and $2 million ($1.3 million, net of tax) for the six months ended June 30, 2015 and 2014, respectively. The unamortized compensation expense related to our restricted and performance-based shares was $9.7 million at June 30, 2015, and is expected to be recognized as they vest over a weighted average period of 4.8 years and 0.8 years for employees and directors, respectively.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

Note 10. Employee Benefits

The components of net periodic benefit cost (credit) for our defined benefit plans and postretirement benefit plans for the three months and six months ended June 30, 2015 and 2014 were as follows (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
Pension benefits	2015	2014	2015	2014
Service cost	$—	$41	$—	$82
Interest cost	55	65	109	130
Amortization of prior service cost	—	—	—	—
Actuarial net loss	184	58	368	115
Net periodic benefit cost	$239	$164	$477	$327
Postretirement benefits				
Service cost	$—	$—	$—	$—
Interest cost	1	7	8	15
Amortization of prior service cost	(29)	(755)	(58)	(1,509)
Actuarial net loss	328	488	762	1,023
Net periodic benefit cost (credit)	$300	$(260)	$712	$(471)

For the six months ended June 30, 2015, we made employee benefit contributions of $0.5 million related to our postretirement plans. Based on current estimates, we believe we will be required to make approximately $1 million in contributions for 2015.

We maintain a Supplemental Executive Retirement Plan (“SERP”) 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 2015, we made company contributions of $0.5 million related to calendar year 2014.

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 2015, we contributed to the trust an additional 58,000 shares from our treasury and released 58,200 shares from the trust leaving 200 shares remaining in the trust as of June 30, 2015.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

Note 11. 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, estimated fair values, and classification under the fair value hierarchy of our financial instruments at June 30, 2015 and December 31, 2014 (in thousands):

		June 30, 2015		December 31, 2014	
	Fair Value Hierarchy	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash and cash equivalents	LEVEL 1	$12,704	$12,704	$13,728	$13,728
Deferred compensation	LEVEL 1	10,919	10,919	9,811	9,811
Short term borrowings	LEVEL 1	52,985	52,985	56,733	56,733
Long-term debt	LEVEL 1	69	69	83	83

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. The carrying value of our revolving credit facilities, classified as short term borrowings, equals fair market value because the interest rate reflects current market rates.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

Note 12. 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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic Net Earnings Per Common Shares:				
Earnings from continuing operations	$13,808	$11,169	$23,147	$23,576
Loss from discontinued operations	(430)	(529)	(821)	(1,211)
Net earnings available to common stockholders	$13,378	$10,640	$22,326	$22,365
Weighted average common shares outstanding	22,918	22,874	22,914	22,910
Earnings from continuing operations per common share	$0.60	$0.49	$1.01	$1.03
Loss from discontinued operations per common share	(0.02)	(0.02)	(0.04)	(0.05)
Basic net earnings per common share	$0.58	$0.47	$0.97	$0.98
Diluted Net Earnings Per Common Share:				
Earnings from continuing operations	$13,808	$11,169	$23,147	$23,576
Loss from discontinued operations	(430)	(529)	(821)	(1,211)
Net earnings available to common stockholders	$13,378	$10,640	$22,326	$22,365
Weighted average common shares outstanding	22,918	22,874	22,914	22,910
Plus incremental shares from assumed conversions:				
Dilutive effect of restricted stock and performance-based stock	343	318	342	303
Dilutive effect of stock options	-	5	-	6
Weighted average common shares outstanding –Diluted	23,261	23,197	23,256	23,219
Earnings from continuing operations per common share	$0.59	$0.48	$1.00	$1.02
Loss from discontinued operations per common share	(0.01)	(0.02)	(0.04)	(0.06)
Diluted net earnings per common share	$0.58	$0.46	$0.96	$0.96

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 June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Stock options	-	5	-	4
Restricted and performance-based shares	331	295	347	300

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

Note 13. 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 remanufactures 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, intersegment revenue and operating income by our operating segments (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Net Sales				
Engine Management	$176,992	$184,181	$354,063	$363,475
Temperature Control	89,079	85,660	137,807	137,145
All Other	3,311	2,699	5,101	4,672
Consolidated	$269,382	$272,540	$496,971	$505,292
Intersegment Revenue				
Engine Management	$5,030	$6,231	$10,053	$12,184
Temperature Control	1,925	2,133	3,369	4,367
All Other	(6,955)	(8,364)	(13,422)	(16,551)
Consolidated	$—	$—	$—	$—
Operating Income				
Engine Management	$21,839	$27,112	$43,555	$51,484
Temperature Control	3,165	4,991	1,746	5,604
All Other (1)	(3,692)	(14,483)	(9,074)	(19,063)
Consolidated	$21,312	$17,620	$36,227	$38,025

(1) During the second quarter of 2014, we recorded a $10.6 million litigation charge in connection with a settlement agreement in a legal proceeding with a third party (see Note 14 for additional details).

Note 14. 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 June 30, 2015, approximately 2,170 cases were outstanding for which we may be responsible for any related liabilities. Since inception in September 2001 through

June 30, 2015, the amounts paid for settled claims are approximately $17.8 million.

STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

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, 2014. The updated study has estimated an undiscounted liability for settlement payments, excluding legal costs and any potential recovery from insurance carriers, ranging from $36.1 million to $55.4 million for the period through 2058. The change from the prior year study was an $11.7 million increase for the low end of the range and an $18 million increase for the high end of the range. The increase in the estimated undiscounted liability from the prior year study at both the low end and high end of the range reflects our historical data and certain assumptions with respect to events that may occur in the future. 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, 2014 actuarial study, in September 2014 we increased our asbestos liability to $36.1 million, the low end of the range, and recorded an incremental pre-tax provision of $12.8 million in loss from discontinued operations in the accompanying statement of operations. Legal costs, which are expensed as incurred and reported in loss from discontinued operations in the accompanying statement of operations, are estimated, according to the updated study, to range from $43 million to $76.4 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.

Litigation Charge

During the second quarter of 2014, we reached a settlement in a legal proceeding with a third party for $10.6 million. The legal proceeding resulted from the default of a loan by a former supplier and its related businesses and our subsequent purchases of product from a third party that was alleged to be a controlled company of the original supplier. Since the inception of the legal proceeding against us, we vigorously opposed all such allegations and believed that we had meritorious defenses. Prior to reaching the settlement, we considered that the incurrence of a loss contingency related to the lawsuit was not reasonably possible. Accordingly, we did not record any provisions in our financial statements since our potential liability was not considered probable and reasonably estimable. During the second quarter of 2014, at the time of the settlement, we recorded the settlement amount of $10.6 million. The settlement agreement was approved by the court in August 2014 and payment of the settlement amount was made in September 2014. The settlement amount was funded from cash on hand and available credit under our revolving credit facility.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

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

Other Litigation

We are currently involved in various other legal claims and legal proceedings (some of which may involve substantial amounts), including claims related to commercial disputes, product liability, employment, and environmental. Although these legal claims and legal proceedings are subject to inherent uncertainties, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the ultimate outcome of these matters will not, either individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. We may at any time determine that settling any of these matters is in our best interests, which settlement may include substantial payments. Although we cannot currently predict the specific amount of any liability that may ultimately arise with respect to any of these matters, we will record provisions when the liability is considered probable and reasonably estimable. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. As additional information becomes available, we reassess our potential liability related to these matters. Such revisions of the potential liabilities could 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 June 30, 2015 and 2014, we have accrued $25.1 million and $22.8 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.

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

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Balance, beginning of period	$19,985	$20,374	$19,328	$18,041
Liabilities accrued for current year sales	25,951	22,425	46,987	41,616
Settlements of warranty claims	(20,788)	(19,998)	(41,167)	(36,856)
Balance, end of period	$25,148	$22,801	$25,148	$22,801

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ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

This Report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934. Forward-looking statements in this Report are indicated by words such as “anticipates,” “expects,” “believes,” “intends,” “plans,” “estimates,” “projects,” “strategies” and similar expressi These statements represent our 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, heavy duty ,industrial equipment and original equipment service markets; changes in the product mix and distribution channel mix; economic and market conditions; successful integration of acquired businesses; our ability to achieve benefits from our cost savings 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 heavy duty, industrial equipment and 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 and remanufactures 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, Latin America, and Europe. Our customers consist of many of the leading warehouse distributors and auto parts retail chains, such as NAPA Auto Parts (National Automotive Parts Association, Inc.), Advance Auto Parts, Inc./CARQUEST Auto Parts, AutoZone, Inc., O’Reilly Automotive, Inc., Canadian Tire Corporation Limited and The Pep Boys Manny, Moe & Jack, as well as national program distribution groups, such as Auto Value and All Pro/Bumper to Bumper (Aftermarket Auto Parts Alliance, Inc.), Automotive Distribution Network LLC, The National Pronto Association (“Pronto”), Federated Auto Parts Distributors, Inc. (“Federated”), Pronto and Federated’s newly formed organization, the Automotive Parts Services Group or The Group, and specialty market distributors. We distribute parts under our own brand names, such as Standard®, BWD®, Intermotor®, GP Sorensen®, TechSmart®, Tech Expert®, OEM®, LockSmart®, Select®, Four Seasons®, Factory Air®, EVERCO®, ACi®, Imperial®, COMPRESSORWORKS®, TORQFLO® and Hayden® and through co-labels and private labels, such as CARQUEST® BWD®, CARQUEST® Intermotor®, Duralast®, Duralast Gold®, Import Direct®, Master Pro®, Murray®, NAPA®, NAPA® Echlin®, Mileage Plus®, NAPA Proformer™, NAPA Temp Products™, Cold Power® and NAPA® Belden®.

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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.

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, as we experienced in both 2014 and 2013, 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 put 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. 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 purchased from us and participation in our cost reduction initiatives. 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 the related sales are recorded.

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Interim Results of Operations:

Comparison of the Three Months Ended June 30, 2015 to the Three Months Ended June 30, 2014

Sales. Consolidated net sales for the three months ended June 30, 2015 were $269.4 million, a decrease of $3.1 million compared to $272.5 million in the same period of 2014. Consolidated net sales decreased primarily due to the lower net sales achieved in our Engine Management Segment as compared to the second quarter of 2014, which more than offset the higher results achieved by our Temperature Control Segment. Had the same Canadian Dollar and Polish Zloty exchange rates applied in the second quarter of 2014 been used in 2015, net sales for the second quarter of 2015 would have been $2.2 million higher, or $271.6 million.

The following table summarizes net sales by segment for the quarters ended June 30, 2015 and 2014, respectively:

Three Months Ended June 30,	Engine Management	Temperature Control	Other	Total
2015				
Net sales	$ 176,992	$ 89,079	$ 3,311	$ 269,382
Gross margins	52,267	17,303	3,190	72,760
Gross margin percentage	29.5 %	19.4 %	—	27 %
2014				
Net sales	$ 184,181	$ 85,660	$ 2,699	$ 272,540
Gross margins	56,059	18,299	3,041	77,399
Gross margin percentage	30.4 %	21.4 %	—	28.4 %

Engine Management's net sales decreased $7.2 million, or 3.9%, to $177 million for the second quarter of 2015. Net sales in the second quarter of 2015 were negatively impacted by customer ordering patterns and diesel injector returns for quality inspection. Also contributing to the reduction in net sales was the negative impact of foreign currency exchange rates. Had the same Canadian Dollar and Polish Zloty exchange rates applied in the second quarter of 2014 been used in 2015, net sales for the second quarter of 2015 would have been $0.6 million higher, or $177.6 million.

Temperature Control's net sales increased $3.4 million, or 4%, to $89.1 million for the second quarter of 2015. Included in the second quarter of 2015 are incremental sales of $1.7 million from our asset acquisition of Annex Manufacturing, acquired in April 2014. Excluding the incremental sales from the acquisition, Temperature Control net sales increased $1.7 million compared to the second quarter of 2014. Demand for our Temperature Control products during the second and third quarter of each year may vary significantly with summer weather conditions and customer inventories.

Gross Margins. Gross margins, as a percentage of consolidated net sales, decreased to 27% in the second quarter of 2015, compared to 28.4% in the second quarter of 2014. Compared to the second quarter of 2014, gross margins at Engine Management decreased 0.9 percentage points from 30.4% to 29.5%, while gross margins at Temperature Control decreased 2 percentage points from 21.4% to 19.4%. The gross margin percentage decline in Engine Management compared to the prior year was primarily the result of costs incurred to improve our diesel manufacturing production processes and quality controls. The gross margin percentage decline in Temperature Control compared to the prior year resulted primarily from unfavorable manufacturing variances carried forward from 2014 due to the reductions in production levels following two cool summers in 2013 and 2014.

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Selling, General and Administrative Expenses. Selling, general and administrative expenses ("SG&A") increased to $51.7 million, or 19.2% of consolidated net sales, in the second quarter of 2015, as compared to $48.8 million, or 17.9% of consolidated net sales, in the second quarter of 2014. The $2.9 million increase in SG&A expenses as compared to the second quarter of 2014 is principally due to higher employee benefit costs including the reduction of postretirement prior service cost benefit amortization.

Litigation Charge. During the second quarter of 2014, we recorded a $10.6 million litigation charge in connection with a settlement agreement in a legal proceeding with a third party. The settlement amount was paid in September 2014 and was funded from cash on hand and available credit under our revolving credit facility. See Note 14 of the notes to our consolidated financial statements (unaudited) for additional information.

Restructuring and Integration Expenses. Restructuring and integration expenses for the second quarter of 2015 and 2014 were $(0.03) million and $0.6 million, respectively. Components of our restructuring and integration accruals, by segment, were as follows (in thousands):

	Engine Management	Temperature Control	Other	Total
Exit activity liability at March 31, 2015	$ 1,132	$ 105	$ 145	$ 1,382
Restructuring and integration costs:				
Amounts provided for during 2015	(13)	—	(13)	(26)
Cash payments	(145)	(24)	(30)	(199)
Exit activity liability at June 30, 2015	$ 974	$ 81	$ 102	$ 1,157

Other Income, net. Other income, net was $0.3 million in both the second quarter of 2015 and 2014. During 2015 and 2014, we recognized $0.3 million of deferred gain related to the sale-leaseback of our Long Island City, New York facility.

Operating Income. Operating income was $21.3 million in the second quarter of 2015, compared to $17.6 million in the second quarter of 2014. Included in second quarter 2014 operating income is a $10.6 million litigation charge in connection with a settlement agreement in a legal proceeding with a third party. Excluding the $10.6 million litigation charge in the second quarter of 2014, operating income was $28.2 million. Operating income in the second quarter of 2015 was negatively impacted by lower consolidated net sales, lower gross margins as a percentage of consolidated net sales and higher SG&A expenses year-over-year.

Other Non-Operating Income (Expense), Net. Other non-operating income was $0.5 million in the second quarter of 2015, compared to $0.3 million in the second quarter of 2014. The year-over-year improvement in other non-operating income resulted primarily from the increase in equity income from our joint ventures.

Interest Expense. Interest expense was $0.5 million in both the second quarter of 2015 and 2014. Average outstanding borrowings and average interest rates during the second quarter of 2015 were essentially flat when compared to those of the second quarter of 2014.

Income Tax Provision. The income tax provision in the second quarter of 2015 was $7.6 million at an effective tax rate of 35.4% compared to $6.3 million at an effective tax rate of 36.1% for the same period in 2014. The lower year-over-year effective tax rate is the result of a change in the mix of pre-tax income from the U.S. to lower foreign tax rate jurisdictions.

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Loss from Discontinued Operations. Loss from discontinued operations, net of tax, reflects legal expenses associated with our asbestos-related liability. We recorded $0.4 million and $0.5 million as a loss from discontinued operations for the second quarter of 2015 and 2014, respectively. As discussed more fully in Note 14 in the notes to our consolidated financial statements (unaudited), we are responsible for certain future liabilities relating to alleged exposure to asbestos containing products.

Comparison of the Six Months Ended June 30, 2015 to the Six Months Ended June 30, 2014

Sales. Consolidated net sales for the six months ended June 30, 2015 were $497 million, a decrease of $8.3 million compared to $505.3 million in the same period of 2014. Consolidated net sales decreased due to the lower results achieved by our Engine Management Segment. Consolidated net sales at our Temperature Control Segment were essentially flat year-over-year. Had the same Canadian Dollar and Polish Zloty exchange rates applied in the first six months of 2014 been used in 2015, net sales for the six months of 2015 would have been $4.2 million higher, or $501.2 million.

The following table summarizes net sales and gross margins by segment for the six months ended June 30, 2015 and 2014, respectively:

Six Months Ended June 30,	Engine Management	Temperature Control	Other	Total
2015				
Net sales	$ 354,063	$ 137,807	$ 5,101	$ 496,971
Gross margins	103,969	27,130	5,550	136,649
Gross margin percentage	29.4 %	19.7 %	—	27.5 %
2014				
Net sales	$ 363,475	$ 137,145	$ 4,672	$ 505,292
Gross margins	109,254	30,184	5,871	145,309
Gross margin percentage	30.1 %	22 %	—	28.8 %

Engine Management’s net sales decreased $9.4 million, or 2.6%, to $354.1 million for the first six months of 2015. Net sales in the first six months of 2015 were negatively impacted by customer ordering patterns and diesel injector returns for quality inspection. Also contributing to the reduction in net sales was the negative impact of foreign currency exchange rates. Had the same Canadian Dollar and Polish Zloty exchange rates applied in the first six months of 2014 been used in 2015, net sales for the six months of 2015 would have been $1.4 million higher, or $355.5 million.

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Temperature Control's net sales increased $0.7 million, or 0.5%, to $137.8 million for the first six months of 2015. Included in the first six months of 2015 are incremental sales of $4.7 million from our asset acquisition of Annex Manufacturing, acquired in April 2014. Excluding the incremental sales from the acquisition, Temperature Control net sales decreased $4 million compared to the first six months of 2014. Temperature Control net sales in the first six months of the year reflect the impact of early pre-season orders as customers stock their shelves for the upcoming summer season. Demand for our Temperature Control products during the second and third quarter of each year may vary significantly with summer weather conditions and customer inventories.

Gross Margins. Gross margins, as a percentage of consolidated net sales, decreased to 27.5% in the first six months of 2015, compared to 28.8% during the same period in 2014. Compared to the first six months of 2014, gross margins at Engine Management decreased 0.7 percentage points from 30.1% to 29.4%, and gross margins at Temperature Control decreased 2.3 percentage points from 22% to 19.7%. The gross margin percentage decline in Engine Management compared to the prior year was primarily the result of costs incurred to improve our diesel manufacturing production processes and quality controls. The gross margin percentage decline in Temperature Control compared to the prior year resulted primarily from unfavorable manufacturing variances carried forward from 2014 due to reductions in production levels following two cool summers in 2013 and 2014.

Selling, General and Administrative Expenses. SG&A expenses increased to $100.9 million, or 20.3% of consolidated net sales, in the six months ended June 30, 2015, as compared to $96.4 million, or 19.1% of consolidated net sales, in the same period of 2014. The $4.5 million increase in SG&A expenses as compared to the first six months of 2014 is principally due to higher employee benefit costs including the reduction of postretirement prior service cost benefit amortization.

Litigation Charge. During the second quarter of 2014, we recorded a $10.6 million litigation charge in connection with a settlement agreement in a legal proceeding with a third party. The settlement amount was paid in September 2014 and was funded from cash on hand and available credit under our revolving credit facility. See Note 14 of the notes to our consolidated financial statements (unaudited) for additional information.

Restructuring and Integration Expenses. Restructuring and integration expenses for the six months ended June 30, 2015 and 2014 were $0.03 million and $0.7 million, respectively. 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, 2014	$ 1,289	$ 180	$ 207	$ 1,676
Restructuring and integration costs:				
Amounts provided for during 2015	(12)	56	(13)	31
Cash payments	(303)	(155)	(92)	(550)
Exit activity liability at June 30, 2015	$ 974	$ 81	$ 102	$ 1,157

Other Income, Net. Other income, net was $0.5 million in both the six months ended June 30, 2015 and 2014. During 2015 and 2014, we recognized $0.5 million of deferred gain related to the sale-leaseback of our Long Island City, New York facility.

Operating Income. Operating income was $36.2 million in the first six months of 2015, compared to $38 million for the same period in 2014. Included in operating income in the first six months of 2014 is a $10.6 million litigation charge in connection with a settlement agreement in a legal proceeding with a third party. Excluding the $10.6 million litigation charge in the first six months of 2014, operating income was $48.6 million. The year-over-year decline in operating income is the result of lower consolidated net sales, lower gross margins as a percentage of consolidated net sales and higher SG&A expenses.

Other Non-Operating Income (Expense), Net. Other non-operating income was $0.7 million in the first six months of 2015, compared to other non-operating expense of $0.1 million in the first six months of 2014. The year-over-year improvement in other non-operating income (expense), net resulted primarily from the increase in equity income from our joint ventures.

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Interest Expense. Interest expense increased to $0.9 million in the first six months of 2015, compared to $0.8 million for the same period in 2014 as average outstanding borrowings during the first six months of 2015 increased slightly year-over-year.

Income Tax Provision. The income tax provision for the six months ended June 30, 2015 was $12.9 million at an effective tax rate of 35.7%, compared to $13.6 million and an effective tax rate of 36.5% for the same period in 2014. The lower year-over-year effective tax rate is the result of a change in the mix of pre-tax income from the U.S. to lower foreign tax rate jurisdictions.

Loss from Discontinued Operations. Loss from discontinued operations, net of tax, reflects legal expenses associated with our asbestos-related liability. We recorded $0.8 million and $1.2 million as a loss from discontinued operations for the six months ended June 30, 2015 and 2014, respectively. As discussed more fully in Note 14 in the notes to our consolidated financial statements (unaudited), we are responsible for certain future liabilities relating to alleged exposure to asbestos containing products.

Restructuring and Integration Costs

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, 2014 and June 30, 2015 and activity for the six months ended June 30, 2015 consisted of the following (in thousands):

	Workforce Reduction	Other Exit Costs	Total
Exit activity liability at December 31, 2014	$ 947	$729	$1,676
Restructuring and integration costs:			
Amounts provided for during 2015	(24)	55	31
Cash payments	(384)	(166)	(550)
Exit activity liability at June 30, 2015	$ 539	$618	$1,157

Liabilities associated with the remaining restructuring and integration costs as of June 30, 2015 relate primarily to employee severance and other retiree benefit enhancements to be paid through 2019 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 six months of 2015, cash provided by operating activities was $26.2 million compared to $17.6 million in the same period of 2014. The year-over-year increase in operating cash flow is primarily the result of the impact of a smaller year-over-year increase in inventory, a smaller year-over-year increase in prepaid expenses and other current assets, and a larger year-over-year increase in accounts payable, partially offset by a larger year-over-year increase in accounts receivable and a smaller year-over-year increase in sundry payables and accrued expenses.

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During the first six months of 2015, (1) the increase in inventory was $0.8 million compared to the year-over-year increase in inventory of $19.5 million in 2014; (2) the increase in prepaid expenses and other current assets was $0.5 million compared to the year-over-year increase in prepaid expenses and other current assets of $6.7 million in 2014; (3) the increase in accounts payable was $18.3 million compared to the year-over-year increase in accounts payable of $13.8 million in 2014; (4) the increase in accounts receivable was $34.6 million compared to the year-over-year increase in accounts receivable of $16.1 million in 2014; and (5) the increase in sundry payables and accrued expenses was $9.9 million compared to the year-over-year increase in sundry payables and accrued expenses of $13.5 million in 2014. The increase in accounts receivable reflects the timing of net sales in the second quarter of 2015 as compared to the second quarter of 2014 with cash collections anticipated in the third quarter of 2015. We continue to actively manage our working capital to maximize our operating cash flow.

Investing Activities. Cash used in investing activities was $10.2 million in the first six months of 2015, as compared to $44.1 million in the first six months of 2014. Investing activities during the first six months of 2015 consisted of capital expenditures of $10.2 million. Investing activities during the first six months of 2014 consisted of (1) our acquisition of certain net assets of Pensacola Fuel Injection Inc., our primary vendor for rebuilt diesel fuel injectors and other related diesel products, for $12.2 million, (2) our acquisition of a 50% interest in the joint venture with Gwo Yng Enterprise Co., Ltd., a China based manufacturer of air conditioning accumulators, filter driers, hose assemblies, and switches for the automotive aftermarket and OEM/OES markets for $14 million, (3) our acquisition of certain net assets of Annex Manufacturing of Fort Worth, Texas, a distributor of a variety of temperature control products for the automotive aftermarket, for $11.5 million and (4) capital expenditures of $6.4 million.

Financing Activities. Cash used in financing activities was $17.2 million in the first six months of 2015, compared to cash provided by financing activities of $27.8 million in the same period of 2014. During the first six months of 2015, the excess of cash provided by operations over cash used in investing activities was used to pay down borrowings under our revolving credit facility, purchase shares of our common stock and pay dividends. During the first six months of 2014, borrowings under our revolving credit facility, along with cash provided by operating activities, were used to fund acquisitions and business investments, purchase of shares of our common stock, pay dividends and fund capital expenditures. During the first six months of 2015, we purchased 196,224 shares of our common stock for $7 million as compared to the purchase of 166,890 shares of our common stock for $5.9 million in the first six months of 2014. Dividends of $6.9 million were paid in the first six months of 2015 compared to $6 million in the comparable period during the prior year. In February 2015, our Board of Directors voted to increase our quarterly dividend from $0.13 per share in 2014 to $0.15 per share in 2015.

We entered into the 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.

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 $161.1 million available for us to borrow pursuant to the formula at June 30, 2015. Outstanding borrowings under the restated credit agreement (inclusive of the Canadian revolving credit facility described below), which are classified as current liabilities, were $52.9 million and $56.6 million at June 30, 2015 and December 31, 2014, respectively. Borrowings under the restated credit agreement have been classified as current liabilities based upon accounting rules and certain provisions in the agreement.

At June 30, 2015, the weighted average interest rate on our restated credit agreement was 1.8%, which consisted of $50 million in direct borrowings at 1.7% and an index loan of $2.9 million at 3.8%. At December 31, 2014, the weighted average interest rate on our restated credit agreement was 1.8%, which consisted of $53 million in direct borrowings at 1.7% and an index loan of $3.6 million at 3.8%. During the six months ended June 30, 2015, our average daily index loan balance was $3.9 million compared to $4.5 million for the six months ended June 30, 2014 and $4.4 million for the year ended December 31, 2014.

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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 June 30, 2015, we were not subject to these covenants. Availability under our restated credit agreement is based on a formula of eligible accounts receivable, eligible inventory and eligible fixed assets. Provided specific conditions are met, our restated credit agreement permits cash dividends, stock repurchases, acquisitions, permissible debt financing and capital expenditures. In June 2015, we amended the revolving credit agreement to increase the amount of cash dividends that we may pay in any twelve month period by $5 million to $20 million, and to increase the amount of cash that we may utilize to purchase or redeem our common stock in any fiscal year by $10 million to $20 million.

Our Canadian Credit Agreement (as amended) with GE Canada Finance Holding Company, for itself and as agent for the lenders, provides for a $10 million revolving credit facility that expires in March 2018. 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.

The Canadian 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 June 30, 2015, we have no outstanding borrowings under the Canadian Credit Agreement.

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 $196.6 million and $340.6 million of receivables during the three months and six months ended June 30, 2015, respectively, and $188.8 million and $366.2 million of receivables for the comparable periods in 2014. A charge in the amount of $4 million and $6.9 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 six months ended June 30, 2015, respectively, and $3.6 million and $6.9 million for the comparable periods in 2014. 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 February 2015, our Board of Directors authorized the purchase of up to $10 million of our common stock under a stock repurchase program. Stock will be purchased from time to time, in the open market or through private transactions, as market conditions warrant. Under this program, during the three months ended June 30, 2015, we repurchased 196,224 shares of our common stock at a total cost of $7 million. As of June 30, 2015, there was approximately $3 million available for future stock repurchases under the program. In July 2015, our Board of Directors authorized the purchase of up to an additional $10 million of our common stock under an additional stock repurchase program thereby increasing the total available for future purchases to approximately $13 million.

We anticipate that our cash flow from operations, available cash and available borrowings under our revolving credit facility will be adequate to meet our future liquidity needs for at least the next twelve months. Significant assumptions underlie this belief, including, among other things, that there will be no material adverse developments in our business, liquidity or capital requirements. If material adverse developments were to occur in any of these areas, there can be no assurance that our business will generate sufficient cash flow from operations, or that future borrowings will be available to us under our revolving credit facility in amounts sufficient to enable us to pay the principal and interest on our indebtedness, or to fund our other liquidity needs. In addition, if we default on any of our indebtedness, or breach any financial covenant in our revolving credit facility, our business could be adversely affected. 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 ending December 31, 2014.

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The following table summarizes our contractual commitments as of June 30, 2015 and expiration dates of commitments through 2023:

(In thousands)	2015	2016	2017	2018	2019	2020-2023	Total
Lease obligations	$3,815	$6,235	$4,008	$2,293	$865	$1,356	$18,572
Postretirement and pension benefits	8,210	1,318	101	61	57	74	9,821
Severance payments related to restructuring and integration	402	94	24	14	5	—	539
Total commitments	$12,427	$7,647	$4,133	$2,368	$927	$1,430	$28,932

Indebtedness under our revolving credit facilities is not included in the table above as it is reported as a current liability in our consolidated balance sheets. As of June 30, 2015, amounts outstanding under our revolving credit facilities were $52.9 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, 2014. 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 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.

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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.

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 June 30, 2015, the allowance for sales returns was $39.3 million. Similarly, we must make estimates of the uncollectability of our accounts receivable. 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 June 30, 2015, the allowance for doubtful accounts and for discounts was $6.1 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. We consider 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 pre-tax 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 $0.4 million as of June 30, 2015 is intended to provide for the uncertainty regarding the ultimate realization of our U.S. foreign tax credit carryovers , state investment tax credit carryovers and foreign net operating loss carryovers. 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 the 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. As of June 30, 2015, we do not believe there is a need to establish a liability for uncertain tax positions. 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.

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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.

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 the Financial Accounting Standards Board (“FASB”) Accounting Standards Codification (“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. 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 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, 2014 estimated an undiscounted liability for settlement payments, excluding legal costs and any potential recovery from insurance carriers, ranging from $36.1 million to $55.4 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, 2014 actuarial study, in September 2014 we increased our asbestos liability to $36.1 million, the low end of the range, and recorded an incremental pre-tax provision of $12.8 million in loss from discontinued operations in the accompanying statement of operations. In addition, according to the updated study, legal costs, which are expensed as incurred and reported in loss from discontinued operations, are estimated to range from $43 million to $76.4 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.

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Other Loss Reserves. We have other loss exposures, for such matters as legal claims and legal proceedings. Establishing loss reserves for these matters requires estimates, judgment of risk exposure, and ultimate liability. We record provisions when the liability is considered probable and reasonably estimable. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. As additional information becomes available, we reassess our potential liability related to these matters. Such revisions of the potential liabilities could have a material adverse effect on our business, financial condition or results of operations.

Recently Issued Accounting Pronouncements

Discontinued Operations and Disclosures of Disposals of Components of an Entity

In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity ("ASU 2014-08"), which changes the criteria for determining which disposals can be presented as discontinued operations and modifies related disclosure requirements. Under the new guidance, a discontinued operation is defined as a disposal of a component or group of components that is disposed of or is classified as held for sale and "represents a strategic shift that has (or will have) a major effect on an entity's operations and financial results." The new standard applies prospectively to new disposals and new classifications of disposal groups as held for sale after the effective date. The amendment is effective for annual reporting periods beginning after December 15, 2014. We adopted the new standard as of January 1, 2015. The adoption of the new standard did not change the manner in which we present discontinued operations in our consolidated financial statements.

Revenue from Contracts with Customers

In May 2014, the FASB issued ASU 2014-09, Revenue from Contracts with Customers ("ASU 2014-09"), which outlines a single comprehensive model for entities to use in accounting for revenue arising from contracts with customers and supersedes most current revenue recognition guidance, including industry-specific guidance. Under the new guidance, "an entity recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services." The new standard provides entities the option of using either a full retrospective or a modified approach to adopt the guidance. The new standard is effective for annual reporting periods beginning after December 15, 2016, which for us is January 1, 2017, and interim periods within those annual periods.

In July 2015, the FASB agreed to defer by one year the effective date of the new standard. The new standard is now effective for annual reporting periods beginning after December 15, 2017, which for us is January 1, 2018, and interim periods within those annual periods. Early adoption is now permitted, but not before the original effective date, which for us is January 1, 2017. We are currently evaluating the impact, if any, this new standard will have on our consolidated financial statements, when we will adopt the new standard, and the method of adoption.

Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern

In August 2014, the FASB issued ASU 2014-15, Disclosure of Uncertainties About an Entity's Ability to Continue as a Going Concern ("ASU 2014-15"), which provides guidance on determining when and how to disclose going concern uncertainties in the consolidated financial statements. Under the new guidance, management would be required to perform interim and annual assessments of an entity's ability to continue as a going concern within one year of the date the financial statements are issued. Certain disclosures must be provided if "conditions or events raise substantial doubt about an entity's ability to continue as a going concern." The new standard is effective for annual reporting periods ending after December 15, 2016, which for us is December 31, 2016, and interim periods thereafter. Early adoption is permitted. Upon adoption, although we do not anticipate that the new standard will have an impact on our disclosures, we will consider the new standard when conducting our interim and annual assessments of our ability to continue as a going concern.

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Income Statement - Extraordinary and Unusual Items

In January 2015, the FASB issued ASU 2015-01, Income Statement – Extraordinary and Unusual Items, ("ASU 2015-01"), which removes the concept of extraordinary items from U.S. GAAP. Under the existing guidance, an entity is required to separately disclose extraordinary items, net of tax, in the income statement after income from continuing operations if an event or transaction is both unusual and occurs infrequently. This separate, net-of-tax presentation will no longer be allowed. The existing requirement to separately disclose events or transactions that are unusual or occur infrequently on a pre-tax basis within continuing operations in the income statement has been retained. Similarly, the new guidance requires that items that are both unusual and infrequent be presented separately within continuing operations in the income statement. The new standard is effective for periods beginning after December 15, 2015, which for us is January 1, 2016. Early adoption is permitted, but only as of the beginning of the fiscal year of adoption. Upon adoption, we will present transactions that are both unusual and infrequent, if any, on a pre-tax basis within continuing operations in the income statement.

Simplifying the Presentation of Debt Issuance Costs

In April 2015, the FASB issued ASU 2015-03, Simplifying the Presentation of Debt Issuance Costs, ("ASU 2015-03"), which requires that debt issuance costs be presented in the balance sheet as a direct deduction of the carrying value of the associated debt liability. Under the existing guidance, debt issuance costs are required to be presented in the balance sheet as a deferred charge (ie, an asset). The new standard is effective for periods beginning after December 15, 2015, which for us is January 1, 2016. Early adoption is permitted for financial statements that have not been previously issued. The new standard should be applied retrospectively to all periods presented in the financial statements.

In June 2015, at the Emerging Issues Task Force meeting, the FASB clarified that ASU 2015-03 does not address debt issuance costs related to revolving credit debt arrangements. In connection therewith, at the June 2015 meeting, the SEC staff announced that it would not object to the presentation of issuance costs related to revolving debt arrangements as an asset that is amortized over the term of the arrangement. Currently, we present debt financing costs related to our revolving credit facility debt as an asset in our consolidated balance sheets. We are currently evaluating ASU 2015-03, and have not yet concluded as to the impact it will have on our consolidated financial statements upon adoption.

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 June 30, 2015, we do 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, the Chinese Yuan Renminbi and the Hong Kong Dollar. As of June 30, 2015 and December 31, 2014, 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 incremental 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 June 30, 2015 and 99.5% at December 31, 2014.

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, 2014.

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 June 30, 2015, 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 review, document and test our internal control over financial reporting using the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (“COSO”) in the 2013 Internal Control – Integrated Framework. We 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 June 30, 2015, approximately 2,170 cases were outstanding for which we may be responsible for any related liabilities. Since inception in September 2001 through June 30, 2015, the amounts paid for settled claims are approximately $17.8 million.

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, 2014. The updated study has estimated an undiscounted liability for settlement payments, excluding legal costs and any potential recovery from insurance carriers, ranging from $36.1 million to $55.4 million for the period through 2058. The change from the prior year study was an $11.7 million increase for the low end of the range and an $18 million increase for the high end of the range. The increase in the estimated undiscounted liability from the prior year study at both the low end and high end of the range reflects historical data and certain assumptions with respect to events that may occur in the future. 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, 2014 actuarial study, in September 2014 we increased our asbestos liability to $36.1 million, the low end of the range, and recorded an incremental pre-tax provision of $12.8 million in loss from discontinued operations in the accompanying statement of operations. Legal costs, which are expensed as incurred and reported in loss from discontinued operations in the accompanying statement of operations, are estimated, according to the updated study, to range from $43 million to $76.4 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 currently involved in various other legal claims and legal proceedings (some of which may involve substantial amounts), including claims related to one of our divestitures, commercial disputes, product liability, employment, and environmental. Although these legal claims and legal proceedings are subject to inherent uncertainties, based on our understanding and evaluation of the relevant facts and circumstances, we believe that the ultimate outcome of these matters will not, either individually or in the aggregate, have a material adverse effect on our business, financial condition or results of operations. We may at any time determine that settling any of these matters is in our best interests, which settlement may include substantial payments. Although we cannot currently predict the specific amount of any liability that may ultimately arise with respect to any of these matters, we will record provisions when the liability is considered probable and reasonably estimable. Significant judgment is required in both the determination of probability and the determination as to whether an exposure can be reasonably estimated. As additional information becomes available, we reassess our potential liability related to these matters. Such revisions of the potential liabilities could have a material adverse effect on our business, financial condition or results of operations.

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ITEM 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 second quarter of 2015:

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)
April 1-30, 2015	—	—	—	—
May 1-31, 2015	140,211	$ 35.77	140,211	$ 4,984,878
June 1-30, 2015	56,013	36.26	56,013	2,953,901
Total	196,224	$ 35.91	196,224	$ 2,953,901

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

(2) In February 2015, our Board of Directors authorized the purchase of up to $10 million of our common stock under a stock repurchase program. Stock will be purchased from time to time, in the open market or through private transactions, as market conditions warrant. Under this program, during the three months ended June 30, 2015, we repurchased 196,224 shares of our common stock at a total cost of $7 million. As of June 30, 2015, there was approximately $3 million available for future stock repurchases under the program. In July 2015, our Board of Directors authorized the purchase of up to an additional $10 million of our common stock under an additional stock repurchase program thereby increasing the total available for future purchases to approximately $13 million.

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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: July 31, 2015 /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. AND SUBSIDIARIES

EXHIBIT INDEX

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