STANDARD MOTOR PRODUCTS INC
Form 10-Q
August 01, 2014

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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

or

o 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 þ No o

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 þ No o

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 þ Accelerated Filer o

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

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

As of the close of business on July 30, 2014, there were 22,885,832 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, 2014 (Unaudited)	2013	Six Months Ended June 30, 2014 (Unaudited)	2013
Net sales	$272,540	$270,126	$505,292	$500,834
Cost of sales	195,141	192,330	359,983	357,210
Gross profit	77,399	77,796	145,309	143,624
Selling, general and administrative expenses	48,847	50,588	96,441	100,198
Litigation charge	10,650	—	10,650	—
Restructuring and integration expenses	555	200	726	618
Other income, net	273	212	533	442
Operating income	17,620	27,220	38,025	43,250
Other non-operating income (expense), net	307	(64)	(106)	(260)
Interest expense	457	646	765	1,218
Earnings from continuing operations before taxes	17,470	26,510	37,154	41,772
Provision for income taxes	6,301	10,110	13,578	15,806
Earnings from continuing operations	11,169	16,400	23,576	25,966
Loss from discontinued operations, net of income taxes	(529)	(357)	(1,211)	(749)
Net earnings	$10,640	$16,043	$22,365	$25,217
Per Share Data:				
Net earnings per common share – Basic:				
Earnings from continuing operations	$0.49	$0.71	$1.03	$1.13
Discontinued operations	(0.02)	(0.01)	(0.05)	(0.03)
Net earnings per common share – Basic	$0.47	$0.70	$0.98	$1.10
Net earnings per common share – Diluted:				
Earnings from continuing operations	$0.48	$0.71	$1.02	$1.12
Discontinued operations	(0.02)	(0.02)	(0.06)	(0.03)
Net earnings per common share – Diluted	$0.46	$0.69	$0.96	$1.09
Dividend declared per share	$0.13	$0.11	$0.26	$0.22
Average number of common shares	22,874,002	22,981,337	22,910,419	22,917,769
Average number of common shares and dilutive common shares	23,196,713	23,261,118	23,219,055	23,190,091

See accompanying notes to consolidated financial statements.
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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(In thousands)	Three Months Ended June 30, 2014	2013	Six Months Ended June 30, 2014	2013
	(Unaudited)		(Unaudited)	
Net earnings	$10,640	$16,043	$22,365	$25,217
Other comprehensive income (loss), net of tax:				
Foreign currency translation adjustments	(141)	(940)	(731)	(1,752)
Pension and postretirement plans:				
Amortization of:				
Prior service benefit	(755)	(1,080)	(1,509)	(2,160)
Unrecognized loss	546	776	1,138	1,561
Unrecognized amounts	150	154	150	154
Foreign currency exchange rate changes	(3)	(15)	(25)	(27)
Income tax benefit related to pension and postretirement plans	17	51	75	159
Pension and postretirement plans, net of tax	(45)	(114)	(171)	(313)
Total other comprehensive income (loss), net of tax	(186)	(1,054)	(902)	(2,065)
Comprehensive income	$10,454	$14,989	$21,463	$23,152

See accompanying notes to consolidated financial statements.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED BALANCE SHEETS

(In thousands, except share and per share data)	June 30, 2014	December 31, 2013
	(Unaudited)	
ASSETS		
CURRENT ASSETS:		
Cash and cash equivalents	$ 6,217	$ 5,559
Accounts receivable, less allowances for discounts and doubtful accounts of $6,749 and $6,969 for 2014 and 2013, respectively	144,291	125,201
Inventories, net	292,459	269,447
Deferred income taxes	35,525	35,633
Prepaid expenses and other current assets	17,851	10,237
Total current assets	496,343	446,077
Property, plant and equipment, net	64,724	63,646
Goodwill	55,173	38,005
Other intangibles, net	37,147	34,861
Deferred income taxes	10,734	10,278
Other assets	38,200	22,656
Total assets	$ 702,321	$ 615,523
LIABILITIES AND STOCKHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Notes payable	$ 59,070	$ 21,406
Current portion of long-term debt	24	59
Accounts payable	90,112	71,469
Sundry payables and accrued expenses	51,714	41,939
Accrued customer returns	40,669	31,464
Accrued rebates	33,441	28,758
Payroll and commissions	18,821	25,221
Total current liabilities	293,851	220,316
Long-term debt	8	16
Other accrued liabilities	22,301	21,840
Accrued asbestos liabilities	22,607	23,919
Total liabilities	338,767	266,091
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	90,398	87,563
Retained earnings	244,446	228,036
Accumulated other comprehensive income	884	1,786
Treasury stock – at cost (1,054,804 shares and 981,004 shares in 2014 and 2013, respectively)	(20,046)	(15,825)

Total stockholders’ equity	363,554	349,432
Total liabilities and stockholders’ equity	$ 702,321	$ 615,523

See accompanying notes to consolidated financial statements.
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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENTS OF CASH FLOWS

(In thousands)	Six Months Ended June 30, 2014	2013
	(Unaudited)	
CASH FLOWS FROM OPERATING ACTIVITIES:		
Net earnings	$22,365	$25,217
Adjustments to reconcile net earnings to net cash provided by (used in) operating activities:		
Depreciation and amortization	8,440	8,545
Amortization of deferred financing cost	350	542
Increase (decrease) to allowance for doubtful accounts	(359)	498
Increase to inventory reserves	1,960	3,059
Amortization of deferred gain on sale of building	(524)	(524)
Equity (income) loss from joint ventures	(147)	26
Employee Stock Ownership Plan allocation	913	2,188
Stock-based compensation	2,397	1,494
Excess tax benefits related to exercise of employee stock grants	(152)	(66)
(Increase) decrease in deferred income taxes	(273)	142
Loss on discontinued operations, net of tax	1,211	749
Change in assets and liabilities:		
Increase in accounts receivable	(16,149)	(53,723)
Increase in inventories	(19,527)	(31,885)
Increase in prepaid expenses and other current assets	(6,702)	(1,501)
Increase in accounts payable	13,847	16,550
Increase in sundry payables and accrued expenses	13,526	19,304
Net change in other assets and liabilities	(3,558)	(3,014)
Net cash provided by (used in) operating activities	17,618	(12,399)
CASH FLOWS FROM INVESTING ACTIVITIES:		
Acquisitions of and investments in businesses	(37,726)	(12,760)
Capital expenditures	(6,379)	(5,551)
Other investing activities	11	(596)
Net cash used in investing activities	(44,094)	(18,907)
CASH FLOWS FROM FINANCING ACTIVITIES:		
Net borrowings under line-of-credit agreements	37,664	27,881
Principal payments of long-term debt and capital lease obligations	(44)	(62)
Purchase of treasury stock	(5,860)	(1,151)
Increase in overdraft balances	1,784	11,324
Payment of debt issuance costs	—	(1,261)
Proceeds from exercise of employee stock options	97	142
Excess tax benefits related to the exercise of employee stock grants	152	66
Dividends paid	(5,955)	(5,037)
Net cash provided by financing activities	27,838	31,902
Effect of exchange rate changes on cash	(704)	(1,395)
Net increase (decrease) in cash and cash equivalents	658	(799)
CASH AND CASH EQUIVALENTS at beginning of period	5,559	13,074
CASH AND CASH EQUIVALENTS at end of period	$6,217	$12,275

Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Interest	$370	$664
Income taxes	$18,516	$16,892

See accompanying notes to consolidated financial statements.

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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS' EQUITY
Six Months Ended June 30, 2014
(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, 2013	$47,872	$87,563	$228,036	$ 1,786	$(15,825)	$349,432
Net earnings	—	—	22,365	—	—	22,365
Other comprehensive income (loss), net of tax	—	—	—	(902)	—	(902)
Cash dividends paid	—	—	(5,955)	—	—	(5,955)
Purchase of treasury stock	—	—	—	—	(5,860)	(5,860)
Stock-based compensation and related tax benefits	—	1,992	—	—	516	2,508
Stock options exercised and related tax benefits	—	17	—	—	123	140
Employee Stock Ownership Plan	—	826	—	—	1,000	1,826
Balance at June 30, 2014	$47,872	$90,398	$244,446	$ 884	$(20,046)	$363,554

See accompanying notes to consolidated financial statements.

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

Note 1. Basis of Presentation

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

The accompanying unaudited financial information should be read in conjunction with the audited consolidated financial statements and the notes thereto included in our Annual Report on Form 10-K for the year ended December 31, 2013. The unaudited consolidated financial statements include our accounts and all domestic and international companies in which we have more than a 50% equity ownership. Our investments in unconsolidated affiliates are accounted for on the equity method, as we do not have a controlling financial interest. All significant inter-company items have been eliminated.

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

Reclassification

Certain prior period amounts in the accompanying consolidated financial statements and related notes have been reclassified to conform to the 2014 presentation.

Note 2. Summary of Significant Accounting Policies

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

There have been no material changes to our critical accounting policies and estimates from the information provided in Note 1 of the notes to our consolidated financial statements in our Annual Report on Form 10-K for the year ended December 31, 2013.

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, which for us is January 1, 2015, and interim periods within those annual periods. The adoption of this standard will not change the manner in which we currently 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. Early adoption is not permitted. We are currently evaluating the impact, if any, this new standard will have on our consolidated financial statements and have not yet determined the method of adoption.

Note 3. Business Acquisitions and Investments

2014 Business Acquisitions and Investment

Pensacola Fuel Injection, Inc. and Annex Manufacturing Acquisitions

In January 2014, we acquired certain assets and assumed certain liabilities of Pensacola Fuel Injection Inc., a privately held company, for $12.2 million in cash funded by our revolving credit facility. Pensacola Fuel Injection, Inc., located in Pensacola, Florida, remanufactures and distributes a wide range of diesel injectors, diesel pumps and turbo chargers. Prior to the acquisition, we were the primary purchaser of products supplied by the company. We anticipate that the acquisition will be accretive to earnings, excluding one-time integration costs.

In April 2014, we acquired certain assets and assumed certain liabilities of Annex Manufacturing, a privately held company, for approximately $11.5 million in cash funded by our revolving credit facility. Annex Manufacturing, located in Fort Worth, Texas, distributes a variety of temperature control products for the automotive aftermarket. Revenues generated from the acquired business were approximately $22 million for the year ended December 31, 2013, of which approximately 40% of the volume was sold to us.

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

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

	Pensacola Fuel Injection, Inc.	Annex Manufacturing
Purchase price:	$12,225	$11,500
Assets acquired and liabilities assumed:		
Receivables	$—	$2,581
Inventory	2,815	2,630
Property, plant and equipment, net	466	128
Intangible assets	—	4,760
Goodwill	12,528	4,567
Current liabilities	(3,584)	(3,166)
Net assets acquired	$12,225	$11,500

Goodwill related to the Pensacola Fuel Injection, Inc. and Annex Manufacturing acquisitions of $12.5 million and $4.6 million, respectively, was allocated to the Engine Management Segment and Temperature Control Segment, respectively, and is deductible for income tax purposes. The goodwill reflects business specific knowledge and the replacement cost of an assembled workforce, as well as the value of expected synergies.

Intangible assets acquired in the Annex Manufacturing acquisition consisted of customer relationships of $4.7 million that will be amortized on a straight-line basis over the estimated useful life of 7 years and non-compete agreements of $0.1 million that will be amortized on a straight-line basis over the estimated useful life of 5 years.

Revenues included in our consolidated statements of operations for the Annex Manufacturing acquisition from the date of acquisition through June 30, 2014 were $2.6 million. Revenues from the Pensacola Fuel Injection, Inc. acquisition from the date of acquisition were not material.

Gwo Yng Enterprise Co., Ltd. Equity Investment

In April 2014, we formed a 50/50 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. We acquired our 50% interest in the joint venture for $14 million in cash funded by our revolving credit facility. We determined that due to a lack of a voting majority and other qualitative factors, we do not control the operations of the joint venture and accordingly, our investment in the joint venture is accounted for under the equity method of accounting.

2013 Business Acquisition and Investment

Orange Electronic Equity Investment

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

European OE Business Acquisition

In February 2013, we acquired the original equipment business of Standard Motor Products Holdings Ltd. ("SMP Europe"), our former affiliate in the U.K., for £4.2 million ($6.5 million) in cash funded by our revolving credit facility. SMP Europe was a distributor of original equipment parts that were primarily manufactured in our Bialystok, Poland manufacturing facility.

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

Revenues included in our consolidated statements of operations for the SMP Europe acquisition during the three months and six months ended June 30, 2014 were not material.

Note 4. 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, 2013 and June 30, 2014 and activity for the six months ended June 30, 2014 consisted of the following (in thousands):

	Workforce Reduction	Other Exit Costs	Total
Exit activity liability at December 31, 2013	$ 2,800	$942	$3,742
Restructuring and integration costs:			
Amounts provided for during 2014	424	302	726
Cash payments	(1,339)	(381)	(1,720)
Exit activity liability at June 30, 2014	$ 1,885	$863	$2,748

Liabilities associated with the remaining restructuring and integration costs as of June 30, 2014 relate primarily to employee severance and other retiree benefit enhancements to be paid through 2017 and environmental clean-up costs at our Long Island City, New York location in connection with the closure of our manufacturing operations at the site.

Note 5. Sale of Receivables

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

Pursuant to these agreements, we sold $188.8 million and $366.2 million of receivables during the three months and six months ended June 30, 2014, respectively, and $183.9 million and $334.3 million for the comparable periods in 2013. A charge in the amount of $3.6 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, 2014, respectively, and $3.9 million and $7.1 million for the comparable periods in 2013. 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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STANDARD MOTOR PRODUCTS, INC. AND SUBSIDIARIES
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED) – (Continued)

Note 6. Inventories, Net

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

	June 30, 2014	December 31, 2013
	(In thousands)	
Finished goods, net	$199,053	$181,735
Work-in-process, net	5,223	4,984
Raw materials, net	88,183	82,728
Total inventories, net	$292,459	$269,447

Note 7. Acquired Intangible Assets

Acquired identifiable intangible assets consist of the following:

	June 30, 2014	December 31, 2013
	(In thousands)	
Customer relationships	$49,017	$44,179
Trademarks and trade names	6,800	6,800
Non-compete agreements	970	910
Patents and supply contracts	723	723
Leaseholds	160	160
Total acquired intangible assets	57,670	52,772
Less accumulated amortization (1)	(21,612)	(19,202)
Net acquired intangible assets	$36,058	$33,570

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

In April 2014, we acquired certain assets and assumed certain liabilities of Annex Manufacturing. Intangible assets acquired consisted of customer relationships of $4.7 million that will be amortized on a straight-line basis over the estimated useful life of 7 years and non-compete agreements of $0.1 million that will be amortized on a straight-line basis over the estimated useful life of 5 years.

Total amortization expense for acquired intangible assets was $1.2 million and $2.4 million for the three months and six months ended June 30, 2014, respectively, and $1.4 million and $2.7 million for the comparable periods in 2013. Based on the current estimated useful lives assigned to our acquired intangible assets, amortization expense is estimated to be $2.6 million for the remainder of 2014, $5 million in 2015, $4.9 million in 2016, $4.7 million in 2017 and $13.7 million in the aggregate for the years 2018 through 2028.

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

Note 8. Credit Facilities and Long-Term Debt

Total debt outstanding is summarized as follows:

	June 30, 2014	December 31, 2013
	(In thousands)	
Revolving credit facilities	$59,070	$ 21,406
Other	32	75
Total debt	$59,102	$ 21,481
Current maturities of debt	$59,094	$ 21,465
Long-term debt	8	16
Total debt	$59,102	$ 21,481

Deferred Financing Costs

We had deferred financing costs of $2.6 million and $3 million as of June 30, 2014 and December 31, 2013, respectively. Deferred financing costs are related to our revolving credit facility. Deferred financing costs as of June 30, 2014 are being amortized in the amounts of $0.3 million for the remainder of 2014, $0.7 million in 2015, $0.7 million in 2016, $0.7 million in 2017 and $0.2 million in 2018.

Revolving Credit Facility

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

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

Borrowings under the restated credit agreement are collateralized by substantially all of our assets, including accounts receivable, inventory and fixed assets, and those of certain of our subsidiaries. After taking into account outstanding borrowings under the restated credit agreement, there was an additional $164 million available for us to borrow pursuant to the formula at June 30, 2014. Outstanding borrowings under the restated credit agreement (inclusive of the Canadian revolving credit facility described below), which are classified as current liabilities, were $59.1 million and $21.4 million at June 30, 2014 and December 31, 2013, 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, 2014, the weighted average interest rate on our restated credit agreement was 1.8%, which consisted of $56 million in direct borrowings at 1.7% and an index loan of $3.1 million at 3.8%. At December 31, 2013, the weighted average interest rate on our restated credit agreement was 2%, which consisted of $18 million in direct borrowings at 1.7% and an index loan of $3.4 million at 3.8%. During the six months ended June 30, 2014, our average daily index loan balance was $4.5 million compared to $4.9 million for the six months ended June 30, 2013 and $4.1 million for the year ended December 31, 2013.

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, 2014, 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. Our restated credit agreement also permits dividends and distributions by us provided specific conditions are met.

Canadian Revolving Credit Facility

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

In May 2013, we further amended our Canadian Credit Agreement to extend the maturity date of the agreement to March 2018 and modify certain provisions, including interest rates, to parallel the revolving credit provisions of the restated credit agreement (described above). The amended credit agreement is guaranteed and secured by us and certain of our wholly-owned subsidiaries. Direct borrowings under the amended credit agreement bear interest at the same rate as our restated credit agreement with General Electric Capital Corporation. As of June 30, 2014, we have no outstanding borrowings under the Canadian Credit Agreement.

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Note 9. Accumulated Other Comprehensive Income

Changes in Accumulated Other Comprehensive Income by Component

	Three Months Ended June 30, 2014		
	Foreign Currency Translation Adjustments	Unrecognized Pension and Postretirement Benefit Costs (Credit)	Total
Beginning balance at March 31, 2014	$2,972	$ (1,902)	$1,070
Other comprehensive income before reclassifications	(141)	147	6
Amounts reclassified from accumulated other comprehensive income	—	(192)	(192)
Current period other comprehensive income, net	(141)	(45)	(186)
Ending balance at June 30, 2014	$2,831	$ (1,947)	$884

	Six Months Ended June 30, 2014		
	Foreign Currency Translation Adjustments	Unrecognized Pension and Postretirement Benefit Costs (Credit)	Total
Beginning balance at December 31, 2013	$3,562	$ (1,776)	$1,786
Other comprehensive income before reclassifications	(731)	125	(606)
Amounts reclassified from accumulated other comprehensive income	—	(296)	(296)
Current period other comprehensive income, net	(731)	(171)	(902)
Ending balance at June 30, 2014	$2,831	$ (1,947)	$884

Reclassifications Out of Accumulated Other Comprehensive Income

Details About Accumulated Other Comprehensive Income Components	Three Months Ended June 30, 2014	Six Months Ended June 30, 2014
Amortization of pension and postretirement benefit plans:		
Prior service benefit (1)	$ (755)	$ (1,509)
Unrecognized loss (1)	546	1,138
Total before income tax	(209)	(371)
Income tax benefit	17	75
Total reclassifications for the period	$ (192)	$ (296)

(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 11 for additional details).

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Note 10. Stock-Based Compensation Plans

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

Stock Option Grants

The following is a summary of the changes in outstanding stock options for the six months ended June 30, 2014:

	Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)
Outstanding at December 31, 2013	16,875	$ 12.14	1.0
Expired	—	—	—
Exercised	(7,000)	13.76	—
Forfeited, other	—	—	—
Outstanding at June 30, 2014	9,875	$ 10.99	0.9