

SOON SHIONG PATRICK
Form 3
March 20, 2012

FORM 3 UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

OMB APPROVAL

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INITIAL STATEMENT OF BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934,
Section 17(a) of the Public Utility Holding Company Act of 1935 or Section
30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *		2. Date of Event Requiring Statement	3. Issuer Name and Ticker or Trading Symbol	
Â Global Grid, LLC		(Month/Day/Year)	NEOMEDIA TECHNOLOGIES INC [NEOM]	
(Last)	(First)	(Middle)	03/16/2012	
10182 CULVER BOULEVARD			4. Relationship of Reporting Person(s) to Issuer	5. If Amendment, Date Original Filed(Month/Day/Year)
(Street)			(Check all applicable)	
CULVER CITY, Â CA Â 90232			<input type="checkbox"/> Director	<input checked="" type="checkbox"/> 10% Owner
(City)	(State)	(Zip)	<input type="checkbox"/> Officer	<input type="checkbox"/> Other
			(give title below)	(specify below)
				6. Individual or Joint/Group Filing(Check Applicable Line)
				<input type="checkbox"/> Form filed by One Reporting Person
				<input checked="" type="checkbox"/> Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Beneficially Owned

1. Title of Security (Instr. 4)	2. Amount of Securities Beneficially Owned (Instr. 4)	3. Ownership Form: Direct (D) or Indirect (I) (Instr. 5)	4. Nature of Indirect Beneficial Ownership (Instr. 5)
Common Stock	113,494,743 ⁽¹⁾	D	Â

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly. SEC 1473 (7-02)

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Table II - Derivative Securities Beneficially Owned (e.g., puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 4)	2. Date Exercisable and Expiration Date (Month/Day/Year)	3. Title and Amount of Securities Underlying Derivative Security (Instr. 4)	4. Conversion or Exercise Price of Derivative Security	5. Ownership Form of Derivative Security: Direct (D) or Indirect	6. Nature of Indirect Beneficial Ownership (Instr. 5)
	Date Exercisable	Expiration Date	Title	Amount or Number of	

Shares (I)
(Instr. 5)

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Global Grid, LLC 10182 CULVER BOULEVARD CULVER CITY, CA 90232	Â	Â X	Â	Â
SOON SHIONG PATRICK 10182 CULVER BLVD. CULVER CITY, CA 90232	Â	Â X	Â	Â

Signatures

/s/ Charles Kenworthy, Manager of Global Grid, LLC 03/20/2012
 __Signature of Reporting Person Date
 /s/ Patrick Soon-Shiong 03/20/2012
 __Signature of Reporting Person Date

Explanation of Responses:

- * If the form is filed by more than one reporting person, see Instruction 5(b)(v).
- ** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. See 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).
 The shares disclosed represent the shares held by Global Grid, LLC, a Delaware limited liability company ("Global Grid"), after giving (1) effect to all transactions through 03/16/2012 (including the transactions reported on the Form 4 being filed by Global Grid and Dr. Soon-Shiong concurrently with this Form 3).

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Remarks:

Patrick Soon-Shiong is the sole member of Global Grid.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, See Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. %; VERTICAL-ALIGN: bottom; TEXT-ALIGN: right; BACKGROUND-COLOR: #cceedd" valign="bottom">

153,368

Wire and Cable

43,674

23,011

Total Engine Management

200,782

176,379

Temperature Control:

Compressors

53,941

45,015

Other Climate Control Parts

42,878

45,610

Total Temperature Control

96,819

90,625

All Other

3,194

3,033

Total

\$
300,795

\$
270,037

Engine Management's net sales increased \$24.4 million, or 13.8%, to \$200.8 million for the three months ended September 30, 2016. Net sales in the ignition, emissions and fuel systems parts product group for the three months ended September 30, 2016 were \$157.1 million, an increase of \$3.7 million, or 2.4%, compared to \$153.4 million in the same period of 2015. Net sales in the wire and cable product group for the three months ended September 30, 2016 were \$43.7 million, an increase of \$20.7 million, or 89.8%, compared to \$23 million in the three months ended September 30, 2015. In May 2016, we acquired the North American automotive ignition wire business of General Cable Corporation. Incremental net sales from the acquisition of \$22.8 million were included in net sales of the wire and cable product group for the three months ended September 30, 2016. Excluding the incremental sales from the acquisition, Engine Management net sales increased \$1.6 million, or 0.9%, compared to the same period of 2015.

Temperature Control's net sales increased \$6.2 million, or 6.8%, to \$96.8 million for the three months ended September 30, 2016. Net sales in the compressors product group for the three months ended September 30, 2016 were \$53.9 million, an increase of \$8.9 million, or 19.8%, compared to \$45 million in the same period of 2015. Net sales in the other climate control parts product group for the three months ended September 30, 2016 were \$42.9 million, a decrease of \$2.7 million, or 6%, compared to \$45.6 million in the three months ended September 30, 2015. Demand for our Temperature Control products during the second and third quarter of each year may vary significantly with

Explanation of Responses:

summer weather conditions and customer inventories.

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Gross Margins. Gross margins, as a percentage of consolidated net sales, increased to 31.8% in the third quarter of 2016, compared to 30.2% in the third quarter of 2015. The following table summarizes gross margins by segment for the three months ended September 30, 2016 and 2015, respectively (in thousands):

Three Months Ended September 30, <u>2016</u>	Engine Management	Temperature Control	Other	Total
Net sales	\$ 200,782	\$ 96,819	\$3,194	\$300,795
Gross margins	66,849	25,773	3,022	95,644
Gross margin percentage	33.3 %	26.6 %	—	31.8 %

2015

Net sales	\$ 176,379	\$ 90,625	\$3,033	\$270,037
Gross margins	55,258	23,308	2,987	81,553
Gross margin percentage	31.3 %	25.7 %	—	30.2 %

Compared to the third quarter of 2015, gross margins at Engine Management increased 2 percentage points from 31.3% to 33.3%, and gross margins at Temperature Control increased 0.9 percentage points from 25.7% to 26.6%. The gross margin percentage increase in Engine Management compared to the prior year was the result of the year-over-year increase in production volume improving overhead absorption, and low cost sourcing. The gross margin percentage increase in Temperature Control compared to the prior year resulted primarily from the year-over-year increase in production volumes generating favorable overhead absorption.

Selling, General and Administrative Expenses. Selling, general and administrative expenses (“SG&A”) increased to \$61.3 million, or 20.4% of consolidated net sales, in the third quarter of 2016, as compared to \$51.9 million, or 19.2% of consolidated net sales, in the third quarter of 2015. The \$9.4 million increase in SG&A expenses as compared to the third quarter of 2015 is principally due to (1) higher selling and marketing costs, higher distribution expenses, and higher costs incurred in our accounts receivable factoring program, all associated with the increased sales volumes; and (2) incremental expenses from our acquisition of the North American automotive ignition wire business of General Cable Corporation, including amortization of intangible assets acquired.

Restructuring and Integration Expenses (Income). Restructuring and integration expenses for the third quarter of 2016 were \$1.1 million compared to restructuring and integration income of \$0.08 million for the third quarter of 2015. The \$1.2 million year-over-year increase in restructuring and integration expenses reflects the impact of the plant rationalization program that commenced in February 2016.

Other Income, net. Other income, net was \$0.3 million in the third quarter of 2016 compared to \$0.2 million in the third quarter of 2015. During 2016 and 2015, 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 \$33.6 million in the third quarter of 2016, compared to \$30 million in the third quarter of 2015. The increase in operating income in the third quarter of 2016 compared to the third quarter of 2015 reflects the impact of higher consolidated net sales and higher gross margins as a percentage of consolidated net sales offset, in part, by higher SG&A expenses and higher restructuring and integration expenses.

Other Non-Operating Income (Expense), Net. Other non-operating income, net was \$0.2 million in the third quarter of 2016, compared to other non-operating expense, net of \$0.5 million in the third quarter of 2015. During the third quarter of 2016, other non-operating income, net consisted primarily of equity income from our joint ventures of \$0.3 million offset, in part, by foreign currency losses of \$0.1 million. Other non-operating expense, net during the third quarter of 2015 consisted primarily of equity losses from our joint ventures of \$0.4 million and foreign currency losses

of \$0.1 million.

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Interest Expense. Interest expense increased to \$0.5 million in the third quarter of 2016 compared to \$0.3 million in the third quarter of 2015, as the year-over-year increase in average outstanding borrowings more than offset the year-over-year decline in average interest rates. The year-over-year increase in our average outstanding borrowings resulted primarily from our May 2016 acquisition of the North American automotive ignition wire business of General Cable Corporation for approximately \$67.5 million which was funded by our revolving credit facility.

Income Tax Provision. The income tax provision in the third quarter of 2016 was \$12.2 million at an effective tax rate of 36.7% compared to \$9.9 million at an effective tax rate of 34% for the same period in 2015. The higher year-over-year effective tax rate is the result of a change in the mix of pre-tax income from lower foreign tax rate jurisdictions to the U.S., and the year-over-year increase in state and local effective tax rates.

Loss from Discontinued Operations. Loss from discontinued operations, net of income tax, reflects information contained in the most recent actuarial studies performed as of August 31, 2016 and 2015, other information available and considered by us, and legal expenses associated with our asbestos-related liability. During the third quarter of 2016 and 2015, we recorded a loss of \$0.4 million and \$0.7 million from discontinued operations, respectively. We perform annual actuarial studies during the third quarter of each year. Based upon the actuarial studies performed as of August 31, 2016 and 2015, a favorable adjustment to the asbestos liability was not recorded in our consolidated financial statements in each of the third quarters of 2016 and 2015 as the difference between the low end of the range in each of the actuarial studies and our recorded liability was not material. As discussed more fully in Note 15 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 Nine Months Ended September 30, 2016 to the Nine Months Ended September 30, 2015

Sales. Consolidated net sales for the nine months ended September 30, 2016 were \$828.7 million, an increase of \$61.7 million, or 8%, compared to \$767 million in the same period of 2015. Consolidated net sales increased due to the higher results achieved by both our Engine Management and Temperature Control Segments.

The following table summarizes consolidated net sales by segment and by major product group within each segment for the nine months ended September 30, 2016 and 2015 (in thousands):

	Nine Months Ended September 30,	
	2016	2015
Engine Management:		
Ignition, Emission and Fuel System Parts	\$ 477,242	\$ 452,547
Wire and Cable	103,069	77,895
Total Engine Management	580,311	530,442
Temperature Control:		
Compressors	130,941	115,318
Other Climate Control Parts	110,147	113,114
Total Temperature Control	241,088	228,432
All Other	7,284	8,134
Total	\$ 828,683	\$ 767,008

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Engine Management's net sales increased \$49.9 million, or 9.4%, to \$580.3 million for the first nine months of 2016. Net sales in the ignition, emissions and fuel systems parts product group for the nine months ended September 30, 2016 were \$477.2 million, an increase of \$24.7 million, or 5.5%, compared to \$452.5 million in the same period of 2015. Net sales in the wire and cable product group for the nine months ended September 30, 2016 were \$103.1 million, an increase of \$25.2 million, or 32.3%, compared to \$77.9 million in the first nine months of 2015. In May 2016, we acquired the North American automotive ignition wire business of General Cable Corporation. Incremental net sales of \$31.3 million were included in net sales of the wire and cable product group from the date of acquisition through September 30, 2016. Excluding the incremental sales from the acquisition, Engine Management net sales increased \$18.6 million, or 3.5%, compared to the first nine months of 2015 in line with our low-to-mid single digit sales forecast.

Temperature Control's net sales increased \$12.6 million, or 5.5%, to \$241.1 million for the first nine months of 2016. Net sales in the compressors product group for the nine months ended September 30, 2016 were \$130.9 million, an increase of \$15.6 million, or 13.5%, compared to \$115.3 million in the same period of 2015. Net sales in the other climate control parts product group for the nine months ended September 30, 2016 were \$110.1 million, a decrease of \$3 million, or 2.6%, compared to \$113.1 million in the first nine months of 2015. 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, increased to 30.9% in the first nine months of 2016, compared to 28.4% during the same period in 2015. The following table summarizes gross margins by segment for the nine months ended September 30, 2016 and 2015 (in thousands):

Nine Months Ended September 30, <u>2016</u>	Engine Management	Temperature Control	Other	Total
Net sales	\$ 580,311	\$ 241,088	\$7,284	\$828,683
Gross margins	187,956	60,447	7,313	255,716
Gross margin percentage	32.4	% 25.1	% —	30.9 %
<u>2015</u>				
Net sales	\$ 530,442	\$ 228,432	\$8,134	\$767,008
Gross margins	159,227	50,438	8,537	218,202
Gross margin percentage	30	% 22.1	% —	28.4 %

Compared to the first nine months of 2015, gross margins at Engine Management increased 2.4 percentage points from 30% to 32.4%, and gross margins at Temperature Control increased 3 percentage points from 22.1% to 25.1%. The gross margin percentage increase in Engine Management compared to the prior year was primarily the result of the year-over-year increase in production volume and the impact of one-time costs incurred in the prior year's first nine months to improve our diesel manufacturing production processes. The gross margin percentage increase in Temperature Control compared to the prior year resulted primarily from year-over-year increased production volumes, and unabsorbed manufacturing overheads charged in the prior year's first nine months results which negatively impacted the first nine months 2015 gross margins.

Selling, General and Administrative Expenses. SG&A expenses increased to \$169 million, or 20.4% of consolidated net sales, in the nine months ended September 30, 2016, as compared to \$152.8 million, or 19.9% of consolidated net sales, in the same period of 2015. The \$16.2 million increase in SG&A expenses as compared to the first nine months of 2015 is principally due to (1) higher selling and marketing costs, higher distribution expenses, and higher costs incurred in our accounts receivable factoring program, all associated with increased sales volumes; and (2) incremental expenses from our acquisition of the North American automotive ignition wire business of General Cable

Corporation, including amortization of intangible assets acquired.

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Restructuring and Integration Expenses (Income). Restructuring and integration expenses for the nine months ended September 30, 2016 were \$2.1 million compared to restructuring and integration income of \$0.05 million for the nine months ended September 30, 2015. The \$2.2 million year-over-year increase in restructuring and integration expenses reflects the impact of the plant rationalization program that commenced in February 2016.

Other Income, Net. Other income, net was \$0.9 million in the nine months ended September 30, 2016 compared to \$0.8 million in the first nine months of 2015. During 2016 and 2015, we recognized \$0.8 million of deferred gain related to the sale-leaseback of our Long Island City, New York facility.

Operating Income. Operating income was \$85.4 million in the first nine months of 2016, compared to \$66.2 million for the same period in 2015. The year-over-year increase in operating income of \$19.2 million is the result of higher consolidated net sales and higher gross margins as a percentage of consolidated net sales offset, in part, by higher SG&A expenses and higher restructuring and integration expenses.

Other Non-Operating Income, Net. Other non-operating income, net was \$0.8 million in the first nine months of 2016, compared to other non-operating income, net of \$0.2 million in the first nine months of 2015. The year-over-year increase in other non-operating income, net resulted primarily from the increase in equity income from our joint ventures, higher interest and dividend income, and the favorable impact of changes in foreign currency exchange rates.

Interest Expense. Interest expense was \$1.2 million in each of the first nine months of 2016 and 2015. The impact of the year-over-year increase in average outstanding borrowings during the first nine months of 2016 when compared to the same period in 2015 was offset by the year-over-year decline in average interest rates. The year-over-year increase in our average outstanding borrowings resulted primarily from our May 2016 acquisition of the North American automotive ignition wire business of General Cable Corporation for approximately \$67.5 million which was funded by our revolving credit facility.

Income Tax Provision. The income tax provision for the nine months ended September 30, 2016 was \$31.5 million at an effective tax rate of 37%, compared to \$22.8 million at an effective tax rate of 35% for the same period in 2015. The higher year-over-year effective tax rate is the result of a change in the mix of pre-tax income from lower foreign tax rate jurisdictions to the U.S., and the year-over-year increase in state and local effective tax rates.

Loss from Discontinued Operations. Loss from discontinued operations, net of income tax, reflects information contained in the most recent actuarial studies performed as of August 31, 2016 and 2015, other information available and considered by us, and legal expenses associated with our asbestos-related liability. During the nine months ended September 30, 2016 and 2015, we recorded a loss of \$1.5 million and \$1.5 million from discontinued operations, respectively. We perform annual actuarial studies during the third quarter of each year. Based upon the actuarial studies performed as of August 31, 2016 and 2015, a favorable adjustment to the asbestos liability was not recorded in our consolidated financial statements in each of the third quarters of 2016 and 2015 as the difference between the low end of the range in each of the actuarial studies and our recorded liability was not material. As discussed more fully in Note 15 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

For a detailed discussion on the restructuring and integration costs, see Note 4, "Restructuring and Integration Costs," of the notes to our consolidated financial statements (unaudited).

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Liquidity and Capital Resources

Operating Activities. During the first nine months of 2016, cash provided by operating activities was \$83 million compared to \$72.8 million in the same period of 2015. The year-over-year increase in operating cash flow is primarily the result of the increase in net earnings, a larger year-over-year increase in sundry payables and accrued expenses, and the larger year-over-year decrease in prepaid expenses and other current assets in 2016 compared to the first nine months of 2015 offset, in part, by the larger year-over-year increase in accounts receivable and the increase in inventories compared to a year-over-year decrease in inventories in 2015.

Net earnings during the first nine months of 2016 were \$52.1 million compared to \$40.8 million in the first nine months of 2015. During the first nine months of 2016, (1) the increase in sundry payables and accrued expenses was \$31 million compared to the year-over-year increase in sundry payables and accrues expenses of \$21.7 million in 2015; (2) the decrease in prepaid expenses and other current assets was \$5.4 million compared to the year-over-year a decrease in prepaid expenses and current assets of \$2.4 million in 2015; (3) the increase in receivables was \$35.2 million compared to the year-over-year increase in receivables of \$25.1 million in 2015; and (4) the increase in inventories was \$7.4 million compared to the year-over-year decrease in inventories of \$4.8 million in 2015. The increase in accounts receivable and inventories is the result of the impact of our May 2016 acquisition of the North American automotive ignition wire business of General Cable Corporation. We continue to actively manage our working capital to maximize our operating cash flow.

Investing Activities. Cash used in investing activities was \$82.3 million in the first nine months of 2016, as compared to \$14.6 million in the first nine months of 2015. Investing activities during the first nine months of 2016 consisted of (1) our acquisition of certain assets and the assumption of certain liabilities of General Cable Corporation's automotive ignition wire business in North America as well as 100% of the equity interests of a General Cable subsidiary in Nogales, Mexico for \$67.3 million, net of cash acquired and (2) capital expenditures of \$15.2 million. Investing activities during the first nine months of 2015 consisted of \$14.6 million of capital expenditures.

Financing Activities. Cash provided by financing activities was \$11.5 million in the first nine months of 2016, compared to cash used in financing activities of \$57.9 million in the same period of 2015. During the first nine months of 2016, borrowings under our revolving credit facility, along with cash provided by operating activities, were used to fund the acquisition of the North American automotive ignition business of General Cable Corporation, purchase shares of our common stock, pay dividends and fund capital expenditures. During the first nine 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 nine months of 2016, we borrowed an additional \$22.6 million under our revolving credit facility as compared to a reduction in borrowings under the facility of \$32.1 million in 2015, we repurchased 10,135 shares of our common stock for \$0.4 million as compared to the repurchase of 439,802 shares of our common stock for \$15.5 million in 2015, and we paid dividends of \$11.6 million compared to \$10.3 million in the comparable period during the prior year. In January 2016, our Board of Directors voted to increase our quarterly dividend from \$0.15 per share in 2015 to \$0.17 per share in 2016.

In October 2015, we entered into a Credit Agreement with JPMorgan Chase Bank, N.A., as agent, and a syndicate of lenders for a senior secured revolving credit facility with a line of credit of up to \$250 million (with an additional \$50 million accordion feature) and a maturity date in October 2020. The new credit agreement replaces our prior credit facility with General Electric Capital Corporation, as agent, and the lenders therein. Direct borrowings under the new credit agreement bear interest at LIBOR plus a margin ranging from 1.25% to 1.75% based on our borrowing availability, or floating at the alternate base rate plus a margin ranging from 0.25% to 0.75% based on our borrowing availability, at our option. The credit agreement is guaranteed by certain of our subsidiaries and secured by certain of our assets.

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Borrowings under the new credit agreement are secured by substantially all of our assets, including accounts receivable, inventory and fixed assets, and those of certain of our subsidiaries. Availability under the credit agreement is based on a formula of eligible accounts receivable, eligible inventory, eligible equipment and eligible fixed assets. After taking into account outstanding borrowings under the credit agreement, there was an additional \$145.1 million available for us to borrow pursuant to the formula at September 30, 2016. Outstanding borrowings under the credit agreement which are classified as current liabilities, were \$70 million and \$47.4 million at September 30, 2016 and December 31, 2015, respectively. Borrowings under the restated credit agreement have been classified as current liabilities based upon accounting rules and certain provisions in the agreement.

At September 30, 2016, the weighted average interest rate on our credit agreement was 1.8%, which consisted of \$70 million in direct borrowings. At December 31, 2015, the weighted average interest rate on our credit agreement was 1.7%, which consisted of \$44 million in direct borrowings at 1.6% and an alternative base rate loan of \$3.4 million at 3.8%. During the nine months ended September 30, 2016, our average daily alternative base rate loan balance was \$2.9 million at a weighted average interest rate of 3.8%, compared to our average daily index loan balance of \$3.5 million for the nine months ended September 30, 2015 at a weighted average interest rate of 3.8%, and our average daily alternative base rate/index loan balance of \$4.9 million for the year ended December 31, 2015 at a weighted average interest rate of 3.7%.

At any time that our borrowing availability is less than the greater of either (a) \$25 million, or 10% of the commitments if fixed assets are not included in the borrowing base, or (b) \$31.25 million, or 12.5% of the commitments if fixed assets are included in the borrowing base, the terms of the credit agreement provide for, among other provisions, a financial covenant requiring us, on a consolidated basis, to maintain a fixed charge coverage ratio of 1:1 at the end of each fiscal quarter (rolling four quarters). As of September 30, 2016, we were not subject to these covenants. The credit agreement permits us to pay cash dividends of \$20 million and make stock repurchases of \$20 million in any fiscal year subject to a minimum availability of \$25 million. Provided specific conditions are met, the credit agreement also permits acquisitions, permissible debt financing, capital expenditures, and cash dividend payments and stock repurchases of greater than \$20 million.

The new credit agreement also replaces our Canadian Credit Agreement with GE Canada Finance Holding Company. The new agreement with JPMorgan Chase Bank, N.A. allows for a \$10 million line of credit to Canada as part of the \$250 million available for borrowing.

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 \$229.2 million and \$596.8 million of receivables during the three months and nine months ended September 30, 2016, respectively, and \$206.4 million and \$547 million of receivables for the comparable periods in 2015. A charge in the amount of \$6 million and \$14.9 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 nine months ended September 30, 2016, respectively, and \$4.3 million and \$11.2 million for the comparable periods in 2015. 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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In February 2016, in connection with our ongoing efforts to improve operating efficiencies and reduce costs, we finalized our intention to implement a plant rationalization initiative. As part of the plant rationalization, we plan to relocate certain production activities from our Grapevine, Texas manufacturing facility to facilities in Greenville, South Carolina and Reynosa, Mexico, relocate certain service functions from Grapevine, Texas to our administrative offices in Lewisville, Texas, and close our Grapevine, Texas facility. In addition, certain production activities will be relocated from our Greenville, South Carolina manufacturing facility to our manufacturing facility in Bialystok, Poland. One-time plant rationalization costs of approximately \$9 million are expected to be incurred in 2016 and 2017 consisting of restructuring and integration expenses of approximately \$5 million related to employee severance and relocation of certain machinery and equipment; capital expenditures of approximately \$2.6 million; and temporary incremental operating expenses of approximately \$1.4 million. Substantially all of the one-time plant rationalization costs are expected to result in future cash expenditures and will be recognized throughout the program. During the three months and nine months ended September 30, 2016, we recognized \$1.1 million and \$2.1 million, respectively, of restructuring and integration expenses related to the program. We anticipate that the plant rationalization will be completed by February 2018.

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, 2015.

The following table summarizes our contractual commitments as of September 30, 2016 and expiration dates of commitments through 2025 (a) (b):

(In thousands)	2016	2017	2018	2019	2020	2021-	Total
Lease obligations	\$1,931	\$6,611	\$4,754	\$2,839	\$2,303	\$6,269	\$24,707
Postretirement benefits	642	63	59	54	50	181	1,049
Severance payments related to restructuring and integration	161	1,100	434	47	8	—	1,750
Total commitments	\$2,734	\$7,774	\$5,247	\$2,940	\$2,361	\$6,450	\$27,506

Indebtedness under our revolving credit facilities is not included in the table above as it is reported as a current (a) liability in our consolidated balance sheets. As of September 30, 2016, amounts outstanding under our revolving credit facilities were \$70 million.

We anticipate a total charge of approximately \$3.4 million to be recorded related to the plant rationalization (b) program initiated in February 2016. The plant rationalization program is expected to be completed by February 2018.

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, 2015. 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.

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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 certain 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.

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 September 30, 2016, the allowance for sales returns was \$46.4 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. In January 2016, one of our customers filed a petition for bankruptcy. In connection with the bankruptcy filing, we evaluated our potential risk and exposure, and estimated our anticipated recovery as related to our outstanding accounts receivable balance from the customer. As a result of our evaluations, we recorded a net \$3.5 million pre-tax charge during the year ended December 31, 2015, and an additional net \$0.8 million pre-tax charge during the nine months ended September 30, 2016, which resulted in the write-off of our entire accounts receivable balance from the customer as of September 30, 2016. At September 30, 2016, the allowance for doubtful accounts and for discounts was \$4.6 million.

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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.

The valuation allowance of \$0.4 million as of September 30, 2016 is intended to provide for the uncertainty regarding the ultimate realization of our U.S. foreign 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 September 30, 2016, 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.

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

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

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.

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. The determination of 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.

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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, 2016 estimated an undiscounted liability for settlement payments, excluding legal costs and any potential recovery from insurance carriers, ranging from \$31 million to \$47.7 million for the period through 2059. 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, 2016 actuarial study, a favorable adjustment to the asbestos liability was not recorded in our consolidated financial statements as the difference between our recorded liability and the liability in the actuarial report at the low end of the range was not material. In addition, according to the updated study, future legal costs, which are expensed as incurred and reported in loss from discontinued operations in the accompanying statement of operations, are estimated to range from \$42.7 million to \$78.6 million for the period through 2059. 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.

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

For a detailed discussion on recently issued accounting pronouncements and their impact on our consolidated financial statements, see Note 2, "Summary of Significant Accounting Policies" of the notes to our consolidated financial statements (unaudited).

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosure about Market Risk

We are exposed to market risk, primarily related to foreign currency exchange and interest rates. These exposures are actively monitored by management. Our exposure to foreign exchange rate risk is due to certain costs, revenues and borrowings being denominated in currencies other than one of our subsidiary's functional currency. Similarly, we are exposed to market risk as the result of changes in interest rates, which may affect the cost of our financing. It is our policy and practice to use derivative financial instruments only to the extent necessary to manage exposures. We do not hold or issue derivative financial instruments for trading or speculative purposes. As of September 30, 2016, 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 September 30, 2016 and December 31, 2015, 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. Substantially all of our debt is variable rate debt as of September 30, 2016 and December 31, 2015.

In addition, 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. During the three months and nine months ended September 30, 2016, we sold \$229.2 million and \$596.8 million of receivables, respectively. Depending upon the level of sales of receivables pursuant these agreements, the effect of a hypothetical, instantaneous and unfavorable change of 100 basis points in the margin rate may have an approximate \$2.3 million and \$6 million negative impact on our earnings or cash flows during the three months and nine months ended September 30, 2016, respectively. The charge related to the sale of receivables is included in selling, general and administrative expenses in our consolidated statements of operations.

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, 2015.

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.

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(b) Changes in Internal Control Over Financial Reporting.

During the quarter ended September 30, 2016, 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.

PART II – OTHER INFORMATION

ITEM 1. LEGAL PROCEEDINGS

The information required by this Item is incorporated herein by reference to the information set forth in Item 1, "Consolidated Financial Statements" of this Report under the captions "Asbestos" and "Other Litigation" appearing in Note 15, "Commitments and Contingencies," of the notes to our consolidated financial statements (unaudited).

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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: October 28, 2016 /s/ James J. Burke

James J. Burke
Executive 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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- 32.2 Certification of Chief Financial Officer furnished pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 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.”