



**(410) 379-3600**

Registrant's telephone number, including area code:

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

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

The number of shares outstanding of the registrant's common stock as of April 30, 2013 was as follows:

<b>Class</b>	<b>Outstanding</b>
Common Stock, par value \$.01 per share	19,078,755 shares

**Part I. Financial Information**

Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets – March 31, 2013 and December 31, 2012	1
Condensed Consolidated Statements of Operations – Three Months Ended March 31, 2013 and 2012	2
Condensed Consolidated Statements of Comprehensive Income – Three Months Ended March 31, 2013 and 2012	3
Condensed Consolidated Statements of Cash Flows – Three Months Ended March 31, 2013 and 2012	4
Notes to Condensed Consolidated Financial Statements	5

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations 15

Item 3. Quantitative and Qualitative Disclosure About Market Risk 22

Item 4. Controls and Procedures 22

**Part II. Other Information**

Item 1. Legal Proceedings 23

Item 1A. Risk Factors 23

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 23

Item 6. Exhibits 24

Signatures 25

**Part I. Financial Information****Item 1. Financial Statements****GP STRATEGIES CORPORATION AND SUBSIDIARIES**

## Condensed Consolidated Balance Sheets

(In thousands, except per share amounts)

	March 31, 2013 (Unaudited)	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 11,047	\$ 7,761
Accounts and other receivables, less allowance for doubtful accounts of \$1,375 in 2013 and \$1,756 in 2012	70,887	83,597
Costs and estimated earnings in excess of billings on uncompleted contracts	20,866	16,979
Prepaid expenses and other current assets	10,330	10,143
Total current assets	113,130	118,480
Property, plant and equipment	19,223	18,771
Accumulated depreciation	(13,583 )	(13,260 )
Property, plant and equipment, net	5,640	5,511
Goodwill	101,922	102,821
Intangible assets, net	14,254	15,872
Other assets	1,526	1,750
	\$ 236,472	\$ 244,434
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable and accrued expenses	\$ 40,329	\$ 47,457
Billings in excess of costs and estimated earnings on uncompleted contracts	18,107	21,877
Total current liabilities	58,436	69,334
Other noncurrent liabilities	7,173	7,763
Total liabilities	65,609	77,097
Stockholders' equity:		
Common stock, par value \$0.01 per share	192	192
Additional paid-in capital	167,669	167,495
Retained earnings	8,880	3,955
Treasury stock at cost	(2,159 )	(2,494 )
Accumulated other comprehensive loss	(3,719 )	(1,811 )
Total stockholders' equity	170,863	167,337
	\$ 236,472	\$ 244,434

See accompanying notes to condensed consolidated financial statements.

1

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share data)

	Three months ended March 31,	
	2013	2012
Revenue	\$ 101,373	\$ 93,605
Cost of revenue	85,192	77,993
Gross profit	16,181	15,612
Selling, general and administrative expenses	9,089	8,288
Gain (loss) on change in fair value of contingent consideration, net	247	(40 )
Operating income	7,339	7,284
Interest expense	100	40
Other income	229	90
Income before income tax expense	7,468	7,334
Income tax expense	2,543	2,950
Net income	\$ 4,925	\$ 4,384
Basic weighted average shares outstanding	19,060	18,830
Diluted weighted average shares outstanding	19,296	19,188
Per common share data:		
Basic earnings per share	\$ 0.26	\$ 0.23
Diluted earnings per share	\$ 0.26	\$ 0.23

See accompanying notes to condensed consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Comprehensive Income

(Unaudited)

(In thousands)

	Three months ended March 31,	
	2013	2012
Net income	\$4,925	\$4,384
Foreign currency translation adjustments	(1,908)	1,111
Comprehensive income	\$3,017	\$5,495

See accompanying notes to condensed consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

Three months ended March 31, 2013 and 2012

(Unaudited, in thousands)

	2013	2012
Cash flows from operating activities:		
Net income	\$4,925	\$4,384
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss (gain) on change in fair value of contingent consideration, net	(247 )	40
Depreciation and amortization	1,958	1,858
Deferred income taxes	(274 )	47
Non-cash compensation expense	953	973
Changes in other operating items:		
Accounts and other receivables	12,508	5,149
Costs and estimated earnings in excess of billings on uncompleted contracts	(3,887 )	(4,550)
Prepaid expenses and other current assets	(136 )	(1,454)
Accounts payable and accrued expenses	(6,042 )	1,094
Billings in excess of costs and estimated earnings on uncompleted contracts	(3,914 )	340
Contingent consideration payments in excess of fair value on acquisition date	(373 )	(602 )
Other	(155 )	(316 )
Net cash provided by operating activities	5,316	6,963
Cash flows from investing activities:		
Additions to property, plant and equipment	(830 )	(925 )
Net cash used in investing activities	(830 )	(925 )
Cash flows from financing activities:		
Change in negative cash book balances	—	(1,004)
Contingent consideration payments	(602 )	(835 )
Repurchases of common stock in the open market	(451 )	—
Other financing activities	(4 )	(227 )
Net cash used in financing activities	(1,057 )	(2,066)
Effect of exchange rate changes on cash and cash equivalents	(143 )	138
Net increase in cash and cash equivalents	3,286	4,110
Cash and cash equivalents at beginning of period	7,761	4,151
Cash and cash equivalents at end of period	\$11,047	\$8,261
Supplemental disclosures of cash flow information:		
Cash paid during the year for income taxes	\$1,730	\$1,924

See accompanying notes to condensed consolidated financial statements.





gp strategies corporation AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

**(1) Basis of Presentation**

GP Strategies Corporation is a global performance improvement solutions provider of training, e-Learning solutions, management consulting and engineering services. References in this report to “GP Strategies,” the “Company,” “we” and “our” are to GP Strategies Corporation and its subsidiaries, collectively.

The accompanying condensed consolidated balance sheet as of March 31, 2013 and the condensed consolidated statements of operations, comprehensive income and cash flows for the three months ended March 31, 2013 and 2012 have not been audited, but have been prepared in conformity with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. These condensed consolidated financial statements should be read in conjunction with the audited consolidated financial statements for the year ended December 31, 2012, as presented in the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2012. In the opinion of management, this interim information includes all material adjustments, which are of a normal and recurring nature, necessary for a fair presentation. The results for the 2013 interim period are not necessarily indicative of results to be expected for the entire year. Certain prior year amounts have been reclassified to conform to current year presentation.

The condensed consolidated financial statements include the operations of the Company and its subsidiaries. All significant intercompany balances and transactions have been eliminated.

**(2) Significant Customers & Concentration of Credit Risk**

We have a market concentration of revenue in the automotive sector. Revenue from the automotive industry accounted for approximately 15% and 14% of our consolidated revenue for the three months ended March 31, 2013 and 2012, respectively. We also have a concentration of revenue from the United States government. For the three months ended March 31, 2013 and 2012, sales to the United States government and its agencies represented approximately 10% and 14%, respectively, of our consolidated revenue. Revenue was derived from many separate

contracts with a variety of government agencies that are regarded by us as separate customers. No single customer accounted for more than 10% of our consolidated revenue for the three months ended March 31, 2013 and 2012 or accounts receivable as of March 31, 2013.

gp strategies corporation AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

(3) Earnings Per Share

Basic earnings per share (EPS) is computed by dividing net income by the weighted average number of common shares outstanding during the period. Diluted EPS reflects the potential dilution of common stock equivalent shares that could occur if securities or other contracts to issue common stock were exercised or converted into common stock.

Our dilutive common stock equivalent shares consist of stock options and restricted stock units computed under the treasury stock method, using the average market price during the period. The following table presents instruments which were not dilutive and were excluded from the computation of diluted EPS in each period, as well as the dilutive common stock equivalent shares which were included in the computation of diluted EPS:

	Three months ended March 31,	
	2013	2012
	(In thousands)	
Non-dilutive instruments	36	151
Dilutive common stock equivalents	236	358

(4) Acquisitions

BlessingWhite

On October 1, 2012, we completed the acquisition of BlessingWhite, a provider of leadership development and employee engagement solutions. The total purchase price was \$10,762,000 in cash at closing and is subject to a

working capital adjustment as defined in the purchase agreement. We received \$146,000 from the sellers in April 2013 based on a preliminary agreement on the working capital adjustment and we expect to finalize additional amounts owed from the sellers, if any, in the second quarter of 2013. We recorded \$3,280,000 of amortizable intangible assets as a result of the acquisition, which includes \$1,761,000 of customer-related intangible assets which are being amortized over five years, \$1,238,000 of intellectual property related to training course content which is being amortized over five years, \$191,000 related to the acquired tradename which is being amortized over two years, and \$90,000 related to acquired technology which is being amortized over three years from the acquisition date. None of the goodwill recorded for financial statement purposes is deductible for tax purposes. BlessingWhite is included in the Learning Solutions segment and the results of its operations have been included in the consolidated financial statements since October 1, 2012. The pro-forma impact of the acquisition is not material to our results of operations.

## gp strategies corporation AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

Contingent Consideration

Accounting Standards Codification (“ASC”) Topic 805 requires that contingent consideration be recognized at fair value on the acquisition date and be re-measured each reporting period with subsequent adjustments recognized in the consolidated statement of operations. We estimate the fair value of contingent consideration liabilities based on financial projections of the acquired companies and estimated probabilities of achievement and discount the liabilities to present value using a weighted-average cost of capital. Contingent consideration is valued using significant inputs that are not observable in the market which are defined as Level 3 inputs pursuant to fair value measurement accounting. We believe our estimates and assumptions are reasonable; however, there is significant judgment involved. At each reporting date, the contingent consideration obligation is revalued to estimated fair value, and changes in fair value subsequent to the acquisitions are reflected in income or expense in the consolidated statements of operations, and could cause a material impact to, and volatility in, our operating results. Changes in the fair value of contingent consideration obligations may result from changes in discount periods, changes in the timing and amount of revenue and/or earnings estimates and changes in probability assumptions with respect to the likelihood of achieving the various earn-out criteria.

Below is a summary of the potential contingent consideration we may be required to pay in connection with previously completed acquisitions as of March 31, 2013 (dollars in thousands):

Acquisition:	Original range of potential undiscounted payments	As of March 31, 2013		
		Maximum contingent consideration due in		
		2013	2014	Total
Marton House	\$0 - \$3,750	\$ 760	\$ —	\$ 760
Bath Consulting	\$0 - \$2,376	—	1,034	1,034
Asentus	\$0 - \$3,700	2,100	1,600	3,700
Total		\$ 2,860	\$ 2,634	\$ 5,494

Below is a summary of the changes in the recorded amount of contingent consideration liabilities from December 31, 2012 to March 31, 2013 for each acquisition (dollars in thousands):

Acquisition:	Liability as of December 31, 2012	Payments	Change in Fair Value of Contingent Consideration	Foreign Currency Translation	Liability as of March 31, 2013
Milsom	\$ 302	(299 )	—	(3 )	\$ —
Marton House	774	—	32	(46 )	760
Bath Consulting	1,464	(676 )	52	(92 )	748
Asentus	544	—	(331 )	(13 )	200
Total	\$ 3,084	(975 )	(247 )	(154 )	\$ 1,708

As of March 31, 2013 and December 31, 2012, contingent consideration included in accounts payable totaled \$1,508,000 and \$2,540,000, respectively. As of March 31, 2013 and December 31, 2012, we also had accrued contingent consideration totaling \$200,000 and \$544,000, respectively, related to acquisitions which is included in other long-term liabilities on the consolidated balance sheet and represents the portion of contingent consideration estimated to be payable greater than twelve months from the balance sheet date.

gp strategies corporation AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

(5) Intangible Assets

Goodwill

Changes in the carrying amount of goodwill by reportable business segment for the three months ended March 31, 2013 were as follows (in thousands):

	Learning Solutions	Professional & Technical Services	Sandy	Performance Readiness Solutions	Energy Services	Total
Balance as of December 31, 2012	\$ 46,161	\$ 37,690	\$ 653	\$ 9,795	\$ 8,522	\$ 102,821
Purchase accounting adjustments	136	—	—	—	117	253
Foreign currency translation	(1,142 )	—	—	—	(10 )	(1,152 )
Balance as of March 31, 2013	\$ 45,155	\$ 37,690	\$ 653	\$ 9,795	\$ 8,629	\$ 101,922



gp strategies corporation AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

Intangible Assets Subject to Amortization

Intangible assets with finite lives are subject to amortization over their estimated useful lives. The primary assets included in this category and their respective balances were as follows (in thousands):

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount
<b>March 31, 2013</b>			
Customer relationships	\$ 21,706	\$ (9,832 )	\$ 11,874
Tradenames	982	(823 )	159
Intellectual property and other	3,659	(1,438 )	2,221
	\$ 26,347	\$ (12,093 )	\$ 14,254
December 31, 2012			
Customer relationships	\$ 22,193	\$ (9,064 )	\$ 13,129
Tradenames	982	(700 )	282
Intellectual property and other	3,686	(1,225 )	2,461
	\$ 26,861	\$ (10,989 )	\$ 15,872

**(6) Stock-Based Compensation**

We recognize compensation expense for stock-based compensation awards issued to employees that are expected to vest. Compensation cost is based on the fair value of awards as of the grant date.

The following table summarizes the pre-tax stock-based compensation expense included in reported net income (in thousands):

	Three months ended March 31,	
	2013	2012
Non-qualified stock options	\$ 122	\$ 231
Restricted stock units	191	125
Board of Directors stock grants	83	125
Total stock-based compensation expense	\$ 396	\$ 481

Pursuant to our 2011 Stock Incentive Plan (the “2011 Plan”), we may grant awards of non-qualified stock options, incentive stock options, restricted stock, stock units, performance shares, performance units and other incentives payable in cash or in shares of our common stock to officers, employees or members of the Board of Directors. As of March 31, 2013, we had non-qualified stock options and restricted stock units outstanding under these plans as discussed below.

## gp strategies corporation AND SUBSIDIARIES

## Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

*Non-Qualified Stock Options*

Summarized information for our non-qualified stock options is as follows:

	Number of options	Weighted average exercise price	Weighted average remaining contractual term (in years)	Aggregate intrinsic value
Stock Options				
Outstanding at December 31, 2012	624,700	\$ 9.54		
Granted	—	—		
Exercised	(18,900 )	11.49		
Forfeited	(1,700 )	15.00		
Expired	(300 )	13.17		
Outstanding at March 31, 2013	603,800	\$ 9.46	3.19	8,695,000
Stock options expected to vest	591,300	\$ 9.49	3.19	8,496,000
Exercisable at March 31, 2013	261,700	\$ 8.00	2.86	4,150,000

*Restricted Stock Units*

In addition to stock options, we issue restricted stock units to key employees and members of the Board of Directors based on meeting certain service goals. The stock units vest to the recipients at various dates, up to five years, based on fulfilling service requirements. We recognize the value of the market price of the underlying stock on the date of grant as compensation expense over the requisite service period. Upon vesting, the stock units are settled in shares of our common stock. Summarized share information for our restricted stock units is as follows:

Edgar Filing: GP STRATEGIES CORP - Form 10-Q

	Three months ended March 31, 2013 (In shares)	Weighted average grant date fair value (In dollars)
Outstanding and unvested, beginning of period	210,992	\$ 18.40
Granted	1,000	21.98
Vested	(4,880 )	11.00
Forfeited	—	—
Outstanding and unvested, end of period	207,112	\$ 18.59
Restricted stock units expected to vest	193,352	\$ 18.70

gp strategies corporation AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

(7) Short-Term Borrowings

We have a \$50,000,000 Financing and Security Agreement (the "Credit Agreement") with a bank that expires on October 31, 2014 and is secured by certain of our assets. The Credit Agreement contains a provision to increase the maximum principal amount to \$75,000,000 upon lender approval. The maximum interest rate on borrowings under the Credit Agreement is the daily LIBOR market index rate plus 2.25%. Based upon our financial performance, the interest rate can be reduced to a minimum of LIBOR plus 1.0%. The Credit Agreement contains covenants with respect to our minimum tangible net worth, total liabilities to tangible net worth ratio and cash flow to debt service ratio, all of which were in compliance with the Credit Agreement as of March 31, 2013. As of March 31, 2013, there were no borrowings outstanding and \$50,000,000 of available borrowings under the Credit Agreement.

(8) Income Taxes

Income tax expense was \$2,543,000, or an effective income tax rate of 34.1%, for the three months ended March 31, 2013 compared to \$2,950,000, or an effective income tax rate of 40.2%, for the three months ended March 31, 2012. During the first quarter of 2013, we recorded one-time income tax benefits totaling \$373,000 for a foreign subsidiary. Excluding these discrete items recorded in the quarter, the effective income tax rate was 39.1%. The decrease in the effective income tax rate compared to the first quarter of 2012 is due to a larger portion of our 2013 income being derived from foreign jurisdictions which are taxed at lower rates. Income tax expense for the quarterly periods is based on an estimated annual effective tax rate which includes the federal, state and foreign statutory rates, permanent differences, and other items that may have an impact on income tax expense.

An uncertain tax position taken or expected to be taken in a tax return is recognized in the financial statements when it is more likely than not (i.e., a likelihood of more than fifty percent) that the position would be sustained upon examination by tax authorities that have full knowledge of all relevant information. A recognized tax position is then measured at the largest amount of benefit that is greater than fifty percent likely of being realized upon ultimate settlement. Interest and penalties related to income taxes are accounted for as income tax expense. As of March 31, 2013, we had no uncertain tax positions reflected on our consolidated balance sheet. We and our subsidiaries file income tax returns in the U.S. federal jurisdiction, and various state and foreign jurisdictions. With few exceptions, we

are no longer subject to U.S. federal, state and local, or non-U.S. income tax examination by tax authorities for years prior to 2009, with the exception of the net operating loss generated in 2003 that was utilized on the 2008 and 2009 tax returns.

gp strategies corporation AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2013  
(Unaudited)

(9) Stockholders' Equity

Changes in stockholders' equity during the three months ended March 31, 2013 were as follows (in thousands):

Accumulated