

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

**FORM 10-Q**

**Quarterly Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**

For the quarterly period ended **March 31, 2012**

or

**Transition Report Pursuant to Section 13 or 15(d) of The Securities Exchange Act of 1934**

For the transition period from \_\_\_\_\_ to \_\_\_\_\_

Commission File Number **1-7234**

**GP STRATEGIES CORPORATION**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State of Incorporation)

**52-0845774**  
(I.R.S. Employer Identification No.)

**6095 Marshalee Drive, Suite 300, Elkridge, MD**  
(Address of principal executive offices)

**21075**  
(Zip Code)

**(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, 2012 was as follows:

<u>Class</u>	<u>Outstanding</u>
Common Stock, par value \$.01 per share	18,906,364 shares

**Part I. Financial Information**

## Item 1. Financial Statements (Unaudited)

Condensed Consolidated Balance Sheets –  
March 31, 2012 and December 31, 2011 1

Condensed Consolidated Statements of Operations –  
Three Months Ended March 31, 2012 and 2011 2

Condensed Consolidated Statements of Comprehensive Income –  
Three Months Ended March 31, 2012 and 2011 3

Condensed Consolidated Statements of Cash Flows –  
Three Months Ended March 31, 2012 and 2011 4

Notes to Condensed Consolidated Financial Statements 5

Item 2. Management's Discussion and Analysis of Financial  
Condition and Results of Operations 16

Item 3. Quantitative and Qualitative Disclosure About Market Risk 24

Item 4. Controls and Procedures 24

**Part II. Other Information**

Item 1. Legal Proceedings 25

Item 1A. Risk Factors 25

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds 25

Item 6. Exhibits 26

Signatures 27

**Part I. Financial Information**  
**Item 1. Financial Statements**

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Balance Sheets  
(In thousands, except per share amounts)

	<b>March 31, 2012 (Unaudited)</b>	<b>December 31, 2011</b>
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 8,261	\$ 4,151
Accounts and other receivables, less allowance for doubtful accounts of \$974 in 2012 and \$1,015 in 2011	61,985	67,134
Costs and estimated earnings in excess of billings on uncompleted contracts	20,126	15,576
Prepaid expenses and other current assets	9,887	8,863
Total current assets	<u>100,259</u>	<u>95,724</u>
Property, plant and equipment	17,894	16,793
Accumulated depreciation	<u>(11,990)</u>	<u>(11,231)</u>
Property, plant and equipment, net	5,904	5,562
Goodwill	93,961	93,338
Intangible assets, net	14,296	15,122
Other assets	1,932	1,830
	<u>\$ 216,352</u>	<u>\$ 211,576</u>
<b>Liabilities and Stockholders' Equity</b>		
Current liabilities:		
Accounts payable and accrued expenses	\$ 41,024	\$ 42,500
Billings in excess of costs and estimated earnings on uncompleted contracts	17,606	17,266
Total current liabilities	<u>58,630</u>	<u>59,766</u>
Other noncurrent liabilities	7,987	8,416
Total liabilities	<u>66,617</u>	<u>68,182</u>
Stockholders' equity:		
Common stock, par value \$0.01 per share	189	188
Additional paid-in capital	166,006	165,519
Accumulated deficit	(14,349)	(18,733)
Treasury stock at cost	—	(358)
Accumulated other comprehensive loss	<u>(2,111)</u>	<u>(3,222)</u>
Total stockholders' equity	<u>149,735</u>	<u>143,394</u>
	<u>\$ 216,352</u>	<u>\$ 211,576</u>

See accompanying notes to condensed consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Operations

(Unaudited)

(In thousands, except per share data)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Revenue	\$ 93,605	\$ 64,293
Cost of revenue	77,993	53,501
Gross profit	15,612	10,792
Selling, general and administrative expenses	8,288	6,748
Gain (loss) on change in fair value of contingent consideration, net	(40)	246
Operating income	7,284	4,290
Interest expense	40	33
Other income	90	181
Income before income tax expense	7,334	4,438
Income tax expense	2,950	1,848
Net income	\$ 4,384	\$ 2,590
Basic weighted average shares outstanding	18,830	18,724
Diluted weighted average shares outstanding	19,188	18,892
Per common share data:		
Basic earnings per share	\$ 0.23	\$ 0.14
Diluted earnings per share	\$ 0.23	\$ 0.14

See accompanying notes to condensed consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**  
Condensed Consolidated Statements of Comprehensive Income  
(Unaudited)  
(In thousands)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Net income	\$ 4,384	\$ 2,590
Foreign currency translation adjustments	1,111	580
Comprehensive income	<u>\$ 5,495</u>	<u>\$ 3,170</u>

See accompanying notes to condensed consolidated financial statements.

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Condensed Consolidated Statements of Cash Flows

Three months ended March 31, 2012 and 2011

(Unaudited, in thousands)

	<u>2012</u>		<u>2011</u>
Cash flows from operating activities:			
Net income	\$ 4,384	\$	2,590
Adjustments to reconcile net income to net cash provided by operating activities:			
Loss (gain) on change in fair value of contingent consideration, net	40		(246)
Depreciation and amortization	1,858		1,066
Deferred income taxes	47		(70)
Non-cash compensation expense	973		653
Changes in other operating items:			
Accounts and other receivables	5,149		(239)
Costs and estimated earnings in excess of billings on uncompleted contracts	(4,550)		(360)
Prepaid expenses and other current assets	(1,454)		(1,393)
Accounts payable and accrued expenses	1,094		211
Billings in excess of costs and estimated earnings on uncompleted contracts	340		434
Contingent consideration payments in excess of fair value on acquisition date	(602)		—
Other	(316)		(270)
Net cash provided by operating activities	<u>6,963</u>		<u>2,376</u>
Cash flows from investing activities:			
Additions to property, plant and equipment	(925)		(758)
Acquisitions, net of cash acquired	—		(1,486)
Net cash used in investing activities	<u>(925)</u>		<u>(2,244)</u>
Cash flows from financing activities:			
Change in negative cash book balances	(1,004)		(5)
Contingent consideration payments	(835)		—
Proceeds from stock option exercises	9		231
Other financing activities	(236)		(50)
Net cash provided by (used in) financing activities	<u>(2,066)</u>		<u>176</u>
Effect of exchange rate changes on cash and cash equivalents	138		149
Net increase in cash and cash equivalents	4,110		457
Cash and cash equivalents at beginning of period	4,151		28,902
Cash and cash equivalents at end of period	\$ <u>8,261</u>	\$	<u>29,359</u>

See accompanying notes to condensed consolidated financial statements.

## GP STRATEGIES CORPORATION AND SUBSIDIARIES

Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

### (1) Basis of Presentation

GP Strategies Corporation is a global performance improvement solutions provider of sales and technical training, e-Learning solutions, management consulting and engineering services. On December 31, 2011, GP Strategies Corporation merged with and into its sole operating subsidiary General Physics Corporation ("General Physics"), eliminating the previous holding company structure. General Physics, which was established in 1966, was the surviving legal corporation in the merger and was renamed GP Strategies Corporation when the merger became effective. Following the merger, the financial position, business operations, state of incorporation, directors, executive officers and management of the newly combined company were substantially identical to those of GP Strategies Corporation before the merger. References in this report to "GP Strategies," the "Company," "we" and "our" are to GP Strategies Corporation and its subsidiaries.

The accompanying condensed consolidated balance sheet as of March 31, 2012 and the condensed consolidated statements of operations and cash flows for the three months ended March 31, 2012 and 2011 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, 2011, as presented in the Company's Annual Report on Form 10-K for the fiscal year ended December 31, 2011. 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 2012 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) Accounting Standard Adopted

In June 2011, the Financial Accounting Standards Board issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The previous option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. Although the new standard changed the presentation of comprehensive income, there were no changes to the components that are recognized in net income or other comprehensive income under existing guidance. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011 and will be applied retrospectively. We adopted ASU 2011-05 in the first quarter of 2012 and have included two separate, but consecutive statements of operations and comprehensive income in this report. The adoption of ASU 2011-05 changed our financial statement presentation of comprehensive income but did not impact our net income, financial position or cash flows.

## GP STRATEGIES CORPORATION AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

#### (3) Significant Customers & Concentration of Credit Risk

We have a market concentration of revenue in the automotive sector and in prior years had a concentration of revenue from General Motors Corporation and its affiliates and successor (“General Motors”). Revenue from the automotive industry accounted for approximately 14% and 18% of our consolidated revenue for the three months ended March 31, 2012 and 2011, respectively, and revenue from General Motors accounted for approximately 7% and 11%, respectively, of our consolidated revenue for the three months ended March 31, 2012 and 2011. No other customer accounted for more than 10% of our revenue in the first quarter of 2012 or accounts receivable as of March 31, 2012.

For the three months ended March 31, 2012 and 2011, sales to the United States government and its agencies represented approximately 14% and 19%, 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.

#### (4) 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:

	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
	<i>(In thousands)</i>	
Non-dilutive instruments	151	40
Dilutive common stock equivalents	358	168



**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

**(5) Acquisitions**

**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 completed acquisitions as of March 31, 2012 (dollars in thousands):

<b>Acquisition:</b>	<b>Original range of potential undiscounted payments</b>	<b>As of March 31, 2012</b>			
		<b>Maximum contingent consideration due in</b>			
		<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>
Milsom	\$0 - \$3,600	\$ —	\$ 1,199	\$ —	\$ 1,199
Option Six	\$0 - \$2,000	200	—	—	200
Marton House	\$0 - \$3,837	1,279	1,279	—	2,558
Bath Consulting	\$0 - \$2,437	352	879	1,087	2,318
Academy of Training Communication	\$0 - \$160	160	—	—	160
Consulting	\$0 - \$700	—	300	—	300
Other		416	—	—	416
<b>Total</b>		<b>\$ 2,407</b>	<b>\$ 3,657</b>	<b>\$ 1,087</b>	<b>\$ 7,151</b>

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

Below is a summary of the changes in the recorded amount of contingent consideration liabilities from December 31, 2011 to March 31, 2012 for each acquisition (dollars in thousands):

<b>Acquisition:</b>	<b>Liability as of Dec. 31, 2011</b>	<b>2012 Additions (Payments)</b>	<b>Change in Fair Value of Contingent Consideration</b>	<b>Foreign Currency Translation</b>	<b>Liability as of Mar. 31, 2012</b>
Milsom	\$ 682	(437)	66	11	\$ 322
Option Six	800	(800)	—	—	—
Marton House	311	—	(318)	7	—
Bath Consulting	1,197	—	288	44	1,529
Academy of Training Communication Consulting	49	—	—	1	50
	239	(200)	4	1	44
<b>Total</b>	<b>\$ 3,278</b>	<b>(1,437)</b>	<b>40</b>	<b>64</b>	<b>\$ 1,945</b>

As of March 31, 2012 and December 31, 2011, contingent consideration included in accounts payable totaled \$1,389,000 and \$2,539,000, respectively. As of March 31, 2012 and December 31, 2011, we also had accrued contingent consideration totaling \$556,000 and \$739,000, 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, 2012

(Unaudited)

**(6) Intangible Assets**

Goodwill

Changes in the carrying amount of goodwill by reportable business segment for the three months ended March 31, 2012 were as follows (in thousands):

	<u>Learning Solutions</u>	<u>Professional &amp; Technical Services</u>	<u>Sandy</u>	<u>RWD</u>	<u>Energy Services</u>	<u>Total</u>
<b>Net book value at December 31, 2011</b>						
Goodwill	\$ 47,149	\$ 37,480	\$ 6,161	\$ 9,795	\$ 8,170	\$ 108,755
Accumulated impairment losses	<u>(2,079)</u>	<u>(7,830)</u>	<u>(5,508)</u>	<u>—</u>	<u>—</u>	<u>(15,417)</u>
<b>Total</b>	45,070	29,650	653	9,795	8,170	93,338
Foreign currency translation	<u>615</u>	<u>8</u>	<u>—</u>	<u>—</u>	<u>—</u>	<u>623</u>
<b>Net book value at March 31, 2012</b>						
Goodwill	47,764	37,488	6,161	9,795	8,170	109,378
Accumulated impairment losses	<u>(2,079)</u>	<u>(7,830)</u>	<u>(5,508)</u>	<u>—</u>	<u>—</u>	<u>(15,417)</u>
<b>Total</b>	\$ <u><u>45,685</u></u>	\$ <u><u>29,658</u></u>	\$ <u><u>653</u></u>	\$ <u><u>9,795</u></u>	\$ <u><u>8,170</u></u>	\$ <u><u>93,961</u></u>

**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

March 31, 2012

(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):

**March 31, 2012**

	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Net Carrying Amount</b>
Customer relationships	\$ 20,405	\$ (7,138)	\$ 13,267
Tradenames	791	(363)	428
Software and other	1,596	(995)	601
	<u>\$ 22,792</u>	<u>\$ (8,496)</u>	<u>\$ 14,296</u>

**December 31, 2011**

Customer relationships	\$ 20,154	\$ (6,229)	\$ 13,925
Tradenames	791	(280)	511
Contract backlog	374	(367)	7
Software and other	1,589	(910)	679
	<u>\$ 22,908</u>	<u>\$ (7,786)</u>	<u>\$ 15,122</u>

**(7) 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):

	<b>Three months ended March 31,</b>	
	<b>2012</b>	<b>2011</b>
Non-qualified stock options	\$ 231	\$ 190
Restricted stock units	125	129
Board of Directors stock grants	125	100
Total stock-based compensation expense	<u>\$ 481</u>	<u>\$ 419</u>

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. The 2011 Plan replaced the 1973 Non-Qualified Stock Option Plan, as amended, and the 2003 Incentive Stock Plan (the "Prior Plans"). No new awards will be made under the Prior Plans and outstanding awards will remain outstanding under the Prior Plans until settled. As of March 31, 2012, 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, 2012

(Unaudited)

***Non-Qualified Stock Options***

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

<b>Stock Options</b>	<b>Number of options</b>	<b>Weighted average exercise price</b>	<b>Weighted average remaining contractual term (in years)</b>	<b>Aggregate intrinsic value</b>
Outstanding at December 31, 2011	1,441,370	\$ 9.93		
Granted	18,500	15.25		
Exercised	(185,080)	10.67		
Forfeited	(6,000)	13.17		
Expired	(9,380)	3.03		
Outstanding at March 31, 2012	<u>1,259,410</u>	<u>\$ 9.93</u>	<u>2.72</u>	<u>\$ 9,528,000</u>
Stock options expected to vest	<u>1,219,860</u>	<u>\$ 9.99</u>	<u>2.66</u>	<u>\$ 9,158,000</u>
Exercisable at March 31, 2012	<u>557,410</u>	<u>\$ 9.75</u>	<u>2.03</u>	<u>\$ 4,321,000</u>

***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:

	<b>Three months ended March 31, 2012</b>	<b>Weighted average grant date fair value</b>
	<i>(In shares)</i>	<i>(In dollars)</i>
Outstanding and unvested, beginning of period	102,967	\$ 6.43
Granted	6,000	15.25
Vested	(12,560)	9.01
Forfeited	(812)	6.00
Outstanding and unvested, end of period	<u>95,595</u>	<u>\$ 6.65</u>
Restricted stock units expected to vest	<u>89,380</u>	<u>\$ 7.06</u>

## GP STRATEGIES CORPORATION AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

#### **(8) Short-Term Borrowings**

As of March 31, 2012, we had a \$35 million Financing and Security Agreement (the "Credit Agreement") with a bank that was due to expire on October 31, 2013. 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. For the three months ended March 31, 2012, the rate was 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 interest coverage ratio. We were in compliance with all loan covenants under the Credit Agreement as of March 31, 2012. As of March 31, 2012, there were no borrowings outstanding and \$34,542,000 of available borrowings under the Credit Agreement.

On April 30, 2012, we entered into a Third Amended and Restated Financing and Security Agreement (the "Amended Credit Agreement") for a maximum principal amount of \$50,000,000 with a provision to increase to \$75,000,000 upon lender approval. The Amended Credit Agreement expires on October 31, 2014 and is secured by certain of our assets. The maximum interest rate on borrowings under the Amended 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 Amended 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.

#### **(9) Income Taxes**

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, 2012, we had \$1,418,000 of unrecognized tax benefits, all of which would favorably impact the effective tax rate if recognized. We expect that the liability for unrecognized tax benefits will decrease by \$1,418,000 during the year ended December 31, 2012 as the tax position relates to a period that will be outside the applicable statute of limitations in 2012. For the three months ended March 31, 2012 and 2011, we recognized \$12,000 and \$18,000, respectively, of interest expense related to these tax positions which is reflected as income tax expense in the consolidated statements of operations. As of March 31, 2012, we had \$172,000 of accrued interest related to these tax positions. 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 2002.

## GP STRATEGIES CORPORATION AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

#### (10) Stockholders' Equity

Changes in stockholders' equity during the three months ended March 31, 2012 were as follows (in thousands):

	<u>Common stock</u>	<u>Additional paid-in capital</u>	<u>Accumulated deficit</u>	<u>Treasury stock at cost</u>	<u>Accumulated other comprehensive loss</u>	<u>Total stockholders' equity</u>
Balance at December 31, 2011	\$ 188	\$ 165,519	\$ (18,733)	\$ (358)	\$ (3,222)	\$ 143,394
Net income	-	-	4,384	-	-	4,384
Other comprehensive income	-	-	-	-	1,111	1,111
Stock-based compensation	-	481	-	-	-	481
Other	1	6	-	358	-	365
Balance at March 31, 2012	<u>\$ 189</u>	<u>\$ 166,006</u>	<u>\$ (14,349)</u>	<u>\$ -</u>	<u>\$ (2,111)</u>	<u>\$ 149,735</u>

#### (11) Business Segments

As of March 31, 2012, we operated through five reportable business segments: (i) Learning Solutions, (ii) Professional & Technical Services, (iii) Sandy Training & Marketing, (iv) RWD, and (v) Energy Services. Our Learning Solutions segment represents an aggregation of two operating groups in accordance with the aggregation criteria in U.S. GAAP, while all of the other reportable segments each represent one operating segment. We are organized by operating group primarily based upon the markets served by each group and/or the services performed. Each operating group consists of business units which are focused on providing specific products and services to certain classes of customers or within targeted markets. Marketing and communications, accounting, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development.

Further information regarding our business segments is discussed below.

**Learning Solutions.** The Learning Solutions segment delivers training, curriculum design and development, e-Learning services, system hosting, training business process outsourcing and consulting services primarily to large companies in the electronics and semiconductors, healthcare, software, financial and other industries as well as to government agencies. This segment's ability to deliver a wide range of training services on a global basis allows it to take over the entire learning function for the client, including their training personnel.

**Professional & Technical Services.** Consisting of our former Manufacturing and Process & Government groups, this segment has over four decades of experience providing training, consulting, engineering and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to large companies in the manufacturing, steel, pharmaceutical and petrochemical industries, federal and state government agencies and large

## GP STRATEGIES CORPORATION AND SUBSIDIARIES

### Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

government contractors. This segment also provides services to users of alternative fuels, including designing and constructing LNG and hydrogen fueling stations, as well as supplying fuel and equipment.

**Sandy Training & Marketing.** The Sandy segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 30 years. Sandy provides custom product sales training designed to better educate customer sales forces with respect to new vehicle features and designs, in effect rapidly increasing the sales force knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy, measure performance against competitors and connect with their customers on a one-to-one basis. This segment also provides technical training services to automotive customers.

**RWD.** The RWD segment represents a portion of the consulting business acquired from RWD Technologies, LLC in April 2011. Certain of the other acquired RWD business units are managed within the Professional & Technical Services and Sandy segments discussed above. The RWD segment provides human capital management and IT consulting services, end-user training, change management, knowledge management and operator effectiveness management solutions in industries such as manufacturing, aerospace, healthcare, life sciences, consumer products, financial, telecommunications, services and higher education as well as the public sector.

**Energy Services.** The Energy Services segment provides engineering services, products and training primarily to electric power utilities. Our proprietary EtaPro™ Performance Monitoring and Optimization System provides a suite of performance solutions for power generation plants and is installed at approximately 900 power generating units in over 30 countries. In addition to providing custom training solutions, this segment provides web-based training through our GPiLearn™ portal to over 30,000 power plant personnel in the U.S. and in over 40 countries.

We do not allocate the following corporate items to the segments: other income, interest expense, gain (loss) on change in fair value of contingent consideration and income tax expense. Inter-segment revenue is eliminated in consolidation and is not significant.

Prior to the merger of GP Strategies Corporation and General Physics on December 31, 2011, we did not allocate certain corporate selling, general and administrative (SG&A) expenses to our operating segments. After the merger, we began allocating these costs to the operating segments on a consistent basis as other SG&A expenses. As a result, we have reclassified the prior period operating income by segment amounts below to allocate the corporate SG&A expenses that were previously not allocated.



**GP STRATEGIES CORPORATION AND SUBSIDIARIES**

Notes to Condensed Consolidated Financial Statements

March 31, 2012

(Unaudited)

The following table sets forth the revenue and operating results attributable to each reportable segment and includes a reconciliation of segment revenue to consolidated revenue and operating results to consolidated income before income tax expense (in thousands):

	<b>Three months ended</b>	
	<b>March 31,</b>	
<b>Revenue:</b>	<b>2012</b>	<b>2011</b>
Learning Solutions	\$ 35,904	\$ 29,995
Professional & Technical Services	24,450	17,261
Sandy Training & Marketing	13,322	11,136
RWD	13,831	-
Energy Services	6,098	5,901
	<u>\$ 93,605</u>	<u>\$ 64,293</u>
<b>Operating income:</b>		
Learning Solutions	\$ 3,546	\$ 1,668
Professional & Technical Services	1,561	923
Sandy Training & Marketing	303	300
RWD	245	-
Energy Services	1,669	1,153
Gain (loss) on change in fair value of contingent consideration, net	(40)	246
Operating income	<u>7,284</u>	<u>4,290</u>
Interest expense	40	33
Other income	90	181
Income before income tax expense	<u>\$ 7,334</u>	<u>\$ 4,438</u>

**(12) Subsequent Events**

On April 30, 2012, we entered into an Amended Credit Agreement with our lender for a maximum principal amount of \$50,000,000 with a provision to increase to \$75,000,000 upon lender approval. See Note 8 for further details.

## **Item 2. Management’s Discussion and Analysis of Financial Condition and Results of Operations**

### **Results of Operations**

#### ***General Overview***

We are a global performance improvement solutions provider of sales and technical training, e-Learning solutions, management consulting and engineering services that seeks to improve the effectiveness of organizations by providing services and products that are customized to meet the specific needs of clients. Clients include Fortune 500 companies and governmental and other commercial customers in a variety of industries. We believe we are a global leader in performance improvement, with over four decades of experience in providing solutions to optimize workforce performance.

As of March 31, 2012, we operated through five reportable business segments: (i) Learning Solutions, (ii) Professional & Technical Services, (iii) Sandy Training & Marketing (“Sandy”), (iv) RWD, and (v) Energy Services. Our Learning Solutions segment represents an aggregation of two operating groups in accordance with the aggregation criteria in U.S. GAAP, while all of the other reportable segments each represent one operating segment. We are organized by operating group, primarily based upon the markets served by each group and/or the services performed. Each operating group consists of business units which are focused on providing specific products and services to certain classes of customers or within targeted markets. Marketing and communications, accounting, finance, legal, human resources, information systems and other administrative services are organized at the corporate level. Business development and sales resources are aligned with operating groups to support existing customer accounts and new customer development.

Further information regarding each business segment is discussed below.

**Learning Solutions.** The Learning Solutions segment delivers training, curriculum design and development, e-Learning services, system hosting, training business process outsourcing and consulting services primarily to large companies in the electronics and semiconductors, healthcare, software, financial and other industries as well as to government agencies. This segment’s ability to deliver a wide range of training services on a global basis allows it to take over the entire learning function for the client, including their training personnel.

**Professional & Technical Services.** Consisting of our former Manufacturing and Process & Government groups, this segment has over four decades of experience providing training, consulting, engineering and technical services, including lean consulting, emergency preparedness, safety and regulatory compliance, chemical demilitarization and environmental services primarily to large companies in the manufacturing, steel, pharmaceutical and petrochemical industries, federal and state government agencies and large government contractors. This segment also provides services to users of alternative fuels, including designing and constructing LNG and hydrogen fueling stations, as well as supplying fuel and equipment.

**Sandy Training & Marketing.** The Sandy segment provides custom product sales training and has been a leader in serving manufacturing customers in the U.S. automotive industry for over 30 years. Sandy provides custom product sales training designed to better educate customer sales forces with respect to new vehicle features and designs, in effect rapidly increasing the sales force knowledge base and enabling them to address detailed customer queries. Furthermore, Sandy helps our clients assess their customer relationship marketing strategy, measure performance against competitors and connect with their customers on a one-to-one basis. This segment also provides technical training services to automotive customers.

**RWD.** The RWD segment represents a portion of the consulting business acquired from RWD Technologies, LLC in April 2011. Certain of the other acquired RWD business units are managed within the Professional & Technical Services and Sandy segments discussed above. The RWD segment provides human capital

management and IT consulting services, end-user training, change management, knowledge management and operator effectiveness management solutions in industries such as manufacturing, aerospace, healthcare, life sciences, consumer products, financial, telecommunications, services and higher education as well as the public sector.

**Energy Services.** The Energy Services segment provides engineering services, products and training primarily to electric power utilities. Our proprietary EtaPro™ Performance Monitoring and Optimization System provides a suite of performance solutions for power generation plants and is installed at approximately 900 power generating units in over 30 countries. In addition to providing custom training solutions, this segment provides web-based training through our GPiLearn™ portal to over 30,000 power plant personnel in the U.S. and in over 40 countries.

### *Operating Highlights*

#### **Three Months ended March 31, 2012 compared to the Three Months ended March 31, 2011**

For the three months ended March 31, 2012, we had income before income tax expense of \$7.3 million compared to \$4.4 million for the three months ended March 31, 2011. The increase was primarily due to a \$3.0 million increase in operating income, the components of which are discussed below. Net income was \$4.4 million, or \$0.23 per diluted share, for the three months ended March 31, 2012, compared to net income of \$2.6 million, or \$0.14 per diluted share, for the three months ended March 31, 2011. During the three months ended March 31, 2012, diluted weighted average shares outstanding increased by 296,000 to 19,188,000 shares outstanding compared to 18,892,000 shares for the same period in 2011, primarily due to the issuance of shares for stock-based compensation and the effect of the increase in our stock price compared to the prior year on the results of the calculation of diluted weighted average shares outstanding.

#### *Revenue*

(Dollars in thousands)

	<b>Three months ended</b>	
	<b>March 31,</b>	
	<b>2012</b>	<b>2011</b>
Learning Solutions	\$ 35,904	\$ 29,995
Professional & Technical Services	24,450	17,261
Sandy Training & Marketing	13,322	11,136
RWD	13,831	-
Energy Services	6,098	5,901
	<u>\$ 93,605</u>	<u>\$ 64,293</u>

Learning Solutions revenue increased \$5.9 million or 19.7% during the first quarter of 2012 compared to the first quarter of 2011. The increase in revenue is due to the following:

- A \$3.4 million increase in revenue from our Europe operations primarily attributable to acquisitions completed in the United Kingdom during 2011 which contributed \$3.2 million of revenue during the first quarter of 2012; and
- A \$2.5 million increase in e-Learning and BPO revenue primarily due to an increase in services for both new and existing U.S. customers during the first quarter of 2012 compared to the first quarter of 2011.

Professional & Technical Services revenue increased \$7.2 million or 41.6% during the first quarter of 2012 compared to the first quarter of 2011. The net increase in revenue is due to the following:

- A \$2.8 million increase in revenue attributable to the acquired RWD business units which are included in this segment, as the acquisition was completed in April 2011;
- A \$2.3 million increase relating to construction projects for liquefied natural gas (LNG) fueling station facilities; and
- A \$2.1 million net increase in revenue due to an increase in lean consulting and technical training services for various customers, primarily in the manufacturing, steel and pharmaceutical industries.

Sandy Training & Marketing revenue increased \$2.2 million or 19.6% during the first quarter of 2012 compared to the first quarter of 2011. Approximately \$1.1 million of the increase is attributable to the automotive business unit of RWD which is now included in this segment as a result of the acquisition in April 2011. The remainder of the revenue increase is primarily attributable to increased vehicle training programs for existing automotive customers during the first quarter of 2012 compared to the first quarter of 2011.

Revenue attributable to the RWD segment totaled \$13.8 million for the three months ended March 31, 2012. A portion of the business acquired on April 15, 2011 constitutes a separate reportable segment, and certain other business units of RWD are included in the Professional & Technical Services and Sandy segments. Revenue attributable to the RWD acquisition among all segments totaled \$17.7 million for the three months ended March 31, 2012.

Energy Services revenue increased \$0.2 million or 3.3% during the first quarter of 2012 compared to the first quarter of 2011 primarily due to an increase in EtaPro<sup>TM</sup> software sales and related services.

*Gross Profit*

(Dollars in thousands)

	<b>Three months ended</b>			
	<b>March 31,</b>			
	<b>2012</b>		<b>2011</b>	
		% Revenue		% Revenue
Learning Solutions	\$ 6,845	19.1%	\$ 4,852	16.2%
Professional & Technical Services	3,569	14.6%	2,640	15.3%
Sandy Training & Marketing	1,542	11.6%	1,588	14.3%
RWD	1,575	11.4%	—	—
Energy Services	2,081	34.1%	1,712	29.0%
	<u>\$ 15,612</u>	<u>16.7%</u>	<u>\$ 10,792</u>	<u>16.8%</u>

Learning Solutions gross profit of \$6.8 million or 19.1% of revenue for the first quarter of 2012 increased by \$2.0 million or 41.1% when compared to gross profit of \$4.9 million or 16.2% of revenue for the first quarter of 2011. Approximately \$1.5 million of the increase in gross profit is attributable to the acquisitions we completed in the United Kingdom in 2011. The remainder of the increase in gross profit is due to the increased e-Learning and BPO revenue noted above. In addition, gross profit as a percentage of revenue improved due to the acquired UK businesses being more profitable than the existing businesses in this segment.

Professional & Technical Services gross profit of \$3.6 million or 14.6% of revenue for the first quarter of 2012 increased by \$0.9 million or 35.2% when compared to gross profit of \$2.6 million or 15.3% of revenue for the

first quarter of 2011. Approximately \$0.4 million of the increase in gross profit is attributable to the acquired RWD business units which are included in this segment. The remainder of the increase in gross profit is due to the revenue increases noted above. Despite the net revenue increase in this segment, gross profit as a percentage of revenue declined slightly due to reduced profit margins on certain government projects during the first quarter of 2012 compared to the first quarter of 2011.

Sandy Training and Marketing gross profit of \$1.5 million or 11.6% of revenue for the first quarter of 2012 decreased slightly from \$1.6 million or 14.3% of revenue for the first quarter of 2011. The decrease in gross profit is primarily due to the completion of certain higher margin fixed price projects in 2011.

Gross profit attributable to the RWD segment totaled \$1.6 million, or 11.4% of revenue, for the three months ended March 31, 2012.

Energy Services gross profit of \$2.1 million or 34.1% of revenue for the first quarter of 2012 increased by \$0.4 million or 21.6% when compared to gross profit of \$1.7 million or 29.0% of revenue for the first quarter of 2011 primarily due to an increase in higher margin EtaPro™ software sales and related services.

#### *Selling, General and Administrative Expenses*

Selling, general and administrative expenses increased \$1.5 million or 22.8% from \$6.7 million for the first quarter of 2011 to \$8.3 million for the first quarter of 2012. The increase is primarily due to the acquisitions we completed in 2011 which resulted in a \$0.9 million increase in labor and benefits expense, a \$0.5 million increase in intangible asset amortization expense and increases in other various costs such as IT infrastructure, software, accounting, business insurance and depreciation during the first quarter of 2012 compared to the first quarter of 2011. The increase in SG&A expenses was partially offset by a net \$0.4 million decrease in legal expenses related to the completion of acquisitions in 2011.

#### *Change in Fair Value of Contingent Consideration*

We recognized a net loss on the change in fair value of contingent consideration related to acquisitions of less than \$0.1 million for the three months ended March 31, 2012 compared to a net gain of \$0.2 million for the three months ended March 31, 2011. Accounting Standards Codification (“ASC”) Topic 805, *Business Combinations* (“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. We believe our estimates and assumptions are reasonable; however, there is significant judgment involved. At each reporting date, the contingent consideration obligation will be revalued to estimated fair value and changes in fair value subsequent to the acquisitions will be 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 and rates, 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. See Note 5 to the Condensed Consolidated Financial Statements for further details regarding the potential contingent consideration payments and the changes in fair value of the related liabilities for each acquisition during the three months ended March 31, 2012.

#### *Interest Expense*

Interest expense was consistent at less than \$0.1 million for the first quarters of both 2012 and 2011.

#### *Other Income*

Other income was \$0.1 million for the first quarter of 2012 compared to \$0.2 million for the first quarter of 2011 and consisted primarily of income from a joint venture and foreign currency gains and losses in both years.

### *Income Tax Expense*

Income tax expense was \$3.0 million for the first quarter of 2012 compared to \$1.8 million for the first quarter of 2011. The effective income tax rate was 40.2% and 41.6% for the three months ended March 31, 2012 and 2011, respectively. The increase in income tax expense and decrease in the effective income tax rate is due to an increase in pre-tax income for the first quarter of 2012 compared to the first quarter of 2011 and a larger portion of our 2012 income expected to be 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.

### **Liquidity and Capital Resources**

#### *Working Capital*

For the quarter ended March 31, 2012, our working capital increased \$5.7 million from \$36.0 million at December 31, 2011 to \$41.6 million at March 31, 2012 primarily due to cash generated from operations. As of March 31, 2012, we had no long-term debt or short-term borrowings outstanding. We believe that cash generated from operations and borrowings available under our Credit Agreement (\$34.5 million of available borrowings as of March 31, 2012), will be sufficient to fund our working capital and other requirements for at least the next twelve months.

As of March 31, 2012, the amount of cash and cash equivalents held outside of the U.S. by foreign subsidiaries was \$7.9 million. At the present time, we do not anticipate repatriating these balances to fund domestic operations. We would be required to accrue for and pay taxes in the U.S. in the event we decided to repatriate these funds.

We may be required to pay the following contingent consideration in connection with acquisitions we previously completed (dollars in thousands):

<b>Acquisition:</b>	<b>As of March 31, 2012</b>				<b>Recorded Liability as of Mar. 31, 2012</b>
	<b>Maximum potential contingent consideration due in</b>				
	<b>2012</b>	<b>2013</b>	<b>2014</b>	<b>Total</b>	
Milsom	\$ —	\$ 1,199	\$ —	\$ 1,199	\$ 322
Option Six	200	—	—	200	—
Marton House	1,279	1,279	—	2,558	—
Bath Consulting	352	879	1,087	2,318	1,529
Academy of Training Communication	160	—	—	160	50
Consulting	—	300	—	300	44
Other	416	—	—	416	—
<b>Total</b>	<b>\$ 2,407</b>	<b>\$ 3,657</b>	<b>\$ 1,087</b>	<b>\$ 7,151</b>	<b>\$ 1,945</b>

### ***Significant Customers & Concentration of Credit Risk***

We have a market concentration of revenue in the automotive sector and in prior years had a concentration of revenue from General Motors Corporation and its affiliates and successor (“General Motors”). Revenue from the automotive industry accounted for approximately 14% and 18% of our consolidated revenue for the three months ended March 31, 2012 and 2011, respectively, and revenue from General Motors accounted for approximately 7% and 11%, respectively, of our consolidated revenue for the three months ended March 31, 2012 and 2011. No other customer accounted for more than 10% of our revenue in the first quarter of 2012 or accounts receivable as of March 31, 2012.

For the three months ended March 31, 2012 and 2011, sales to the United States government and its agencies represented approximately 14% and 19%, 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.

### ***Cash Flows***

#### **Three months ended March 31, 2012 compared to the Three Months ended March 31, 2011**

Our cash balance increased \$4.1 million during the first quarter of 2012 from \$4.2 million as of December 31, 2011 to \$8.3 million as of March 31, 2012. The increase in cash and cash equivalents during the first quarter of 2012 resulted from cash provided by operating activities of \$7.0 million, cash used in investing activities of \$0.9 million, cash used in financing activities of \$2.1 million and a \$0.1 million positive effect due to exchange rate changes on cash and cash equivalents.

Cash provided by operating activities was \$7.0 million for the first quarter of 2012 compared to \$2.4 million for the first quarter of 2011. The increase in cash provided by operating activities compared to the prior year is due to a \$1.8 million increase in net income, an increase in non-cash add backs to net income including an \$0.8 million increase in depreciation and amortization expense, and favorable changes in working capital items during the first quarter of 2012 compared to the first quarter of 2011, largely due to a decrease in net receivables during the first quarter of 2012.

Cash used in investing activities was \$0.9 million for the first quarter of 2012 compared to \$2.2 million for the first quarter of 2011. The decrease in cash used in investing activities is primarily due to no cash used for acquisitions during the first quarter of 2012 compared to \$1.5 million of cash used for acquisitions during the first quarter of 2011. Fixed asset additions were \$0.9 million for the first quarter of 2012 compared to \$0.8 million for the first quarter of 2011.

Cash used in financing activities was \$2.1 million for the first quarter of 2012 compared to cash provided by financing activities of \$0.2 million for the first quarter of 2011. The increase in cash used in financing activities is primarily due to a \$1.0 million increase in the change in negative cash book balance during the first quarter of 2012 and \$0.8 million of contingent consideration payments during the first quarter of 2012 for previously completed acquisitions.

### ***Short-term Borrowings***

As of March 31, 2012, we had a \$35 million Credit Agreement with a bank that was due to expire on October 31, 2013. The maximum interest rate on borrowings under the Credit Agreement is at the daily LIBOR Market Index Rate plus 2.25%. Based upon our financial performance, the interest rate can be reduced. As of March 31, 2012, the rate was LIBOR plus 1.0%. The Credit Agreement contains covenants which require us to maintain a minimum tangible net worth of no less than \$30.0 million, a total liabilities to tangible net worth ratio of no more than 3.0 to 1.0, and an interest coverage ratio of no less than 5.0 to 1.0. As of March 31, 2012, our tangible net worth was \$41.5 million, our total liabilities to tangible net worth ratio was 1.61 to 1.0 and our interest coverage ratio was 187.4 to 1.0, all of which were in compliance with the Credit Agreement. As of March 31, 2012, there were no borrowings outstanding and \$34.5 million of available borrowings under the Credit Agreement.

On April 30, 2012, we entered into a Third Amended and Restated Financing and Security Agreement (the "Amended Credit Agreement") for a maximum principal amount of \$50 million with a provision to increase to \$75 million upon lender approval. The Amended Credit Agreement expires on October 31, 2014 and is secured by certain of our assets. The maximum interest rate on borrowings under the Amended 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 Amended 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.

### **Accounting Standard Adopted**

In June 2011, the FASB issued ASU 2011-05, *Presentation of Comprehensive Income* ("ASU 2011-05"), which requires an entity to present components of net income and other comprehensive income in one continuous statement, referred to as the statement of comprehensive income, or in two separate, but consecutive statements. The previous option to present components of other comprehensive income as part of the statement of changes in stockholders' equity was eliminated. Although the new standard changed the presentation of comprehensive income, there were no changes to the components that are recognized in net income or other comprehensive income under existing guidance. ASU 2011-05 is effective for interim and annual periods beginning after December 15, 2011 and will be applied retrospectively. We adopted ASU 2011-05 in the first quarter of 2012 and have included two separate, but consecutive statements of operations and comprehensive income in this report. The adoption of ASU 2011-05 changed our financial statement presentation of comprehensive income but did not impact our net income, financial position or cash flows.

### **Off-Balance Sheet Commitments**

As of March 31, 2012, we do not have any off-balance sheet commitments except for operating leases and letters of credit entered into in the normal course of business.



## **Forward-Looking Statements**

This report contains forward-looking statements within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended. The Private Securities Litigation Reform Act of 1995 provides a “safe harbor” for forward looking statements. Forward-looking statements are not statements of historical facts, but rather reflect our current expectations concerning future events and results. We use words such as “expects,” “intends,” “believes,” “may,” “will,” “should,” “could,” “anticipates,” “estimates,” “plans” and similar expressions to indicate forward-looking statements, but their absence does not mean a statement is not forward-looking. Because these forward-looking statements are based upon management’s expectations and assumptions and are subject to risks and uncertainties, there are important factors that could cause actual results to differ materially from those expressed or implied by these forward-looking statements, including, but not limited to, those factors set forth Item 1A - Risk Factors of the Company’s Annual Report on Form 10-K for the fiscal year ended December 31, 2011 and those other risks and uncertainties detailed in our periodic reports and registration statements filed with the Securities and Exchange Commission. We caution that these risk factors may not be exhaustive. We operate in a continually changing business environment, and new risk factors emerge from time to time. We cannot predict these new risk factors, nor can we assess the effect, if any, of the new risk factors on our business or the extent to which any factor or combination of factors may cause actual results to differ from those expressed or implied by these forward-looking statements.

If any one or more of these expectations and assumptions proves incorrect, actual results will likely differ materially from those contemplated by the forward-looking statements. Even if all of the foregoing assumptions and expectations prove correct, actual results may still differ materially from those expressed in the forward-looking statements as a result of factors we may not anticipate or that may be beyond our control. While we cannot assess the future impact that any of these differences could have on our business, financial condition, results of operations and cash flows or the market price of shares of our common stock, the differences could be significant. We do not undertake to update any forward-looking statements made by us, whether as a result of new information, future events or otherwise. You are cautioned not to unduly rely on such forward-looking statements when evaluating the information presented in this report.

### **Item 3. Quantitative and Qualitative Disclosure About Market Risk**

The Company has no material changes to the disclosure on this matter made in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

### **Item 4. Controls and Procedures**

#### ***Disclosure Controls and Procedures***

We maintain a comprehensive set of disclosure controls and procedures (as defined in Rules 13a-15(e) and under the Securities Exchange Act of 1934 (“Exchange Act”)) designed to provide reasonable assurance that information required to be disclosed in our filings under the Exchange Act is recorded, processed, summarized and reported accurately and within the time periods specified in the SEC’s rules and forms. Under the supervision and with the participation of our management, including our Chief Executive Officer and our Chief Financial Officer, we have evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the period covered by this report. Based upon this evaluation, the Chief Executive Officer and Chief Financial Officer concluded that the design and operation of these disclosure controls and procedures are effective in providing reasonable assurance of the achievement of the objectives described above.

#### ***Internal Control Over Financial Reporting***

During the quarter ended March 31, 2012, there was no change in our internal control over financial reporting (as such term is defined in Rules 13a-15(f) and 15d—15(f) under the Exchange Act) that materially affected, or is reasonably likely to materially affect our internal control over financial reporting.

## PART II. OTHER INFORMATION

### Item 1. Legal Proceedings

None.

### Item 1A. Risk Factors

The Company has no material changes to the disclosure on this matter made in its Annual Report on Form 10-K for the fiscal year ended December 31, 2011.

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

The following table provides information about the Company's share repurchase activity for the three months ended March 31, 2012:

Month	Issuer Purchases of Equity Securities			
	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced program	Approximate dollar value of shares that may yet be purchased under the program <sup>(2)</sup>
January 1-31, 2012	3,287 <sup>(1)</sup>	13.73	-	\$ 4,492,000
February 1-29, 2012	-		-	\$ 4,492,000
March 1-31, 2012	139,630 <sup>(1)</sup>	\$ 17.11	-	\$ 4,492,000

<sup>(1)</sup> Shares surrendered by employees to satisfy tax withholding obligations on restricted stock units which vested and shares surrendered to exercise stock options and satisfy the related tax withholding obligations during the first quarter of 2012.

<sup>(2)</sup> We have a share repurchase program under which we may repurchase shares of our common stock from time to time in the open market subject to prevailing business and market conditions and other factors. There is no expiration date for the repurchase program. We did not repurchase any shares of our common stock during the quarter ended March 31, 2012.

**Item 6. Exhibits**

- 10.1 Third Amended and Restated Financing and Security Agreement, dated April 30, 2012, by and between GP Strategies Corporation as Borrower and Wells Fargo Bank, National Association, as Lender. \*
- 31.1 Certification of Chief Executive Officer of the Company dated May 3, 2012 pursuant to Securities and Exchange Act Rule 13d-14(a)/15(d-14(a), as adopted pursuant to Section 302 and 404 of the Sarbanes-Oxley Act of 2002.\*
- 31.2 Certification of Executive Vice President and Chief Financial Officer of the Company dated May 3, 2012 pursuant to Securities and Exchange Act Rule 13d-14(a)/15(d-14(a), as adopted pursuant to Section 302 and 404 of the Sarbanes-Oxley Act of 2002.\*
- 32.1 Certification of Chief Executive Officer and Chief Financial Officer of the Company dated May 3, 2012 pursuant to 18 U.S.C. Section 1350 as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.\*
- 101 The following materials from GP Strategies Corporation's Quarterly Report on Form 10-Q for the quarter ended March 31, 2012, formatted in XBRL (eXtensible Business Reporting Language): (i) Condensed Consolidated Balance Sheets; (ii) Condensed Consolidated Statements of Operations; (iii) Condensed Consolidated Statements of Comprehensive Income; (iv) Condensed Consolidated Statements of Cash Flows; and (v) Notes to Condensed Consolidated Financial Statements. \*

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\*Filed herewith

## 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.

GP STRATEGIES CORPORATION

May 3, 2012

/s/ Scott N. Greenberg  
Scott N. Greenberg  
Chief Executive Officer

/s/ Sharon Esposito-Mayer  
Sharon Esposito-Mayer  
Executive Vice President and Chief Financial Officer