LPL Investment Holdings Inc.
Form 10-K
March 09, 2011

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

Form 10-K

þ	**ANNUAL REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934** **For the fiscal year ended December 31, 2010**
	or
o	**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 001-34963

LPL Investment Holdings Inc.
(Exact name of registrant as specified in its charter)

Delaware	**20-3717839**
(State or other jurisdiction of incorporation or organization)	*(I.R.S. Employer Identification No.)*

One Beacon Street, Boston, MA 02108
(Address of principal executive offices including zip code)

617-423-3644
(Registrant s telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act:

Title of Each Class	Name of Each Exchange on Which Registered
Common Stock $.001 par value per share	NASDAQ Global Select Market

Securities registered pursuant to Section 12(g) of the Act:
None

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes þ No o

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or 15(d) of the Exchange Act. Yes o No þ

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§ 232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes o No o (Registrant is not subject to the requirements of Rule 405 of Regulation S-T at this time).

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K (§ 229.405 of this chapter) is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. þ

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. (Check one):

Large accelerated filer o	Accelerated filer o	Non-accelerated filer þ (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of June 30, 2010, the last business day of the registrant s most recently completed second fiscal quarter, there was no established public trading market for the common stock of the registrant. The registrant completed the initial public offering of its common stock on November 23, 2010.

The number of shares of common stock, par value $0.001 per share, outstanding as of March 1, 2011 was 108,801,822.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement to be delivered to stockholders in connection with the Annual Meeting of Stockholders are incorporated by reference into Part III.

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WHERE YOU CAN FIND MORE INFORMATION

We file annual, quarterly and current reports, proxy statements and other information required by the Securities Exchange Act of 1934, as amended (the Exchange Act), with the Securities and Exchange Commission, or SEC. You may read and copy any document we file with the SEC at the SEC s public reference room located at 100 F Street, N.E., Washington, D.C. 20549, U.S.A. Please call the SEC at 1-800-SEC-0330 for further information on the public reference room. Our SEC filings are also available to the public from the SEC s internet site at *http://www.sec.gov*.

On our Internet website, http://www.lpl.com, we post the following recent filings as soon as reasonably practicable after they are electronically filed with or furnished to the SEC: our annual reports on Form 10-K, our quarterly reports on Form 10-Q, our current reports on Form 8-K, and any amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act. Hard copies of all such filings are available free of charge by request via email (investor.relations@lpl.com), telephone (617) 897-4574, or mail (LPL Financial Investor Relations at One Beacon Street, 22nd Floor, Boston, MA 02108). The information contained or incorporated on our website is not a part of this Annual Report on Form 10-K.

When we use the terms LPLIH , we , us , our , and the firm we mean LPL Investment Holdings Inc., a Delaware corporation, and its consolidated subsidiaries, taken as a whole, as well as any predecessor entities, unless the context otherwise indicates.

SPECIAL NOTE REGARDING FORWARD-LOOKING STATEMENTS

Item 7 Management s Discussion and Analysis of Financial Condition and Results of Operations and other sections of this Annual Report on Form 10-K contain forward-looking statements (regarding future financial position, budgets, business strategy, projected costs, plans, objectives of management for future operations, and other similar matters) that involve risks and uncertainties. Forward-looking statements can be identified by words such as anticipates , expects , believes , plans , predicts , and similar terms. Forward-looking statements are not guarantees of future performance and there are important factors that could cause our actual results, level of activity, performance or achievements to differ materially from the results, level of activity, performance or achievements expressed or implied by the forward-looking statements including, but not limited to, changes in general economic and financial market conditions, fluctuations in the value of assets under management, effects of competition in the financial services industry, changes in the number of our financial advisors and institutions and their ability to effectively market financial products and services, the effect of current, pending and future legislation and regulation and regulatory actions. In particular, you should consider the numerous risks outlined in Part I, Item 1A Risk Factors .

Although we believe the expectations reflected in the forward-looking statements are reasonable, we cannot guarantee future results, level of activity, performance or achievements. You should not rely upon forward-looking statements as predictions of future events. Unless required by law, we will not undertake and we specifically disclaim any obligation to release publicly the result of any revisions which may be made to any forward-looking statements to reflect events or circumstances after the date of such statements or to reflect the occurrence of events, whether or not anticipated. In that respect, we wish to caution readers not to place undue reliance on any such forward-looking statements, which speak only as of the date made.

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PART I

Item 1. *Business*

General Corporate Overview

We provide an integrated platform of proprietary technology, brokerage and investment advisory services to over 12,400 independent financial advisors and financial advisors at financial institutions (our advisors) across the country, enabling them to successfully service their retail investors with unbiased, conflict-free financial advice. In addition, we support approximately 4,000 financial advisors with customized clearing, advisory platforms and technology solutions. Our singular focus is to support our advisors with the front, middle and back-office support they need to serve the large and growing market for independent investment advice, particularly in the mass affluent market (which we define as investors with $100,000-$1,000,000 in investable assets). We believe we are the only company that offers advisors the unique combination of an integrated technology platform, comprehensive self-clearing services and full open architecture access to leading financial products, all delivered in an environment unencumbered by conflicts from product manufacturing, underwriting or market making.

For over 20 years we have served the independent advisor market. We currently support the largest independent advisor base and the fourth largest overall advisor base in the United States. Through our advisors, we are also one of the largest distributors of financial products in the United States. Our scale is a substantial competitive advantage and enables us to more effectively attract and retain advisors. Our unique model allows us to invest more resources in our advisors, increasing their revenues and creating a virtuous cycle of growth. We are headquartered in Boston and currently have over 2,500 employees across our locations in Boston, Charlotte and San Diego.

Our Business

With our focus and scale, we are not only a beneficiary of the secular shift among advisors toward independence, but an active catalyst of this trend. We enable our advisors to provide their clients with high quality independent financial advice and investment solutions, and support our advisors in managing the complexity of their businesses by providing a comprehensive integrated platform of technology and clearing services. We provide these services through an open architecture product platform with no proprietary manufactured products, which enables an unbiased, conflict-free environment. Additionally, we offer our advisors the highest average payout ratios among the five largest U.S. broker-dealers, as ranked by number of advisors, which we believe provides us with an important competitive advantage. Our business is dedicated exclusively to our advisors; we are not a market-maker nor do we offer investment banking or underwriting services.

The size of our organization and scalability of our solutions allow us to continually reinvest in our technology and clearing platforms, tailor our services to the needs of our advisors and provide them with an attractive value proposition. We believe that our technology and service platforms allow our advisors to spend more time with their clients and enhance and grow their businesses.

Our revenues are derived primarily from commissions and fees generated by our advisors. We also generate asset-based fees from our financial product sponsor relationships, our cash sweep programs and omnibus processing and networking services. Under our self-clearing platform, we custody the majority of client assets invested in these products, which includes providing statements, transaction processing and ongoing account management for which we receive a fee.

Our Financial Advisors

Serving clients in communities across the nation, our advisors build long-term relationships with their clients by guiding them through the complexities of investment decisions, retirement solutions, financial planning and wealth-management. We support the evolution of our advisors   businesses over time and provide a range of solutions as their needs change.

The relationship with our advisors is embodied in our Commitment Creed, which serves as a set of guiding principles for our relationships with our advisors. For more than 20 years it has been ingrained in our culture and reflects our singular focus on the advisors we serve. The size and growth of our business has benefited from this focus. Our advisor base has grown from 3,596 advisors in 2000 to 12,444 as of December 31, 2010, representing a Compound Annual Growth Rate (CAGR) of 13.2%. Our historical advisor growth rate does not guarantee that we will attract advisors at comparable rates in the future.

Our advisor base includes independent financial advisors, registered investment advisors (RIAs) and advisors at small and mid-sized financial institutions. In order to license with us, advisors must meet our stringent requirements which include a thorough review of the advisor s education, experience, credit and compliance history. These advisors are licensed with our wholly owned subsidiary, LPL Financial LLC (LPL Financial) and enter into a registered representative agreement that establishes the duties and responsibilities of each party. Pursuant to the registered representative agreement, each advisor makes a series of representations, including that the advisor will disclose to all customers and prospective customers that the advisor is acting as our registered representative, that all orders for securities will be placed through us, that the advisor will sell only products we have approved and that the advisor will comply with LPL policies and procedures as well as securities rules and regulations. These advisors also agree not to engage in any outside business activity without prior approval from us and not to act as an agent for any of our competitors.

In return for a high level of services provided by us, including, among others, transaction processing and technology services we provide to the advisors to support their daily activities, we typically retain a range of 10 to 15 percent of the commission and advisory fee revenue generated by our advisors and pay out the remaining 85 to 90 percent to them. In addition, advisors pay certain fees directly to us relating to technology and platform access, insurance coverage and licensing fees. The registered representative agreement is terminable without cause on 30 days notice and for cause immediately upon notice.

Our advisors average over 15 years of industry experience. This substantial industry experience allows us to focus on enhancing our advisors businesses without the need for basic training or subsidizing advisors that are new to the industry. Our independent advisors join us from a broad range of firms including wirehouses, regional and insurance broker dealers, banks and other independent firms. Our flexible business platform allows our advisors to choose the most appropriate business model to support their clients, whether they conduct brokerage business, offer brokerage and fee-based services on our corporate RIA platforms or provide fee-based services through their own RIAs.

Our independent advisors and RIAs are entrepreneurial independent contractors who market their services through over 4,200 branch offices. They are primarily located in rural and suburban areas and as such are viewed as local providers of independent advice. Approximately 70% of these advisors operate under their own brand name. We approve and assist these advisors with their own branding, marketing and promotion.

Among our 12,444 advisors, we believe we are the market leader in providing support to over 2,400 advisors at more than 750 banks and credit unions seeking to provide a broad array of services for their financial advisors. For these institutions, whose core capabilities may not include investment and financial planning services, or who find the technology, infrastructure and regulatory requirements to be cost prohibitive, we provide their financial advisors with the services they need to be successful, allowing the institutions to focus their energy and capital on their core businesses.

We also provide support to approximately 4,000 additional financial advisors who are affiliated and licensed with insurance companies. These outsourcing arrangements provide customized clearing, advisory platforms and technology solutions that enable financial advisors at these insurance companies to efficiently provide a breadth of services to their client base.

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Our Service Value Proposition

The core of our business is dedicated to meeting the evolving needs of our advisors and providing the platform and tools to grow and enhance the profitability of their businesses. We support our advisors by providing front, middle and back-office solutions through the four pillars of our distinct value proposition: enabling technology, comprehensive clearing and compliance services, practice management programs and training, and independent research. The comprehensive and automated nature of our offering enables our advisors to focus on their clients while successfully and efficiently managing the complexities of running their own practice.

Enabling Technology

We provide our technology and service to advisors through BranchNet, our proprietary, integrated technology platform that is server-based and web-accessed. Using the BranchNet workstation, our advisors effectively manage all critical aspects of their businesses while remaining highly efficient and responsive to their clients needs. Time-consuming processes, such as account opening and management, document imaging, transaction execution, and account rebalancing, are automated to improve efficiency and accuracy. Substantially all of our advisors utilize BranchNet as their core technology platform. Through BranchNet, our advisors have direct access to a fully-integrated array of tools and support systems, including:

- comprehensive account lookup for accounts and direct business data;
- straight-through processing of trade orders and account maintenance requests and
- secure and reliable data maintenance.

In addition to the account management capabilities of BranchNet, the Resource Center, embedded within BranchNet, provides advisors with access to our research, training, compliance and support services and the ability to review products and develop marketing materials, including:

- direct access to financial product information, exclusive research commentaries, detailed regulatory requirements, valuable marketing tools, operational details, comprehensive training and technical support;
- client management and business development tools;
- trading and research tools and
- business management resources.

Many advisors also subscribe to premium features, such as performance reporting, financial planning and customized websites. Select third-party resources have been integrated into our technology software, enabling seamless access to important tools, broadening our range of offerings and reducing duplicate operational functions.

We believe BranchNet allows our advisors to transact and monitor their business more efficiently, lowering operating costs for their business. Once on BranchNet, advisors have the ability to choose which services suit their business plan, purchasing only the services that are needed to grow their business.

Comprehensive Clearing and Compliance Services

We custody and clear the majority of our advisors transactions, providing an enhanced advisor experience and expedited processing capabilities. Our self-clearing platform enables us to better control client data, more efficiently process and report trades, facilitate platform development, reduce costs and ultimately enhance the quality of the services we provide our advisors. Our self-clearing platform also enables us to serve a wider variety of advisors, including RIAs and hybrid RIAs.

Because we are self-clearing, we can address all facets of securities transaction processing, including:

- order routing, trading support, execution and clearing, and position keeping;
- regulatory and tax compliance and reporting and
- investment accounting and recordkeeping.

All of these services are backed by our service center and operations organizations focused on providing timely, accurate and consistent support, with each employee committed to delivering best in class service. This shared commitment allows us to meet our financial advisors and institutions needs so they can best serve their clients.

In 2010, we launched Service360, a new service paradigm for our top producing advisors. Service360 offers a wide array of organizational support, adopting a team-based approach to service, in which teams are dedicated to a defined set of advisors. This new service structure was fully implemented in December 2010, and now services over 6,700 advisors with timely, accurate and efficient service delivered in a more personal, relationship-focused manner and with greater accountability and ownership on the part of the service teams.

We have made sizeable investments in our compliance offering to enable our advisors to run a fully compliant office. Since 2000, our commitment of resources and focus on compliance have enabled us to maintain one of the best regulatory compliance records, based upon the number of regulatory events reported in the Financial Industry Regulatory Authority s (FINRA) BrokerCheck Reports, among the ten largest U.S. broker-dealers, ranked by number of advisors. Several years ago we made the strategic decision to fully integrate our compliance tools into our technology platform to further enhance compliance effectiveness and scalability. Approximately 300 employees assist our advisors through:

- training advisors on new products, new FINRA guidelines, compliance tools, security policies and procedures, anti-money laundering and best practices;
- review and approval of advertising materials;
- technology-enabled surveillance of trading activities and sales practices;
- oversight and monitoring of registered investment advisory activities;
- securities registration, advisory and insurance licensing of advisors and
- audits of branch offices.

Practice Management Programs and Training

Our practice management programs help our advisors enhance and grow their businesses. Our experience gives us the ability to benchmark the best practices of successful advisors and develop customized recommendations to meet the specific needs of an advisor s business and market. Because of our scale, we are able to dedicate an experienced group of approximately 100 professionals that work with our advisors to build and better manage their business and client relationships through one-on-one consulting as well as group training. In addition, we hold over 130 conferences and group training events annually for the benefit of our advisors. Our practice management and training services include:

personalized business consulting support that helps advisors enhance the value and operational efficiency of their businesses;

advisory and brokerage consulting to support advisors in growing their businesses with our broad range of products and fee-based offerings, as well as wealth management services to assist advisors serving high net worth clients with comprehensive estate, tax, philanthropic, and financial planning processes;

marketing campaigns and consultation to enable advisors to build awareness of their services and capitalize on opportunities in their local markets;

transition services to help advisors establish independent practices and migrate client accounts to us and

training programs on topics including technology, use of advisory platforms and business development.

Independent Research

We provide our advisors with integrated access to comprehensive proprietary research on mutual funds, separate accounts, insurance and annuities, asset allocation strategies, financial markets and the economy, among other areas. Our research team consists of 29 professionals with an average of 12 years of industry experience, dedicated to providing unbiased and conflict-free advice. Our research is designed to empower our advisors to give their clients thoughtful advice in an efficient manner. In particular, our research facilitates the growth of our advisory platform through generation of model portfolio and asset allocation overlay services and the distribution of packaged solutions. Our research team actively works with our product due diligence group in screening financial products offered through our platform. Our lack of proprietary products or investment banking services helps ensure that our research remains unbiased and objective.

With a focus on performance, service and transparency, our research team utilizes a wide spectrum of available tools to deliver timely perspectives on the ever-changing economic marketplace and products, enabling advisors to help their clients understand and adjust to the latest developments. Through its objective recommendations and portfolio management, the research group helps advisors meet a broad range of investor needs effectively. Our research enables advisors to:

keep abreast of changes in markets and the global economy, through our daily market update call and email, published materials, blogs and media presence;

proactively respond to emerging trends;

leverage the expertise and experience of our research team in building individual investment portfolios that are fully integrated in our technology platform and

seek specific advice through our ASK (accurate, swift and knowledgeable) Research Service Desk, a team of research professionals dedicated exclusively to advisor investment-research inquiries via phone and email.

A substantial portion of our research is compliance-approved so that advisors are able to share it with clients when working with them to make investment decisions.

Our Economic Value Proposition

We offer a compelling economic value proposition that is a key factor in our ability to attract and retain advisors. The independent channels pay advisors a greater share of brokerage commissions and advisory fees than the captive channels generally 80-90% compared to 30-50%. Because of our scale and efficient operating model, we offer our advisors the highest average payout ratios among the ten largest U.S. broker-dealers, ranked by number of advisors, which we believe provides us with an important competitive advantage. We believe our superior technology and service platforms enable our advisors to operate their practices at a lower cost than other independent advisors. As a result, we believe owners of practices associated with us earn meaningfully more pre-tax profit than owners of practices affiliated with other independent brokerage firms. We attribute this difference in profitability in part to lower fixed costs driven by the need for fewer staff at our associated practices.

Finally, as business owners, independent financial advisors, unlike captive advisors, also have the opportunity to build equity in their own businesses.

We also believe our solutions enable our financial institutions to be more productive and therefore generate greater profitability relative to other financial institutions supported by third party firms.

Our Product Access

We do not manufacture any financial products. Instead, we provide our advisors open architecture access to a unique variety of commission, fee-based, cash and money market products and services. Our product due diligence group conducts extensive diligence on substantially all of the new products we offer, including annuities, real estate investment trusts, alternative investments and mutual funds. Our platform provides access to over 8,500 financial products, manufactured by over 400 product sponsors. Typically, we enter into arrangements with these product sponsors pursuant to the sponsor s standard distribution agreement.

The sales and administration of these products are facilitated through BranchNet and Resource Center, which allow our advisors to access client accounts, product information, asset allocation models, investment recommendations, and economic insight as well as perform trade execution.

As of December 31, 2010, advisory and brokerage assets totaled $315.6 billion, of which $93.0 billion was in advisory assets. In 2010, brokerage sales were over $26 billion, including over $9 billion in mutual funds and $15 billion in annuities. Advisory sales were over $27 billion, which consisted primarily of mutual funds. As a result of this scale and significant distribution capabilities, we can offer leading products and services with attractive economics to our advisors.

Commission-Based Products

Commission-based products are those for which we and our advisors receive an upfront commission and, for certain products, a trailing commission. Our brokerage offerings include variable and fixed annuities, mutual funds, general securities, alternative investments, retirement and 529 education savings plans, fixed income and insurance. Our insurance offering is provided through LPL Insurance Associates, Inc. (LPLIA), a brokerage general agency which provides personalized advance case design, point-of-sale service and product support for a broad range of life, disability and long-term care products. As of December 31, 2010, the total assets in our commission-based products were approximately $222.6 billion.

Fee-Based Advisory Platforms and Support

We have been an innovator in fee-based solutions since the introduction of our Strategic Asset Management platform in 1991. Today we have five fee-based advisory platforms that provide centrally managed or customized solutions from which advisors can choose to meet the investment needs of their mass affluent and high net worth clients. The fee structure aligns the interests of our advisors with their clients, while establishing a valuable recurring revenue stream for the advisor and for us. Our fee-based platforms provide access to no-load/load-waived mutual funds, exchange-traded funds, stocks, bonds, conservative option strategies, unit investment trusts and no-load, institutional money managers and multi-manager variable annuities. We also provide third-party equity research and asset-management services as well as fee-based advisory and consulting services to retirement plans. As of December 31, 2010, the total assets in these platforms were $93.0 billion.

Cash Sweep Programs

We assist our advisors in managing their clients cash balances through two primary cash sweep programs depending on account type: a money market sweep vehicle involving multiple money market fund providers and an insured bank deposit sweep vehicle. Our insured bank deposit sweep vehicle allocates client cash balances across multiple non-affiliated banks to provide advisors with up to $1.5 million ($3.0 million joint) of insurance through the Federal Deposit Insurance Corporation (FDIC). As of December 31, 2010, the total assets in our cash sweep programs, which are held within brokerage and advisory accounts, were approximately $19.1 billion.

In addition to the products above, we also offer trust, investment management oversight and custodial services for estates and families through our subsidiary, The Private Trust Company, N.A. (PTC).

Our Financial Model

We have a proven track record of strong financial performance. We have increased our annual Adjusted EBITDA for the past five consecutive years with only one decline in annual revenue in 2009 in conjunction with the major market downturn. We have experienced greater variability in our net income primarily due to amortization of purchased assets and interest expense from our senior secured credit facilities and subordinated notes, a result of our merger transaction in 2005 with TPG Capital and Hellman & Friedman LLC (collectively, the Majority Holders), and expenses associated with our acquisition integration and restructuring initiatives. In 2010, we generated a net loss due to equity issuance and other costs related to our initial public offering (IPO) that was completed in the fourth quarter. Accordingly, the presentation of net income CAGR is not meaningful. Since 2005, we have grown our net revenues at a 17.2% CAGR, our Adjusted EBITDA at a 16.9% CAGR and our Adjusted Earnings at a 17.1% CAGR. Our historical growth rates do not guarantee future results, levels of activity, performance or achievements. A reconciliation of non-GAAP measures Adjusted EBITDA and Adjusted Earnings, to GAAP measures, along with an explanation of these metrics, is provided in Item 7 Management s Discussion and Analysis .

As we demonstrated during the financial crisis of 2008 and 2009, our financial model has inherent resilience, and our overall financial performance is a function of the following favorable characteristics:

Our revenues stem from diverse sources, including advisor-generated commission and advisory fees as well as fees from product manufacturers, recordkeeping, cash sweep balances and other ancillary services. They are not concentrated by advisor, product or geography. For the year ended December 31, 2010, no single relationship with our independent advisor practices, banks, credit unions, or insurance companies accounted for more than 3% of our net revenues, and no single advisor accounted for more than 1% of our net revenues.

Furthermore, a majority of our revenue base is recurring in nature, with over 60% recurring revenue in 2010.

Our expenses are primarily variable, as they consist principally of payouts on advisor-generated revenues.

Our profit margins are stable and should expand over time because we actively manage our general and administrative expenses.

We are able to operate with low capital expenditures and limited capital requirements, and as a result our cash flow is not encumbered.

We generate substantial free cash flow which we reinvest into our business.

We have demonstrated the resilience of our financial model through market downturns, particularly in the financial crisis of 2008 and 2009. This inherent resilience is a function of the following dynamics of our business:

A significant proportion of our revenues are not correlated with the equity financial markets, such as software licensing, account and client fees.

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The variable component of our cost base is directly linked to revenues generated by our advisors. Furthermore, the payout percentages are tied to advisor productivity levels.

Our general and administrative expenses can be actively managed.

Our Competitive Strengths

Significant Scale and Market Leadership Position. We are an established leader in the independent advisor market, which is our core business focus. Our scale enables us to benefit from the following dynamics:

We actively reinvest in our comprehensive technology platform and practice support, which further improves the productivity of our advisors.

As one of the largest distributors of financial products in the United States, we are able to obtain attractive economics from product manufacturers.

Among the ten largest U.S. broker-dealers by number of advisors, we offer the highest average payout ratios to our advisors.

The combination of our ability to reinvest in the business and maintain highly competitive payout ratios allows us to attract and retain advisors successfully. This, in turn, drives our growth and leads to a virtuous cycle that reinforces our established scale advantage.

Unique Value Proposition for Independent Advisors. We deliver a comprehensive and integrated suite of products and services to support the practices of our independent advisors. We believe we are the only institution that offers a conflict-free, open architecture and scalable platform. The benefits of our purchasing power lead to high average payouts and greater economics to our advisors. Our platform also creates an entrepreneurial opportunity that empowers independent advisors to build equity in their businesses. This generates a significant opportunity to attract and retain highly qualified advisors who are seeking independence.

Unique Value Proposition for Institutions. We provide solutions to financial institutions, such as regional banks, credit unions and insurers, who seek to provide a broad array of services for their customers. We believe many institutions find the technology, infrastructure and regulatory requirements associated with delivering financial advice to be cost-prohibitive. We provide comprehensive solutions that enable financial advisors at these institutions to offer financial advice.

Ability to Profitably Serve the Mass-Affluent Market. Since inception, our core focus has been on advisors who serve the mass-affluent market. We have designed and integrated all aspects of our platforms and services to profitably meet the needs of these advisors. We believe there is an attractive opportunity in the mass-affluent market, in part because wirehouses have not historically focused on the mass affluent market. We believe our scale position will sustain and strengthen our competitive advantage in the mass-affluent market.

Ability to Serve a Broad Range of Advisor Models. As a result of our integrated technology platform and the resulting flexibility, we are able to attract and retain advisors from multiple channels, including wirehouses, regional broker-dealers and other independent broker-dealers. This platform serves a variety of independent advisor models, including independent financial advisors, RIAs and hybrid-RIAs. Additionally, we are able to give our advisors flexibility in choosing how they conduct their business. This enables us to better retain our existing advisor base by facilitating their ability to transition among independent advisor models as preferences evolve within the market. In addition, although we have grown through our focus on the mass affluent market, the breadth of our platform has facilitated growing penetration of the high net worth market. As of December 31, 2010, our advisors supported accounts with more than $1 million in assets that in the aggregate represented $48.2 billion in advisory and brokerage assets, 17.6% of our total. Although our advisors average production is typically below that of some of the wirehouse channel firms, our array of integrated technology and services can support advisors with significant production and compete directly with wirehouses.

Experienced and Committed Senior Management Team. We have an experienced and committed senior management team that provides stable and long-standing leadership for our business. On average, our senior management has 26 years of industry experience. The team has a track record of delivery and success as demonstrated in the company s financial performance through the recent market downturn. As the current management team has played a significant role in building out the business, they have a fundamental and thorough understanding of the operations. The management team is aligned with stockholders and holds significant equity ownership in the company.

Our Sources of Growth

We expect to increase our revenue and profitability by benefiting from favorable industry trends and by executing strategies to accelerate our growth beyond that of the broader markets in which we operate.

Favorable Industry Trends

Growth in Investable Assets. According to Cerulli Associates, over the next four years, total assets under management in the United States are anticipated to grow at 8% and retirement assets are expected to grow 6% per year (in part due to the retirement of the baby boomer generation and the resulting assets which are projected to flow out of retirement plans and into individual retirement accounts). In addition, individual retirement account rollovers are projected to grow from $4.6 trillion as of 2010 to $6.2 trillion by 2014.

Increasing Demand for Independent Financial Advice. Retail investors, particularly in the mass affluent market, are increasingly seeking financial advice from independent sources. We are highly focused on helping independent advisors meet the needs of the mass-affluent market, which constitutes a significant and underserved portion of investable assets, according to Cerulli Associates, and we believe presents significant opportunity for growth.

Advisor Migration to Independence. Independent channels are gaining market share from captive channels. We believe that we are not just a beneficiary of this secular shift, but an active catalyst in the movement to independence.

Macroeconomic Trends. As the macroeconomic environment continues to stabilize, we anticipate an appreciation in asset prices and a rise in interest rates from current, historically low levels. We expect that our business will benefit from growth in advisory and brokerage assets as well as increasing asset-based and cash sweep fees.

LPL-Specific Growth Opportunities

Attracting New Advisors to Our Platform. We intend to grow the number of advisors either independent or with financial institutions who are served by our platform. Based on the number of financial advisors, we have only 3.6% market share of the approximately 334,000 financial advisors in the United States, according to Cerulli Associates, and we have the ability to attract seasoned advisors of any practice size and from any channel, including wirehouses, regional broker-dealers and other independent broker-dealers. Additionally, we are able to support a wide range of business models, including independent financial advisors, RIAs and hybrid-RIAs. This flexibility drives sustainable growth in new advisors who seek to transfer to our platform. We also expect to significantly expand our developing share of the RIA market.

Ramp-up of Newly-Attracted Advisors. We predominately attract experienced advisors who have established practices. In our experience, it takes an average of three years for newly hired advisors to fully re-establish their practices and associated revenues. This seasoning process creates accelerated growth of revenue from new advisors.

Increasing Productivity of Existing Advisor Base. The productivity of advisors increases over time as we enable them to add new clients, gain shares of their clients investable assets, and expand their existing practices with additional advisors. We facilitate these productivity improvements by helping our advisors better manage their practices in an increasingly complex environment.

Our Business Model has Inherent Economies of Scale. The largely fixed costs necessary to support our advisors delivers higher marginal profitability as client assets and revenue grow. Historically, this dynamic has been demonstrated through the growth in our operating margins.

Opportunistic Pursuit of Acquisitions. We have a proven history of expanding our business through opportunistic acquisitions. In the past six years, we have successfully completed four transactions. Our scalable business model and operating platform make us an attractive acquirer in a fragmented market.

Competition

We believe we offer a unique and dedicated value proposition to independent financial advisors and financial institutions who are focused primarily on mass affluent investors. This value proposition is built upon the delivery of our services through our scale, independence and integrated technology, which we believe is not replicated in the industry, and as a result we do not have any direct competitors to our business model. For example, because we do not have any proprietary manufacturing products, we do not view firms that manufacture asset management products and other financial products as competitors.

We compete to attract and retain experienced and productive advisors with a variety of financial firms. Within the independent channel, the industry is highly fragmented, comprised primarily of small regional firms that rely on third-party custodians and technology providers to support their operations. Within the captive wirehouse channel, which tends to consist of large nationwide firms with multiple lines of business, competitors include Morgan Stanley Smith Barney LLC; Merrill Lynch, Pierce, Fenner, & Smith Incorporated; UBS Financial Services Inc.; Wells Fargo Advisors, LLC; who typically focus on the highly competitive high net worth investor market. Competition for advisors also includes regional firms, such as Edward D. Jones & Co., L.P. and Raymond James Financial Services, Inc. RIAs, who are licensed directly with the SEC and not through a broker-dealer, select third-party firms for custodial services, and competitors include Charles Schwab & Co. and Fidelity Brokerage Services LLC.

Our competitors who do not offer a complete solution for advisors are frequently enabled by third-party firms. Pershing LLC, a subsidiary of Bank of New York Mellon, offers custodial services to independent firms who are not self-clearing and to RIAs. Other examples include Albridge Solutions, a subsidiary of PNC Financial Services LLC, Advent Software, Inc. and Morningstar, Inc., who provide an array of technology and research resources.

Our advisors compete for clients with financial advisors of brokerage firms, banks, insurance companies, asset management and investment advisory firms. In addition, they also compete with a number of firms offering direct to investor on-line financial services and discount brokerage services, such as Charles Schwab & Co. and Fidelity Brokerage Services LLC.

Employees

As of December 31, 2010, we had 2,583 full-time employees. None of our employees are subject to collective bargaining agreements governing their employment with us. Our continued growth is dependent, in part, on our ability to recruit and retain skilled technical sales and professional personnel. We believe that our relationship with our employees is strong.

Our Corporate Structure

LPL Investment Holdings Inc. is the parent company of our collective businesses. Our original broker-dealer, LPL Financial, was formed in 1989. In 2005, investment funds affiliated with the Majority Holders acquired a majority ownership stake in LPL Investment Holdings Inc., with the remaining interest owned primarily by our founders, senior management and advisors.

In recent years we have grown our business through a number of opportunistic acquisitions. We strengthened our position as a leading independent broker-dealer through our acquisition on June 20, 2007 of Pacific Select Group, LLC (renamed LPL Independent Advisor Services Group, LLC) and its wholly owned subsidiaries: Mutual Service Corporation (MSC), Associated Financial Group, Inc. (AFG), Associated Securities Corp. (Associated), Associated Planners Investment Advisory, Inc. (APIA) and Waterstone Financial Group, Inc. (WFG) (MSC, AFG, Associated, APIA and WFG, are collectively referred to herein as the Affiliated Entities). In September of 2009, we consolidated the operations of the Affiliated Entities with those of LPL Financial. The consolidation involved the transfer of securities licenses of certain registered representatives associated with the Affiliated Entities and their client accounts. Following the completion of these transfer activities, the registered representatives and client accounts that transferred are now associated with LPL Financial. On February 5, 2011, Forms BD-W for Associated and WFG were approved by the SEC and as a result, Associated and WFG are no longer registered as broker-dealers.

Our acquisitions of UVEST Financial Services Group, Inc. (UVEST), and IFMG Securities, Inc., Independent Financial Marketing Group, Inc. and LSC Insurance Agency of Arizona, Inc. (collectively IFMG) further expanded our reach in offering financial services through banks, savings and loan institutions and credit unions nationwide. Our subsidiary, Independent Advisers Group Corporation (IAG), offers an investment advisory solution to insurance companies to support their financial advisors who are licensed with them. Our subsidiary, LPLIA, operates as a brokerage general agency which offers life, long-term care and disability insurance sales and services. Through our subsidiary PTC we offer trust, investment management oversight and custodial services for estates and families.

Regulation

The financial services industry is subject to extensive regulation by U.S. federal and state regulatory agencies and securities exchanges and by non-U.S. government agencies or regulatory bodies and securities exchanges. We take an active leadership role in the development of the rules and regulations that govern our industry. Given the recent turmoil in the financial services industry, we anticipate continued heightened scrutiny and significant modifications in these rules and regulations. We strive to be at the forefront of influencing this change. Throughout our history we have also invested heavily, with the benefit of our scale, in our compliance functions to monitor our compliance with the numerous legal and regulatory requirements applicable to our business.

Broker-Dealer Regulation

LPL Financial, is a registered broker-dealer with the SEC, a member of FINRA, a member of various self-regulatory organizations and a participant in various clearing organizations including the Depository Trust Company, the National Securities Clearing Corporation and the Options Clearing Corporation. LPL Financial is registered as a broker-dealer in each of the 50 states, the District of Columbia, Puerto Rico and the U.S. Virgin Islands.

Our subsidiaries UVEST and MSC are also registered broker-dealers with the SEC, and are members of FINRA. Similar to LPL Financial, UVEST conducts business on a national basis; however it acts as an introducing firm, using a third-party firm for securities clearing and custody functions. Prior to the consolidation of the Affiliated Entities, MSC also conducted business on a national basis as an introducing firm, using a third-party firm for securities clearing and custody functions.

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Broker-dealers are subject to rules and regulations covering all aspects of the securities business, including sales and trading practices, public offerings, publication of research reports, use and safekeeping of clients funds and securities, capital adequacy, recordkeeping and reporting, and the conduct of directors, officers and employees. Broker dealers are also regulated by state securities administrators in those jurisdictions where they do business. Compliance with many of the rules and regulations applicable to us involves a number of risks because rules and regulations are subject to varying interpretations. Regulators make periodic examinations and review annual, monthly and other reports on our operations, track record and financial condition. Violations of rules and regulations governing a broker dealer s actions could result in censure, penalties and fines, the issuance of cease-and-desist orders, the suspension or expulsion from the securities industry of such broker dealer or its officers or employees, or other similar adverse consequences. The rules of the Municipal Securities Rulemaking Board, which are enforced by the SEC and FINRA, apply to the municipal securities activities of LPL Financial, UVEST and MSC.

Our margin lending is regulated by the Federal Reserve Board s restrictions on lending in connection with client purchases and short sales of securities, and FINRA rules also require such subsidiaries to impose maintenance requirements on the value of securities contained in margin accounts. In many cases, our margin policies are more stringent than these rules.

Significant new rules and regulations are likely to arise as a result of the Dodd-Frank Wall Street Reform and Consumer Protection Act, which was enacted in July 2010, including development by the SEC of a new fiduciary standard of conduct applicable to broker-dealers and investment advisors. These new rules and regulations may adversely affect our business by increasing our costs and exposure to litigation.

Investment Adviser Regulation

As investment advisers registered with the SEC, our subsidiaries LPL Financial, UVEST, and IAG are subject to the requirements of the Investment Advisers Act of 1940, as amended, and the SEC s regulations N="bottom" WIDTH="2%">

	Common Stock	Shares	Additional Paid in Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Total	Redeemable Non-Controlling Interest
Balance at January 1, 2012	$27	26,600	$150,234	$83,211	$(25,076)	$208,396	$

Stock based compensation and vesting of restricted stock		
	733	733
Net income		
	10,516	10,516
Cumulative foreign currency translation adjustment		
	5,277	5,277

Balance at March 31, 2012							
	$27	26,600	$150,967	$93,727	$(19,799)	$224,922	$

Balance at January 1, 2013	$27	26,724	$152,188	$103,200	$(23,403)	$232,012	$1,239

Stock based compensation and vesting of restricted stock	18	849			849	
Net income attributable to Altra Holdings, Inc.			11,880			11,880
Net loss attributable to non-controlling interest					(21)	
Dividends declared			(2,152)			(2,152)
Cumulative foreign currency translation adjustment				(6,883)		(6,883)

Balance at March 30, 2013

$27	26,742	$153,037	$112,928	$(30,286)	$235,706	$1,218

The accompanying notes are an integral part of these unaudited condensed consolidated financial statements.

ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

1. Organization and Nature of Operations

Headquartered in Braintree, Massachusetts, Altra Holdings, Inc. (the Company), through its wholly-owned subsidiary Altra Industrial Motion, Inc. (Altra Industrial), is a leading multi-national designer, producer and marketer of a wide range of electro-mechanical power transmission and motion control products. The Company brings together strong brands covering over 50 product lines with production facilities in nine countries and sales coverage in over 70 countries. The Company s leading brands include Boston Gear, Warner Electric, TB Wood s, Formsprag Clutch, Ameridrives Couplings, Industrial Clutch, Kilian Manufacturing, Marland Clutch, Nuttall Gear, Stieber Clutch, Wichita Clutch, Twiflex Limited, Bibby Transmissions, Matrix International, Inertia Dynamics, Huco Dynatork, Warner Linear, Bauer Gear Motor, and PowerFlex.

2. Basis of Presentation

The Company was formed on November 30, 2004 following acquisitions of The Kilian Company (Kilian) and certain subsidiaries of Colfax Corporation (Colfax). During 2006, the Company acquired Hay Hall Holdings Limited (Hay Hall) and Bear Linear. On April 5, 2007, the Company acquired TB Wood s Corporation (TB Wood s), and on October 5, 2007, the Company acquired substantially all of the assets of All Power Transmission Manufacturing, Inc. On May 29, 2011, the Company acquired substantially all of the assets of Danfoss Bauer GmbH relating to its gear motor business (Bauer). On July 11, 2012, the Company acquired 85% of privately held Lamiflex do Brasil Equipamentos Industriais Ltda. (Lamiflex).

Non-controlling Interest The Company recorded the redeemable non-controlling interest from its acquisition of an 85% ownership interest of Lamiflex at fair value at the date of acquisition. In connection with this acquisition, the Company entered into put and call option agreements with the minority shareholders for the potential purchase of the non-controlling interest at a future date at a value based on a contractually determined formula. As a result of the option agreements, the non-controlling interest is considered redeemable and is classified as temporary equity on the Company s condensed consolidated balance sheet. The non-controlling interest is reviewed at each subsequent reporting period and adjusted, as needed, to reflect its then redemption value.

The Company s unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company s financial position as of March 30, 2013 and December 31, 2012, and results of operations and cash flows for the quarters ended March 30, 2013 and March 31, 2012.

The Company follows a four, four, five week calendar per quarter with all quarters consisting of thirteen weeks of operations with the fiscal year end always on December 31.

3. Fair Value of Financial Instruments

The carrying values of financial instruments, including accounts receivable, cash equivalents, accounts payable, other accrued liabilities, and debt under the Company s Credit Agreement with certain financial institutions including an initial term loan facility of $100,000,000 (the Term Loan Facility) and an initial revolving credit facility of $200,000,000 (the Revolving Credit Facility) approximate their fair values due to their variable rate nature at current market rates.

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The carrying amount of the 2.75% Convertible Notes (the Convertible Notes) was $85.0 million at each of March 30, 2013 and March 31, 2012. The estimated fair value of the Convertible Notes at March 30, 2013 and December 31, 2012, was $101.6 million and $94.3 million, respectively, based on inputs other than quoted prices that are observable for the Convertible Notes (level 2).

Included in cash and cash equivalents as of March 30, 2013 and December 31, 2012 are money market fund investments of $14.8 million and $30.3 million, respectively, which are reported at fair value based on quoted market prices for such investments (level 1).

4. Net Income per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding, and diluted earnings per share is based on the weighted average number of shares of common stock outstanding and all potentially dilutive common stock equivalents outstanding. Common stock equivalents are included in the per share calculations when the effect of their inclusion would be dilutive.

The following is a reconciliation of basic to diluted net income per share:

	Quarter Ended	
	March 30, 2013	March 31, 2012
Net income attributable to Altra Holdings, Inc	$ 11,880	$ 10,516
Shares used in net income per common share - basic	26,733	26,606
Incremental shares of unvested restricted common stock	34	54
Shares used in net income per common share - diluted	26,767	26,660
Earnings per share:		
Basic net income attributable to Altra Holdings, Inc.	$ 0.44	$ 0.40
Diluted net income attributable to Altra Holdings, Inc.	$ 0.44	$ 0.39

The Company excluded 3,104,379 shares related to the Convertible Notes (see Note 11) from the above earnings per share calculation as these shares were anti-dilutive.

5. Acquisitions

In July 2012, the Company consummated an agreement to acquire 85% of privately held Lamiflex do Brasil Equipamentos Industrias Ltda. now known as Lamiflex Do Brasil Equipamentos Industriais S.A. This transaction is known as the Lamiflex Acquisition. The Company acquired 85% of the stock of Lamiflex for 17.4 million Reais ($8.6 million), which was subject to a reduction of 2.1 million Reais ($1.1 million) for estimated net debt at closing. The net debt assumed at closing is subject to a final net debt calculation adjustment.

The closing date of the Lamiflex Acquisition was July 11, 2012, and as a result, the Company s condensed consolidated financial statements reflect Lamiflex s results of operations from the beginning of business on July 11, 2012 forward.

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ALTRA HOLDINGS, INC.

Notes to Unaudited Condensed Consolidated Interim Financial Statements

Amounts in thousands, unless otherwise noted

The Company is in the process of completing its final purchase price allocation. The Company has completed the valuation of customer relationships, trademarks, deferred tax assets and liabilities and fixed assets. The purchase price is subject to change based on the finalization of certain purchase price adjustments.

The value of the acquired assets, assumed liabilities and identified intangibles from the acquisition of Lamiflex, as presented below, are based upon the Company s estimate of the fair value as of the date of the acquisition. The purchase price allocation was calculated as if the Company had acquired 100% of Lamiflex. The preliminary purchase price allocation as of the acquisition date is as follows:

Total Assumed purchase price, excluding acquisition costs of approximately $0.4 million	$ 8,820
Less: Redeemable non-controlling interest	1,327
Total purchase price paid at closing	7,493
Cash and cash equivalents	68
Trade receivables, net of amounts pledged	606
Inventories	726
Prepaid and other	48
Property, plant and equipment	3,027
Other assets	108
Intangible assets	4,912
Total assets acquired	9,495
Accounts payable	550
Accrued expenses and other current liabilities	867
Deferred tax liability	1,934
Other liabilities, including long-term debt	976
Total liabilities assumed	4,327
Net assets acquired	5,168
Excess of purchase price over fair value of net assets acquired	$ 3,652

The excess of the purchase price over the fair value of the net assets acquired was recorded as goodwill. The Company expects to develop synergies, such as the ability to cross-sell product and to penetrate into certain geographic areas, as a result of the acquisition of Lamiflex.

The Company recorded a redeemable non-controlling interest from its acquisition of an 85% ownership interest of Lamiflex at fair value at the date of acquisition. In connection with the Lamiflex Acquisition, the Company entered into put and call option agreements with the minority shareholders for the potential purchase of the non-controlling interest at a future date at a value based on a contractually determined formula. As a result of the option agreements, the non-controlling interest is considered redeemable and is classified as temporary equity on the Company s Condensed Consolidated Balance Sheet.

The estimated amounts recorded as intangible assets consist of the following:

Customer relationships, subject to amortization	$ 4,552

Trade names and trademarks, not subject to amortization	360
Total intangible assets	$ 4,912

Customer relationships are subject to amortization which will be straight-lined over their estimated useful lives of 13 years, which represents the anticipated period over which the Company estimates it will benefit from the acquired assets.

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The following table sets forth the unaudited pro forma results of operations of the Company for the quarter ended March 31, 2012 as if the Company had acquired Lamiflex at the beginning of the quarter. The pro forma information contains the actual operating results of the Company, including Lamiflex, adjusted to include the pro forma impact of (i) additional depreciation expense as a result of estimated depreciation based on the fair value of fixed assets and; (ii) additional expense as a result of the estimated amortization of identifiable intangible assets; These pro forma amounts do not purport to be indicative of the results that would have actually been obtained if the acquisition occurred at the beginning of the period or that may be obtained in the future.

	Pro Forma (unaudited) Quarter to Date Period Ended March 31, 2012
Total revenues	$ 193,870
Net income attributable to Altra Holdings, Inc.	$ 10,570
Basic earnings per share:	
Net income attributable to Altra Holdings, Inc.	$ 0.40
Diluted earnings per share:	
Net income attributable to Altra Holdings, Inc.	$ 0.40

6. Inventories

Inventories are generally stated at the lower of cost or market, using the first-in, first-out (FIFO) method. Market is defined as net realizable value. Inventories located at certain subsidiaries are stated at the lower of cost or market, principally using the last-in, first-out (LIFO) method. Inventories at March 30, 2013 and December 31, 2012 consisted of the following:

	March 30, 2013	December 31, 2012
Raw materials	$ 39,604	$ 39,902
Work in process	21,337	21,199
Finished goods	62,093	62,675
Inventories	$ 123,034	$ 123,776

Approximately 10% of total inventories were valued using the LIFO method as of each of March 30, 2013 and December 31, 2012. The Company recorded a $0.1 million provision as a component of cost of sales to value the inventory on a LIFO basis for the quarter ended March 31, 2012. There was no provision necessary to value the inventory on a LIFO basis for the quarter ended March 30, 2013.

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7. Goodwill and Intangible Assets

Changes to goodwill from January 1, through March 30, 2013 were as follows:

	2013
Gross goodwill balance as of January 1	$ 120,035
Impact of changes in foreign currency	(993)
Gross goodwill balance as of March 30	119,042
Accumulated impairment as of January 1	(31,810)
Impairment charge during the period	
Accumulated impairment as of March 30	(31,810)
Net goodwill balance March 30, 2013	$ 87,232

Other intangible assets as of March 30, 2013 and December 31, 2012 consisted of the following:

	March 30, 2013		December 31, 2012	
	Cost	Accumulated Amortization	Cost	Accumulated Amortization
Other intangible assets				
Intangible assets not subject to amortization:				
Tradenames and trademarks	$ 34,485	$	$ 34,485	$
Intangible assets subject to amortization:				
Customer relationships	78,864	37,783	78,864	36,202
Product technology and patents	5,719	5,689	5,719	5,657
Impact of changes in foreign currency	(2,037)		(1,111)	
Total intangible assets	$ 117,031	$ 43,472	$ 117,957	$ 41,859

The Company recorded $1.6 million and $1.7 million of amortization expense in the quarters ended March 30, 2013 and March 31, 2012, respectively.

The estimated amortization expense for intangible assets is approximately $4.8 million for the remainder of 2013, $6.4 million in each of the next four years and then $9.6 million thereafter.

8. Warranty Costs

The contractual warranty period generally ranges from three months to two years with a few extending up to thirty-six months based on the product and application of the product. Changes in the carrying amount of accrued product warranty costs for each of the quarters ended March 30, 2013 and March 31, 2012 are as follows:

	March 30, 2013	March 31, 2012
Balance at beginning of period	$ 5,625	$ 4,898
Accrued current period warranty expense	519	762

Payments	(416)	(619)
Balance at end of period	$ 5,728	$ 5,041

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9. Income Taxes

The estimated effective income tax rates recorded for the quarters ended March 30, 2013 and March 31, 2012, were based upon management s best estimate of the effective tax rate for the entire year.

The Company and its subsidiaries file a consolidated federal income tax return in the United States as well as consolidated and separate income tax returns in various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in all of these jurisdictions. With the exception of certain foreign jurisdictions, the Company is no longer subject to income tax examinations for the tax years prior to 2008.

Additionally, the Company has indemnification agreements with the sellers of the Colfax, Kilian, Bauer, Lamiflex and Hay Hall entities that provide for reimbursement to the Company for payments made in satisfaction of tax liabilities relating to pre-acquisition periods.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense in the condensed consolidated statements of comprehensive income. At each of December 31, 2012 and March 30, 2013, the Company had $0.4 million of accrued interest and penalties.

10. Pension and Other Employee Benefits

Defined Benefit (Pension) and Post-retirement Benefit Plans

The Company sponsors various defined benefit (pension) and post-retirement (medical, dental and life insurance coverage) plans for certain, primarily unionized employees.

The following table represents the components of the net periodic benefit cost associated with the respective plans for the quarters ended March 30, 2013 and March 31, 2012:

	Quarter Ended			
	Pension Benefits		Other Benefits	
	March 30, 2013	March 31, 2012	March 30, 2013	March 31, 2012
Service cost	$ 38	$ 25	$ 1	$ 1
Interest cost	246	273	3	4
Expected return on plan assets	(267)	(268)		
Amortization of prior service income			(1)	(1)
Amortization of net gain	42	25	(13)	(13)
Net periodic benefit cost (income)	$ 59	$ 55	$ (10)	$ (9)

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The Company made a $1.0 million supplementary contribution during the quarter ended March 30, 2013.

11. Debt

Outstanding debt obligations at March 30, 2013 and December 31, 2012 were as follows:

	March 30, 2013	December 31, 2012
Debt:		
Revolving Credit Facility	$ 60,000	$ 79,304
Convertible Notes	85,000	85,000
Term Notes	98,125	100,000
Equipment Loan	2,287	1,100
Mortgages	807	963
Capital leases	89	99
Other	285	435
Total debt	246,593	266,901
Less: debt discount, net of accretion	(18,546)	(19,306)
Total long-term debt, net of unaccreted discount	$ 228,047	$ 247,595
Less current portion of long-term debt	10,904	9,135
Long-term debt - less current portion and net of unaccreted discount	$ 217,143	$ 238,460

Credit Agreement

In November 2012, the Company entered into a Credit Agreement with certain financial institutions (collectively, the Lenders), to be guaranteed by certain domestic subsidiaries of the Company (each a Guarantor and collectively the Guarantors). Pursuant to the Credit Agreement, the Lenders made available to the Company an initial term loan facility of $100,000,000 (the Term Loan Facility) and an initial revolving credit facility of $200,000,000 (the Revolving Credit Facility).

Interest on the amounts outstanding under the credit facilities is calculated using either an ABR Rate or Eurodollar rate, plus the applicable margin. The applicable margins for Eurodollar Loans are between 1.375% to 1.875%, and for ABR Loans are between 0.375% and 0.875%. The Credit Agreement provides for a possible expansion of the facilities by an aggregate additional $150,000,000, which can be allocated as additional term loans and/or additional revolving credit loans. The amounts available under the Term Loan Facility and Revolving Credit Facility are to be available for general corporate purposes and to repay existing indebtedness. The stated maturity of both of these credit facilities is November 20, 2017, and there are scheduled quarterly principal payments due on the outstanding amount of the Term Loan Facility. A portion of the Revolving Credit Facility may be used for the issuance of letters of credit, and a portion of the amount of the Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies.

The proceeds of the Term Loan Facility and a portion of the proceeds of the Revolving Credit Facility, along with cash on hand, were used by the Company to contribute all funds necessary to redeem all of the Company s Senior Secured Notes in December 2012 (the Redemption). As of March 30, 2013 and December 31, 2012, we had $60.0 and $79.3 million outstanding on our Revolving Credit Facility, respectively. As of March 30, 2013 and December 31, 2012, we had $6.6 and $7.6 million in letters of credit outstanding, respectively. We had $133.4 million and $113.1 million and available under the Revolving Credit Facility at March 30, 2013 and December 31, 2012, respectively.

The Credit Agreement contains various affirmative and negative covenants and restrictions, which among other things, will require the Company and certain Subsidiaries to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leverage and interest coverage, limit maximum annual capital expenditures, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The Credit Agreement also contains customary events of default.

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Pledge and Security Agreement; Trademark Security Agreement; Patent Security Agreement.

Pursuant to the Credit Agreement, on November 20, 2012, the Loan Parties and the Administrative Agent entered into a Pledge and Security Agreement (the Pledge and Security Agreement), pursuant to which each Loan Party pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all personal property, whether now owned by or owing to, or after acquired by or arising in favor of such Loan Party (including under any trade name or derivations), and whether owned or consigned by or to, or leased from or to, such Loan Party, and regardless of where located, except for specific excluded personal property identified in the Pledge and Security Agreement (collectively, the Collateral). Notwithstanding the foregoing, the Collateral does not include, among other items, more than 65% of the capital stock of the first tier foreign subsidiaries of the Company. The Pledge and Security Agreement contains other customary representations, warranties and covenants of the parties. The Credit Agreement provides that the obligation to grant the security interest can cease upon the obtaining of certain corporate family ratings for the Company, but the obligation to grant a security interest is subject to subsequent reinstatement if the ratings are not maintained as provided in the Credit Agreement.

In connection with the Pledge and Security Agreement, certain of the Loan Parties delivered a Patent Security Agreement and a Trademark Security Agreement in favor of the Administrative Agent pursuant to which each of the Loan Parties signatory thereto pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all registered patents, patent applications, registered trademarks and trademark applications owned by such Loan Parties.

Convertible Senior Notes

On March 7, 2011, the Company issued $85.0 million of Convertible Senior Notes (the Convertible Notes) due on March 1, 2031. The Convertible Notes will mature on March 31, 2031, unless earlier redeemed, repurchased by the Company or converted, and are convertible into cash or shares, or a combination thereof, at the Company s election. Interest on the Convertible Notes is payable semiannually in arrears, on March 1 and September 1 of each year, and commenced on September 1, 2011 at an annual rate of 2.75%.

The Company separately accounted for the debt and equity components of the Convertible Notes to reflect the issuer s non-convertible debt borrowing rate, which interest costs are to be recognized in subsequent periods. The note payable principal balance at the date of issuance of $85.0 million was bifurcated into a debt component of $60.5 million and an equity component of $24.5 million. The difference between the note payable principal balance and the value of the debt component is being accreted to interest expense over the term of the notes. The debt component was recognized at the present value of associated cash flows discounted using a 8.25% discount rate, the borrowing rate at the date of issuance for a similar debt instrument without a conversion feature. The Company paid approximately $3.7 million of issuance costs associated with the Convertible Notes. The Company recorded $1.0 million of debt issuance costs as an offset to additional paid-in capital. The balance of $2.7 million of debt issuance costs is classified as other non-current assets and will be amortized over the term of the notes using the effective interest method.

The carrying amount of the principal amount of the liability component, the unamortized discount, and the net carrying amount are as follows as of March 30, 2013:

	March 30, 2013
Principal amount of debt	$ 85,000
Unamortized discount	18,546
Carrying value of debt	$ 66,454

Interest expense associated with the Convertible Notes consisted of the following for the year ended March 30, 2013:

	March 30, 2013
Contractual coupon rate of interest	$ 584
Accretion of Convertible Notes discount and amortization of deferred financing costs	847

Interest expense for the Convertible Notes	$ 1,431

The effective interest yield of the Convertible Notes due in 2031 is 8.5% at March 30, 2013 and the cash coupon interest rate is 2.75%.

Senior Secured Notes

In November 2009, the Company issued 8 1/8% Senior Secured Notes (the Senior Secured Notes) with a face value of $210 million. Interest on the Senior Secured Notes was payable semi-annually in arrears, on June 1 and December 1 of each year, commencing on June 1, 2010 at an annual rate of 8 1/8%. The effective interest rate of the Senior Secured Notes was approximately 8.75% after consideration of the $6.7 million of deferred financing costs (included in other non-current assets which are being amortized over the term using the effective interest method). The principal balance of the Senior Secured Notes was scheduled to mature on December 1, 2016.

The Senior Secured Notes were guaranteed by the Company s U.S. domestic subsidiaries and were secured by a second priority lien, subject to first priority liens securing the Old Revolving Credit Agreement, on substantially all of the Company s assets and those of its domestic subsidiaries. The indenture governing the Senior Secured Notes contained covenants which restricted the Company and its subsidiaries. These restrictions limited or prohibited, among other things, the Company s ability to incur additional indebtedness; repay subordinated indebtedness prior to stated maturities; pay cash dividends on or redeem or repurchase stock or make other distributions; make investments or acquisitions; sell certain assets or merge with or into other companies; sell stock in our subsidiaries; and create liens on their assets. There are no financial covenants associated with the Senior Secured Notes.

During 2012, Altra Industrial retired the remaining principal balance of the 8 1/8% Senior Secured Notes, of $198.0 million.

Old Revolving Credit Agreement

Prior to entering into the current Credit Agreement, Altra Industrial had previously entered into a senior secured credit facility, (the Old Revolving Credit Agreement), that provided for borrowing capacity in an initial amount of up to $65.0 million (subject to adjustment pursuant to a borrowing base and subject to increase from time to time in accordance with the terms of the credit facility).

The Old Revolving Credit Agreement was replaced with the new Revolving Credit Facility in November 2012.

Equipment Loan

The Company has a 24.6 million RMB ($3.9 Million) Equipment Loan with a Chinese bank to equip its new facility in Changzhou, China. The loan had a remaining principal of 14.4 million RMB ($2.3 million) and 12.4 million RMB ($1.1 million) at March 30, 2013 and December 31, 2012, respectively. Interest is payable monthly at 6.4%. The principal amount of the Equipment Loan note is due in August 2013, when the note expires.

Mortgage

The Company has a mortgage with a bank on its facility in Heidelberg, Germany with an interest rate of 2.9% and is payable in monthly installments over the next three years. As of March 30, 2013 and December 31, 2012, the mortgage had a remaining principal of 0.6 million or $0.8 million and 0.7 million or $1.0 million, respectively.

Capital Leases

The Company leases certain equipment under capital lease arrangements, whose obligations are included in both short-term and long-term debt. Capital lease obligations amounted to approximately $0.1 million at March 30, 2013 and December 31, 2012. Assets subject to capital leases are included in property, plant and equipment with the related amortization recorded as depreciation expense.

Overdraft Agreements

Certain of our foreign subsidiaries maintain overdraft agreements with financial institutions. There were no borrowings as of March 30, 2013 or December 31, 2012 under any of the overdraft agreements.

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12. Stockholders Equity

On February 12, 2013, the Company s Board of Directors approved the payment of a quarterly cash dividend of $0.08 per share for the quarter ended March 30, 2013. The dividend of $2.2 million was paid on April 3, 2013 to shareholders of record as of the close of business on March 18, 2013 and was accrued for in the balance sheet at March 30, 2013.

Future declarations of quarterly cash dividends are subject to approval by the Board of Directors and to the Board s continuing determination that the declaration of dividends are in the best interest of the Company s stockholders and are in compliance with all laws and agreements of the Company applicable to the declaration and payment of cash dividends.

Stock-Based Compensation

The Company s Board of Directors established the 2004 Equity Incentive Plan (as amended, the Plan) that provides for various forms of stock-based compensation to independent directors, officers and senior-level employees of the Company. The restricted shares of common stock issued pursuant to the Plan generally vest ratably over a period ranging from immediately to 5 years, provided that the vesting of the restricted shares may accelerate upon the occurrence of certain liquidity events, if approved by the Board of Directors in connection with the transactions. Common stock awarded under the Plan is generally subject to restrictions on transfer, repurchase rights, and other limitations and rights as set forth in the applicable award agreements. The shares are valued based on the share price on the date of grant.

The Plan permits the Company to grant restricted stock, among other things, to key employees and other persons who make significant contributions to the success of the Company. The restrictions and vesting schedule for restricted stock granted under the Plan are determined by the Personnel and Compensation Committee of the Board of Directors.

The Plan also permits the Company to grant performance share awards, among other things, to the Company s executives and certain other officers and employees based on pre-established annual performance objectives and goals. The company issued performance share unit awards during February 2013 and has accrued compensation expense based on the probable outcome of these annual objectives and goals.

Compensation expense recorded during the quarters ended March 30, 2013 and March 31, 2012, was $0.8 million in each quarter. Stock-based compensation has been recorded as an adjustment to selling, general and administrative expenses in the accompanying condensed consolidated statements of comprehensive income. The company recognizes stock-based compensation expense on a straight line basis for the shares vesting ratably under the plan and uses the graded-vesting method of recognizing stock based compensation expense for the performance share awards based on the probability of the specific performance metrics being achieved over the requisite service period.

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The following table sets forth the activity of the Company s unvested restricted stock grants in the quarter ended March 30, 2013:

	Shares	Weighted-average grant date fair value
Restricted shares unvested January 1, 2013	162,586	$ 18.67
Shares granted	118,129	24.49
Shares for which restrictions lapsed	(20,935)	24.51
Restricted shares unvested March 30, 2013	259,780	$ 20.85

Total remaining unrecognized compensation cost was $5.1 million as of March 30, 2013, which will be recognized over a weighted average remaining period of three years. The fair market value of the shares for which the restrictions have lapsed during the quarter ended March 30, 2013 was $0.5 million. Restricted shares granted are valued based on the fair market value of the stock on the date of grant.

13. Concentrations of Credit, Segment Data and Workforce

Financial instruments, which are potentially subject to counter party performance and concentrations of credit risk, consist primarily of trade accounts receivable. The Company manages these risks by conducting credit evaluations of customers prior to delivery or commencement of services. When the Company enters into a sales contract, collateral is normally not required from the customer. Payments are typically due within thirty days of billing. An allowance for potential credit losses is maintained, and losses have historically been within management s expectations. No customer represented greater than 10% of total sales for each of the quarters ended March 30, 2013 and March 31, 2012.

The Company is also subject to counter party performance risk of loss in the event of non-performance by counterparties to financial instruments, such as cash and investments. Cash and investments are held by well established financial institutions and invested in AAA rated mutual funds or United States Government Securities.

The Company has three operating segments that are regularly reviewed by our chief operating decision maker. Each of these operating segments represents a unit that produces mechanical power transmission products. The Company aggregates all of the operating segments into one reportable segment. The three operating segments are expected to have similar long-term average gross profit margins. All of our products are sold by one global sales force and we have one global marketing function with the exception of the Bauer gear motor business for which the Company is in the process of integrating sales and marketing activities. Strategic markets and industries are determined for the entire company and then targeted by the brands. All of our operating segments have common manufacturing and production processes. Each operating segment includes a machine shop which uses similar equipment and manufacturing techniques. Each of our operating segments uses common raw materials, such as aluminum, steel and copper. The materials are purchased and procurement contracts are negotiated by one global purchasing function.

The Company serves the general industrial market by selling to original equipment manufacturers (OEM) and distributors. Our OEM and distributor customers serve the general industrial market. Resource allocation decisions such as capital expenditure requirements and headcount requirements are made at a consolidated level and allocated to the individual operating segments.

Discrete financial information is not available by product line at the level necessary for management to assess performance or make resource allocation decisions.

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Net sales to third parties by geographic region are as follows:

	Net Sales Quarter Ended	
	March 30, 2013	March 31, 2012
North America (primarily U.S.)	$ 120,548	$ 124,978
Europe	54,205	57,446
Asia and other	10,397	9,961
Total	$ 185,150	$ 192,385

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates.

The net assets of the Company s foreign subsidiaries at March 30, 2013 and December 31, 2012 were $120.9 million and $117.0 million, respectively.

14. Restructuring

In the quarter ended December 31, 2012, the Company adopted a restructuring plan (2012 Altra Plan) as a result of continued sluggish demand in Europe and general global economic conditions. The actions included in the 2012 Altra Plan include reducing headcount and limiting discretionary spending to improve profitability in Europe. The Company recorded $0.3 million in restructuring charges associated with the 2012 Altra Plan in the quarter ended March 30, 2013. The costs were primarily severance charges due in connection with the reduction of the workforce at our European locations.

The Company s total restructuring expense, by major component for the quarter ended March 30, 2013 was as follows:

	Quarter Ended March 30, 2013
Severance	$ 283
Other	37
Total cash expenses	$ 320

The following is a reconciliation of the accrued restructuring cost:

	Quarter Ended March 30, 2013
Balance at January 1, 2013	$ 2,920
Restructuring expense incurred	320
Cash payments	(1,424)
Balance at March 30, 2013	$ 1,816

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The total restructuring reserve as of March 30, 2013 relates to severance costs to be paid to employees and is recorded in accruals and other current liabilities on the consolidated balance sheet. The Company expects to incur approximately $0.4 to $0.7 million in restructuring expenses during the remainder of 2013 under the 2012 Altra Plan.

15. Commitments and Contingencies

General Litigation

The Company is involved in various pending legal proceedings arising out of the ordinary course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims, and workers compensation claims. None of these legal proceedings are expected to have a material adverse effect on the results of operations, cash flows, or financial condition of the Company. With respect to these proceedings, management believes that the Company will prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to the Company, there could be a material adverse effect on the results of operations, cash flows, or financial condition of the Company. We have established loss provisions for matters in which losses are probable and can be reasonably estimated. There were no material amounts accrued in the accompanying condensed consolidated balance sheets for potential litigation as of March 30, 2013 or December 31, 2012. For matters where a reserve has not been established and for which we believe a loss is reasonably possible, as well as for matters where a reserve has been recorded but for which an exposure to loss in excess of the amount accrued is reasonably possible, we believe that such losses, individually and in the aggregate, will not have a material effect on our consolidated financial statements.

The Company also risks exposure to product liability claims in connection with products it has sold and those sold by businesses that the Company acquired. Although in some cases third parties have retained responsibility for product liability claims relating to products manufactured or sold prior to the acquisition of the relevant business and in other cases the persons from whom the Company has acquired a business may be required to indemnify the Company for certain product liability claims subject to certain caps or limitations on indemnification, the Company cannot assure that those third parties will in fact satisfy their obligations with respect to liabilities retained by them or their indemnification obligations. If those third parties become unable to or otherwise do not comply with their respective obligations including indemnity obligations, or if certain product liability claims for which the Company is obligated were not retained by third parties or are not subject to these indemnities, the Company could become subject to significant liabilities or other adverse consequences. Moreover, even in cases where third parties retain responsibility for product liability claims or are required to indemnify the Company, significant claims arising from products that have been acquired could have a material adverse effect on the Company s ability to realize the benefits from an acquisition, could result in the reduction of the value of goodwill that the Company recorded in connection with an acquisition, or could otherwise have a material adverse effect on the Company s business, financial condition, or operations.

16. Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure.

The Company has declared a dividend of $0.10 per share for the quarter ended June 29, 2013, payable on July 2, 2013 to shareholders of record as of June 18, 2013.

On April 15, 2013 the Company entered an interest rate swap agreement designed to fix the ABR Rate rate payable on a portion of its outstanding borrowings under the Credit Agreement at 0.626% exclusive of the credit spread under the Credit Agreement.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q 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, which reflect the Company s current estimates, expectations and projections about the Company s future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning the Company s possible future results of operations including revenue, costs of goods sold, gross margin, future profitability, future economic improvement, business and growth strategies, financing plans, the Company s competitive position and the effects of competition, the projected growth of the industries in which we operate, and the Company s ability to consummate strategic acquisitions and other transactions. Forward-looking statements include statements that are not historical facts and can be identified by forward-looking words such as anticipate, believe, could, estimate, expect, intend, plan, may, should, will, would, projec expressions. These forward-looking statements are based upon information currently available to the Company and are subject to a number of risks, uncertainties, and other factors that could cause the Company s actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements. Important factors that could cause the Company s actual results to differ materially from the results referred to in the forward-looking statements the Company makes in this report include:

the Company s access to capital, credit ratings, indebtedness, and ability to raise additional capital and operate under the terms of the Company s debt obligations;

the risks associated with our debt;

the effects of intense competition in the markets in which we operate;

the Company s ability to successfully execute, manage and integrate key acquisitions and mergers, including the Bauer Acquisition and the Lamiflex Acquisition;

the Company s ability to obtain or protect intellectual property rights;

the Company s ability to retain existing customers and our ability to attract new customers for growth of our business;

the effects of the loss or bankruptcy of or default by any significant customer, suppliers, or other entity relevant to the Company s operations;

the Company s ability to successfully pursue the Company s development activities and successfully integrate new operations and systems, including the realization of revenues, economies of scale, cost savings, and productivity gains associated with such operations;

the Company s ability to complete cost reduction actions and risks associated with such actions;

the Company s ability to control costs;

the risks associated with the portion of the Company s total assets comprised of goodwill and indefinite lived intangibles;

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failure of the Company s operating equipment or information technology infrastructure;

the Company s ability to achieve its business plans, including with respect to an uncertain economic environment;

changes in employment, environmental, tax and other laws and changes in the enforcement of laws;

the accuracy of estimated forecasts of OEM customers and the impact of the current global and European economic environment on our customers;

fluctuations in the costs of raw materials used in our products;

the Company s ability to attract and retain key executives and other personnel;

work stoppages and other labor issues;

changes in the Company s pension and retirement liabilities;

the Company s risk of loss not covered by insurance;

the outcome of litigation to which the Company is a party from time to time, including product liability claims;

changes in accounting rules and standards, audits, compliance with the Sarbanes-Oxley Act, and regulatory investigations;

changes in market conditions that would result in the impairment of goodwill or other assets of the Company;

changes in market conditions in which we operate that would influence the value of the Company s stock;

the effects of changes to critical accounting estimates; changes in volatility of the Company s stock price and the risk of litigation following a decline in the price of the Company s stock;

the cyclical nature of the markets in which we operate;

the risks associated with the global recession and European economic downturn and volatility and disruption in the global financial markets;

political and economic conditions nationally, regionally, and in the markets in which we operate;

natural disasters, war, civil unrest, terrorism, fire, floods, tornadoes, earthquakes, hurricanes, or other matters beyond the Company s control;

the risks associated with international operations, including currency risks;

the effects of unanticipated deficiencies, if any, in the disclosure controls and internal controls of Bauer;

the risks associated with the Company s investment in a new manufacturing facility in China; and

other factors, risks, and uncertainties referenced in the Company s filings with the Securities and Exchange Commission, including the Risk Factors set forth in the Company s Annual Report on Form 10-K for the year ended December 31, 2012.

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ALL FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS REPORT. EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR RELEASE ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT ANY EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS REPORT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO US OR ANY PERSON ACTING ON THE COMPANY S BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS CONTAINED OR REFERRED TO IN THIS SECTION AND IN OUR RISK FACTORS SET FORTH IN PART I, ITEM 1A OF THE COMPANY S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2012, AND IN OTHER REPORTS FILED WITH THE SECURITIES AND EXCHANGE COMMISSION BY THE COMPANY.

The following discussion of the financial condition and results of operations of Altra Holdings, Inc. and its subsidiaries should be read together with the audited financial statements of Altra Holdings, Inc. and its subsidiaries and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2012. Unless the context requires otherwise, the terms Altra Holdings, the Company, we, us, and our refer to Altra Holdings, Inc. and its subsidiaries.

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General

Altra Holdings, Inc. is the parent company of Altra Industrial Motion, Inc., or Altra Industrial, and owns 100% of Altra Industrial s outstanding capital stock. Altra Industrial, directly or indirectly, owns 100% of the capital stock of 55 of its subsidiaries and 85% of the capital stock of one of its subsidiaries located in Brazil. The following chart illustrates a summary of our corporate structure:

Although we were incorporated in Delaware in 2004, much of our current business has its roots with the prior acquisition by Colfax Corporation, or Colfax, of a series of power transmission businesses. In December 1996, Colfax acquired the electro-mechanical power transmission group of Zurn Technologies, Inc. Colfax subsequently acquired Industrial Clutch Corp. in May 1997, Nuttall Gear Corp. in July 1997 and the Boston Gear and Delroyd Worm Gear brands in August 1997 as part of Colfax s acquisition of Imo Industries, Inc. In February 2000, Colfax acquired Warner Electric, Inc., which sold products under the Warner Electric, Formsprag Clutch, Stieber, and Wichita Clutch brands. Colfax formed Power Transmission Holding LLC, or PTH , in June 2004 to serve as a holding company for all of these power transmission businesses. Boston Gear was established in 1877, Warner Electric, Inc. in 1927, and Wichita Clutch in 1949.

On November 30, 2004, we acquired our original core business through the acquisition of PTH from Colfax. We refer to this transaction as the PTH Acquisition.

On October 22, 2004, The Kilian Company, or Kilian, a company formed at the direction of Genstar Capital, then the largest stockholder of Altra Holdings, acquired Kilian Manufacturing Corporation from Timken U.S. Corporation. At the completion of the PTH Acquisition, (i) all of the outstanding shares of Kilian capital stock were exchanged for shares of our capital stock and (ii) Kilian and its subsidiaries were transferred to Altra Industrial.

On February 10, 2006, we purchased all of the outstanding share capital of Hay Hall Holdings Limited, or Hay Hall. Hay Hall was a UK-based holding company established in 1996 that was focused primarily on the manufacture of couplings and clutch brakes.

On May 18, 2006, we acquired substantially all of the assets of Bear Linear Inc., or Warner Linear. Warner Linear manufactures high value-added linear actuators which are electromechanical power transmission devices designed to move and position loads linearly for mobile off-highway and industrial applications.

On April 5, 2007, we acquired all of the outstanding shares of TB Wood s Corporation, or TB Wood s. TB Wood s is an established designer, manufacturer and marketer of mechanical and electronic industrial power transmission products with a history dating back to 1857.

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On October 5, 2007, we acquired substantially all of the assets of All Power Transmission Manufacturing, Inc., a manufacturer of universal joints.

On December 31, 2007, we sold the TB Wood s adjustable speed drives business, or Electronics Division. We sold the Electronics Division in order to continue our strategic focus on our core electro-mechanical power transmission business.

On May 29, 2011, we acquired substantially all of the assets and liabilities of Danfoss Bauer GmbH relating to its gearmotor business (Bauer). Bauer is a European manufacturer of high-quality gearmotors, offering engineered solutions to a variety of industries, including material handling, metals, food processing and energy. We refer to this transaction as the Bauer Acquisition.

On July 11, 2012, we acquired 85% of privately held Lamiflex do Brasil Equipamentos Industriais Ltda., now known as Lamiflex Do Brasil Equipamentos Industriais S.A. (Lamiflex). Lamiflex is one of the premier Brazilian manufacturer of high-speed disc couplings, providing engineered solutions to a variety of industries, including oil and gas, power generation, metals and mining.

We are a leading global designer, producer and marketer of a wide range of electro-mechanical power transmission and motion control products with a presence in over 70 countries. Our global sales and marketing network includes over 1,000 direct OEM customers and over 3,000 distributor outlets. Our product portfolio includes industrial clutches and brakes, enclosed gear drives, open gearing, couplings, engineered bearing assemblies, linear components, gearmotors, and other related products. Our products serve a wide variety of end markets including energy, general industrial, material handling, mining, transportation and turf and garden. We primarily sell our products to a wide range of OEMs and through long-standing relationships with industrial distributors such as Motion Industries, Applied Industrial Technologies, Kaman Industrial Technologies and W.W. Grainger.

While the power transmission industry has undergone some consolidation, we estimate that in 2012 the top five broad-based electro-mechanical power transmission companies represented approximately 20% of the U.S. power transmission market. The remainder of the power transmission industry remains fragmented with many small and family-owned companies that cater to a specific market niche often due to their narrow product offerings. We believe that consolidation in our industry will continue because of the increasing demand for global distribution channels, broader product mixes and better brand recognition to compete in this industry.

Our products, principal brands and markets and sample applications are set forth below:

Products	**Principal Brands**	**Principal Markets**	**Sample Applications**
Clutches and Brakes	Warner Electric, Wichita Clutch, Formsprag Clutch, Stieber Clutch, Matrix, Inertia Dynamics, Twiflex, Industrial Clutch, Marland Clutch	Aerospace, energy, material handling, metals, turf and garden, mining	Elevators, forklifts, lawn mowers, oil well draw works, punch presses, conveyors
Gearing	Boston Gear, Nuttall Gear, Delroyd, Bauer Gear Motor	Food processing, material handling, metals, transportation	Conveyors, ethanol mixers, packaging machinery, metal processing equipment
Engineered Couplings	Ameridrives, Bibby Transmissions, TB Wood s, PowerFlex	Energy, metals, plastics, chemical	Extruders, turbines, steel strip mills, pumps
Engineered Bearing Assemblies	Kilian	Aerospace, material handling, transportation	Cargo rollers, seat storage systems, conveyors
Power Transmission Components	Warner Electric, Boston Gear, Huco Dynatork, Warner Linear, Matrix, TB Wood s	Material handling, metals, turf and garden	Conveyors, lawn mowers, machine tools
Engineered Belted Drives	TB Wood s	Aggregate, HVAC, material handling	Pumps, sand and gravel conveyors, industrial fans

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Our Internet address is www.altramotion.com. By following the link Investor Relations and then SEC filings on our Internet website, we make available, free of charge, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) as soon as reasonably practicable after such forms are filed with or furnished to the Securities and Exchange Commission. We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this Form 10-Q.

Business Outlook

Our future financial performance depends, in large part, on conditions in the markets that we serve and on the U.S., European and global economies in general. In the remainder of 2013, we expect to continue to focus on the execution of our long-term growth strategy, and will also continue to focus on maintaining a reduced cost base. Among other items, we expect our strategic initiatives during the remainder of 2013 will continue to include investing in organic growth, seeking strategic acquisitions, targeting key underpenetrated geographic regions, entering new high-growth markets, enhancing our efficiency and productivity through the Altra Business System and focusing on the development of our people and processes.

We expect continued stagnant demand across our end markets. We expect to offset this through our continued profit improvement initiatives and lower borrowing costs due to our recent refinancing and expect improved profitability when compared to the prior year.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions and estimates that affect our reported amounts of assets, revenues and expenses, as well as related disclosure of contingent assets and liabilities. We base our estimates on past experiences and other assumptions we believe to be appropriate, and we evaluate these estimates on an on-going basis. See the discussion of critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2012.

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Results of Operations

	Quarter Ended March 30, 2013	Quarter Ended March 31, 2012
Net sales	$ 185,150	$ 192,385
Cost of sales	129,651	135,712
Gross profit	55,499	56,673
Gross profit percentage	30.0%	29.5%
Selling, general and administrative expenses	32,442	31,997
Research and development expenses	2,934	3,027
Restructuring costs	320	
Income from operations	19,803	21,649
Interest expense, net	2,605	5,774
Other non-operating (income) expense, net	(47)	225
Income before income taxes	17,245	15,650
Provision for income taxes	5,386	5,134
Net income	11,859	10,516
Net loss attributable to non-controlling interest	21	
Net income attributable to Altra Holdings, Inc.	$ 11,880	$ 10,516

Quarter Ended March 30, 2013 compared with Quarter Ended March 31, 2012

(Amounts in thousands, unless otherwise noted)

	Quarter-Ended			
	March 30, 2013	March 31, 2012	Change	%
Net sales	$ 185,150	$ 192,385	$ (7,235)	-3.8%

The decrease in sales during the quarter ended March 30, 2013 was due to the negative impact of foreign exchange rate changes of $1.7 million primarily related to the Euro and British Pound Sterling rates compared to 2012 combined with lower sales levels across all operating segments due to weak demand in all geographies. This was partially offset by the inclusion of Lamiflex in the quarter ended March 30, 2013. We expect to see flat to moderate softening in our order rates in the remainder of 2013, particularly in Europe.

	Year Ended			
	March 30, 2013	March 31, 2012	Change	%
Gross Profit	$ 55,499	$ 56,673	$ (1,174)	-2.1%
Gross Profit as a percent of sales	30.0%	29.5%		

Gross profit as a percentage of sales improved in the quarter ended March 30, 2013, primarily due to the price increases implemented during the past twelve months, low cost country sourcing and productivity improvements. We expect our full year 2013 gross profit as a percentage of sales to continue show improvement over 2012.

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	Quarter Ended			
Amounts in thousands, except percentage data	**March 30, 2013**	**March 31, 2012**	**Change**	**%**
Selling, general and administrative expense (SG&A)	$ 32,442	$ 31,997	$ 445	1.4%
SG&A as a percent of sales	17.5%	16.6%		

The increase in SG&A in the quarter ended March 30, 2013 is due primarily to the inclusion of the expenses of Lamiflex, which was acquired in the quarter ended September 30, 2012.

	Quarter Ended			
Amounts in thousands, except percentage data	**March 30, 2013**	**March 31, 2012**	**Change**	**%**
Research and development expenses (R&D)	$ 2,934	$ 3,027	$ (93)	-3.1%

R&D expenses as a percentage of sales remained consistent with prior year at approximately 1.6% of sales. We do not forecast significant variances in future periods.

	Quarter Ended			
Amounts in thousands, except percentage data	**March 30, 2013**	**March 31, 2012**	**Change**	**%**
Interest Expense, net	$ 2,605	$ 5,774	$ (3,169)	-54.9%

Net interest expense decreased substantially in the quarter ended March 30, 2013 due to the Company refinancing its debt at much lower rates than were in effect during the quarter ended March 31, 2012. The company expects to continue to see savings in interest expense throughout the remainder of 2013 when compared to prior periods.

	Quarter Ended			
Amounts in thousands, except percentage data	**March 30, 2013**	**March 31, 2012**	**Change**	**%**
Other non-operating expense, net	$ (47)	$ 225	$ (272)	-120.9%

Other non-operating income in each period relates primarily to changes in foreign currency, primarily the British Pound Sterling and Euro.

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Amounts in thousands, except percentage data	Quarter Ended March 30, 2013	March 31, 2012	Change	%
Provision for income taxes	$ 5,386	$ 5,134	$ 252	4.9%
Provision for income taxes as a % of income become income taxes	31.2%	32.8%		

The provision for income taxes, as a percentage of income before taxes, was lower than that of the quarter ended March 30, 2012 primarily due to the recognition of a $0.4 million benefit during the quarter ended March 30, 2013 related to the retroactive reinstatement of the U.S. R&D credit for qualifying amounts incurred in 2012.

Liquidity and Capital Resources

Overview

We finance our capital and working capital requirements through a combination of cash flows from operating activities and borrowings under our revolving credit facility (Revolving Credit Facility). We expect that our primary ongoing requirements for cash will be for working capital, debt service, capital expenditures, acquisitions, pension plan funding, and to pay dividends to our stockholders. In the event additional funds are needed, we could borrow additional funds available under our existing Revolving Credit Facility, request an expansion by $150,000,000 of the amount available to be borrowed under the Credit Agreement, attempt to secure new debt, attempt to refinance our loans under the Credit Agreement, or attempt to raise capital in the equity markets. Presently, we have the ability under our Revolving Credit Facility to borrow an additional $133.4 million, based on current availability calculations. There can be no assurance however that additional debt financing will be available on commercially acceptable terms, or at all. Similarly, there can be no assurance that equity financing will be available on commercially acceptable terms, or at all.

Borrowings

	Amounts in millions	
	March 30, 2013	December 31, 2012
Debt:		
Revolving Credit Facility	$ 60.0	$ 79.3
Convertible Notes	85.0	85.0
Term Loan	98.1	100.0
Equipment Loan	2.3	1.1
Mortgages	0.8	1.0
Capital leases	0.1	0.1
Other	0.3	0.4
Total Debt	$ 246.6	$ 266.9

Credit Agreement

In November 2012, the Company entered into a Credit Agreement with certain financial institutions (collectively, the Lenders), to be guaranteed by certain domestic subsidiaries of the Company (each a Guarantor and collectively the Guarantors). Pursuant to the Credit Agreement, the Lenders made available to the Company an initial term loan facility of $100,000,000 (the Term Loan Facility) and an initial revolving credit facility of $200,000,000 (the Revolving Credit Facility).

Interest on the amounts outstanding under the credit facilities is calculated using either an ABR Rate or Eurodollar rate, plus the applicable margin. The applicable margins for Eurodollar Loans are between 1.375% to 1.875%, and for ABR Loans are between 0.375% and 0.875%. The Credit Agreement provides for a possible expansion of the facilities by an aggregate additional $150,000,000, which can be allocated as additional term loans and/or additional revolving credit loans. The amounts available under the Term Loan Facility and Revolving Credit Facility are to be available for general corporate purposes and to repay existing indebtedness. The stated maturity of both of these credit facilities is November 20, 2017, and there are scheduled quarterly principal payments due on the outstanding amount of the Term Loan Facility. A portion of the Revolving Credit Facility may be used for the issuance of letters of credit, and a portion of the amount of the Revolving Credit Facility is available for borrowings in certain agreed upon foreign currencies.

The proceeds of the Term Loan Facility and a portion of the proceeds of the Revolving Credit Facility, along with cash on hand, were used by the Company to contribute all funds necessary to redeem all of the Company s Senior Secured Notes in December 2012 (the Redemption). As of March 30, 2013 and December 31, 2012, we had $60.0 and $79.3 million outstanding on our Revolving Credit Facility, respectively. As of March 30, 2013 and December 31, 2012, we had $6.6 and $7.6 million in letters of credit outstanding, respectively. We had $133.4 million and $113.1 million and available under the Revolving Credit Facility at March 30, 2013 and December 31, 2012, respectively.

The Credit Agreement contains various affirmative and negative covenants and restrictions, which among other things, will require the Company and certain Subsidiaries to provide certain financial reports to the Lenders, require the Company to maintain certain financial covenants relating to consolidated leverage and interest coverage, limit maximum annual capital expenditures, and limit the ability of the Company and its subsidiaries to incur or guarantee additional indebtedness, pay dividends or make other equity distributions, purchase or redeem capital stock or debt, make certain investments, sell assets, engage in certain transactions, and effect a consolidation or merger. The Credit Agreement also contains customary events of default.

Pledge and Security Agreement; Trademark Security Agreement; Patent Security Agreement.

Pursuant to the Credit Agreement, on November 20, 2012, the Loan Parties and the Administrative Agent entered into a Pledge and Security Agreement (the Pledge and Security Agreement), pursuant to which each Loan Party pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all personal property, whether now owned by or owing to, or after acquired by or arising in favor of such Loan Party (including under any trade name or derivations), and whether owned or consigned by or to, or leased from or to, such Loan Party, and regardless of where located, except for specific excluded personal property identified in the Pledge and Security Agreement (collectively, the Collateral). Notwithstanding the foregoing, the Collateral does not include, among other items, more than 65% of the capital stock of the first tier foreign subsidiaries of the Company. The Pledge and Security Agreement contains other customary representations, warranties and covenants of the parties. The Credit Agreement provides that the obligation to grant the security interest can cease upon the obtaining of certain corporate family ratings for the Company, but the obligation to grant a security interest is subject to subsequent reinstatement if the ratings are not maintained as provided in the Credit Agreement.

In connection with the Pledge and Security Agreement, certain of the Loan Parties delivered a Patent Security Agreement and a Trademark Security Agreement in favor of the Administrative Agent pursuant to which each of the Loan Parties signatory thereto pledges, assigns and grants to the Administrative Agent, on behalf of and for the ratable benefit of the Lenders, a security interest in all of its right, title and interest in, to and under all registered patents, patent applications, registered trademarks and trademark applications owned by such Loan Parties.

Convertible Senior Notes

In March 2011, the Company issued Convertible Senior Notes (the Convertible Notes) due March 1, 2031. The Convertible Notes are guaranteed by the Company s U.S. domestic subsidiaries. Interest on the Convertible Notes is payable semi-annually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Proceeds from the offering were $81.3 million, net of fees and expenses that were capitalized. The proceeds from the offering were used to fund the Bauer Acquisition, as well as bolster the Company s cash position.

Cash and Cash Equivalents

The following is a summary of our cash balances and cash flows (in thousands) as of and for the year to date periods ended March 30, 2013 and March 31, 2012, respectively,

	March 30, 2013	March 31, 2012	Change
Cash and cash equivalents at the beginning of the period	$ 85,154	$ 92,515	$ (7,361)
Cash flows from operating activities	9,295	(2,262)	11,557
Cash flows from investing activities	(4,499)	(8,237)	3,738
Cash flows from financing activities	(20,296)	(3,314)	(16,982)
Effect of exchange rate changes on cash and cash equivalents	(3,483)	1,244	(4,727)
Cash and cash equivalents at the end of the period	$ 66,171	$ 79,946	$ (13,775)

Cash Flows for 2013

The primary sources of funds provided from operating activities of approximately $9.3 million for the quarter ended March 30, 2013 resulted from cash provided from net income of $11.9 million. The net impact of the add-back of certain items including non-cash depreciation, amortization, stock-based compensation, accretion of debt discount, deferred financing costs, and non-cash loss on foreign currency was approximately $8.7 million. This amount was offset by a net increase in current assets and liabilities of approximately $11.3 million.

The change in cash flows from operating activities in 2013 as compared to 2012 related to a federal tax refund of $4.8 million being received in the quarter ended March 30, 2013. Additionally, receivables have decreased by an additional $6.8 million when compared to the quarter ended March 31, 2012 due to lower sales volumes. While a variety of factors can influence our ability to project future cash flow, we expect to see positive cash flows from operating activities during the remainder of fiscal 2013 due to income from operations, lower interest expense than in prior years and a decrease in working capital.

Net cash used in investing activities decreased from 2012 primarily due to lower capital expenditures being required during the quarter ended March 30, 2013. Expenditures decreased during the quarter ended March 30, 2013 as compared to the quarter ended March 31, 2012 as there were greater capital expenditures for new equipment during the quarter ended March 31, 2012 that was not repeated during the quarter ended March 30, 2013.

The change in net cash from financing activities was primarily due to the repayment of approximately $21.2 million towards the company s term loan and revolving credit facility. This was partially offset by the $3.0 million redemption of the variable demand rate revenue bonds during the quarter ended March 31, 2012.

We intend to use our remaining existing cash and cash equivalents and cash flow from operations to provide for our working capital needs, to fund potential future acquisitions, debt service, including principal payments, and capital expenditures, for pension funding, and to pay dividends to our stockholders. We have approximately $50.0 million of cash and cash equivalents held by foreign subsidiaries that are generally subject to U.S. income taxation on repatriation to the U.S. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, the existing cash balances and the availability of additional borrowings under our Revolving Credit Facility provide additional potential sources of liquidity should they be required.

As a result of continued sluggish demand in Europe and general global economic conditions, we adopted a restructuring plan (the 2012 Altra Plan) in the quarter ended December 31, 2012 to improve profitability in Europe. The actions included in the 2012 Altra Plan include reducing headcount and limiting discretionary spending. We expect to experience improved liquidity as a result of these measures in 2013.

Contractual Obligations

There were no significant changes in our contractual obligations subsequent to December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risk factors such as fluctuating interest rates, changes in foreign currency rates, and changes in commodity prices. At present, we do not utilize derivative instruments to manage these risks. During the reporting period, there have been no material changes to the quantitative and qualitative disclosures regarding our market risk set forth in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 4. Controls and Procedures

Disclosure Controls and Procedures

As of March 30, 2013, our management, under the supervision and with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended, or the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act, such as this Form 10-Q, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and (ii) accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of March 30, 2013, our disclosure controls and procedures are effective at a reasonable assurance level.

Changes in Internal Control Over Financial Reporting

There has been no change in our internal control over financial reporting (as defined in Rule 13a-15(e) or 15d-15(e) under the Exchange Act) that occurred during our fiscal quarter ended March 30, 2013, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, party to various legal proceedings arising out of our business. During the reporting period, there have been no material changes to the description of legal proceedings set forth in our Annual Report on Form 10-K for the year ended December 31, 2012.

Item 1A. Risk Factors

The reader should carefully consider the Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2012 filed with the Securities and Exchange Commission. Those risk factors described elsewhere in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2012 are not the only ones we face, but are considered to be the most material. These risk factors could cause our actual results to differ materially from those stated in forward looking statements contained in this Form 10-Q and elsewhere. All risk factors stated in our Annual Report on Form 10-K for the year ended December 31, 2012 are incorporated herein by reference.

During the reporting period, except for below, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2012.

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

The following table summarizes our share repurchase activity by month for the quarter ended March 30, 2013.

Approximate Period	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Approximate Dollar Value of Shares That May Yet be Purchased Under The Plans or Programs
January 1, 2013 to January 26, 2013		$		$
January 27, 2013 to February 23, 2013	2,856	$ 24.65		$
February 24, 2013 to March 30, 2012		$		$

(1) We repurchased these shares of common stock in connection with the vesting of certain stock awards to cover minimum statutory withholding taxes.

Item 3. Defaults Upon Senior Securities

None.

Item 4. Mine Safety Disclosures

Not Applicable.

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Item 5. Other Information

None.

Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	Description
3.1(1)	Second Amended and Restated Certificate of Incorporation of the Registrant.
3.2(2)	Second Amended and Restated Bylaws of the Registrant.
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 Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101***	The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended March 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Comprehensive Income, (ii) the Unaudited Condensed Consolidated Balance Sheet, (iii) the Unaudited Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements.

* Filed herewith.
** Furnished herewith.
*** As provided in Rule 406T of Regulation S-T, this information is furnished herewith and not filed for purposes of sections 11 and 12 of the Securities Act of 1933, as amended, or section 18 of the Securities Exchange Act of 1934, as amended.
(1) Incorporated by reference to Altra Holdings, Inc. s Registration Statement on Form S-1A, as amended, filed with the Securities and Exchange Commission on December 4, 2006.
(2) Incorporated by reference to Altra Holdings, Inc. s Current Report on form 8-K filed on October 27, 2008.

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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.

		ALTRA HOLDINGS, INC.
April 29, 2013	By:	/s/ Carl R. Christenson
	Name:	Carl R. Christenson
	Title	President and Chief Executive Officer
April 29, 2013	By:	/s/ Christian Storch
	Name:	Christian Storch
	Title:	Vice President and Chief Financial Officer
April 29, 2013	By:	/s/ Todd B. Patriacca
	Name:	Todd B. Patriacca
	Title:	Vice President of Finance, Corporate Controller and Treasurer

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32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
101***	The following materials from the Company s Quarterly Report on Form 10-Q for the quarter ended March 30, 2013, formatted in XBRL (Extensible Business Reporting Language): (i) the Unaudited Condensed Consolidated Statement of Earnings, (ii) the Unaudited Condensed Consolidated Balance Sheet, (iii) the Unaudited Condensed Consolidated Statement of Cash Flows, and (iv) Notes to Unaudited Condensed Consolidated Financial Statements.

* Filed herewith.

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