CORE MOLDING TECHNOLOGIES INC
Form 10-K
March 13, 2015

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K
(Mark One)

þ ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the fiscal year ended December 31, 2014

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 12505

CORE MOLDING TECHNOLOGIES, INC.
(Exact name of registrant as specified in its charter)

Delaware	31-1481870
(State or other jurisdiction incorporation or organization)	(I.R.S. Employer Identification No.)
800 Manor Park Drive, Columbus, Ohio	43228-0183
(Address of principal executive office)	(Zip Code)

Registrant's telephone number, including area code: (614) 870-5000
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
Common Stock, par value $0.01	NYSE MKT LLC
Preferred Stock purchase rights, par value $0.01	NYSE MKT LLC

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

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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes þ No o

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K 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 þ	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of June 30, 2014, the aggregate market value of the registrant's voting and non-voting common equity held by non-affiliates of the registrant was approximately $78,233,896, based upon the closing sale price of $13.00 on the NYSE MKT LLC on June 30, 2014, the last business day of registrant's most recently completed second fiscal quarter. As of the close of business on March 13, 2015, the number of shares of registrant's common stock outstanding was 7,562,012.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the registrant's 2015 definitive Proxy Statement to be filed with the Securities and Exchange Commission no later than 120 days after the end of the registrant's fiscal year are incorporated herein by reference in Part III of this Form 10-K.

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PART I

ITEM 1. BUSINESS

HISTORICAL DEVELOPMENT OF BUSINESS OF CORE MOLDING TECHNOLOGIES, INC.

In 1996, RYMAC Mortgage Investment Corporation (“RYMAC”) incorporated Core Molding Technologies, Inc. (“Core Molding Technologies” or the “Company”), formerly known as Core Materials Corporation before changing its name on August 28, 2002, for the purpose of acquiring the Columbus Plastics unit of Navistar, Inc. (“Navistar”), formerly known as International Truck & Engine Corporation. On December 31, 1996, RYMAC merged with and into the Company, with the Company as the surviving entity. Immediately after the merger, the Company acquired substantially all the assets and liabilities of the Columbus Plastics unit from Navistar in return for a secured note, which has been repaid, and 4,264,000 shares of newly issued common stock of the Company. On July 18, 2007, the Company entered into a stock repurchase agreement with Navistar, pursuant to which the Company repurchased 3,600,000 shares of the Company’s common stock, from Navistar. On August 16, 2013, Navistar sold its remaining 664,000 shares of common stock in a series of open market sales.

In 1998, the Company opened a second compression molding plant located in Gaffney, South Carolina as part of the Company’s growth strategy to expand its customer base. This facility provided the Company with additional capacity and a strategic location to serve both current and prospective customers.

In October 2001, the Company incorporated Core Composites Corporation as a wholly owned subsidiary under the laws of the State of Delaware. This entity was established for the purpose of holding and establishing operations for Airshield Corporation’s assets, which the Company acquired on October 16, 2001 (the “Airshield Asset Acquisition”) as part of the Company’s diversified growth strategy. Airshield Corporation was a privately held manufacturer and marketer of fiberglass reinforced plastic parts primarily for the truck and automotive aftermarket industries. The Company purchased substantially all of the assets of Airshield Corporation through the United States Bankruptcy Court as Airshield Corporation had been operating under Chapter 11 bankruptcy protection since March 2001.

In conjunction with establishment of operations for the assets acquired in the Airshield Asset Acquisition, the Company established a Mexican subsidiary and leased a production facility in Mexico. In October 2001, the Company (5% owner) and Core Composites Corporation (95% owner) incorporated Corecomposites de Mexico, S. de R.L. de C.V. (“Corecomposites”) in Matamoros, Mexico. Corecomposites was organized to operate under a maquiladora program whereby substantially all products produced are exported back to Core Composites Corporation which sells such products to United States based external customers. In June of 2009, the Company completed construction and took occupancy of a new production facility in Matamoros, Mexico that replaced its leased facility.

In September 2004, the Company formed Core Automotive Technologies, LLC (“Core Automotive”), a Delaware limited liability company and wholly owned subsidiary of the Company. This entity was formed for the purpose of establishing operations and holding assets acquired from Keystone Restyling, Inc., which the Company acquired as part of its diversified growth strategy in September, 2004. Keystone Restyling, Inc. was a privately held manufacturer and marketer of fiberglass reinforced plastic parts primarily for the automotive and light truck aftermarket industries. The Company’s facility in Matamoros, Mexico provides manufacturing services for Core Automotive Technologies.

In August 2005, the Company formed Core Composites Cincinnati, LLC, ("Core Composites Cincinnati") a Delaware limited liability company and wholly owned subsidiary of the Company. This entity was formed for the purpose of establishing operations and holding assets acquired from the Cincinnati Fiberglass Division of Diversified Glass Inc., which the Company acquired in August, 2005. The Cincinnati Fiberglass Division of Diversified Glass, Inc. was a privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. As a result of this acquisition, the Company leases a manufacturing facility in Batavia, Ohio.

In July 2011, the Company formed Core Specialty Composites, LLC ("Core Specialty Composites"), a Delaware limited liability company and wholly owned subsidiary of the Company, which leased a facility in Warsaw, Kentucky to produce parts for customers outside of the Company's traditional markets. Due to changing market conditions for products manufactured at the Warsaw facility the Company terminated its lease and closed its Warsaw facility in October 2012.

DESCRIPTION OF BUSINESS OF CORE MOLDING TECHNOLOGIES, INC.

Certain statements under this caption of this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies' operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies' control. These uncertainties and factors could cause Core Molding Technologies' actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this report: business conditions in the plastics, transportation, marine and commercial product industries; federal and state regulations (including engine emission regulations); general economic, social and political environments in the countries in which Core Molding Technologies operates; safety and security conditions in Mexico; dependence upon certain major customers as the primary source of Core Molding Technologies’ sales revenues; efforts of Core Molding Technologies to expand its customer base; the actions of competitors, customers, and suppliers; failure of Core Molding Technologies’ suppliers to perform their obligations; the availability of raw materials; inflationary pressures; new technologies; regulatory matters; labor relations; the loss or inability of Core Molding Technologies to attract and retain key personnel; federal, state and local environmental laws and regulations; the availability of capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees; risk of cancellation or rescheduling of orders; management’s decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; and other risks identified from time to time in Core Molding Technologies’ other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of this Annual Report on Form 10-K.

Core Molding Technologies and its subsidiaries operate in the plastics market in a family of products known as “reinforced plastics.” Reinforced plastics are combinations of resins and reinforcing fibers (typically glass or carbon) that are molded to shape. Core Molding Technologies is a manufacturer of sheet molding compound ("SMC") and molder of fiberglass reinforced plastics. The Company specializes in large-format moldings and offers a wide range of fiberglass processes, including compression molding of SMC, glass mat thermoplastics ("GMT") and bulk molding compounds ("BMC"); spray-up, hand-lay-up, and resin transfer molding ("RTM"). Additionally, the Company offers reaction injection molding ("RIM"), utilizing dicyclopentadiene technology. Core Molding Technologies operates four production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico.

Reinforced plastics compete largely against metals and have the strength to function well during prolonged use. Management believes that reinforced plastic components offer many advantages over metals, including:

- heat resistance;
- corrosion resistance;
- lighter weight;
- lower cost;
- greater flexibility in product design;
- part consolidation for multiple piece assemblies;
- lower initial tooling costs for lower volume applications;
- high strength-to-weight ratio; and

•dent-resistance in comparison to steel or aluminum.

The largest markets for reinforced plastics are transportation (automotive and truck), agriculture, construction, marine, and industrial applications. The Company currently has four manufacturing facilities producing reinforced plastic products. Our manufacturing facilities utilize various production processes; however, end products are similar and are not unique to a facility or customer base. Operating decision makers (officers of the Company) are headquartered in Columbus, Ohio and oversee all manufacturing operations for all products as well as oversee customer relationships with all customers. The Company supplies reinforced plastic products to truck manufacturers, automotive suppliers, and manufacturers of marine and other commercial products. In general, product growth and diversification are achieved in several different ways: (1) resourcing of existing reinforced plastic product from another supplier by an original equipment manufacturer (“OEM”); (2) obtaining new reinforced plastic products through a selection process in which an OEM solicits bids; (3) successful marketing of reinforced plastic products for

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previously non-reinforced plastic applications; (4) successful marketing of reinforced plastic products to OEMs outside of our traditional markets; (5) development of new materials, technology and processes to meet current or prospective customer requirements; and (6) acquiring an existing business. The Company's efforts continue to be directed towards all six areas.

MAJOR COMPETITORS

The Company believes that it is one of the three largest compounders and molders of reinforced plastics using the SMC, spray-up, hand-lay-up, and RTM molding processes in the United States. The Company faces competition from a number of other molders including, most significantly, Molded Fiber Glass Companies, Continental Structural Plastics, Ashley Industrial Molding, Sigma Industries and The Composites Group. The Company believes that it is well positioned to compete based primarily on manufacturing capability and location, product quality, engineering capability, cost, and delivery. However, the industry remains highly competitive and some of the Company's competitors have greater financial resources, research and development facilities, design engineering, manufacturing, and marketing capabilities.

MAJOR CUSTOMERS

The Company has four major customers, Navistar, Volvo Group ("Volvo"), PACCAR Inc. ("PACCAR") and Yamaha Motor Manufacturing Corporation of America ("Yamaha"), in 2014. Major customers are defined as customers whose current year sales individually consist of more than ten percent of total sales during any annual or interim reporting period in the current year. The loss of a significant portion of sales to Navistar, Volvo, PACCAR, or Yamaha would have a material adverse effect on the business of the Company.

The North American truck market in which Navistar, Volvo, and PACCAR compete is highly competitive and the demand for heavy and medium-duty trucks is subject to considerable volatility as it moves in response to cycles in the overall business environment and is particularly sensitive to the industrial sector, which generates a significant portion of the freight tonnage hauled. Truck demand also depends on general economic conditions, among other factors.

Yamaha Motor Manufacturing Corporation of America, a wholly owned subsidiary of Yamaha Motor Corporation, U.S.A., is a top manufacturer of recreational vehicles including golf carts, all terrain vehicles, personal watercraft and side by side utility vehicles. Demand in the recreational vehicle market is typically influenced by the rapid introduction of new models creating a short product lifecycle, the brand recognition of the various competitors, general economic conditions, and seasonal effects, among other factors.

Relationship with Navistar

The Company has historically had a Comprehensive Supply Agreement with Navistar that provides for the Company to be the primary supplier of Navistar’s original equipment and service requirements for fiberglass reinforced parts, as long as the Company remains competitive in cost, quality, and delivery. The Company's current Comprehensive Supply Agreement with Navistar is effective through October 31, 2018.
The Company makes products for Navistar's Springfield, Ohio; Tulsa, Oklahoma; and Escobedo, Mexico assembly plants, as well as aftermarket products for service distribution centers. The Company works closely on new product development with Navistar's engineering and research personnel. Some of the products sold to Navistar include hoods, roofs, air deflectors, cab extenders, fender extensions, splash panels, and other components. Sales to Navistar amounted to approximately 29%, 33% and 39% of total sales for 2014, 2013 and 2012, respectively.

Relationship with Volvo

The Company makes products for Volvo's New River Valley (Dublin, Virginia) and Macungie, Pennsylvania assembly plants, as well as aftermarket products for service distribution centers. The Company works closely on new product development with Volvo's engineering and research teams. Products sold to Volvo include hoods, roofs, sunvisors, air deflectors and other components. Sales to Volvo amounted to approximately 28%, 9% and 4% of total sales for 2014, 2013 and 2012, respectively.

Relationship with PACCAR

The Company makes products for PACCAR's Chillicothe, Ohio; Denton, Texas; Renton, Washington; St. Therese (Canada); and Mexicali, Mexico assembly plants, as well as aftermarket products for service distribution centers. The Company also works closely on new product development with PACCAR's engineering and research personnel. Products sold to PACCAR include hoods, roofs, back panels, air deflectors, air fairings, fenders, splash panels, and other components. Sales to PACCAR amounted to approximately 21% of total sales in 2014 and approximately 35% of total sales in both 2013 and 2012.

Relationship with Yamaha

The Company manufactures sheet molding compound and products for Yamaha's assembly plant located in Newnan, GA. The Company also works closely on new product and material development with Yamaha's engineering and research personnel. Products include sheet molding compound and various molded components to support the assembly of personal watercraft. Sales to Yamaha amounted to approximately 10%, 9%, and 8% of total sales in 2014, 2013 and 2012, respectively.

OTHER CUSTOMERS

The Company also produces products for other truck manufacturers, the automotive industry, marine industry, commercial product industries, automotive aftermarket industries, and various other customers. Sales to these customers individually were all less than 10% of total annual sales. Sales to these customers amounted to approximately 13% of total sales in 2014 and 14% of total sales in 2013 and 2012, respectively.

GEOGRAPHIC INFORMATION

All of the Company's product is sold to U.S. based customers is U.S. dollars. The following table provides information related to the Company's sales by country, based on the ship to location of customers' production facilities, for the years ended December 31:

	2014	2013	2012
United States	$123,317,000	$95,063,000	$115,226,000
Mexico	47,772,000	45,069,000	43,358,000
Canada	4,115,000	3,993,000	3,866,000
Total	$175,204,000	$144,125,000	$162,450,000

The following table provides information related to the location of the Company's property, plant and equipment, net, as of December 31:

	2014	2013
United States	$31,674,000	$24,285,000
Mexico	30,321,000	32,193,000
Total	$61,995,000	$56,478,000

PRODUCTS

Sheet Molding Compound ("SMC")

SMC is primarily a combination of resins, fiberglass, fillers, and catalysts compounded and cured in sheet form, which is then used to manufacture compression-molded products, as discussed below. The Company also sells SMC to other molders.

The Company incorporates a sophisticated computer program in the process of compounding various complex SMC formulations tailored to meet customer needs. The program provides for the control of information during various production processes and data for statistical batch controls.

Closed Molded Products

The Company manufactures reinforced plastic products using compression molding and resin transfer molding process methods of closed molding.

Compression Molding - Compression molding is a process whereby SMC or GMT is molded to form by matched die steel molds through which a combination of heat and pressure are applied via a molding press. This process produces high quality, dimensionally consistent products. This process is typically used for high volume products. Higher volumes justify the customer's investment in matched die steel molds.

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As of December 31, 2014, the Company owned 17 compression-molding presses in its Columbus, Ohio facility; 17 presses in its Matamoros, Mexico facility; and 10 presses in its Gaffney, South Carolina facility. The Company's compression molding presses range in size from 250 to 4,500 tons. The Company installed two new presses in each of its Columbus and Gaffney facilities in 2014 to support the Company's new business award from Volvo in 2013 and to provide capacity for future growth.

Large platen, high tonnage presses (2,000 tons or greater) provide the ability to mold very large reinforced plastic parts. The Company believes that it possesses a significant portion of the large platen, high tonnage molding capacity in the industry. To enhance the surface quality and the paint finish of our products, the Company uses both in-mold coating and vacuum molding processes. In-mold coating is the process of injecting a liquid over the molded part surface and then applying pressure at elevated temperatures during an extended molding cycle. The liquid coating serves to fill and/or bridge surface porosity as well as provide a barrier against solvent penetration during subsequent top-coating operations.

Vacuum molding is the removal of air during the molding cycle for the purpose of reducing the amount of surface porosity. The Company believes that it is among the industry leaders in in-mold coating and vacuum molding applications, based on the size and complexity of parts molded.

Resin Transfer Molding (“RTM”) - This process employs two molds, typically a core and a cavity, similar to matched die molding. The composite is produced by placing glass mat, chopped strand, or continuous strand fiberglass in the mold cavity in the desired pattern. Parts used for cosmetic purposes typically have a gel coat applied to the mold surface. The core mold is then fitted to the cavity, and upon a satisfactory seal, a vacuum is applied. When the proper vacuum is achieved, the resin is injected into the mold to fill the part. Finally, the part is allowed to cure and is then removed from the mold and trimmed to shape. Fiberglass reinforced products produced from the RTM process exhibit a high quality surface on both sides of the part and excellent part thickness. The multiple insert tooling technique can be utilized in the RTM process to improve throughput based upon volume requirements.

Reaction Injection Molding (“RIM”) - This is a process whereby a composite is produced through the injection of a two-component thermoset resin system utilizing dicyclopentadiene (“DCPD”) technology. DCPD technology involves injecting a liquid compound into matched die aluminum molds to form the part. In this process the mold is prepared, closed and the liquid compound is injected into the tool then cured. Additional finishing is required when the part is designated for top coat painting. The RIM process is an alternative to other closed mold processes for mid-volume parts that require a high level of impact resistance.

Open Molded Products

The Company produces reinforced plastic products using both the hand lay-up and spray-up methods of open molding.

Hand Lay-Up - This process utilizes a shell mold, typically the cavity, where glass cloth, either chopped strand or continuous strand glass mat, is introduced into the cavity. Resin is then applied to the cloth and rolled out to achieve a uniform wet-out from the glass and to remove any trapped air. The part is then allowed to cure and removed from the mold. After removal, the part typically undergoes trimming to achieve the shape desired. Parts used for cosmetic purposes typically have a gel coat applied to the mold surface prior to the lay-up to improve the surface quality of the finished part. Parts produced from this process have a smooth outer surface and an unfinished or rough interior surface. These fiberglass-reinforced products are typically non-cosmetic components or structural reinforcements that are sold externally or used internally as components of larger assemblies.

Spray-Up - This process utilizes the same type of shell mold as hand-lay-up, but instead of using glass cloth to produce the composite part, a chopper/spray system is employed. Glass rovings and resin feed the chopper/spray gun. The resin coated, chopped glass is sprayed into the mold to the desired thickness. The resin coated glass in the mold is then rolled out to ensure complete wet-out and to remove any trapped air. The part is then allowed to cure, is removed from the mold and is then trimmed to the desired shape. Parts used for cosmetic purposes typically have a gel coat applied to the mold surface prior to the resin-coated glass being sprayed into the mold to improve the surface quality of the finished part. Parts produced from this process have a smooth outer surface and an unfinished or rough interior surface.

The Company also has a chain driven robotic gel-coating and spray-up line and a hand spray-up cell at our Batavia, Ohio location. Part sizes weigh from a few pounds to several thousand pounds with surface quality tailored for the end use application.

Assembly, Machining, and Paint Products

Many of the products molded by the Company are assembled, machined, prime painted, or topcoat painted to result in a completed product used by the Company's customers.

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The Company has demonstrated manufacturing flexibility that accommodates a range of low volume hand assembly and machining work, to high volume, highly automated assembly and machining systems. Robotics are used as deemed productive for material
handling, machining, and adhesive applications. In addition to conventional machining methods, water-jet cutting technology is also used where appropriate. The Company also utilizes paint booths and batch ovens in its facilities. The Company generally contracts with outside providers for higher volume applications that require top coat paint.

RAW MATERIALS

The principal raw materials used in the compounding of SMC and the closed and open molding processes are polyester, vinyl ester and epoxy resins, fiberglass rovings, and filler. Other significant raw materials include adhesives for assembly of molded components, in-mold coating, gel-coat, prime paint for preparation of cosmetic surfaces, and hardware (steel components). Many of the raw materials used by the Company are crude oil based, natural gas based and downstream components, and therefore, the costs of certain raw materials can be affected by changes in costs of these underlying commodities. Due to fluctuating commodity prices, suppliers are typically reluctant to enter into long-term contracts. The Company generally has supplier alternatives for each raw material, and regularly evaluates its supplier base for certain supplies, repair items, and components to improve its overall purchasing position.

BACKLOG

The Company relies on production schedules provided by its customers to plan and implement production. These schedules are normally provided on a weekly basis and typically considered firm for approximately four weeks. Some customers update these schedules daily for changes in demand, allowing them to run their inventories on a “just in time” basis. The ordered backlog of four weeks of expected shipments, was approximately $15.6 million (all of which the Company shipped during the first quarter of 2015) and $14.4 million at December 31, 2014 and 2013, respectively.

CAPACITY CONSTRAINTS

Capacity utilization is measured based on a standard work week of five days per week, three-shifts per day. During times when demand exceeds a five day, three-shift capacity, the Company will work weekends to create additional capacity, which can provide capacity utilization percentages greater than 100%.

The Company has historically produced SMC utilizing one production line. The approximate SMC production line capacity utilization was 100% and 84% for the years ended December 31, 2014 and 2013, respectively. During the first quarter of 2014, the Company placed an order for an additional SMC production line to increase capacity and provide for more flexibility. The new SMC production line was placed in service late in the fourth quarter of 2014 and is expected to approximately double capacity.

The Company measures facility capacity in terms of its large molding presses (2,000 tons or greater) for the Columbus, Ohio, Gaffney, South Carolina and the SMC molding portion at the Matamoros, Mexico facility. In order to support anticipated production levels, and to allow for additional capacity to provide for future growth, the Company installed two new compression molding presses in each of its Columbus and Gaffney facilities in 2014.

The Company owned 24 large molding presses at December 31, 2014. The combined approximate large press capacity utilization in these production facilities was 79% and 55% for the years ended December 31, 2014 and 2013, respectively. The increased utilization mainly resulted from the addition of new Volvo business in late 2013, partially offset by the increased capacity provided by the four new presses installed in 2014.

The capacity of production in the Batavia, Ohio facility and the spray-up, hand-lay-up and RTM portion at the Matamoros, Mexico facility are not linked directly to equipment capacities, due to the nature of the products produced. Capacity of these operations is tied to available floor space. The approximate capacity utilization for these operations was 49% and 55% for the years ended December 31, 2014 and 2013, respectively.

The Company has been required at times to run up to a three shift/seven day operation to meet its customers' production requirements. The Company has used various methods from overtime to a weekend manpower crew to support the customers' production requirements. Based on industry analysts' forecasts for medium and heavy-duty truck production levels, recent and forecasted customer requirements, the Company anticipates running a three shift/seven day schedule, from time to time, to meet customer production requirements in 2015.

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CAPITAL EXPENDITURES AND RESEARCH AND DEVELOPMENT

Capital expenditures totaled approximately $10.7 million, $9.3 million and $8.3 million in 2014, 2013 and 2012 respectively. These capital expenditures in each year primarily consisted of building improvements, compression molding presses, a new SMC production line and purchases of production equipment to manufacture parts.

The Company continuously engages in product development. Research and development activities focus on developing new material formulations, new structural plastic products, new production capabilities and processes, and improving existing products and manufacturing processes. The Company does not maintain a separate research and development organization or facility, but uses its production equipment, as necessary, to support these efforts and cooperates with its customers and its suppliers in research and development efforts. Likewise, manpower to direct and advance research and development is integrated with the existing manufacturing, engineering, production, and quality organizations. Management of the Company has estimated that costs related to research and development were approximately $475,000, $466,000 and $449,000 in 2014, 2013 and 2012, respectively.

ENVIRONMENTAL COMPLIANCE

The Company's manufacturing operations are subject to federal, state, and local environmental laws and regulations, which impose limitations on the discharge of hazardous and non-hazardous pollutants into the air and waterways. The Company has established and implemented standards for the treatment, storage, and disposal of hazardous waste. The Company's policy is to conduct its business with due regard for the preservation and protection of the environment. The Company's environmental waste management process involves the regular auditing of hazardous waste accumulation points, hazardous waste activities and authorized treatment, storage and disposal facility. As part of the Company's environmental policy, all manufacturing employees are trained on waste management and other environmental issues.

The Ohio Environmental Protection Agency has issued Core Molding Technologies Title V Operating Permits for its Columbus, Ohio facility and its Batavia, Ohio facility. The South Carolina Department of Health and Environmental Control has also issued a Title V Operating Permit for the Gaffney, South Carolina facility. Core Molding Technologies has substantially complied with the requirements of these permits.

The Company holds various environmental operating permits for its production facility in Matamoros, Mexico as required by U.S. and Mexican state and federal regulations. The Company has substantially complied with all requirements of these operating permits.

EMPLOYEES

As of December 31, 2014, the Company employed a total of 1,490 employees, which consists of 714 employees in its United States operations and 776 employees in its Mexico operations. Of these 1,490 employees, 333 employees at the Company's Columbus, Ohio facility are covered by a collective bargaining agreement with the International Association of Machinists and Aerospace Workers (“IAM”), which extends to August 7, 2016, and 672 employees at the Company's Matamoros, Mexico facility are covered by a collective bargaining agreement with Sindicato de Jorneleros y Obreros, which extends to January 16, 2017.

PATENTS, TRADE NAMES, AND TRADEMARKS

The Company will evaluate, apply for, and maintain patents, trade names, and trademarks where it believes that such patents, trade names, and trademarks are reasonably required to protect its rights in its products. The Company has increased its activity related to trademark protection in recent years, including the federal registration of the trademarks Nano-Lite®, N-sulGuard®, Featherlite®, Airilite®, FeatherliteXL® and Econolite®. However, the Company does not believe that any single patent, trade name, or trademark or related group of such rights is materially important to its business or its ability to compete.

SEASONALITY & BUSINESS CYCLE

The Company's business is affected annually by the production schedules of its customers. Certain of the Company's customers typically shut down their operations on an annual basis for a period of one to several weeks during the Company's third quarter. Certain customers also typically shut down their operations during the last week of December. As a result, demand for the Company's products typically decreases during the third and fourth quarters. Demand for medium and heavy-duty trucks, marine, and automotive products also fluctuate on an economic, cyclical and a seasonal basis, causing a corresponding fluctuation for demand of the Company's products.

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ITEM 1A. RISK FACTORS

The following risk factors describe various risks that may affect our business, financial condition, and operations. References to “we,” “us,” and “our” in this “Risk Factors” section refer to Core Molding Technologies and its subsidiaries, unless otherwise specified or unless the context otherwise requires.

Our business has concentration risks associated with significant customers.

Sales to four customers constituted approximately 87% of our 2014 total sales. No other customer accounted for more than 10% of our total sales for this period. The loss of any significant portion of sales to any of our significant customers could have a material adverse effect on our business, results of operations, and financial condition.

Accounts receivable balances with four customers accounted for 90% of accounts receivable at December 31, 2014. The Company performs ongoing credit evaluations of its customers’ financial condition and maintains reserves for potential bad debt losses. If the financial conditions of any of these customers were to deteriorate impacting their ability to pay their receivables to our Company our reserves may not be adequate which could have a material adverse effect on our business, results of operations, or financial condition.

We are continuing to engage in efforts intended to strengthen and expand our relations with significant customers, as well as provide support for our entire customer base. We have supported our position with customers through direct and active contact through our sales, quality, engineering, and operational personnel. We cannot make any assurances that we will maintain or improve our customer relationships, whether these customers will continue to do business with us as they have in the past or whether we will be able to supply these customers or any of our other customers at current levels.

Our business is affected by the cyclical nature of the industries and markets that we serve.

The North American heavy and medium-duty truck industries are highly cyclical. In 2014, approximately 83% of product sales were in these industries. These industries and markets fluctuate in response to factors that are beyond our control, such as general economic conditions, interest rates, federal and state regulations (including engine emissions regulations, tariffs, import regulations, and other taxes), consumer spending, fuel costs, and our customers' inventory levels and production rates. Our manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demands, the profitability of our operations may change proportionately more than revenues from operations. In addition, our operations are typically seasonal as a result of regular customer maintenance shutdowns, which typically vary from year to year based on production demands and occur in the third and fourth quarter of each calendar year. This seasonality may result in decreased net sales and profitability during the third and fourth fiscal quarters of each calendar year. Weakness in overall economic conditions or in the markets that we serve, or significant reductions by our customers in their inventory levels or future production rates, could result in decreased demand for our products and could have a material adverse effect on our business, results of operations, or financial condition.

Price increases in raw materials and availability of raw materials could adversely affect our operating results and financial condition.

We purchase resins and fiberglass for use in production as well as hardware and other components for product assembly. The prices for purchased materials are affected by the prices of material feed stocks such as crude oil, natural gas, and downstream components, as well as processing capacity versus demand. We attempt to reduce our exposure to increases by working with suppliers, evaluating new suppliers, improving material efficiencies, and when necessary through sales price adjustments to customers. If we are unsuccessful in developing ways to mitigate these raw material increases we may not be able to improve productivity or realize our ongoing cost reduction programs sufficiently to help offset the impact of these increased raw material costs. As a result, higher raw material costs could result in declining margins and operating results.

Cost reduction and quality improvement initiatives by original equipment manufacturers could have a material adverse effect on our business, results of operations, or financial condition.

We are primarily a components supplier to the heavy and medium-duty truck industries, which are characterized by a small number of original equipment manufacturers ("OEMs") that are able to exert considerable pressure on components suppliers to reduce costs, improve quality, and provide additional design and engineering capabilities. Given the fragmented nature of the industry, OEMs continue to demand and receive price reductions and measurable increases in quality through their use of competitive selection processes, rating programs, and various other arrangements. We may be unable to generate sufficient production cost savings in the future to offset such price reductions. OEMs may also seek to save costs by relocating production to countries with lower cost structures, which could in turn lead them to purchase components from suppliers with lower production costs that are

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geographically closer to their new production facilities. These decisions by OEMs could require us to shift production between our plants so that we are more competitive. Moving production lines between our plants could result in significant costs required for transfer expenses and capital investment. Additionally, OEMs have generally required component suppliers to provide more design engineering input at earlier stages of the product development process, the costs of which have, in some cases, been absorbed by the suppliers. To the extent that the Company does not meet the quality standards or demands of quality improvement initiatives sought by OEMs, or does not match the quality of suppliers of comparable products, OEMs may choose to purchase from these alternative suppliers, and as a result the Company may lose existing or new business with OEMs. Future price reductions, increased quality standards, and additional engineering capabilities required by OEMs may reduce our profitability and have a material adverse effect on our business, results of operations, or financial condition.

We may be subject to product liability claims, recalls or warranty claims, which could have a material adverse effect on our business, results of operations, or financial condition.

As a components supplier to OEMs, we face a business risk of exposure to product liability claims in the event that our products malfunction and result in personal injury or death. Product liability claims could result in significant losses as a result of expenses incurred in defending claims or the award of damages. In addition, we may be required to participate in recalls involving components sold by us if any prove to be defective, or we may voluntarily initiate a recall or make payments related to such claims in order to maintain positive customer relationships. While we do maintain product liability insurance, it may not be sufficient to cover all product liability claims, and as a result, any product liability claim brought against us could have a material adverse effect on our results of operations. Further, we warrant the quality of our products under limited warranties, and as such, we are subject to risk of warranty claims in the event that our products do not conform to our customers’ specifications. Such warranty claims may result in costly product recalls, significant repair costs and damage to our reputation, all of which would adversely affect our results of operations.

We operate in highly competitive markets.

The markets in which we operate are highly competitive. We compete with a number of other manufacturers that produce and sell similar products. Our products primarily compete on the basis of capability, product quality, cost, and delivery. Some of our competitors have greater financial resources, research and development facilities, design engineering, manufacturing, and marketing capabilities.

We may be subject to additional shipping expense or late fees if we are not able to meet our customers' on-time demand for our products.

We must continue to meet our customers' demand for on-time delivery of our products. Factors that could result in our inability to meet customer demands include a failure by one or more of our suppliers to supply us with the raw materials and other resources that we need to operate our business effectively, poor management of our Company or one or more of its plants and an unforeseen spike in demand for our products which would create capacity constraints, among other factors. If this occurs, we may be required to incur additional shipping expenses to ensure on-time delivery or otherwise be required to pay late fees, which could have a material adverse effect on our business, results of operations, or financial condition.

If we fail to attract and retain key personnel our business could be harmed.

Our success largely depends on the efforts and abilities of our key personnel. Their skills, experience, and industry contacts significantly benefit us. The inability to retain key personnel could have a material adverse effect on our business, results of operations, or financial condition. Our future success will also depend in part upon our continuing ability to attract and retain highly qualified personnel.

Work stoppages or other labor issues at our facilities or at our customers' facilities could adversely affect our operations.

As of December 31, 2014, unions at our Columbus, Ohio and Matamoros, Mexico facilities represented approximately 67% of our entire workforce. As a result, we are subject to the risk of work stoppages and other labor-relations matters. The current Columbus, Ohio and Matamoros, Mexico union contracts extend through August 7, 2016 and January 16, 2017, respectively. Any prolonged work stoppage or strike at either our Columbus, Ohio or Matamoros, Mexico unionized facilities could have a material adverse effect on our business, results of operations, or financial condition. Any failure by us to reach a new agreement upon expiration of such union contracts may have a material adverse effect on our business, results of operations, or financial condition.

In addition, if any of our customers or suppliers experiences a material work stoppage, that customer may halt or limit the purchase of our products or the supplier may interrupt supply of our necessary production components. This could cause us to shut down production facilities relating to these products, which could have a material adverse effect on our business, results of operations, or financial condition.

Changes in the legal, regulatory and social responses to climate change, including any possible effect on energy prices, could adversely affect our business and reduce our profitability.

It is possible that various proposed legislative or regulatory initiatives related to climate changes, such as cap-and-trade systems, increased limits on emissions of greenhouse gases and fuel efficiency standards, or other measures, could in the future have a material impact on us, our customers, or the markets we serve, thereby resulting in a material adverse effect on our financial condition or results of operation. For example, customers in the transportation (automotive and truck) industry could be required to incur greater costs in order to comply with such initiatives, which could have an adverse impact on their profitability or viability. This could in turn lead to further changes in the structure of the transportation industry that could reduce demand for our products. We are also reliant on energy to manufacture our products, with our operating costs being subject to increase if energy costs rise. During periods of higher energy costs we may not be able to recover our operating cost increases through production efficiencies and price increases. While we may hedge our exposure to higher prices via future energy purchase contracts, increases in energy prices for any reason (including as a result of new initiatives related to climate change) will increase our operating costs and likely reduce our profitability.

Our business is subject to risks associated with manufacturing equipment and infrastructure.

We convert raw materials into molded products through a manufacturing process at production facilities in Columbus, Ohio; Gaffney, South Carolina; Batavia, Ohio; and Matamoros, Mexico. While we maintain insurance covering our manufacturing and production facilities, including business interruption insurance, a catastrophic loss of the use of all or a portion of our facilities due to accident, fire, explosion, or natural disaster, whether short or long-term, could have a material adverse effect on our business, results of operations, or financial condition.

Unexpected failures of our equipment and machinery may result in production delays, revenue loss, and significant repair costs, as well as injuries to our employees. Any interruption in production capability may require us to make large capital expenditures to remedy the situation, which could have a negative impact on our profitability and cash flows. Our business interruption insurance may not be sufficient to offset the lost revenues or increased costs that we may experience during a disruption of our operations. Because we supply our products to OEMs, a temporary or long-term business disruption could result in a permanent loss of customers. If this were to occur, our future sales levels and therefore our profitability could be materially adversely affected.

Our business is subject to risks associated with new business awards. In order to recognize profit from new business, we must accurately estimate product costs as part of the quoting process and implement effective and efficient manufacturing processes.

The success of our business relies on our ability to produce products which meet the quality, performance and price expectations of our customers. Our ability to recognize profit is largely dependent upon accurately identifying the costs associated with the manufacture of our products, and executing the manufacturing process in a cost effective manner. There can be no assurance that all costs will be accurately identified during the Company's quoting process, or that the expected level of manufacturing efficiency will be achieved, and as a result we may not realize the anticipated operating results related to new business awards.

Our insurance coverage may be inadequate to protect against the potential hazards incident to our business.

We maintain property, business interruption, stop loss for healthcare and workers' compensation, director and officer, product liability, and casualty insurance coverage, but such insurance may not provide adequate coverage against potential claims, including losses resulting from war risks, terrorist acts, or product liability claims relating to products we manufacture. Consistent with market conditions in the insurance industry, premiums and deductibles for some of our insurance policies have been increasing and may continue to increase in the future. In some instances, some types of insurance may become available only for reduced amounts of coverage, if at all. In addition, there can be no assurance that our insurers would not challenge coverage for certain claims. If we were to incur a significant liability for which we were not fully insured or that our insurers disputed, it could have a material adverse effect on our financial position.

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We have made acquisitions and may make acquisitions in the future. We may not realize the operating results that we anticipate from these acquisitions or from acquisitions we may make in the future, and we may experience difficulties in integrating the acquired businesses or may inherit significant liabilities related to such businesses.

We explore opportunities to acquire businesses that we believe are related to our core competencies from time to time, some of which may be material to us. We expect such acquisitions will produce operating results consistent with our other operations, however, we cannot provide assurance that this assumption will prove correct with respect to any acquisition.

Any acquisitions may present significant challenges for our management due to the increased time and resources required to properly integrate management, employees, information systems, accounting controls, personnel, and administrative functions of the acquired business with those of ours and to manage the combined company on a going forward basis. The diversion of management's attention and any delays or difficulties encountered in connection with the integration of these businesses could adversely impact our business, results of operations, and liquidity, and the benefits we anticipate may never materialize.

Expected future sales from business awards may not materialize. We may not realize the sales or operating results that we anticipate from new business awards, and we may experience difficulties in meeting the production demands of new business awards.

We will continue to pursue, and may be awarded, new business from existing or new customers. The Company may make capital investments, which may be material to the Company, in order to meet the expected production requirements of existing or new customers related to these business awards, and to support the potential production demands which may result from continued sales growth. The anticipated impact on the Company's sales and operating results related to these business awards, for various reasons, may not materialize. Any delays or production difficulties encountered in connection with these business awards, and any change in customer demand, could adversely impact our business, results of operations, and liquidity, and the benefits we anticipate may never materialize.

If we are unable to meet future capital requirements, our business may be adversely affected.

As we grow our business, we may have to incur significant capital expenditures. We may make capital investments to, among other things, build new or upgrade our facilities, purchase leased facilities and equipment, and enhance our production processes. We cannot assure you that we will have, or be able to obtain, adequate funds to make all necessary capital expenditures when required, or that the amount of future capital expenditures will not be materially in excess of our anticipated or current expenditures. If we are unable to make necessary capital expenditures we may not have the capability to support our customer demands, which, in turn could reduce our sales and profitability and impair our ability to satisfy our customers' expectations. In addition, even if we are able to invest sufficient resources, these investments may not generate net sales that exceed our expenses, generate any net sales at all, or result in any commercially acceptable products.

Our failure to comply with our debt covenants could have a material adverse effect on our business, financial condition or results of operations.

Our debt agreements contain certain covenants. A breach of any of these covenants could result in a default under the applicable agreement. If a default were to occur, we would likely seek a waiver of that default, attempt to reset the covenant, or refinance the instrument and accompanying obligations. If we were unable to obtain this relief, the default could result in the acceleration of the total due related to that debt obligation. If a default were to occur, we may not be able to pay our debts or borrow sufficient funds to refinance them. Any of these events, if they occur, could materially adversely affect our results of operations, financial condition, and cash flows.

We may not achieve expected efficiencies related to the proximity of our customers' production facilities to our manufacturing facilities, or with respect to existing or future production relocation plans.

Our facilities are located in close proximity to our customers in order to minimize both our customer's and our own costs. If any of our customers were to move or if nearby facilities are closed, that may impact our ability to remain competitive. Additionally, our competitors could build a facility that is closer to our customers' facilities which may provide them with a geographic advantage. Any of these events might require us to move closer to our customers, build new facilities or shift production between our current facilities to meet our customers' needs, resulting in additional cost and expense.

Our products may be rendered obsolete or less attractive if there are changes in technology, regulatory requirements, or competitive processes.

Changes in technology, regulatory requirements, and competitive processes may render certain products obsolete or less attractive. Future chemical regulations may restrict our ability to manufacture products, cause us to incur substantial expenditures to comply with them, and subject us to liability for adverse environmental or health effects linked to the manufacture of our products. Failure to comply with future regulations may subject us to penalties or other enforcement actions. Our ability to anticipate changes in these areas will be a significant factor in our ability to remain competitive. If we are unable to identify or compensate for any one of these changes it may have a material adverse effect on our business, results of operations, or financial condition.

Our stock price can be volatile.

Our stock price can fluctuate widely in response to a variety of factors. Factors include actual or anticipated variations in our quarterly operating results, our relatively small public float, changes in securities analysts' estimates of our future earnings, and the loss of major customers or significant business developments relating to us or our competitors, and other factors, including those described in this “Risk Factors” section. Our common stock also has a low average daily trading volume, which limits a person's ability to quickly accumulate or quickly divest themselves of large blocks of our stock. In addition, a low average trading volume can lead to significant price swings even when a relatively few number of shares are being traded.

We are subject to environmental, occupational health and safety rules and regulations that may require us to make substantial expenditures or expose us to financial or other obligations including substantial damages, penalties, fines, civil or criminal sanctions and remediation costs that could adversely affect our results.

Our operations, facilities, and personnel are subject to extensive and evolving laws and regulations pertaining to air emissions, wastewater discharges, the handling and disposal of solid and hazardous materials and wastes, health and safety, the investigation and remediation of contamination, and the protection of the environment and natural resources. It is difficult to predict the future interpretations and developments of environmental and health and safety laws and regulations or their impact on our future results and cash flows. Continued compliance could result in significant increases in capital expenditures and operating costs. In addition, we may be exposed to obligations or involved from time to time in administrative or legal proceedings relating to environmental, health and safety or other regulatory matters, and may incur financial and other obligations relating to such matters.

Although we do not presently anticipate terminating any senior management employees, certain senior management employees have entered into potentially costly severance arrangements with us if terminated after a change in control.

We have entered into executive severance agreements with executive officers that provide for significant severance payments in the event such employee's employment with us is terminated within two years of a change in control (as defined in the severance agreement) either by the employee for good reason (as defined in the severance agreement) or by us for any reason other than cause (as defined in the severance agreement), or for death, or disability. A change in control under these agreements includes any transaction or series of related transactions as a result of which less than fifty percent (50%) of the combined voting power of the then-outstanding securities immediately after such transaction are held in the aggregate by the holders of our voting stock immediately prior to such transaction; any person has become the beneficial owner of securities representing 50% or more of our voting stock; we file a report or proxy statement with the SEC that a change in control of the Company has occurred; or within any two year period, the directors at the beginning of the period cease to constitute at least a majority thereof. These agreements would make it costly for us to terminate certain of our senior management employees and such costs may also discourage potential acquisition proposals, which may negatively affect our stock price.

Our foreign operations subject us to risks that could negatively affect our business.

We operate a manufacturing facility in Matamoros, Mexico and, as a result, a significant portion of our business and operations are subject to the risk of changes in economic conditions, tax systems, consumer preferences, social conditions, safety and security conditions and political conditions inherent in Mexico, including changes in the laws and policies that govern foreign investment, as well as changes in United States laws and regulations relating to foreign trade and investment. In addition, our results of operations and the value of certain foreign assets and liabilities are affected by fluctuations in Mexican currency exchange rates, which may favorably or adversely affect reported earnings. Having transferred certain of our production lines to Matamoros, Mexico in recent years, our operations in Mexico have increased materially, and accordingly our exposure to the aforementioned risks relating to foreign operations has increased. There can be no assurance as to the future effect of any such changes on our results of operations, financial condition, or cash flows.

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Economic conditions and disruptions in the financial markets could have an adverse effect on our business, financial condition and results of operations.

In recent years, financial markets experienced turmoil and uncertainty. Disruptions in the financial markets could have a material adverse effect on our liquidity and financial condition if our ability to borrow money from our existing lenders were to be impaired. Disruptions in the financial markets may also have a material adverse impact on the availability and cost of credit in the future. Our ability to pay our debt or refinance our obligations will depend on our future performance, which could be affected by, among other things, prevailing economic conditions. Disruptions in the financial markets may also have an adverse effect on the U.S. and world economies, which would have a negative impact on demand for our products. In addition, tightening of credit markets may have an adverse impact on our customers' ability to finance the sale of new trucks or our suppliers' ability to provide us with raw materials, either of which could adversely affect our business and results of operations.

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ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

The Company owns three production facilities that are situated in Columbus, Ohio, Gaffney, South Carolina and Matamoros, Mexico, and leases a production facility in Batavia, Ohio and a distribution center in Brownsville, Texas.

The Columbus, Ohio plant is located at 800 Manor Park Drive on approximately 28 acres of land. The Company acquired the property at 800 Manor Park Drive in 1996 as a result of the Asset Purchase Agreement with Navistar. The Company added approximately 6,000 square feet to the Columbus plant during 2014 in connection with its SMC capacity expansion. The current 338,000 square feet of available floor space at the Columbus, Ohio plant is comprised of the following:

	Approximate Square Feet
Manufacturing/Warehouse	322,000
Office	16,000
Total	338,000

The Gaffney, South Carolina plant, which was opened in early 1998, is located at 24 Commerce Drive, Meadow Creek Industrial Park on approximately 21 acres of land. The approximate 111,000 square feet of available floor space at the Gaffney, South Carolina plant is comprised of the following:

	Approximate Square Feet
Manufacturing/Warehouse	106,000
Office	5,000
Total	111,000

The Matamoros, Mexico plant which was opened in mid 2009 is located at Guillermo Gonzalez Camarena y Thomas Alva Edison Manzana, Matamoros, Tamaulipas, Mexico. The facility consists of approximately 476,000 square feet on approximately 22 acres comprised of the following:

	Approximate Square Feet
Manufacturing/Warehouse	461,000
Office	15,000
Total	476,000

The Columbus, Ohio, Gaffney, South Carolina and Matamoros, Mexico properties are subject to liens and security interests as a result of the properties being pledged by the Company as collateral for its debt as described in Note 7 of the "Notes to Consolidated Financial Statements" in Part II, Item 8 of this Annual Report on Form 10-K.

The Company leases a production plant in Batavia, Ohio located at 4174 Half Acre Road on approximately 9 acres of land. The current 7-year operating lease agreement expires in July 2019. The approximate 108,000 square feet of available floor space at the Batavia, Ohio plant is comprised of the following:

	Approximate Square Feet
Manufacturing/Warehouse	104,000
Office	4,000
Total	108,000

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The Company leases a warehouse and distribution center in Brownsville, Texas located at 1385 Cheers Street on approximately 2 acres of land. The current 5-year operating lease agreement expires in October 2017. The approximate 42,000 square feet of available floor space at the Brownsville, Texas location is comprised of the following:

	Approximate Square Feet
Warehouse/Distribution	39,000
Office	3,000
Total	42,000

ITEM 3. LEGAL PROCEEDINGS

From time to time, the Company is involved in litigation incidental to the conduct of its business. The Company is presently not involved in any legal proceedings which in the opinion of management are likely to have a material adverse effect on the Company's consolidated financial position or results of operations.

ITEM 4. Mine Safety Disclosures

None.

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PART II

ITEM 5. MARKET FOR REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS, AND ISSUER PURCHASES OF EQUITY SECURITIES

The Company's common stock is traded on the NYSE MKT LLC under the symbol “CMT”.

The table below sets forth the high and low sale prices of the Company for each full quarterly period within the two most recent fiscal years for which such stock was traded.

Core Molding Technologies, Inc.		High	Low
Fourth Quarter	2014	$14.27	$12.47
Third Quarter	2014	14.78	12.50
Second Quarter	2014	13.95	10.18
First Quarter	2014	15.49	11.21
Fourth Quarter	2013	$14.00	$9.35
Third Quarter	2013	9.64	8.50
Second Quarter	2013	9.52	8.30
First Quarter	2013	9.30	6.35

The Company's common stock was held by 321 holders of record on March 11, 2015.

The Company made no payments of cash dividends during 2014, 2013 and 2012. The Company currently expects that its earnings will be retained to finance the growth and development of its business and does not anticipate paying dividends on its common stock in the foreseeable future.

Equity Compensation Plan Information

The following table shows certain information concerning our common stock to be issued in connection with our equity compensation plans as of December 31, 2014:

Plan Category	Number of Shares to be Issued Upon Exercise of Outstanding Options or Vesting of Restricted Grants	Weighted Average Exercise Price of Outstanding Options or Restricted Grants	Number of Shares Remaining Available for Future Issuance
Equity compensation plans approved by stockholders	107,068	$10.67	1,598,083

Information concerning our stock repurchases during the three months ended December 31, 2014 is below. All stock was purchased to satisfy employee tax withholding obligations upon vesting of restricted stock awards.

Period	Total Number of Shares Purchased	Average Price Paid per Share	Total Number of Shares Purchased as Part of Publicly Announced Plans or Programs	Maximum Number that May Yet Be Purchased Under the Plans or Programs
October 1 to 31, 2014	7,368	13.81	—	—

November 1 to 30, 2014	—	—	—	—
December 1 to 31, 2014	—	—	—	—

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ITEM 6. SELECTED FINANCIAL DATA

The following selected financial data is derived from the audited consolidated financial statements of the Company. The information set forth below should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations," the consolidated financial statements and related notes included elsewhere in this Annual Report on Form 10-K.

	Years Ended December 31,				
(In thousands, except per share data)	2014	2013	2012	2011	2010
Operating Data:					
Product sales	$169,744	$134,096	$149,698	$138,845	$89,903
Tooling sales	5,460	10,029	12,752	4,576	10,355
Net sales	175,204	144,125	162,450	143,421	100,258
Gross margin	30,186	23,574	25,848	29,883	16,349
Income before interest and taxes	14,647	10,114	12,490	16,944	6,417
Net income	9,634	6,866	8,190	10,526	2,433
Earnings Per Share Data:					
Net income per common share:					
Basic	$1.28	$0.95	$1.15	$1.51	$0.36
Diluted	$1.28	$0.92	$1.11	$1.44	$0.34
Balance Sheet Data:					
Total assets	$117,715	$97,121	$91,849	$93,298	$79,062
Working capital	23,244	17,869	18,639	16,983	14,916
Long-term debt	714	2,429	5,743	9,477	13,581
Stockholders' equity	76,146	67,448	57,998	50,096	38,064
Return on beginning equity	14%	12%	16%	28%	8%
Book value per share	$10.07	$9.22	$8.13	$7.11	$5.53

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ITEM 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Certain statements under this caption of this Annual Report on Form 10-K constitute forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies' operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies' control. These uncertainties and factors could cause Core Molding Technologies' actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this report: business conditions in the plastics, transportation, marine and commercial product industries; federal and state regulations (including engine emission regulations); general economic, social and political environments in the countries in which Core Molding Technologies operates; safety and security conditions in Mexico; dependence upon certain major customers as the primary source of Core Molding Technologies’ sales revenues; efforts of Core Molding Technologies to expand its customer base; the actions of competitors, customers, and suppliers; failure of Core Molding Technologies’ suppliers to perform their obligations; the availability of raw materials; inflationary pressures; new technologies; regulatory matters; labor relations; the loss or inability of Core Molding Technologies to attract and retain key personnel; federal, state and local environmental laws and regulations; the availability of capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees; risk of cancellation or rescheduling of orders; management’s decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; and other risks identified from time to time in Core Molding Technologies’ other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of this Annual Report on Form 10-K.

OVERVIEW

Core Molding Technologies is a manufacturer of sheet molding compound ("SMC") and molder of fiberglass reinforced plastics. The Company specializes in large-format moldings and offers a wide range of fiberglass processes, including compression molding of SMC, glass mat thermoplastics ("GMT") and bulk molding compounds ("BMC"); spray-up, hand lay-up, and resin transfer molding ("RTM"). Additionally, the Company offers reaction injection molding ("RIM"), utilizing dicyclopentadiene technology. Core Molding Technologies serves a wide variety of markets, including the medium and heavy-duty truck, marine, automotive, agriculture, construction and other commercial products. Product sales to medium and heavy-duty truck markets accounted for 83% of the Company’s sales for the years ended December 31, 2014 and 81% of the Company's sales for the years ended December 31, 2013 and 2012, respectively. The demand for Core Molding Technologies’ products is affected by economic conditions in the United States, Mexico, and Canada. Core Molding Technologies’ manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demand, the profitability of Core Molding Technologies’ operations may change proportionately more than revenues from operations.

In 1996, Core Molding Technologies acquired substantially all of the assets and assumed certain liabilities of Columbus Plastics, a wholly owned operating unit of Navistar’s truck manufacturing division since its formation in late 1980. Columbus Plastics, located in Columbus, Ohio, was a compounder and compression molder of SMC. In 1998, Core Molding Technologies began operations at its second facility in Gaffney, South Carolina, and in 2001, Core Molding Technologies acquired certain assets of Airshield Corporation. As a result of this acquisition, Core Molding

Technologies expanded its fiberglass molding capabilities to include the spray up, hand-lay-up open mold processes and RTM closed molding. In 2004, Core Molding Technologies acquired substantially all the operating assets of Keystone Restyling Products, Inc., a privately held manufacturer and distributor of fiberglass reinforced products for the automotive-aftermarket industry. In 2005, Core Molding Technologies acquired certain assets of the Cincinnati Fiberglass Division of Diversified Glass, Inc., a Batavia, Ohio-based, privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. In 2009, the Company completed construction of a new production facility in Matamoros, Mexico that replaced its leased facility. In July 2011, the Company formed Core Specialty Composites and leased a facility in Warsaw, Kentucky to produce parts for customers outside of the Company’s traditional markets. Due to changing market conditions for products manufactured at the Warsaw facility the Company terminated its lease and closed its Warsaw facility in October 2012.

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Core Molding Technologies recorded net income in 2014 of $9,634,000, or $1.28 per basic and diluted share, compared with net income of $6,866,000, or $0.95 per basic and $0.92 per diluted share, in 2013. Product sales in 2014 increased 27% from 2013 product sales. This resulted primarily from increased demand from North American heavy and medium-duty truck customers and the full year impact of business awarded from Volvo in 2013.

Looking forward, the Company anticipates 2015 sales levels to increase as compared to 2014, as industry analysts are forecasting moderate increases in truck production for 2015.

RESULTS OF OPERATIONS

2014 COMPARED WITH 2013

Net sales for 2014 totaled $175,204,000, representing a 22% increase from the $144,125,000 reported for 2013. Included in total sales were tooling project sales of $5,460,000 for 2014 and $10,029,000 for 2013. Tooling project sales result primarily from customer approval and acceptance of molds and assembly equipment specific to their products as well as other non-production services. These sales are sporadic in nature and fluctuate in regard to scope and related revenue on a period-to-period basis. Total product sales for 2014, excluding tooling project sales, totaled $169,744,000, representing a 27% increase from the $134,096,000 reported for 2013. In 2014, sales were positively impacted by approximately $37,000,000 from new business starting production in 2014 and the full year impact of new business started in 2013. Other customer demand increases positively impacted sales by approximately $9,000,000. Partially offsetting these increases were lower product sales to PACCAR associated with programs nearing the end of their production life of approximately $10,000,000.

Sales to Navistar in 2014 totaled $51,330,000, compared to $47,356,000 reported for 2013. Included in total sales are tooling sales of $76,000 and $972,000 for 2014 and 2013, respectively. Product sales to Navistar increased 11% in 2014 as compared to 2013 primarily due to an overall increase in demand from Navistar.

Sales to Volvo in 2014 totaled $48,859,000, compared to $12,444,000 reported for 2013. Included in total sales are tooling sales of $2,519,000 and $936,000 for 2014 and 2013, respectively. Product sales to Volvo increased by $34,832,000 in 2014 as compared to 2013 primarily due to the full year impact of 2013 business awards, which did not start generating product revenues for the Company until the third quarter of 2013, and due to an overall increase in demand from Volvo.

Sales to PACCAR in 2014 totaled $36,128,000, compared to $50,154,000 reported for 2013. Included in total sales are tooling sales of $526,000 and $7,370,000 for 2014 and 2013, respectively. Product sales to PACCAR decreased 17% in 2014 as compared to 2013. This decrease was primarily due to lower sales of products nearing the end of their production life of approximately $10,000,000, partially offset by sales of new products of approximately $2,000,000 and from increased demand from PACCAR of approximately$1,000,000.

Sales to Yamaha in 2014 totaled $16,911,000, compared to $13,648,000 reported for 2013. This 24% increase in sales was due to both Yamaha transitioning additional business to the Company and an overall increase in demand from Yamaha.

Sales to other customers in 2014 totaled $21,976,000, increasing 7% from $20,523,000 reported for 2013. Included in total sales are tooling sales of $2,339,000 and $751,000 in 2014 and 2013, respectively. Product sales in 2014 totaled $19,637,000, which remained consistent with 2013 sales of $19,772,000.

Gross margin was approximately 17.2% of sales in 2014 and 16.4% in 2013. Improved fixed cost absorption favorably impacted gross margin as a percent of sales by 1.5%, due to higher production volumes. In addition, production efficiencies favorably impacted gross margin as a percent of sales by 1.4%. Partially offsetting these improvements was the change in sales mix, which resulted in an unfavorable impact on gross margin of 2.1%.

Selling, general and administrative expense ("SG&A") totaled $15,539,000 in 2014, compared to $13,460,000 in 2013. The increase is primarily driven by increases in labor and benefit related expenses of $1,049,000, profit sharing of $734,000, and outside service costs $347,000, which were primarily incurred during the third quarter in connection with certain strategic initiatives, including an unsuccessful bid for a targeted acquisition.

Net interest expense totaled $122,000 for the year ended December 31, 2014, compared to net interest expense of $214,000 for the year ended December 31, 2013. Reductions in outstanding term loan balances and higher capitalized interest reduced interest expense by $130,000. Partially offsetting this reduction was an increase in interest expense of $43,000 due to outstanding revolver line of credit balance during 2014.

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Income tax expense was approximately 34% and 31% of total income before income taxes in 2014 and 2013, respectively. Income tax as a percent of total income in 2013 was lower, primarily due to a one-time $240,000 favorable credit to deferred income taxes associated with Mexican tax reform.

Net income for 2014 was $9,634,000 or $1.28 per basic and diluted share, compared with net income of $6,866,000 or $0.95 per basic and $0.92 per diluted share for 2013.

2013 COMPARED WITH 2012

Net Sales for 2013 totaled $144,125,000, representing a 11% decrease from the $162,450,000 reported for 2012. Included in total sales were tooling project sales of $10,029,000 for 2013 and $12,752,000 for 2012. Tooling project sales result primarily from customer approval and acceptance of molds and assembly equipment specific to their products as well as other non-production services. These sales are sporadic in nature and fluctuate in regard to scope and related revenue on a period-to-period basis. Total product sales for 2013, excluding tooling project sales, totaled $134,096,000, representing a 10% decrease from the $149,698,000 reported for 2012. Awards of new business had a favorable impact on product sales of approximately $10,000,000 during 2013. Lower demand for the Company's existing products as well as lower sales for certain products reaching the end of their production life from customers in the medium and heavy-duty truck market had an unfavorable impact on product sales of approximately $25,000,000 during 2013.

Sales to Navistar in 2013 totaled $47,356,000, compared to $63,303,000 reported for 2012. Included in total sales are tooling sales of $972,000 and $8,301,000 for 2013 and 2012, respectively. Product sales to Navistar decreased by 16% in 2013 as compared to 2012 due to an overall decline in demand from Navistar.

Sales to PACCAR in 2013 totaled $50,154,000, compared to $57,252,000 reported for 2012. Included in total sales are tooling sales of $7,370,000 and $1,728,000 for 2013 and 2012, respectively. Product sales to PACCAR decreased 23% in 2013 as compared to 2012 primarily due to decreased demand from PACCAR as well as lower sales for products reaching the end of their product life.

Sales to Volvo in 2013 totaled $12,444,000, compared to $6,228,000 reported for 2012. Included in total sales are tooling sales of $936,000 and $33,000 for 2013 and 2012, respectively. Product sales to Volvo increased by $5,313,000 in 2013 as compared to 2012 primarily due to the awards of new business.

Sales to Yamaha in 2013 totaled $13,648,000, compared to $12,623,000 reported for 2012. Included in total sales are tooling sales of $0 and $4,000 for 2013 and 2012, respectively. Product sales to Yamaha increased by $1,029,000 in 2013 as compared to 2012 due to an overall increase in demand from Yamaha.

Sales to other customers in 2013 totaled $20,523,000, decreasing 11% from $23,044,000 reported for 2012. Included in total sales are tooling sales of $751,000 and $2,686,000 in 2013 and 2012, respectively. Product sales to other customers decreased $586,000 or 3% in 2013 as compared to 2012. The decrease was primarily due to decreases from other customers in the medium and heavy-duty truck industry offset by an increase in sales from customers in the automotive industries.

Gross margin was approximately 16% of sales in both 2013 and 2012. During 2013, lower absorption of fixed costs of production negatively impacted gross margin as a percent of sales by approximately 1% due to reduced sales volume. Comparatively, gross margin for 2012 was unfavorably impacted by 1% of sales due to start-up costs and production inefficiencies at the Company's Warsaw, Kentucky facility which was closed in October 2012.

Selling, general and administrative expense ("SG&A") totaled $13,460,000 in 2013, compared to $13,358,000 in 2012. Labor and benefit costs increased $460,000 and outside service costs increased by $173,000. These increases were partially offset by lower profit sharing expense of $364,000 and lower travel costs of $150,000.

Net interest expense totaled $214,000 for the year ended December 31, 2013, compared to net interest expense of $334,000 for the year ended December 31, 2012. Capitalized interest related to facility and capacity expansion projects reduced interest expense by $63,000 and $174,000 for the years ended December 31, 2013 and 2012, respectively. Reductions in outstanding loan balances due to regularly scheduled principal payments, lower outstanding balances on the revolving line of credit, and lower interest rates reduced interest expense by $194,000. Favorable mark to market adjustments on the Company's interest rate swaps and less loss amortization from accumulated other comprehensive income, due to the expiration of the IDRB interest rate swap, had a favorable impact on interest expense of $37,000.

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Income tax expense was approximately 31% and 33% of total income before income taxes in 2013, and 2012, respectively. The primary reason for the decrease in income tax as a percent of total income for 2013 was due to a one-time $240,000 favorable credit to deferred income taxes associated with Mexican tax reform enacted in December 2013.

Net income for 2013 was $6,866,000 or $0.95 per basic and $0.92 per diluted share, compared with net income of $8,190,000 or $1.15 per basic and $1.11 per diluted share for 2012.

LIQUIDITY AND CAPITAL RESOURCES

The Company’s primary sources of funds have been cash generated from operating activities and borrowings from third parties. Primary cash requirements are for operating expenses and capital expenditures.

In 2008, the Company and its wholly owned subsidiary, CoreComposites de Mexico, S. de R.L. de C.V., entered into a Credit Agreement to refinance some existing debt and borrow funds to finance the construction of the Company’s manufacturing facility in Mexico.

Under this Credit Agreement, the Company received certain loans, subject to the terms and conditions stated in the agreement, which included (1) a $12,000,000 Capex loan; (2) an $8,000,000 Mexican loan; (3) an $8,000,000 revolving line of credit; and (4) a letter of credit in an undrawn face amount of $3,332,493 with respect to the Company’s existing industrial development revenue bond financing. The Credit Agreement is secured by a guarantee of each U.S. subsidiary of the Company and by a lien on substantially all of the present and future assets of the Company and its U.S. subsidiaries, except that only 65% of the stock issued by CoreComposites de Mexico, S. de C.V. has been pledged. The $8,000,000 Mexican loan was also secured by substantially all of the present and future assets of the Company’s Mexican subsidiary.

On March 27, 2013, the Company and its wholly owned subsidiary, CoreComposites de Mexico, S. de R.L. de C.V., entered into an eighth amendment (the "Eighth Amendment") to the Credit Agreement. Pursuant to the terms of the Eighth Amendment, the parties agreed to modify certain terms of the Credit Agreement. These modifications included (1) an increase to the borrowing limit on the revolving line of credit from $8,000,000 to $18,000,000; (2) modification to the fixed charge definition to exclude capital expenditures of up to $18,000,000 associated with the Company's compression molding capacity expansion and any sheet molding compound manufacturing capacity expansion; (3) to extend the commitment period for the revolving line of credit to May 31, 2015; and (4) to cancel, effective immediately, the unused $10,000,000 Mexican Expansion Revolving Loan that was added as part of the sixth amendment to the Credit Agreement, which had a zero balance at December 31, 2012 and was scheduled to expire on May 31, 2013.

On October 31, 2013, the Company and its wholly owned subsidiary, Corecomposites de Mexico, S. DE R.L. DE C.V., entered into a ninth amendment (the "Ninth Amendment") to the Credit Agreement. Pursuant to the terms of the Ninth Amendment, the parties agreed to decrease the applicable margin for interest rates on Eurodollar Loans and Daily Libor Loans to 160 basis points from 175 basis points.

Cash provided by operating activities totaled $10,827,000 for the year ended December 31, 2014. Net income of $9,634,000 positively impacted operating cash flows. Non-cash deductions of depreciation and amortization contributed $5,023,000 to operating cash flow. Changes in working capital decreased cash provided by operating activities by $6,381,000. Changes in working capital primarily relate to an increase in accounts receivable due to increased sales in the fourth quarter of 2014 as compared to the fourth quarter of 2013, as well as an increase in income tax receivable and higher inventory levels. These were partially offset by increased accrued and other liabilities.

Cash used in investing activities totaled $10,679,000 for the year ended December 31, 2014, primarily consisting of capital investment related to capacity expansions, and equipment purchases for the Company’s production facilities. The Company anticipates spending approximately $8,000,000 during 2015 on property, plant and equipment purchases for all of the Company's operations. The Company anticipates using cash from operations and its revolving line of credit to finance this capital investment. At December 31, 2014, purchase commitments for capital expenditures in progress were approximately $1,682,000.

Cash used in financing activities totaled $102,000 for the year ended December 31, 2014, which included net borrowings from the revolver of $2,768,000 and $3,315,000 of repayments of principal on the Company’s Mexican loan and capex loan. Proceeds from the exercise of stock options amounted to $328,000. Additionally reductions in taxes payable due to disqualified dispositions and vesting of restricted stock contributed $395,000 to cash flow. Purchases of treasury stock to satisfy employee tax withholding requirements on vested restricted stock reduced cash flow from financing activities by $278,000.

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At December 31, 2014, the Company had cash on hand of $2,312,000 and an available revolving line of credit of $15,232,000. Management believes that cash flow from operating activities and available borrowings under the Credit Agreement will be sufficient to meet the Company’s liquidity needs. If a material adverse change in the financial position of Core Molding Technologies should occur, or if actual sales or expenses are substantially different than what has been forecasted, Core Molding Technologies’ liquidity and ability to obtain further financing to fund future operating and capital requirements could be negatively impacted.

The Company is required to meet certain financial covenants included in the Credit Agreement with respect to leverage ratios, fixed charge ratios, capital expenditures as well as other customary affirmative and negative covenants. As of December 31, 2014, the Company was in compliance with its financial covenants.

Management regularly evaluates the Company’s ability to effectively meet its debt covenants. Based on the Company’s forecast, which is primarily based on industry analysts’ estimates of heavy and medium-duty truck production volumes, as well as other assumptions, management believes that the Company will be able to maintain compliance with its financial covenants for the next 12 months.

On November 14, 2014 the Company filed a universal shelf Registration Statement on Form S-3 (the “Registration Statement”) with the SEC in accordance with the Securities Act of 1933, as amended, which became effective on November 25, 2014. The Registration Statement registered common stock, preferred stock, debt securities, warrants, depositary shares, rights, units and any combination of the foregoing, for a maximum aggregate offering price of up to $50.0 million, which may be sold from time to time. The terms of any securities offered under the Registration Statement and intended use of proceeds will be established at the times of the offerings and will be described in prospectus supplements filed with the SEC at the times of the offerings. The Registration Statement has a three year term.

CONTRACTUAL OBLIGATIONS AND OFF-BALANCE SHEET TRANSACTIONS

The Company has the following minimum commitments under contractual obligations, including purchase obligations, as defined by the SEC. A “purchase obligation” is defined as an agreement to purchase goods or services that is enforceable and legally binding on the Company and that specifies all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum, or variable price provisions; and the approximate timing of the transaction. Other long-term liabilities are defined as long-term liabilities that are reflected on the Company’s balance sheet under accounting principles generally accepted in the United States. Based on this definition, the table below includes only those contracts which include fixed or minimum obligations. It does not include normal purchases, which are made in the ordinary course of business.

The following table provides aggregated information about the maturities of contractual obligations and other long-term liabilities as of December 31, 2014:

	2015	2016	2017	2018	2019	2020 and after	Total
Long-term debt	$1,714,000	$714,000	$—	$—	$—	$—	$2,428,000
Revolving line of credit	2,768,000	—	—	—	—	—	2,768,000
Interest	127,000	25,000	—	—	—	—	152,000
Operating lease obligations	535,000	539,000	486,000	328,000	192,000	—	2,080,000
Contractual commitments for capital	1,682,000	—	—	—	—	—	1,682,000

expenditures[A]							
Post retirement benefits	1,064,000	379,000	392,000	370,000	368,000	6,599,000	9,172,000
Total	$7,890,000	$1,657,000	$878,000	$698,000	$560,000	$6,599,000	$18,282,000

(A) Includes $557,000 recorded on the balance sheet in accounts payable at December 31, 2014.

Interest is calculated based on the effective interest rates on the Company's borrowing arrangements reflective of the interest rate swap agreement in place for the long-term borrowings. As of December 31, 2014, the Company had no off-balance sheet arrangements.

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CRITICAL ACCOUNTING POLICIES AND ESTIMATES

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to accounts receivable, inventories, goodwill and other long-lived assets, self-insurance, post retirement benefits, and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Accounts Receivable Allowances

Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company recorded an allowance for doubtful accounts of $289,000 at December 31, 2014 and $141,000 at December 31, 2013. Management also records estimates for chargebacks for customer returns and deductions, discounts offered to customers, and price adjustments. Should customer chargebacks fluctuate from the estimated amounts, additional allowances may be required. The Company has reduced accounts receivable for chargebacks by $813,000 at December 31, 2014 and $973,000 at December 31, 2013.

Inventories

Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage. The Company has recorded an allowance for excess and obsolete inventory of $940,000 at December 31, 2014 and $792,000 at December 31, 2013.

Long-Lived Assets

Long-lived assets consist primarily of property, plant and equipment. The recoverability of long-lived assets is evaluated by an analysis of operating results and consideration of other significant events or changes in the business environment. The Company evaluates whether impairment exists for property, plant and equipment on the basis of undiscounted expected future cash flows from operations before interest. There was no impairment of the Company's long-lived assets for the years ended December 31, 2014 and 2013.

Goodwill

Core Molding Technologies acquired certain assets of Airshield Corporation in 2001, and as a result, recorded goodwill related to its Matamoros, Mexico operations in the amount of $1,097,000. The Company evaluates goodwill annually on December 31st to determine whether impairment exists, or at interim periods if an indicator of possible impairment exists. The Company evaluates goodwill for impairment using fair value measurements based on a projected discounted cash flow valuation model, in accordance with ASC 350, “Intangibles-Goodwill and Other.” If impairment exists, the carrying amount of the goodwill is reduced to its estimated fair value, less any costs associated with the final settlement. There was no impairment of the Company's goodwill for the years ended December 31, 2014 and 2013.

Self-Insurance

The Company is self-insured with respect to its Columbus and Batavia, Ohio, Gaffney, South Carolina and Brownsville, Texas medical, dental and vision claims and Columbus and Batavia, Ohio workers’ compensation claims, all of which are subject to stop-loss insurance thresholds. The Company has recorded an estimated liability for self-insured medical and dental claims incurred but not reported and worker’s compensation claims incurred but not reported at December 31, 2014 and December 31, 2013 of $1,165,000 and $1,092,000, respectively.

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Post Retirement Benefits

Management records an accrual for post retirement costs associated with the health care plan sponsored by the Company for certain employees. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on the Company's operations. The effect of a change in healthcare costs is described in Note 11 of the Notes to Consolidated Financial Statements. Core Molding Technologies had a liability for post retirement healthcare benefits based on actuarially computed estimates of $9,172,000 at December 31, 2014 and $6,774,000 at December 31, 2013.

Revenue Recognition

Revenue from product sales is recognized at the time products are shipped and title transfers. Allowances for returned products and other credits are estimated and recorded as revenue is recognized. Tooling revenue is recognized when the customer approves the tool and accepts ownership. Progress billings and expenses are shown net as an asset or liability on the Company’s Consolidated Balance Sheet. Tooling in progress can fluctuate significantly from period to period and is dependent upon the stage of tooling projects and the related billing and expense payment timetable for individual projects and therefore does not necessarily reflect projected income or loss from tooling projects. At December 31, 2014, the Company had a net liability related to tooling in progress of $8,068,000, which represents approximately $10,407,000 of progress tooling billings and $2,339,000 of progress tooling expenses. At December 31, 2013 the Company had a net liability related to tooling in progress of $334,000, which represents approximately $3,344,000 of progress tooling billings and $3,010,000 of progress tooling expenses.

Income Taxes

Management assesses the need for a a valuation allowance to reduce its deferred tax assets to the amount that it believes is more likely than not to be realized. The Company has considered future taxable income in assessing the need for a valuation allowance and has not recorded a valuation allowance due to anticipating it being more likely than not that the Company will realize these benefits.

An analysis is performed to determine the amount of the deferred tax asset that will be realized. Such analysis is based upon the premise that the Company is and will continue as a going concern and that it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income. Management reviews all available evidence, both positive and negative, to assess the long-term earnings potential of the Company using a number of alternatives to evaluate financial results in economic cycles at various industry volume conditions. Other factors considered are the Company’s relationships with its major customers, and any recent customer diversification efforts. The projected availability of taxable income to realize the tax benefits from the reversal of temporary differences before expiration of these benefits are also considered. Management believes that, with the combination of available tax planning strategies and the maintenance of its relationships with its key customers, earnings are achievable in order to realize the net deferred tax asset.

Management recognizes the financial statement effects of a tax position when it is more likely than not the position will be sustained upon examination.

Inflation

Inflationary factors such as increases in the cost of our product and overhead costs may adversely affect our operating results. A high rate of inflation in the future may have an adverse effect on our ability to maintain current levels of gross profit and selling, general and administrative expenses as a percentage of net sales if the selling prices of our products do not increase with these increased costs.

Recent Accounting Pronouncements

In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU Topic 606 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU Topic 606 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date for ASU Topic 606 will be the first quarter of fiscal year 2017 using one of two retrospective application methods.

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The Company is currently assessing the transition alternatives and potential impact the pronouncement and adoption of ASU Topic 606 will have on the Company's financial statements. Early adoption is not permitted.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "Presentation of Financial Statements-Going Concern (Topic 205-40)" ("ASU 2014-15"). Under the standard, management is required to evaluate for each annual and interim reporting period whether it is probable that the entity will not be able to meet its obligations as they become due within one year after the date that financial statements are issued. ASU 2014-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. Accordingly, the standard is effective for the Company on January 1, 2017. The Company does not believe that the pronouncement will have an impact on the Company's financial statements.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Core Molding Technologies' primary market risk results from changes in the price of commodities used in its manufacturing operations. Core Molding Technologies is also exposed to fluctuations in interest rates and foreign currency fluctuations associated with the Mexican Peso. Core Molding Technologies does not hold any material market risk sensitive instruments for trading purposes.

Core Molding Technologies has the following four items that are sensitive to market risks at December 31, 2014: (1) Revolving Line of Credit under the Credit Agreement which bears a variable interest rate; (2) Capex Loan payable with a variable interest rate (although the Company has an interest rate swap to fix the variable portion of the applicable interest rate at 2.3%); (3) foreign currency purchases in which the Company purchases Mexican pesos with United States dollars to meet certain obligations that arise due to operations at the facility located in Mexico; and (4) raw material purchases in which Core Molding Technologies purchases various resins and fiberglass for use in production. The prices and availability of these materials are affected by the prices of crude oil and natural gas as well as processing capacity versus demand.

Assuming a hypothetical 10% increase in commodity prices, Core Molding Technologies would be impacted by an increase in raw material costs, which would have an adverse effect on operating margins.

Assuming a hypothetical 10% change in short-term interest rates, interest paid on the Company's Line of Credit would impact the interest paid by the Company, as the interest rate on these loans is based upon LIBOR, however, it would not have a material effect on earnings before taxes.

A 10% change in future interest rate curves would impact the fair value of the Company's interest rate swap, however, it would not have a material effect on earnings before taxes.

ITEM 8. FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA
REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

Board of Directors and Stockholders
Core Molding Technologies, Inc.
Columbus, Ohio

We have audited the accompanying consolidated balance sheets of Core Molding Technologies, Inc. and Subsidiaries (the “Company”) as of December 31, 2014 and 2013, and the related consolidated statements of income, comprehensive income, stockholders' equity, and cash flows for each of the years in the three-year period ended December 31, 2014. We also have audited the consolidated financial statement schedule, Schedule II - Valuation and Qualifying Accounts and Reserves, and the Company's internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO). The Company's management is responsible for these consolidated financial statements and consolidated financial statement schedule, for maintaining effective internal control over financial reporting, and for its assessment of the effectiveness of internal control over financial reporting, included in the accompanying Management's Report on Internal Control over Financial Reporting. Our responsibility is to express an opinion on these consolidated financial statements and consolidated financial statement schedule and an opinion on the company's internal control over financial reporting based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement and whether effective internal control over financial reporting was maintained in all material respects. Our audits of the consolidated financial statements included examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. Our audit of internal control over financial reporting included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, and testing and evaluating the design and operating effectiveness of internal control based on the assessed risk. Our audits also included performing such other procedures as we considered necessary in the circumstances. We believe that our audits provide a reasonable basis for our opinions.

A company's internal control over financial reporting is a process designed to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles. A company's internal control over financial reporting includes those policies and procedures that (1) pertain to the maintenance of records that, in reasonable detail, accurately and fairly reflect the transactions and dispositions of the assets of the company; (2) provide reasonable assurance that transactions are recorded as necessary to permit preparation of financial statements in accordance with generally accepted accounting principles, and that receipts and expenditures of the company are being made only in accordance with authorizations of management and directors of the company; and (3) provide reasonable assurance regarding prevention or timely detection of unauthorized acquisition, use, or disposition of the company's assets that could have a material effect on the financial statements.

Because of its inherent limitations, internal control over financial reporting may not prevent or detect misstatements. Also, projections of any evaluation of effectiveness to future periods are subject to the risk that controls may become inadequate because of changes in conditions, or that the degree of compliance with the policies or procedures may deteriorate.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Core Molding Technologies, Inc. and Subsidiaries as of December 31, 2014 and 2013, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2014 in conformity with accounting principles generally accepted in the United States of America. Also, in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein. Also in our opinion, Core Molding Technologies, Inc. and Subsidiaries maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on criteria established in the 2013 Internal Control - Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission.

/s/ Crowe Horwath LLP
Columbus, Ohio
March 13, 2015

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Income

	Years Ended December 31,		
	2014	2013	2012
Net sales:			
Products	$169,744,000	$134,096,000	$149,698,000
Tooling	5,460,000	10,029,000	12,752,000
Total net sales	175,204,000	144,125,000	162,450,000
Total cost of sales	145,018,000	120,551,000	136,602,000
Gross margin	30,186,000	23,574,000	25,848,000
Total selling, general and administrative expense	15,539,000	13,460,000	13,358,000
Income before interest and taxes	14,647,000	10,114,000	12,490,000
Interest expense	122,000	214,000	334,000
Income before income taxes	14,525,000	9,900,000	12,156,000
Income taxes:			
Current	2,370,000	2,755,000	3,956,000
Deferred	2,521,000	279,000	10,000
Total income taxes	4,891,000	3,034,000	3,966,000
Net income	$9,634,000	$6,866,000	$8,190,000
Net income per common share:			
Basic	$1.28	$0.95	$1.15
Diluted	$1.28	$0.92	$1.11
Weighted average shares outstanding:			
Basic	7,508,000	7,220,000	7,104,000
Diluted	7,553,000	7,435,000	7,379,000

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Comprehensive Income

	Years Ended December 31,		
	2014	2013	2012
Net income	$9,634,000	$6,866,000	$8,190,000
Other comprehensive income:			
Interest rate swaps:			
Adjustment for amortization of losses included in net income	21,000	36,000	83,000
Income tax expense	(7,000)	(12,000)	(28,000)
Post retirement benefit plan adjustments:			
Net actuarial (loss) gain	(2,679,000)	3,118,000	(633,000)
Prior service costs	(496,000)	(496,000)	(496,000)
Income tax benefit (expense)	1,119,000	(961,000)	384,000
Comprehensive income	$7,592,000	$8,551,000	$7,500,000

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets

	December 31, 2014	2013
Assets:		
Current assets:		
Cash and cash equivalents	$2,312,000	$2,266,000
Accounts receivable (less allowance for doubtful accounts: December 31, 2014 - $289,000; December 31, 2013 - $141,000)	34,360,000	22,069,000
Inventories:		
Finished goods	1,402,000	1,739,000
Work in process	1,621,000	1,515,000
Stores	8,612,000	7,573,000
Total inventories, net	11,635,000	10,827,000
Deferred tax asset-current portion	1,868,000	1,615,000
Foreign sales tax receivable	1,447,000	1,324,000
Income taxes receivable	2,286,000	327,000
Prepaid expenses and other current assets	715,000	822,000
Total current assets	54,623,000	39,250,000
Property, plant and equipment — net	61,995,000	56,478,000
Deferred tax asset	—	296,000
Goodwill	1,097,000	1,097,000
Total Assets	$117,715,000	$97,121,000
Liabilities and Stockholders’ Equity:		
Liabilities:		
Current liabilities:		
Current portion of long-term debt	$1,714,000	$3,314,000
Revolving line of credit	2,768,000	—
Current portion of interest rate swaps	34,000	71,000
Accounts payable	9,256,000	9,625,000
Tooling in progress	8,068,000	334,000
Current portion of post retirement benefits liability	1,064,000	943,000
Accrued liabilities:		
Compensation and related benefits	7,087,000	5,952,000
Taxes	256,000	199,000
Other	1,132,000	943,000
Total current liabilities	31,379,000	21,381,000
Long-term debt	714,000	2,429,000
Interest rate swaps	3,000	32,000
Deferred tax liability	1,365,000	—
Post retirement benefits liability	8,108,000	5,831,000
Total Liabilities	41,569,000	29,673,000
Commitments and Contingencies	—	—
Stockholders’ Equity:		

Preferred stock — $0.01 par value, authorized shares — 10,000,000; outstanding shares: 0 at December 31, 2014 and December 31, 2013	—	—
Common stock — $0.01 par value, authorized shares – 20,000,000; outstanding shares: 7,559,012 at December 31, 2014 and 7,318,773 at December 31, 2013	76,000	73,000
Paid-in capital	28,138,000	26,757,000
Accumulated other comprehensive income, net of income taxes	2,830,000	4,872,000
Treasury stock	(27,360,000)	(27,082,000)
Retained earnings	72,462,000	62,828,000
Total Stockholders’ Equity	76,146,000	67,448,000
Total Liabilities and Stockholders’ Equity	$117,715,000	$97,121,000

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statement of Stockholders' Equity

	Common Stock Outstanding Shares	Amount	Paid-In Capital	Accumulated Other Comprehensive Income	Treasury Stock	Retained Earnings	Total Stockholders' Equity
Balance at January 1, 2012	7,048,069	$70,000	$24,872,000	$3,877,000	$(26,495,000)	$47,772,000	$50,096,000
Net income						8,190,000	8,190,000
Change in post retirement benefits, net of tax of $384,000				(745,000)			(745,000)
Change in interest rate swaps, net of tax of $28,000				55,000			55,000
Common stock issued	25,775		81,000				81,000
Excess tax benefit — equity transactions			163,000				163,000
Purchase of treasury stock	(31,455)				(253,000)		(253,000)
Restricted stock vested	88,415	1,000					1,000
Share-based compensation			410,000				410,000
Balance at December 31, 2012	7,130,804	$71,000	$25,526,000	$3,187,000	$(26,748,000)	$55,962,000	$57,998,000
Net income						6,866,000	6,866,000
Change in post retirement benefits, net of tax of $961,000				1,661,000			1,661,000
Change in interest rate swaps, net of tax of $12,000				24,000			24,000
Common stock issued	132,725	1,000	409,000				410,000
Excess tax benefit — equity transactions			409,000				409,000
Purchase of treasury stock	(36,329)				(334,000)		(334,000)
Restricted stock vested	91,573	1,000					1,000
Share-based compensation			413,000				413,000
Balance at December 31, 2013	7,318,773	$73,000	$26,757,000	$4,872,000	$(27,082,000)	$62,828,000	$67,448,000

Net income						9,634,000	9,634,000
Change in post retirement benefits, net of tax of $1,119,000				(2,056,000)			(2,056,000)
Change in interest rate swaps, net of tax of $7,000				14,000			14,000
Common stock issued	186,060	2,000	326,000				328,000
Excess tax benefit — equity transactions			311,000				311,000
Purchase of treasury stock	(21,797)				(278,000)		(278,000)
Restricted stock vested	75,976	1,000					1,000
Share-based compensation			744,000				744,000
Balance at December 31, 2014	7,559,012	$76,000	$28,138,000	$2,830,000	$(27,360,000)	$72,462,000	$76,146,000

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows

	Years Ended 2014	2013	2012
Cash flows from operating activities:			
Net income	$9,634,000	$6,866,000	$8,190,000
Adjustments to reconcile net income to net cash provided by operating activities:			
Depreciation and amortization	5,023,000	4,878,000	4,523,000
Deferred income taxes	2,521,000	279,000	(782,000)
Mark-to-market of interest rate swaps	(45,000)	(73,000)	(64,000)
Share-based compensation	744,000	413,000	410,000
Loss on disposal of assets	—	5,000	—
Loss on foreign currency translation and transaction	108,000	27,000	4,000
Change in operating assets and liabilities:			
Accounts receivable	(12,292,000)	(7,446,000)	7,425,000
Inventories	(808,000)	(862,000)	1,444,000
Taxes receivable	(1,959,000)	944,000	(1,271,000)
Prepaid and other assets	(78,000)	93,000	(558,000)
Accounts payable	(275,000)	2,259,000	(2,099,000)
Accrued and other liabilities	9,031,000	125,000	(2,593,000)
Post retirement benefits liability	(777,000)	(591,000)	169,000
Net cash provided by operating activities	10,827,000	6,917,000	14,798,000
Cash flows from investing activities:			
Purchase of property, plant and equipment	(10,679,000)	(9,332,000)	(8,258,000)
Proceeds from sale of property and equipment	—	92,000	777,000
Net cash used in investing activities	(10,679,000)	(9,240,000)	(7,481,000)
Cash flows from financing activities:			
Gross repayments on revolving line of credit	(67,993,000)	—	(47,369,000)
Gross borrowings on revolving line of credit	70,761,000	—	47,369,000
Payment of principal on Mexican loan	(1,600,000)	(1,600,000)	(1,600,000)
Payment of principal on capex loan	(1,715,000)	(1,714,000)	(1,714,000)
Payment of principal on industrial development revenue bond	—	(420,000)	(790,000)
Excess tax benefit from equity incentive plans	395,000	409,000	163,000
Payments related to the purchase of treasury stock	(278,000)	(334,000)	(253,000)
Proceeds from issuance of common stock	328,000	410,000	81,000
Net cash used in financing activities	(102,000)	(3,249,000)	(4,113,000)
Net change in cash and cash equivalents	46,000	(5,572,000)	3,204,000
Cash and cash equivalents at beginning of year	2,266,000	7,838,000	4,634,000
Cash and cash equivalents at end of year	$2,312,000	$2,266,000	$7,838,000
Cash paid for:			
Interest (net of amounts capitalized)	$110,000	$204,000	$284,000

Income taxes	$3,567,000	$1,296,000	$4,734,000
Non Cash:			
Fixed asset purchases in accounts payable	$557,000	$709,000	$241,000

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements

1. Basis of Presentation

Core Molding Technologies and its subsidiaries operate in the plastics market in a family of products known as “reinforced plastics.” Reinforced plastics are combinations of resins and reinforcing fibers (typically glass or carbon) that are molded to shape. Core Molding Technologies is a manufacturer of sheet molding compound ("SMC") and molder of fiberglass reinforced plastics. The Company specializes in large-format moldings and offers a wide range of fiberglass processes, including compression molding of SMC, glass mat thermoplastics ("GMT") and bulk molding compounds ("BMC"); spray-up, hand-lay-up, and resin transfer molding ("RTM"). Additionally, the Company offers reaction injection molding ("RIM"), utilizing dicyclopentadiene technology. Core Molding Technologies operates four production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico.

The Company operates in one business segment as a manufacturer of SMC and molder of fiberglass reinforced plastics. The Company produces and sells SMC and molded products for varied markets, including light, medium, and heavy-duty trucks, automobiles and automotive aftermarket, marine, construction and other commercial products.

In July 2011, the Company formed Core Specialty Composites and leased a facility in Warsaw, Kentucky to produce parts for customers outside of the Company’s traditional markets. Due to changing market conditions for products manufactured at the Warsaw facility the Company terminated its lease and closed its Warsaw facility in October 2012. Operations at the Warsaw, Kentucky facility generated pre-tax expense of approximately $1,100,000 during 2012. Contributing to the loss were start-up costs, production inefficiencies and plant closure costs, net of settlement proceeds received, all of which were included in cost of goods sold in the Company's 2012 Consolidated Statement of Income.

2. Summary of Significant Accounting Policies

Principles of Consolidation - The accompanying consolidated financial statements include the accounts of all subsidiaries after elimination of all intercompany accounts, transactions, and profits.

Use of Estimates - The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and reported amounts of revenues and expenses during the reporting period. Significant estimates relate to allowances for doubtful accounts, inventory reserves, self-insurance reserves related to healthcare and workers compensation, deferred taxes, post retirement benefits, goodwill and long-lived assets. Actual results could differ from those estimates.

Revenue Recognition - Revenue from product sales is recognized at the time products are shipped and title transfers. Allowances for returned products and other credits are estimated and recorded as revenue is recognized. Tooling revenue is recognized when the customer approves the tool and accepts ownership. Progress billings and expenses are shown net as an asset or liability on the Company’s Consolidated Balance Sheet. Tooling in progress can fluctuate significantly from period to period and is dependent upon the stage of tooling projects and the related billing and expense payment timetable for individual projects and therefore does not necessarily reflect projected income or loss from tooling projects. At December 31, 2014, the Company had a net liability related to tooling in progress of $8,068,000, which represents approximately $10,407,000 of progress tooling billings and $2,339,000 of progress tooling expenses. At December 31, 2013, the Company had a net liability related to tooling in progress of $334,000 which represents approximately $3,344,000 of progress tooling billings and $3,010,000 of progress tooling expenses.

Cash and Cash Equivalents - The Company considers all highly liquid investments purchased with an original maturity of three months or less to be cash equivalents. Cash is held primarily in one bank. The Company had cash on hand of $2,312,000 at December 31, 2014 and $2,266,000 at December 31, 2013.

Accounts Receivable Allowances - Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company recorded an allowance for doubtful accounts of $289,000 at December 31, 2014 and $141,000 December 31, 2013. Management also records estimates for customer returns and deductions, discounts offered to customers, and for price adjustments. Should customer returns and deductions, discounts, and price adjustments fluctuate from the estimated amounts, additional allowances may be required. The Company had an allowance for estimated chargebacks of $813,000 at December 31, 2014 and $973,000 at December 31, 2013. There have been no material changes in the methodology of these calculations.

Inventories - Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage. The Company has recorded an allowance for slow moving and obsolete inventory of $940,000 at December 31, 2014 and $792,000 at December 31, 2013.

Property, Plant, and Equipment - Property, plant, and equipment are recorded at cost. Depreciation is provided on a straight-line method over the estimated useful lives of the assets. The carrying amount of long lived assets is evaluated annually to determine if adjustment to the depreciation period or to the unamortized balance is warranted.

Ranges of estimated useful lives for computing depreciation are as follows:

Land improvements	20 years
Buildings and improvements	20 - 40 years
Machinery and equipment	3 - 15 years
Tools, dies and patterns	3 - 5 years

Depreciation expense was $5,009,000, $4,783,000 and $4,421,000 for the years ended December 31, 2014, 2013 and 2012, respectively. The Company capitalized interest costs of approximately $80,000 and $63,000 for the years ended December 31, 2014 and 2013, respectively.

Long-Lived Assets - Long-lived assets consist primarily of property, plant and equipment. The recoverability of long-lived assets is evaluated by an analysis of operating results and consideration of other significant events or changes in the business environment. The Company evaluates whether impairment exists for property, plant and equipment on the basis of undiscounted expected future cash flows from operations before interest. There was no impairment of the Company's long-lived assets for the years ended December 31, 2014, 2013 and 2012.

Goodwill - Core Molding Technologies acquired certain assets of Airshield Corporation in 2001, and as a result, recorded goodwill related to its Matamoros, Mexico operations in the amount of $1,097,000. The Company evaluates goodwill annually on December 31st to determine whether impairment exists, or at interim periods if an indicator of possible impairment exists. The Company evaluates goodwill for impairment using fair value measurements based on a projected discounted cash flow valuation model, in accordance with ASC 350, “Intangibles-Goodwill and Other.” There was no impairment of the Company's goodwill for the years ended December 31, 2014, 2013 and 2012.

Income Taxes - The Company records deferred income taxes for differences between the financial reporting basis and income tax basis of assets and liabilities. A detailed breakout is located in Note 10.

Self-Insurance - The Company is self-insured with respect to its Columbus and Batavia, Ohio, Gaffney, South Carolina and Brownsville, Texas medical, dental and vision claims and Columbus and Batavia, Ohio workers’ compensation claims, all of which are subject to stop-loss insurance thresholds. The Company has recorded an estimated liability for self-insured medical, dental and vision claims incurred but not reported and worker’s compensation claims incurred but not reported at December 31, 2014 and December 31, 2013 of $1,165,000 and $1,092,000, respectively.

Post Retirement Benefits - Management records an accrual for post retirement costs associated with the health care plan sponsored by the Company for certain employees. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on the Company's operations. The effect of a change in healthcare costs is described in Note 11 of the Notes to Consolidated Financial Statements. Core Molding Technologies had a liability for post retirement healthcare benefits based on actuarially computed estimates of $9,172,000 at December 31, 2014 and $6,774,000 at December 31, 2013.

Fair Value of Financial Instruments - The Company's financial instruments consist of long-term debt, interest rate swaps, accounts receivable, and accounts payable. The carrying amount of these financial instruments approximated their fair value. Further detail is located in Note 14.

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Concentration Risks - The Company has concentration risk related to significant amounts of sales and accounts receivable with certain customers. Sales to four major customers comprised 87%, 86% and 86% of total sales in 2014, 2013 and 2012, respectively (see Note 4). Concentrations of accounts receivable balances with four customers accounted for 90% and 87% of accounts receivable at December 31, 2014 and 2013, respectively. The Company performs ongoing credit evaluations of its customers' financial condition. The Company maintains reserves for potential bad debt losses, and such bad debt losses have been historically within the Company's expectations. Sales to certain customers' manufacturing and service locations in Mexico and Canada totaled 30%, 34% and 29% of total sales for 2014, 2013 and 2012, respectively.

As of December 31, 2014, the Company employed a total of 1,490 employees, which consisted of 714 employees in its United States operations and 776 employees in its Mexican operations. Of these 1,490 employees, 333 are covered by a collective bargaining agreement with the International Association of Machinists and Aerospace Workers ("IAM"), which extends to August 7, 2016, and 672 are covered by a collective bargaining agreement with Sindicato de Jorneleros y Obreros, which extends to January 16, 2017.

Earnings Per Common Share - Basic earnings per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted earnings per common share are computed similarly but include the effect of the assumed exercise of dilutive stock options and vesting of restricted stock under the treasury stock method. A detailed computation of earnings per share is located in Note 3.

Research and Development - Research and development activities focus on developing new material formulations, new products, new production capabilities and processes, and improving existing products and manufacturing processes. The Company does not maintain a separate research and development organization or facility, but uses its production equipment, as necessary, to support these efforts and cooperates with its customers and its suppliers in research and development efforts. Likewise, manpower to direct and advance research and development is integrated with the existing manufacturing, engineering, production, and quality organizations. Research and development costs, which are expensed as incurred, totaled approximately $475,000, $466,000 and$449,000 in 2014, 2013 and 2012.

Foreign Currency Adjustments - In conjunction with the Company's acquisition of certain assets of Airshield Corporation, the Company established operations in Mexico. The functional currency for the Mexican operations is the United States dollar. All foreign currency asset and liability amounts are remeasured into United States dollars at end-of-period exchange rates. Income statement accounts are translated at the weighted monthly average rates. Gains and losses resulting from translation of foreign currency financial statements into United States dollars and gains and losses resulting from foreign currency transactions are included in current results of operations. Net foreign currency translation and transaction losses included in selling, general and administrative expense totaled $108,000, $27,000 and $4,000 in 2014, 2013 and 2012, respectively.

Recent Accounting Pronouncements - In May 2014, the FASB issued Accounting Standards Update ("ASU") No. 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in ASC 605, Revenue Recognition. ASU Topic 606 is based on the principle that revenue is recognized to depict the transfer of goods or services to customers in an amount that reflects the consideration to which the entity expects to be entitled in exchange for those goods or services. The ASU Topic 606 also requires additional disclosure about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments and assets recognized from costs incurred to obtain or fulfill a contract. The effective date for ASU Topic 606 will be the first quarter of fiscal year 2017 using one of two retrospective application methods. The Company is currently assessing the transition alternatives and potential impact the pronouncement and adoption of ASU Topic 606 will have on the Company's financial statements. Early adoption is not permitted.

In August 2014, the FASB issued Accounting Standards Update No. 2014-15, "Presentation of Financial Statements-Going Concern (Topic 205-40)" ("ASU 2014-15"). Under the standard, management is required to evaluate for each annual and interim reporting period whether it is probable that the entity will not be able to meet its obligations as they become due within one year after the date that financial statements are issued. ASU 2014-15 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, and early adoption is permitted. Accordingly, the standard is effective for the Company on January 1, 2017. The Company does not believe that the pronouncement will have an impact on the Company's financial statements.

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3. Net Income per Common Share

Net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed similarly but includes the effect of the assumed exercise of dilutive stock options and restricted stock under the treasury stock method.

The computation of basic and diluted net income per common share is as follows:

	December 31, 2014	2013	2012
Net income	$9,634,000	$6,866,000	$8,190,000
Weighted average common shares outstanding — basic	7,508,000	7,220,000	7,104,000
Effect of dilutive securities	45,000	215,000	275,000
Weighted average common and potentially issuable common shares outstanding — diluted	7,553,000	7,435,000	7,379,000
Basic net income per common share	$1.28	$0.95	$1.15
Diluted net income per common share	$1.28	$0.92	$1.11

At December 31, 2014, 2013 and 2012, all unexercised stock options were included in diluted earnings per share.

4. Major Customers

The Company had four major customers during 2014, Navistar, Volvo, PACCAR and Yamaha. Major customers are defined as customers whose current year sales individually consist of more than ten percent of total sales during any annual or interim reporting period in the current year. The loss of a significant portion of sales to Navistar, Volvo, PACCAR or Yamaha would have a material adverse effect on the business of the Company.

The following table presents sales revenue for the above-mentioned customers for the years ended December 31:

	2014	2013	2012
Navistar product sales	$51,254,000	$46,384,000	$55,002,000
Navistar tooling sales	76,000	972,000	8,301,000
Total Navistar sales	51,330,000	47,356,000	63,303,000
Volvo product sales	46,340,000	11,508,000	6,195,000
Volvo tooling sales	2,519,000	936,000	33,000
Total Volvo sales	48,859,000	12,444,000	6,228,000
PACCAR product sales	35,602,000	42,784,000	55,524,000
PACCAR tooling sales	526,000	7,370,000	1,728,000
Total PACCAR sales	36,128,000	50,154,000	57,252,000
Yamaha product sales	16,911,000	13,648,000	12,619,000
Yamaha tooling sales	—	—	4,000
Total Yamaha sales	16,911,000	13,648,000	12,623,000
Other product sales	19,637,000	19,772,000	20,358,000
Other tooling sales	2,339,000	751,000	2,686,000

Total other sales	21,976,000	20,523,000	23,044,000
Total product sales	169,744,000	134,096,000	149,698,000
Total tooling sales	5,460,000	10,029,000	12,752,000
Total sales	$175,204,000	$144,125,000	$162,450,000

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5. Foreign Operations

In conjunction with the Company's acquisition of certain assets of Airshield Corporation on October 16, 2001, the Company established manufacturing operations in Mexico (under the Maquiladora program). The Mexican operation is a captive manufacturing facility of the Company and the functional currency is United States dollars. Essentially all sales of the Mexican operations are made in United States dollars, which totaled $61,313,000, $61,612,000 and $74,667,000 in 2014, 2013 and 2012, respectively. Expenses are incurred in the United States dollar and the Mexican peso. Expenses incurred in pesos include labor, utilities, supplies and materials, and amounted to approximately 22%, 23% and 20% of sales produced at the Matamoros operations in 2014, 2013 and 2012, respectively. The Company's manufacturing operation in Mexico is subject to various political, economic, and other risks and uncertainties including safety and security concerns inherent to Mexico. Among other risks, the Company's Mexican operations are subject to domestic and international customs and tariffs, changing taxation policies, and governmental regulations.

All of the Company's product is sold to U.S. based customers in U.S. dollars. The following table provides information related to sales by country, based on the ship to location of customers' production facilities, for the years ended December 31:

	2014	2013	2012
United States	$123,317,000	$95,063,000	$115,226,000
Mexico	47,772,000	45,069,000	43,358,000
Canada	4,115,000	3,993,000	3,866,000
Total	$175,204,000	$144,125,000	$162,450,000

The following table provides information related to the location of property, plant and equipment, net, as of December 31:

	2014	2013
United States	$31,674,000	$24,285,000
Mexico	30,321,000	32,193,000
Total	$61,995,000	$56,478,000

6. Property, Plant, and Equipment

Property, plant, and equipment consisted of the following at December 31:

	2014	2013
Land and land improvements	$5,098,000	$5,098,000
Buildings	37,143,000	36,651,000
Machinery and equipment	75,905,000	60,897,000
Tools, dies, and patterns	808,000	808,000
Additions in progress	979,000	5,953,000
Total	119,933,000	109,407,000
Less accumulated depreciation	(57,938,000)	(52,929,000)
Property, plant, and equipment - net	$61,995,000	$56,478,000

Additions in progress at December 31, 2014 and 2013 relate to equipment purchases that were not yet completed at year end. At December 31, 2014, commitments for capital expenditures in progress were $1,682,000 and included $557,000 recorded on the balance sheet in accounts payable. At December 31, 2013, commitments for capital expenditures in progress were $4,629,000, and included $709,000 recorded on the balance sheet in accounts payable. The Company capitalized interest of $80,000 and $63,000 for the years ended December 31, 2014 and 2013, respectively.

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7. Debt and Leases

Long-term debt consists of the following at:

	December 31, 2014	December 31, 2013
Capex loan payable to a bank, interest at a variable rate (1.76% and 1.77% at December 31, 2014 and 2013, respectively) with monthly payments of interest and principal over a seven-year period through May 2016.	$2,428,000	$4,143,000
Mexican loan payable to a bank, interest at a variable rate (1.73% at December 31, 2013) with annual principal and monthly interest payments over a five-year period through January 2014. Paid in full January 2014.	—	1,600,000
Revolving Line of Credit	2,768,000	—
Total	5,196,000	5,743,000
Less current portion	(4,482,000)	(3,314,000)
Long-term debt	$714,000	$2,429,000

Credit Agreement

In 2008, the Company and its wholly owned subsidiary, CoreComposites de Mexico, S. de R.L. de C.V., entered into a credit agreement (the “Credit Agreement”) to refinance certain existing debt and borrow funds to finance the construction of the Company’s manufacturing facility in Mexico.

Under this Credit Agreement, the Company received certain loans, subject to the terms and conditions stated in the agreement, which included (1) a $12,000,000 Capex loan; (2) an $8,000,000 Mexican loan; (3) an $8,000,000 variable rate revolving line of credit; and (4) a letter of credit in an undrawn face amount of $3,332,493 with respect to the Company’s existing Industrial Development Revenue Bond (“IDRB”) financing. The Credit Agreement is secured by a guarantee of each U.S. subsidiary of the Company, and by a lien on substantially all of the present and future assets of the Company and its U.S. subsidiaries, except that only 65% of the stock issued by CoreComposites de Mexico, S. de C.V. has been pledged. The $8,000,000 Mexican loan was also secured by substantially all of the present and future assets of the Company’s Mexican subsidiary.

On March 27, 2013, the Company and its wholly owned subsidiary, CoreComposites de Mexico, S. de R.L. de C.V., entered into an eighth amendment (the "Eighth Amendment") to the Credit Agreement. Pursuant to the terms of the Eighth Amendment, the parties agreed to modify certain terms of the Credit Agreement. These modifications included (1) an increase to the borrowing limit on the revolving line of credit from $8,000,000 to $18,000,000; (2) modification to the fixed charge definition to exclude capital expenditures of up to $18,000,000 associated with the Company's compression molding capacity expansion and any sheet molding compound manufacturing capacity expansion; (3) to extend the commitment period for the revolving line of credit to May 31, 2015; and (4) to cancel, effective immediately, the unused $10,000,000 Mexican Expansion Revolving Loan that was added as part of the sixth amendment to the Credit Agreement, which had no borrowings outstanding and was scheduled to expire on May 31, 2013.

On October 31, 2013, the Company and its wholly owned subsidiary, Corecomposites de Mexico, S. de R.L. de C.V., entered into a ninth amendment (the "Ninth Amendment") to the Credit Agreement. Pursuant to the terms of the Ninth Amendment, the parties agreed to decrease the applicable margin for interest rates on Eurodollar Loans and Daily Libor Loans to 160 basis points from 175 basis points.

Capex Loan

The $12,000,000 Capex loan was a construction draw loan that converted to a seven-year term loan with fixed monthly principal payments. Borrowings made pursuant to this loan bear interest, payable monthly at 30 day LIBOR plus 160 basis points.

Mexican Loan

The $8,000,000 Mexican loan was also a construction draw loan to finance the production facility in Matamoros, Mexico that was converted to a term loan in July 2009. This commitment had an original term of five years with annual payments commencing January 31, 2010. Borrowings made pursuant to this loan bore interest, payable annually at daily LIBOR plus 160 basis points.

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Industrial Development Revenue Bond

In May 1998, the Company borrowed $7,500,000 through the issuance of an Industrial Development Revenue Bond (“IDRB”). The IDRB bears interest at a weekly adjustable rate and was paid in full in April 2013. As security for the IDRB, the Company obtained a letter of credit from a commercial bank. The letter of credit expired in April 2013 upon final payment of the loan.

Revolving Line of Credit

At December 31, 2014, the Company had available an $18,000,000 variable rate revolving line of credit scheduled to mature on May 31, 2015. The revolving line of credit bears interest at daily LIBOR plus 160 basis points and is collateralized by all of the present and future assets of the Company and its U.S. subsidiaries (except that only 65% of the stock issued by CoreComposites de Mexico, S. de C.V. has been pledged).

Annual maturities of long-term debt are as follows:

2015	$4,482,000
2016	714,000
Total	$5,196,000

Interest Rate Swaps

In conjunction with its variable rate IDRB, the Company entered into an interest rate swap agreement through April 2013, which was initially designated as a cash flow hedging instrument. The IDRB interest rate swap expired in April 2013 upon payment in full of the IDRB. Under this agreement, the Company paid a fixed rate of 4.89% to the counterparty and received 76% of the 30-day commercial paper rate (0.10% at December 31, 2012). During 2010, the Company determined this interest rate swap was no longer highly effective. As a result, the Company discontinued the use of hedge accounting effective January 1, 2010 related to this swap, and began recording mark-to-market adjustments within interest expense in the Company’s Consolidated Statements of Income. The pre-tax loss previously recognized in Accumulated Other Comprehensive Income (Loss), totaling $200,000 as of December 31, 2009, was amortized as an increase to interest expense of $5,000 per month, or $3,000 net of tax, over the remaining term of the interest rate swap agreement. The IDRB was paid in full in April 2013.

On December 18, 2008, the Company entered into an interest rate swap agreement that became effective May 1, 2009 and continues through May 2016, which was designated as a cash flow hedge of the $12,000,000 Capex loan. Under this agreement, the Company pays a fixed rate of 2.295% to the counterparty and receives 30 day LIBOR (0.17% at December 31, 2014). Effective March 31, 2009, the interest terms in the Company’s Credit Agreement related to the $12,000,000 Capex loan were amended. The Company then determined this interest rate swap was no longer highly effective. As a result, the Company discontinued the use of hedge accounting effective March 31, 2009 related to this swap, and began recording mark-to-market adjustments within interest expense in the Company’s Consolidated Statements of Income. The pre-tax loss previously recognized in Accumulated Other Comprehensive Income (Loss), totaling $146,000 as of March 31, 2009, is being amortized as an increase to interest expense of $2,000 per month, or $1,000 net of tax, over the remaining term of the interest rate swap agreement. The fair value of the swap as of December 31, 2014 and December 31, 2013 was a liability of $37,000 and $103,000, respectively. The Company recorded interest income of $66,000, $102,000 and $74,000 for mark-to-market adjustments of fair value related to this swap for the years ended December 31, 2014, 2013 and 2012, respectively. The notional amount of the swap at December 31, 2014 and December 31, 2013 was $2,428,000 and $4,143,000, respectively.

For the years ended December 31, 2014, 2013 and 2012, interest expense includes expense of $70,000, $110,000 and $170,000, respectively, for settlements related to the Company’s swaps.

Bank Coven 31, 2011 and December 31, 2010 were $1,165,503 and $508,588, respectively.

The following is a description of the changes to the Company's asset retirement obligations for the years ended March 31, 2011 and December 31, 2010:

	2011	Predecessor Entity 2010 (As Restated)
Asset retirement obligations at beginning of year	$ 508,588	$ 449,319
Asset retirement obligations acquired in acquisition	630,499	—
Accretion expense	26,416	59,269
Asset retirement obligations at end of year	$ 1,165,503	$ 508,588

Income Taxes

The Company is a taxable entity for federal or state income tax purposes for which an income tax provision has been made in the accompanying financial statements. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities. Differences between the enacted tax rates and the effective tax rates are primarily the result of timing differences in the recognition of depletion and accretion expenses. These differences do not create a material variance between the enacted tax rate and the effective tax rate.

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Actual results could differ from those estimates and assumptions. Significant estimates include volumes of oil and gas reserves used in calculating depletion of proved oil and natural gas properties and costs to abandon oil and gas properties.

Management believes that it is reasonably possible the following material estimates affecting the financial statements could significantly change in the coming year: (1) estimates of proved oil and gas reserves, and (2) forecast forward price curves for natural gas and crude oil. The oil and gas industry in the United States has historically experienced substantial commodity price volatility, and such volatility is expected to continue in the future. Commodity prices affect the level of reserves that are considered commercially recoverable; significantly influence the Company's current and future expected cash flows; and impact the PV10 derivation of proved reserves.

Financial Instruments

The Company's financial instruments include cash and cash equivalents, receivables, payables, and debt and are accounted for under the provisions of ASC Topic 825, Financial Instruments . The carrying amount of these financial instruments as reflected in the balance sheets, except for long-term, fixed-rate debt, approximates fair value. The Company estimates the fair value of its long-term, fixed-rate debt generally using discounted cash flow analysis based on the Company's current borrowing rates for similar types of debt.

Recently Issued Accounting Pronouncements

From time to time, new accounting pronouncements are issued by FASB that are adopted by the Company as of the specified effective date. If not discussed, management believes that the impact of recently issued standards, which are not yet effective, will not have a material impact on the Company's financial statements upon adoption.

NOTE 3– RELATED PARTY TRANSACTIONS

The Company paid $58,000 and $39,000 in consulting fees in March 31, 2011 and 2010, respectively to BDR Consulting, Inc. (BDR), a member of CCJ/BDR Investments, L.L.C., who owned a combined 64.108% limited partnership interest in the Pure Gas Partners, L.P. The president of BDR also served on the Board of Directors and was the Chief Executive Officer of Pure Energy Group, Inc. In addition, the Company rented office space from BDR on a month-to-month basis. The Company paid BDR $6,000 in rental fees in March 31, 2010.

The Company has a development contract with Aztec Energy Partners I, L.P. (Aztec), whereby Aztec agreed to fund 100% of costs through completion on certain wells to be drilled in two counties in New Mexico. Certain partners in Aztec are also indirect limited partners and members of the Board of Directors of the Company and its subsidiaries. On certain wells, the Company owns a working interest. On those wells, Aztec will receive working interest and net revenue interest. During the period ended March 31, 2011 and 2010, the Company paid Aztec $37,179 and $250,875, for Aztec's share of well income, net of related well costs, based on production.

Aztec Managing GP, LLC (Aztec MP) is the managing general partner of Aztec Energy Partners I, L.P. The principals of Aztec MP also serve on the Board of Directors of the Company. During the period ended March 31, 2011 and 2010, the Company paid Aztec MP $27,859 and $94,805, respectively, for Aztec MP's share of well income, net of related well costs, based on production.

NOTE 4 – LONG TERM - DEBT

At March 31, 2011 and December 31, 2010, long-term debt consisted of the following items:

	March 31, 2011	Predecessor Entity December 31, 2010 (As Restated)
7½% Debentures, Series 2005	$ 4,025,000	$ 4,215,000
Notes Payable – Greenshoe Investment	550,936	—
Notes Payable – Little Bay Consulting	595,423	—
Total Long-term Debt	$ 5,171,359	$ 4,215,000

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NOTE 4 – LONG TERM DEBT (continued)

7½% Debentures, Series 2005

On March 1, 2005, Pure Energy Group, Inc. and its subsidiary Pure Gas Partners, II, L.P., issued 7 ½ % Debentures, Series 2005, in the principal amount of $5,500,000. The Debentures are secured by all revenues of the issuer and all money held in the funds and accounts created under the Indenture. The Debentures mature on March 1, 2015, with principal and interest payable semi-annually on March 1 and September 1. As of March 31, 2011 and December 31, 2010 the balance payable was $4,025,000 and $4,215,000, respectively. Interest expense for the three months ended March 31, 2011 and 2010 was $79,942 and $90,585, respectively.

Aggregate long-term debt, consisting of the 7½% Debentures, Series 2005, is estimated to be repayable annually as follows:

2011	$ 370,000
2012	830,000
2013	1,020,000
2014	1,175,000
2015	630,000
Total	$ 4,025,000

As permitted by the bond debt agreement, the Company can purchase these bonds back on the open market. Bonds held by the Company at March 31, 2011 and December 31, 2010 totaled $0 and $185,000, respectively. These bonds were purchased at a discount of $310,067 during 2010 and 2009. The bonds held by the Company are shown as a reduction of bonds payable on the balance sheet as follows:

	March 31, 2011	Predecessor Entity December 31, 2010 (As Restated)
Bonds Payable	$ 4,025,000	$ 4,400,000
Less: Bonds held by the Company	—	(185,000)
Total	$ 4,025,000	$ 4,215,000

Notes Payable Green Shoe Investments

In connection with the merger, the Company, as the accounting acquirer, assumed an unsecured loan from Green Shoe Investments Ltd. ("Green Shoe") in the principal amount of $487,000 at an interest rate of 5.0%

On April 26, 2011, Cross Border Resources, Inc. (the "Company") entered into a Loan Agreement with Green Shoe, and the Company executed and delivered a Promissory Note to Green Shoe in connection therewith. The amount of the Promissory Note and the loan from Green Shoe (the "Green Shoe Loan") is $550,936 and the purpose of the Green Shoe Loan is to consolidate and extend all of the loans owed by the Company and its predecessors to Green Shoe including without limitation the following: (i) loan dated May 9, 2008 in the principal amount of $100,000, (ii) loan dated May 23, 2008 in the principal amount of $150,000, (iii) loan dated July 18, 2008 in the principal amount of $50,000, (iv) loan dated February 24, 2009 in the principal amount of $100,000, and (v) loan dated April 29, 2009 in the principal amount of $87,000 plus accrued interest of $63,936. The Green Shoe Loan is unsecured.

Beginning March 31, 2011 (the effective date of the Promissory Note), the amounts owed under the Promissory Note began to accrue interest at a rate of 9.99%, and the Promissory Note provides that no payments of principal or interest are due until the maturity date of September 30, 2012. The Company is obligated to pay all accrued interest and make a principal payment equal to one-third of the principal owed upon the closing of an equity offering resulting in a specified amount of net proceeds to the Company. In addition, Green Shoe was granted the right to convert the principal and interest owed into shares of common stock of the Company at a conversion price of $4.00 per share.The balance of these amounts as of March 31, 2011 is $550,936.

NOTE 4 – LONG TERM DEBT (continued)

Notes Payable Little Bay Consulting

In connection with the merger, the Company, as the accounting acquirer, assumed an unsecured loan from Little Bay Consulting SA ("Little Bay") in the principal amount of $520,000 at an interest rate of 5%.

On April 26, 2011, the Company entered into a Loan Agreement with Little Bay, and the Company executed and delivered a Promissory Note to Little Bay in connection therewith. The amount of the Promissory Note and the loan from Little Bay (the "Little Bay Loan") is $595,423 and the purpose of the Little Bay Loan is to consolidate and extend all of the loans owed by the Company and its predecessors to Little Bay including without limitation the following: (i) loan dated March 7, 2008 in the original principal amount of $220,000, (ii) loan dated July 18, 2008 in the original principal amount of $100,000, and (iii) loan dated October 3, 2008 in the principal amount of $200,000 plus accrued interest of $75,423. The Little Bay Loan is unsecured.

Beginning March 31, 2011 (the effective date of the Promissory Note), the amounts owed under the Promissory Note began to accrue interest at a rate of 9.99%, and the Promissory Note provides that no payments of principal or interest are due until the maturity date of September 30, 2012. The Company is obligated to pay all accrued interest and make a principal payment equal to one-third of the principal owed upon the closing of an equity offering resulting in a specified amount of net proceeds to the Company. In addition, Little Bay was granted the right to convert the principal and interest owed into shares of common stock of the Company at a conversion price of $4.00 per share.The balance of these borrowings as of March 31, 2011 is $595,423.

NOTE 5 – OPERATING LINE OF CREDIT

As of March 31, 2011 and December 31, 2010, the borrowing base on the line of credit was $25,000,000 and $2,350,000, respectively. The interest rate is calculated at the greater of the adjusted base rate or 4% and matures on January 31, 21014. The line of credit is collateralized by producing wells. As of March 31, 2011 and December 31, 2010, the outstanding balance on the line of credit was $2,794,296 and $1,582,426, respectively. Interest expense for the three months ended March 31, 2011 and 2010 was $25,215 and $20,088, respectively. The line of credit is reported as long-term debt because the maturity date is greater than one year.

NOTE 6 – CREDITORS PAYABLE

In 2002, the prior owner of Pure Sub filed a petition for reorganization with the United States Bankruptcy Court. According to the plan of reorganization, three creditors were to receive a combined amount of approximately $3,000,000 for their claims out of future net revenues of PureSub (defined as revenues from producing wells net of lease operating expenses and other direct costs).

The net estimated revenue distribution due to creditors in 2011 based on 2010 net revenues is $180,000 as of March 31, 2011 and is presented as a current liability. The net revenue distribution to creditors in 2010 based on 2009 net revenues was $105,000 as of March 31, 2010 and was presented as a current liability. As of March 31, 2011 and December 31, 2010, the creditors' payable balance was $1,539,545 and $1,806,305, respectively.

NOTE 7 – OPERATING LEASES

During 2010 the Company had a non-cancelable operating lease for office space expiring in June 2014. As of March 31, 2011, the remaining future minimum lease payments under the existing lease are as follows:

Year Ending December 31,		Operating Lease
2011	$	36,875
2012		50,000
2013		51,250
2014		26,250
2015		—
Total Minimum Lease Payments	$	164,375

Rent expense related to leases for the periods ended March 31, 2011 and 2010 was $11,875 and $12,188. respectively.

NOTE 8 – COMMITMENTS AND CONTINGENCIES

The Company is subject to federal and state laws and regulations relating to the protection of the environment. Environmental risk is inherent to oil and natural gas operations and the Company could be subject to environmental cleanup and enforcement actions. The Company manages this environmental risk through appropriate environmental policies and practices to minimize the impact to the Company.

From time to time, the Company is a party to various legal proceedings arising in the ordinary course of business. The Company is not currently a party to any proceeding that it believes could have a material adverse effect on the Company’s financial condition, results of operation or cash flows.

NOTE 9 – CONCENTRATIONS OF CREDIT RISK

Financial instruments that potentially subject the Company to the concentration of credit risk consist primarily of cash and cash equivalents. Cash balances did not exceed FDIC insurance protection levels at March 31, 2011.

The Company also maintains cash balances with two investment brokerage firms that are protected by the Securities Investor Protection Corporation (SIPC) up to $250,000. In addition to the SIPC coverage, one of the investment brokerage firms provides supplemental coverage in excess of SIPC through an insurance policy that covers cash balances up to $500,000. The cash balance at the other investment brokerage firm is held in a FDIC-Insured Deposit Account and is also protected by a supplemental coverage insurance policy that covers cash balances up to $124,500,000. As of March 31, 2011 and 2010, the Company’s cash balance with these investment brokerage firms did not exceed the combined coverage.

NOTE 10 –PRICE RISK MANAGEMENT ACTIVITIES

On March 23, 2011, the Company entered into a fixed price swap for 1,000 barrels of oil per month at a price of $104.55 NYMEX-WTI through February 28, 2013.During the three months ended March 31, 2011, the Company recognized a gain of $30,266, which includes unrealized hedge settlements received for the difference between the hedged price and the market price.

NOTE 11 – FAIR VALUE MEASUREMENTS

Cross Border Resources, Inc. commodity derivatives are measured at fair value in the financial statements. The Company’s financial assets and liabilities are measured using input from three levels of the fair value hierarchy. A financial asset or liability classification within the hierarchy is determined based on the lowest level input that is significant to the fair value measurement. The three levels are as follows:

NOTE 11 – FAIR VALUE MEASUREMENTS (Continued)

Level 1 – Inputs are unadjusted quoted prices in active markets for identical assets or liabilities that Cross Border Resources, Inc. has the ability to access at the measurement date.

Level 2 – Inputs include quoted prices for similar assets and liabilities in active markets, quoted prices for identical or similar assets or liabilities in markets that are not active, inputs other than quoted prices that are observable for the asset or liability and inputs that are derived principally from or corroborated by observable market data by correlation or other means (market corroborated inputs).

Level 3 – Unobservable inputs reflect Cross Border Resources, Inc's judgments about the assumptions market participants would use in pricing the asset of liability since limited market data exists. The Company develops these inputs based on the best information available, using internal and external data.

The following table presents the Company's assets and liabilities recognized in the balance sheet and measured at fair value on a recurring basis as of March 31, 2011:

	Input Levels for Fair Value Measurements			
Description	Level 1	Level 2	Level 3	Total
Assets:				
Commodity derivatives	$ —	$ 30,266	$ —	$ 30,266

The fair value of derivative assets is determined using forward price curves derived from market price quotations, externally developed and commercial models, with internal and external fundamental data inputs. Market price quotations are obtained from independent energy brokers and direct communication with market participants.

PURE GAS PARTNERS, L.P.
AND SUBSIDIARIES

Consolidated Financial Statements
Years Ended December 31, 2010 and 2009

Consolidated Financial Statements
Years Ended December 31, 2010 and 2009
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INDEPENDENT AUDITOR’S REPORT

To the Partners
Pure Gas Partners, L.P. and Subsidiaries
San Antonio, Texas

We have audited the accompanying consolidated balance sheets of Pure Gas Partners, L.P. and its subsidiaries (the Partnership) as of December 31, 2010 and 2009 and the related consolidated statements of income, partners’ capital, and cash flows for the years then ended. These consolidated financial statements are the responsibility of the Partnership’s management. Our responsibility is to express an opinion on these consolidated financial statements based on our audits.

We conducted our audits in accordance with auditing standards generally accepted in the United States of America. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the consolidated financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Pure Gas Partners, L.P. and subsidiaries as of December 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America.

/s/ Darilek Butler & Associates PLLC
San Antonio, Texas
April 7, 2011

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Balance Sheets
December 31, 2010 and 2009

	2010	2009
ASSETS		
Current Assets		
Cash	$ 975,123	$ 757,119
Accounts Receivable - Production	512,624	790,219
Accounts Receivable - Related Party	250,000	-
Prepaid Expenses	-	18,101
Total Current Assets	1,737,747	1,565,439
Oil and Gas Properties	17,155,151	15,575,140
Less: Accumulated Depletion	(7,007,665)	(6,158,819)
Net Oil and Gas Properties	10,147,486	9,416,321
Other Assets		
Other Property and Equipment, net of Accumulated Depreciation of $94,759 and $83,721 in 2010 and 2009, respectively	124,776	154,635
Deferred Bond Costs, net of Accumulated Amortization of $293,915 and $243,528 in 2010 and 2009, respectively	209,939	260,325
Deferred Bond Discount, net of Accumulated Amortization of $108,827 and $90,171 in 2010 and 2009, respectively	77,733	96,389
Other Assets	112,532	112,477
Goodwill	2,266,470	2,266,470
Total Other Assets	2,791,450	2,890,296
TOTAL ASSETS	$ 14,676,683	$ 13,872,056

The Accompanying Notes are an Integral Part of These Financial Statements.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Balance Sheets (Continued)
December 31, 2010 and 2009

	2010	2009
LIABILITIES AND PARTNERS' CAPITAL		
Current Liabilities		
Accounts Payable - Trade	$ 875,881	$ 219,454
Accounts Payable - Revenue Distribution	49,880	101,601
Interest Payable	107,875	121,500
Accrued Expenses	28,460	27,331
Deferred Revenues	162,394	-
Lines of Credit	1,582,426	1,582,426
Bonds Payable - Current Portion	660,000	545,000
Creditors Payable - Current Portion	150,000	162,500
Total Current Liabilities	3,616,916	2,759,812
Non-Current Liabilities		
Asset Retirement Obligations	508,588	449,319
Bonds Payable, net of Current Portion	3,555,000	4,160,000
Creditors Payable, net of Current Portion	1,656,305	1,766,700
Total Non-Current Liabilities	5,719,893	6,376,019
Total Liabilities	9,336,809	9,135,831
Partners' Capital (Deficit)		
Pure Gas Partners, L.P. Partners' Capital (Deficit)		
Class A Limited Partner (7,126,799 shares authorized and issued)	(132,698)	(709,455)
Class B Limited Partners (2,277,496 shares authorized and issued)	4,845,420	4,744,178
Class C Limited Partners (334,693 shares authorized and issued)	598,066	(238,558)
General Partner (53,704 shares authorized and issued)	29,086	26,219
Total Pure Gas Partners, L.P. Partners' Capital (Deficit)	5,339,874	3,822,384
Noncontrolling Interest	-	913,841
Total Partners' Capital	5,339,874	4,736,225
TOTAL LIABILITIES AND PARTNERS' CAPITAL	$ 14,676,683	$ 13,872,056

The Accompanying Notes are an Integral Part of These Financial Statements.

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PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statements of Income
Years Ended December 31, 2010 and 2009

	2010	2009
Revenues and Gains		
Oil and Gas Sales	$ 3,711,443	$ 3,415,817
Gain on Sale of Oil and Gas Properties	97,436	-
Other	43,836	25,079
Total Revenues and Gains	3,852,715	3,440,896
Expenses and Losses		
Lease Operating	405,510	529,890
Production Tax	379,370	296,276
Depreciation, Depletion, and Amortization	878,705	2,246,490
Accretion Expense	59,269	59,269
Professional Fees - Oil and Gas Exploration	429,741	344,192
General and Administrative	629,448	546,564
Oil and Gas Lease Expense	2,915	30,757
Bond Issuance Amortization	50,385	50,385
Interest Expense	413,338	424,420
Other	385	300
Total Expenses & Losses	3,249,066	4,528,543
Income (Loss) Before Provisions for Federal Income Taxes	603,649	(1,087,647)
Benefit (Provision) for Federal Income Taxes		
Current	(53,985)	25,138
Deferred	53,985	(25,138)
Total Benefit (Provision) for Federal Income Taxes	-	-
Net Income (Loss)	603,649	(1,087,647)
Less: Net Income (Loss) Attributable to the Noncontrolling Interest	-	(46,557)
Net Income (Loss) Attributable to Pure Gas Partners, L.P.	$ 603,649	$ (1,041,090)

The Accompanying Notes are an Integral Part of These Financial Statements.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statements of Partners' Capital
Years Ended December 31, 2010 and 2009

	Pure Gas Partners, L.P. Partners					
	Class A Limited Partners	Class B Limited Partners	Class C Limited Partners	General Partner	Noncontrolling Interest	Total
Balance as Previously Reported – December 31, 2008	$37,638	$4,995,302	$12,566	$32,495	$ 987,236	$6,065,237
Prior Period Adjustment	(127,644)	(42,906)	(42,906)	(1,071)	-	(214,527)
Balance as Restated – December 31, 2008	(90,006)	4,952,396	(30,340)	31,424	987,236	5,850,710
Less: Distributions	-	-	-	-	(26,838)	(26,838)
Net Income (Loss)	(619,449)	(208,218)	(208,218)	(5,205)	(46,557)	(1,087,647)
Balance - December 31, 2009	(709,455)	4,744,178	(238,558)	26,219	913,841	4,736,225
Net Income (Loss)	280,729	101,242	188,465	2,867	30,346	603,649
Conversion of Options Exercised	296,028	-	648,159	-	(944,187)	-
Balance - December 31, 2010	$(132,698)	$4,845,420	$598,066	$29,086	$ -	$5,339,874

The Accompanying Notes are an Integral Part of These Financial Statements.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Consolidated Statements of Cash Flow
Years Ended December 31, 2010 and 2009

	2010	2009
Cash Flows from Operating Activities		
Net Income (Loss)	$ 603,649	$ (1,087,647)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities		
Depreciation, Depletion, and Amortization	878,623	2,246,490
	59,269	59,269
Amortization of Bond Issuance Costs	69,042	69,041
(Increase) Decrease in:		
Receivables	27,595	360,595
Prepaids and Other Assets	18,046	207,099
Increase (Decrease) in:		
Accounts Payable - Trade	656,427	(277,126)
Accounts Payable - Revenue Distributions	(51,721)	(63,113)
Interest Payable	(13,625)	(11,125)
Deferred Revenues	162,394	-
Accrued Expenses	1,129	1,124
Net Cash Provided (Used) by Operating Activities	2,410,828	1,504,607
Cash Flows from Investing Activities		
Capital Expenditures - Oil and Gas Properties	(1,579,929)	(1,119,030)
Capital Expenditures - Other	-	(53,595)
Net Cash Provided (Used) by Investing Activities	(1,579,929)	(1,172,625)
Cash Flows from Financing Activities		
Net Borrowings (Payments) on Line of Credit	-	92,780
Payments to Bonds Payable	(490,000)	(500,000)
Payments to Reduce Creditors Payable	(122,895)	(330,133)
Distributions to the Noncontrolling Interest	-	(26,838)
Net Cash Provided (Used) by Financing Activities	(612,895)	(764,191)
Net Increase (Decrease) in Cash and Cash Equivalents	218,004	(432,209)
Cash and Cash Equivalents at Beginning of Year	757,119	1,189,328
Cash and Cash Equivalents at End of Year	$ 975,123	$ 757,119
Supplemental Disclosure of Cash Flow Information:		
Cash paid during the year for interest	$ 408,307	$ 416,889

The Accompanying Notes are an Integral Part of These Financial Statements.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note A – Partnership Organization and Nature of Operations

Partnership Organization

Pure Gas Partners, L.P., (the Partnership) is a Texas limited partnership that was formed in 2002 to acquire all of the issued and outstanding common stock of Pure Energy Group, Inc., a Texas corporation, and to continue to acquire, develop, manage, lease and operate oil and gas properties. The Partnership owns a 99.99% limited partner interest in Pure Gas Partners II, L.P. (PGP II), a Texas limited partnership formed in 2004, with .01% general partner interest owned by Pure Energy Group, Inc. During 2010, the noncontrolling interest partners exercised their option to convert all minority interest shares into Class A and Class C shares. As of December 31, 2010, the Partnership had no noncontrolling interest partners.

Nature of Operations

The Partnership is an independent natural gas and oil company engaged in the exploration, development, exploitation, and acquisition of natural gas and oil reserves in North America. The Partnership's primary area of focus is the State of New Mexico, particularly southeastern New Mexico.

Note B – Summary of Significant Accounting Policies

Basis of Accounting

The consolidated financial statements are prepared in conformity with generally accepted accounting principles (GAAP). Certain prior period amounts have been restated to conform to current year presentation.

Principles of Consolidation

The consolidated financial statements include the accounts of the Partnership, Pure Energy Group, Inc., and Pure Gas Partners II, L.P. All significant intercompany accounts and transactions have been eliminated in consolidation.

Oil and Gas Properties

The Partnership uses the successful efforts method of accounting for oil and gas producing activities. Costs to acquire mineral interests in oil and gas properties, to drill and equip exploratory wells that find proved reserves, to drill and equip development wells and related asset retirement costs are capitalized. Costs to drill exploratory wells that do not find proved reserves, geological and geophysical costs, and costs of carrying and retaining unproved properties are expensed.

Unproved oil and gas properties that are individually significant are periodically assessed for impairment of value, and a loss is recognized at the time of impairment by providing an impairment allowance. Capitalized costs of producing oil and gas properties, after considering estimated residual salvage values, are depreciated and depleted by the unit-of-production method.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note B – Summary of Significant Accounting Policies (Continued)

Oil and Gas Properties (Continued)

On the sale or retirement of a complete unit of a proved property, the cost, and related accumulated depreciation, depletion, and amortization are eliminated from the property accounts, and the resultant gain or loss is recognized. On the retirement or sale of a partial unit of proved property, the cost is charged to accumulated depreciation, depletion, and amortization with a resulting gain or loss recognized in income.

On the sale of an entire interest in an unproved property for cash or cash equivalent, gain or loss on the sale is recognized, taking into consideration the amount of any recorded impairment if the property had been assessed individually. If a partial interest in an unproved property is sold, the amount received is treated as a reduction of the cost of the interest retained.

Cash and Cash Equivalents

The Partnership considers all highly liquid investments with original maturities of three months or less to be cash equivalents.

Accounts Receivable - Production

Accounts receivable consist of amounts due from customers for oil and gas sales and are considered fully collectible by the Partnership as of December 31, 2010 and 2009. The Partnership determines when receivables are past due based on how recently payments have been received.

Revenue Recognition

The Partnership recognizes oil and natural gas revenue from its interests in producing wells as oil and natural gas is produced and sold from those wells.

Property and Equipment

Property, plant, and equipment are stated at cost. Depreciation of office furniture and equipment is provided using the straight-line method and the Modified Accelerated Cost Recovery System (MACRS) based on estimated useful lives ranging from three to 15 years. These methods do not materially differ from generally accepted accounting principles. Depreciation expense was $29,859 and $38,271 for the years ended December 31, 2010 and 2009, respectively.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note B – Summary of Significant Accounting Policies (Continued)

Asset Retirement Obligations

The Partnership accounts for asset retirement obligations under the provisions of ASC 410, Asset Retirement and Environmental Obligations, which provides for an asset and liability approach to accounting for Asset Retirement Obligations (ARO). Under this method, when legal obligations for dismantlement and abandonment costs, excluding salvage values, are incurred, a liability is recorded at fair value and the carrying amount of the related oil and gas properties is increased. Accretion of liability is recognized each period using the interest method of allocation and the capitalized cost is depleted over the useful life of the related asset. Asset retirement obligations as of December 31, 2010 and 2009 were $508,588 and $449,319, respectively.

The following is a description of the changes to the Company's asset retirement obligations for the years ended December 31, 2010 and 2009:

	2010	2009
Asset retirement obligations at beginning of year	$ 449,319	$ 390,050
Accretion expense	59,269	59,269
Asset retirement obligations at end of year	$ 508,588	$ 449,319

Income Taxes

The Partnership is not a taxable entity for federal or state income tax purposes. Accordingly, no income tax provision has been included in the financial statements related to the income of the partnership.

The Partnership's subsidiary, Pure Energy Group, Inc., is a taxable corporation for which an income tax provision has been made in the accompanying financial statements. Deferred income tax assets and liabilities are computed annually for differences between the financial statement and tax bases of assets and liabilities that will result in taxable or deductible amounts in the future based on enacted tax laws and rates applicable to the periods in which the differences are expected to affect taxable income. Valuation allowances are established when necessary to reduce deferred tax assets to the amount expected to be realized. Income tax expense is the tax payable or refundable for the period plus or minus the change during the period in deferred tax assets and liabilities (See Note K).

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets, liabilities, revenues, expenses and related disclosures. Actual results could differ from those estimates and assumptions. Significant estimates include volumes of oil and gas reserves used in calculating depletion of proved oil and natural gas properties and costs to abandon oil and gas properties.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note B – Summary of Significant Accounting Policies (Continued)

Financial Instruments

The Partnership's financial instruments include cash and cash equivalents, receivables, payables, and debt and are accounted for under the provisions of ASC Topic 825, Financial Instruments. The carrying amount of these financial instruments as reflected in the consolidated balance sheets, except for long-term, fixed-rate debt, approximates fair value. The Partnership estimates the fair value of its long-term, fixed-rate debt generally using discounted cash flow analysis based on the Partnership's current borrowing rates for similar types of debt.

Recently Issued Accounting Pronouncements
In December 2010, the FASB issued authoritative guidance amending the criteria for performing the second step of the goodwill impairment test for companies with reporting units with zero or negative carrying amounts. The amended guidance requires performance of the second step if qualitative factors indicate that it is more likely than not that a goodwill impairment exists. This guidance is effective for fiscal years beginning after December 15, 2010, and for interim periods within that first reporting period. Early adoption is not permitted. We do not expect this guidance to have a significant impact on our consolidated financial position, results of operations or cash flows.

In January 2010, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") No. 2010-06, "Improving Disclosures about Fair Value Measurements." ASU No. 2010-06 amends FASB Accounting Standards Codification ("ASC") 820 and clarifies and provides additional disclosure requirements related to recurring and non-recurring fair value measurements and employers' disclosures about postretirement benefit plan assets. This ASU is effective for interim and annual reporting periods beginning after December 15, 2009. The adoption of ASU 2010-06 did not have a material impact on the Partnership's financial statements.

There were various other updates recently issued, most of which represented technical corrections to the accounting literature or application to specific industries and are not expected to have a material impact on the Partnership's financial position, results of operations or cash flows.

Correction of Prior Period Errors

In the Partnership's 2009 financial statements, no amounts were recorded related to the asset retirement obligations associated with the dismantling and abandonment costs of wells. During 2010, the Partnership re-evaluated its obligations with respect to such costs and determined that a liability should be recorded for this amount. The correction of this error reduced 2009 net income by $78,772 and $214,527 was adjusted to beginning retained earnings as of January 1, 2009.
Asset retirement obligations were properly recorded for the fiscal year 2010 and as such there is no material impact to the year ended December 31, 2010.

Note C – Related Party Transactions

The Partnership paid $174,500 and $171,400 in consulting fees in 2010 and 2009, respectively, to BDR Consulting, Inc. (BDR), a member of CCJ/BDR Investments, L.L.C., who owns a combined 64.108% limited partner interest in the Partnership. The president of BDR serves on the Board of Directors and is the Chief Executive Officer of Pure Energy Group, Inc. In addition, the Partnership rents office space from BDR on a month-to-month basis. The

Partnership paid BDR $18,000 and $24,000 in rental fees in 2010 and 2009, respectively.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note C – Related Party Transactions (Continued)

The Partnership has a development contract with Aztec Energy Partners I, L.P. (Aztec), whereby Aztec agreed to fund 100% of costs through completion on certain wells to be drilled in two counties in New Mexico. On certain wells, the Partnership owns a working interest. On those wells, Aztec will receive working interest and net revenue interest. Certain partners in Aztec are also indirect limited partners and members of the Board of Directors of the Partnership and its subsidiaries. During the years ended December 31, 2010 and 2009, the Partnership paid Aztec $356,145 and $287,318, respectively, for Aztec's share of well income, net of related well costs, based on production. As of December 31, 2010 and 2009, the Partnership had a net payable to Aztec of $26,160 and $64,815, respectively.

Aztec Managing GP, LLC (Aztec MP) is the managing general partner of Aztec Energy Partners I, L.P. The principals of Aztec MP also serve on the Board of Directors of the Partnership. During the years ended December 31, 2010 and 2009, the Partnership paid Aztec MP $154,314 and $95,027, respectively, for Aztec MP's share of well income, net of related well costs, based on production. As of December 31, 2010 and 2009, the Partnership had a net payable to Aztec MP of $23,721 and $36,786, respectively.

On September 28, 2010, the Partnership entered into a loan and security agreement with Doral Energy Corporation ("Doral Energy") pursuant to which the Partnership loaned Doral Energy $250,000 with interest payable thereon at a rate of 5% per annum. Doral Energy agreed to make monthly installments of accrued interest beginning on November 1, 2010 and on the first day of each successive month thereafter, with a final payment of all remaining amounts payable under the Loan Agreement on account of principal and interest due on March 31, 2011. As of December 31, 2010, $250,000 was recorded as a related party receivable on the balance sheet and the Partnership recognized approximately $2,600 in interest income related to this loan.

Note D – Long-Term Debt

At December 31, 2010 and 2009, long-term debt consisted of the following items:

	2010	2009
7½% Debentures, Series 2005	$ 4,215,000	$ 4,705,000
Operating Lines of Credit	1,582,426	1,582,426
Total Long-term Debt	$ 5,797,426	$ 6,287,426

Operating Lines of Credit

As of December 31, 2010 and 2009, the borrowing base on the line of credit was $2,350,000 and $2,500,000, respectively. The interest rate is calculated at the greater of the Wall Street Prime Rate or 4%. The line of credit is collateralized by producing wells. As of December 31, 2010 and 2009, the outstanding balance on the line of credit was $1,582,426.

7½% Debentures, Series 2005

On March 1, 2005, Pure Energy Group, Inc. and its subsidiary Pure Gas Partners, II, L.P., issued 7 ½ % Debentures, Series 2005, in the principal amount of $5,500,000. The Debentures mature on March 1, 2015, with principal and interest payable semi-annually on March 1 and September 1.

The Debentures were used to (i) finance the final payments pursuant to a Second Plan of Reorganization approved by the United States Bankruptcy Court in 2002; (ii) to pay off the outstanding balance of an operating line of credit; (iii) to provide working capital; and (iv) to fund capitalized interest on the Debentures through September 1, 2005. The Debentures are secured by all revenues of the issuer and all money held in the funds and accounts created under the Indenture (except the Costs of Issuance Account).

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note D – Long-Term Debt (Continued)

Repayment of Long-Term Debt

Aggregate long-term debt, consisting of the 7½% Debentures, Series 2005, is estimated to be repayable annually as follows:

2011	660,000
2012	830,000
2013	1,020,000
2014	1,175,000
2015	530,000
Total	$4,215,000

As permitted by the bond debt agreement, the Partnership can purchase these bonds back on the open market. Bonds held by the Partnership at December 31, 2010 and December 31, 2009 totaled $185,000 and $155,000, respectively. These bonds were purchased at a discount of $169,855 and $140,212 during 2010 and 2009, respectively. The bonds held by the Partnership are shown as a reduction of bonds payable on the balance sheet as follows:

	2010	2009
Bonds Payable	$ 4,400,000	$ 4,860,000
Less: Bonds held by the Partnership	(185,000)	(155,000)
Total	$ 4,215,000	$ 4,705,000

Note E – Creditors Payable

In 2002, the prior owner of Pure Energy Group, Inc. filed a petition for reorganization with the United States Bankruptcy Court. According to the Plan of Reorganization, three other creditors are to receive a combined amount of approximately $3,000,000 for their claims out of future net revenues of Pure Energy Group, Inc. (defined as revenues from producing wells net of lease operating expenses and other direct costs). During 2003, two of these creditors reduced the amount of debt owed to them by $150,000 each since Pure Energy Group, Inc., at the creditors' requests, paid a third party in the amount of $300,000 on their behalf.

The net revenue distribution due to creditors in 2011 based on 2010 net revenues is $150,000 as of December 31, 2010 and is presented as a current liability. The net revenue to creditors in 2010 based on 2009 net revenues was $162,500 as of December 31, 2009 and was presented as a current liability. As of December 31, 2010 and 2009, the creditors' payable balance was $1,806,305 and $1,929,200, respectively.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note F – Operating Leases

During 2010 the Partnership had a non-cancelable operating lease for office space expiring in June 2014. As of December 31, 2010, the remaining future minimum lease payments under the existing lease are as follows:

Year Ending December 31,		Operating Lease
2011	$	48,750
2012		50,000
2013		51,250
2014		26,250
2015		-
Total Minimum Lease Payments	$	176,250

Rent expense related to leases for the years ended December 31, 2010 and 2009 was $47,781 and $40,426, respectively.

Note G – Major Customers

Sales to five customers comprised 85% and 82% of the Partnership’s total oil and gas revenues for the fiscal years ended December 31, 2010 and 2009, respectively.

In the exploration, development, and production business, production is normally sold to relatively few customers. Substantially all of the Partnership’s customers are concentrated in the oil and gas industry and revenue can be materially affected by current economic conditions and the price of certain commodities such as natural gas and crude oil, the cost of which is passed through to the customer. However, based on current demand for natural gas and crude oil and the fact that alternate purchasers are readily available, management believes that the loss of any major purchasers would not have a long-term material adverse effect on operations.

Note H – Commitments and Contingencies

The Partnership is subject to federal and state laws and regulations relating to the protection of the environment. Environmental risk is inherent to oil and natural gas operations and the Partnership could be subject to environmental cleanup and enforcement actions. The Partnership manages this environmental risk through appropriate environmental policies and practices to minimize the impact to the Partnership.

From time to time, the Partnership is a party to various legal proceedings arising in the ordinary course of business. The Partnership is not currently a party to any proceeding that it believes could have a material adverse effect on the Partnership’s financial condition, results of operation or cash flows.

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note I – Goodwill

Goodwill is assigned to the Partnership as a result of the acquisition in 2002 of all of the issued and outstanding common stock of Pure Energy Group, Inc. This asset is reviewed annually for possible impairment resulting from the occurrence of events or circumstances that indicate the Partnership's carrying amount is greater than its fair value. Management has determined that no additional impairment has occurred during the years ended December 31, 2010 and 2009. Accordingly, no adjustment for impairment has been recorded.

Note J – Concentration of Credit Risk

Financial instruments that potentially subject the Partnership to the concentration of credit risk consist primarily of cash and cash equivalents. Cash balances exceeded FDIC insurance protection levels by approximately $361,750 at December 31, 2010, and at certain points throughout the year, subjecting the Partnership to risk related to the uninsured balance. The Partnership's deposits are held at large established bank institutions and it believes that the risk of loss associated with these uninsured balances is remote.

The Partnership also maintains cash balances with two investment brokerage firms that are protected by the Securities Investor Protection Corporation (SIPC) up to $250,000. In addition to the SIPC coverage, one of the investment brokerage firms provides supplemental coverage in excess of SIPC through an insurance policy that covers cash balances up to $500,000. The cash balance at the other investment brokerage firm is held in a FDIC-Insured Deposit Account and is also protected by a supplemental coverage insurance policy that covers cash balances up to $124,500,000. As of December 31, 2010 and 2009, the Partnership's cash balance with these investment brokerage firms did not exceed the combined coverage.

Note K – Federal Income Tax

The accompanying financial statements include a provision for federal income tax related to the Partnership's taxable subsidiary, Pure Energy Group, Inc (PEG).

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note K – Federal Income Tax

The provision for income tax consists of the following:

	2010	2009
Current:		
Consolidated Income (Loss)	$ 603,649	$ (1,087,647)
Less: Pass-Through (Income) Loss – PGP II	243,748	(920,062)
PEG Income (Loss)	359,901	(167,585)
Federal Statutory Rate	15%	15%
Current Tax Expense (Benefit)	53,985	(25,138)
Deferred:		
Increase (Decrease) in Valuation Allowance	(53,985)	25,138
Deferred Tax Expense (Benefit)	(53,985)	25,138
Net Tax (Benefit) Expense	$ —	$ —

Deferred tax assets consist of the following:

	2010	2009
Operating Loss Carryforwards at Beginning of Year	$ 77,848	$ 52,710
Benefit (Expense)	(53,985)	25,138
	23,863	77,848
Less Valuation Allowance	(23,863)	(77,848)
Tax Asset at End of Year	$ —	$ —

Deferred tax assets decreased by $53,985 to $23,863 at December 31, 2010 due to the current year generation of loss carryforwards that can be used to offset future taxable income. At December 31, 2009, deferred tax assets increased by $25,138 to $77,848 due to the utilization of loss carryforwards to offset the 2009 taxable income. However, as of December 31, 2010 and 2009, the deferred tax assets have been fully allowed for due to the continued uncertainty of whether the tax benefits will ever be realized. The deferred tax assets balance at December 31, 2009 was adjusted to actual per the 2009 income tax return. As the deferred tax assets are fully allowed for due to the reason mentioned above, this adjustment had no effect on prior year net income.

As of December 31, 2010, Pure Energy Group, Inc. had net operating loss (NOL) carryforwards totaling $518,987 that may be used to offset future taxable income. These NOL carryforwards expire as follows:

December 31,	Amount
2023	$ 351,402
2029	167,585
Total NOL Carryforwards	$ 518,987

PURE GAS PARTNERS, L.P. AND SUBSIDIARIES

Notes to the Consolidated Financial Statements
December 31, 2010 and 2009
Note M – Series B Convertible Preferred Partnership Interest

In October 2006, PGP II, a subsidiary of the Partnership, issued Series B Convertible Preferred Partnership Interests (the Interests) to Armendaris Holdings, LLC (Armendaris) for a 3.617% ownership interest in PGP II.

The Interests have a preferential right for return of the invested principal from cash flow of PGP II and also a preferential right in the case of liquidation or dissolution of PGP II. The Interests do not have any dividend preference or any preferential stated return, interest rate, or dividend that accrues or is payable with respect to the units purchased. The Interests are callable, at the option of PGP II, at anytime between 90 days following drilling completion of a core test well on the Armendaris Ranch and September 30, 2010, at 100% of the face value of the funding.

In October 2010, Armendaris exercised its option to convert the Interests into Series A Limited Partnership Interest of PGP II at a valuation of $30,000,000. As a result of the exercise, all existing noncontrolling interests held by Armendaris were converted to Class C Shares. In addition, all other noncontrolling interest partners exercised their option to convert their interests to Class A Shares. As a result, the partnership no longer had minority interest holders as of December 31, 2010.

Note N – Subsequent Events

The Partnership has evaluated subsequent events through April 7, 2011, the date which the financial statements were available to be issued. Effective January 3, 2011, the Partnership entered into a merger agreement with Doral Energy. Pursuant to the provisions of the Merger Agreement, all of the Partnership’s oil and gas assets were transferred to Pure Energy Group, Inc. Pure Energy Group, Inc. was then merged with and into Doral Acquisition Corp. (“Doral”) with Doral continuing as the surviving corporation. Upon completion of the Merger, the outstanding shares of Pure Energy Group, Inc. were converted into an aggregate of 9,981,536 shares of the Company’s common stock. As a result of the Merger, Pure Energy Group, Inc. owns approximately 80% of Doral’s total outstanding shares on a fully diluted basis, with Doral’s previous stockholders owning the remaining 20%.

Part II

Information Not Required In the Prospectus

Item 13. Other Expenses Of Issuance And Distribution

The estimated costs of this offering are as follows:

Securities and Exchange Commission registration fee	$1,649
Printing and filing fees	$*
Accounting fees and expenses	$*
Legal fees and expenses	$*
Total	$*

* To be included by amendment to this registration statement.

All amounts are estimates, other than the Commission's registration fee. We are paying all expenses of the offering listed above. No portion of these expenses will be borne by the selling stockholders. The selling stockholders, however, will pay any other expenses incurred in selling their common stock, including any brokerage commissions or costs of sale.

Item 14. Indemnification of Directors and Officers

Our officers and directors are indemnified as provided by the Nevada Revised Statutes and our bylaws.

Under the governing Nevada statutes, director immunity from liability to a company or its shareholders for monetary liabilities applies automatically unless it is specifically limited by a company's articles of incorporation. Our articles of incorporation do not contain any limiting language regarding director immunity from liability. Excepted from this immunity are:

1. a willful failure to deal fairly with the company or its shareholders in connection with a matter in which the director has a material conflict of interest;

2. a violation of criminal law (unless the director had reasonable cause to believe that his or her conduct was lawful or no reasonable cause to believe that his or her conduct was unlawful);

3. a transaction from which the director derived an improper personal profit; and

4. willful misconduct.

Our bylaws provide that we will indemnify our directors and officers to the fullest extent not prohibited by Nevada law; provided, however, that we may modify the extent of such indemnification by individual contracts with our directors and officers; and, provided, further, that we shall not be required to indemnify any director or officer in connection with any proceeding (or part thereof) initiated by such person unless:

1. such indemnification is expressly required to be made by law;
2. the proceeding was authorized by our Board of Directors;
3. such indemnification is provided by us, in our sole discretion, pursuant to the powers vested us under Nevada law; or;
4. such indemnification is required to be made pursuant to the bylaws.

Our bylaws provide that we will advance to any person who was or is a party or is threatened to be made a party to any threatened, pending or completed action, suit or proceeding, whether civil, criminal, administrative or investigative, by reason of the fact that he is or was a director or officer, of the company, or is or was serving at the request of the company as a director or executive officer of another company, partnership, joint venture, trust or other enterprise, prior to the final disposition of the proceeding, promptly following request therefore, all expenses incurred by any director or officer in connection with such proceeding upon receipt of an undertaking by or on behalf of such person to repay said amounts if it should be determined ultimately that such person is not entitled to be indemnified under our bylaws or otherwise.

Our bylaws provide that no advance shall be made by us to an officer of the company, except by reason of the fact that such officer is or was a director of the company in which event this paragraph shall not apply, in any action, suit or proceeding, whether civil, criminal, administrative or investigative, if a determination is reasonably and promptly made: (a) by the board of directors by a majority vote of a quorum consisting of directors who were not parties to the proceeding, or (b) if such quorum is not obtainable, or, even if obtainable, a quorum of disinterested directors so directs, by independent legal counsel in a written opinion, that the facts known to the decision-making party at the time such determination is made demonstrate clearly and convincingly that such person acted in bad faith or in a manner that such person did not believe to be in or not opposed to the best interests of the company.

Item 15. Recent Sales of Unregistered Securities

Effective May 31, 2011, the Company issued 50,000 shares of common stock to RedChip Companies, Inc. pursuant to Section 4(2) of the Securities Act. These shares were issued to RedChip Companies, Inc. as compensation for its services in connection with the preparation and distribution of an analyst’s report and the providing of other investor relations services. All other unregistered sales of our equity securities made have been reported in our periodic reports filed with the SEC.

Item 16. Exhibits

The Exhibit List is provided following the signatures hereto.

Item 17. Undertakings

The undersigned registrant hereby undertakes:

1. To file, during any period in which offers or sales are being made, a post-effective amendment to this registration statement;

(a) to include any prospectus required by Section 10(a)(3) of the Securities Act of 1933;

(b) to reflect in the prospectus any facts or events which, individually or together, represent a fundamental change in the information in the registration statement; and Notwithstanding the forgoing, any increase or decrease in volume of securities offered (if the total dollar value of securities offered would not exceed that which was registered) and any deviation from the low or high end of the estimated maximum offering range may be reflected in the form of prospects filed with the Commission pursuant to Rule 424(b) if, in the aggregate, the changes in the volume and price represent no more than a 20% change in the maximum aggregate offering price set forth in the "Calculation of Registration Fee" table in the effective registration statement.; and

(c) to include any material information with respect to the plan of distribution not previously disclosed in this registration statement or any material change to such information in the registration statement.

2. That, for the purpose of determining any liability under the Securities Act, each such post-effective amendment shall be deemed to be a new registration statement relating to the securities offered herein, and the offering of such securities at that time shall be deemed to be the initial bona fide offering thereof.

3. To remove from registration by means of a post-effective amendment any of the securities being registered hereby which remain unsold at the termination of the offering.

For purposes of determining liability under the Securities Act for any purchaser, each prospectus filed pursuant to Rule 424(b) as part of a registration statement relating to an offering, other than registration statements relying on Rule 430B or other than prospectuses filed in reliance on Rule 430A, shall be deemed to be part of and included in the registration statement as of the date it is first used after effectiveness. Provided, however, that no statement made in a registration statement or prospectus that is part of the registration statement or made in a document incorporated or deemed incorporated by reference into the registration statement or prospectus that is part of the registration statement will, as to a purchaser with a time of contract of sale prior to such first use, supersede or modify any statement that was made in the registration statement or prospectus that was part of the registration statement or made in any such document immediately prior to such date of first use.

SIGNATURES

Pursuant to the requirements of the Securities Act, the Registrant has duly caused this Registration Statement to be signed on its behalf by the undersigned, thereunto duly authorized, in San Antonio, Texas on July 25, 2011.

CROSS BORDER RESOURCES, INC.

By:	/s/ Everett Willard Gray, II	
	Name:	Everett Willard Gray, II
	Title:	Chief Executive Officer

POWER OF ATTORNEY

KNOW ALL MEN BY THESE PRESENTS, that the undersigned officers and directors of Cross Border Resources, Inc., a Nevada corporation (the “Corporation”), hereby constitute and appoint Everett Willard Gray, II, the true and lawful agent and attorney-in-fact of the undersigned with full power and authority in said agent and attorney-in-fact, to sign for the undersigned and in his name as an officer or director of the Corporation, any and all amendments (including post-effective amendments) to this registration statement on Form S-1 (or any other registration statement for the same offering that is to be effective upon filing pursuant to Rule 462(b) under the Securities Act) and to file the same, with all exhibits thereto and other documents in connection therewith, with the Securities and Exchange Commission, and with full power of substitution; hereby ratifying and confirming all that said attorney-in-fact, or his substitute or substitutes, may do or cause to be done by virtue hereof.

Pursuant to the requirements of the Securities Act, this Registration Statement has been signed by the following persons in the capacities and on the dates indicated.

Name	Title	Date
/s/ Lawrence J. Risley	President, Chief Operations Officer and a Director	July 25, 2011
/s/ P. Mark Stark	Chief Financial Officer	July 25, 2011
/s/ Brad E. Heidelberg	Director	July 25, 2011
/s/ Richard F. LaRoche Jr.	Director	July 24, 2011
/s/ John Hawkins	Director	July 25, 2011

EXHIBIT INDEX

Exhibit Number	Description of Exhibits
2.1	Agreement and Plan of Merger entered into on December 2, 2010 among Doral Energy Corp., Doral Acquisition Corp., Pure Gas Partners II, L.P. and Pure Energy Group, Inc. (14)
2.2	Agreement and Plan of Merger entered into on December 24, 2010 between Doral Acquisition Corp. (as subsidiary merging entity) and Doral Energy Corp. (as parent surviving entity) with the surviving entity changing its name to Cross Border Resources, Inc. (16)
3.1	Articles of Incorporation.(1)
3.2	Certificate of Change Pursuant to NRS 78.209 increasing the authorized capital of common stock to 2,500,000,000 shares, par value $0.001 per share (25-for-1 Stock Split).(3)
3.3	Articles of Merger between Language Enterprises Corp. (as surviving entity) and Doral Energy Corp. (as merging entity).(4)
3.4	Certificate of Change Pursuant to NRS 78.209 decreasing the authorized capital of common stock to 400,000,000 shares, par value $0.001 per share (1-for-6.25 Reverse Split).(5)
3.5	Certificate of Change Pursuant to NRS 78.209 increasing the authorized capital of common stock to 2,000,000,000 shares, par value $0.001 per share (5-for-1 Stock Split).(6)
3.6	Certificate of Change Pursuant to NRS 78.209 decreasing the authorized capital of common stock to 36,363,637 shares, par value $0.001 per share (1-for-55 Stock Split). (15)
3.7	Certificate of Merger between Doral Acquisition Corp. (as merging entity) and Doral Energy Corp. (as surviving entity). (16)
3.8	Articles of Merger between Doral Acquisition Corp. (as merging entity) and Doral Energy Corp. (as surviving entity). (16)
3.9	Bylaws.(1)
4.1	Trust Indenture of Pure Energy Group, Inc. and Pure Gas Partners II, L.P. assumed by the Company. (16)
4.2	Form of Common Stock Warrant
5.1	Legal Opinion as to the legality of the securities being registered
10.1	Loan and Cancellation of Convertible Note Agreement between Doral Energy Corp. and Edward Ajootian dated March 3, 2010.(7)
10.2	Debt Settlement Agreement with War Chest Multi-Strategy Fund, LLC dated March 8, 2010.(7)
10.3	Amendment Agreement dated March 12, 2010 to Debt Settlement Agreement with War Chest Multi- Strategy Fund, LLC.(7)
10.4	Release and Settlement Agreement between Doral Energy Corp. and Macquarie Bank Limited dated March 8, 2010.(7)
10.5	Purchase and Sale Agreement dated April 30, 2010 between Doral Energy Corp. and Alamo Resources LLC.(8)
10.6	Purchase and Sale Agreement dated June 14, 2010 between Doral Energy Corp., John R. Stearns and John R. Stearns Jr.(9)
10.7	Amended and Restated 2009 Stock Incentive Plan.(10)
10.8	

	Debt Settlement Agreement dated September 16, 2010 between the Company and War Chest Multi- Strategy Fund, LLC.(11)
10.9	Debt Settlement Agreement dated September 16, 2010 between the Company and Barclay Lyons, LLC.(11)
10.10	Separation Agreement dated June 15, 2010 between Doral Energy Corp. and H. Patrick Seale.(12)
10.11	Debt Settlement Agreement dated November 24, 2010 between the Company and WS Oil & Gas Limited.(13)
10.12	Amended and Restated Credit Agreement between Cross Border Resources, Inc. and Texas Capital Bank, N.A. dated January 31, 2011.(18)
10.13	Employment Agreement with Everett Willard “Will” Gray II.(19)
10.14	Nonqualified Stock Option Award Agreement with Everett Willard “Will” Gray II.(19)
10.15	Employment Agreement with Lawrence J. Risley.(19)

10.16	Nonqualified Stock Option Award Agreement with Lawrence J. Risley.(19)
10.17	Employment Agreement with P. Mark Stark.(19)
10.18	Nonqualified Stock Option Award Agreement with P. Mark Stark.(19)
10.19	Consulting Agreement with BDR, Inc.(19)
10.20	Nonqualified Stock Option Award Agreement with BDR, Inc.(19)
10.21	Loan Agreement by and between Green Shoe Investments Ltd. and the Company.(20)
10.22	Promissory Note to Green Shoe Investments Ltd.(20)
10.23	Loan Agreement by and between Little Bay Consulting SA and the Company.(20)
10.24	Promissory Note to Little Bay Consulting SA.(20)
10.25	Separation Agreement and Release with BDR, Inc. (21)
16.1	Letter of Malone Bailey, LLP (Former Principal Independent Accountants).(17)
21.1	List of Subsidiaries
23.1	Consent of Darilek, Butler & Associates PLLC
23.2	Consent of Williams & Anderson PLC, included in Exhibit 5.1
23.3	Consent of Joe C. Neal & Associates, Inc.
24.1	Power of Attorney (included in signature block to registration statement)
99.1	Estimated Reserves and Future Net Revenue as of August 1, 2010, Attributable to Interests Owned by Doral Energy, Corp. In Certain Properties Located in Texas (SEC Case).(12)
99.2	Evaluation of Oil and Gas Reserves of Pure Energy Group, Inc., Effective Date: August 1, 2010

(1) Filed as an exhibit to our Registration Statement on Form SB-2 filed on September 11, 2006.
(2) Filed as an exhibit to our Annual Report on Form 10-KSB for the year ended July 31, 2007 filed on October 30, 2007.
(3) Filed as an exhibit to our Current Report on Form 8-K filed on January 9, 2008.
(4) Filed as an exhibit to our Current Report on Form 8-K filed on April 28, 2008.
(5) Filed as an exhibit to our Current Report on Form 8-K filed on January 29, 2009.
(6) Filed as an exhibit to our Current Report on Form 8-K filed on September 14, 2009.
(7) Filed as an exhibit to our Quarterly Report on Form 10-Q filed on March 22, 2010.
(8) Filed as an exhibit to our Current Report on Form 8-K filed on May 6, 2010.
(9) Filed as an exhibit to our Current Report on Form 8-K filed on June 18, 2010.
(10) Filed as an exhibit to our Current Report on Form 8-K filed on July 30, 2010.
(11) Filed as an exhibit to our Current Report on Form 8-K filed on October 1, 2010.
(12) Filed as an exhibit to our Annual Report on Form 10-K filed on November 15, 2010.
(13) Filed as an exhibit to our Current Report on Form 8-K filed on December 1, 2010.
(14) Filed as an exhibit to our Current Report on Form 8-K filed on December 6, 2010.
(15) Filed as an exhibit to our Current Report on Form 8-K filed on December 29, 2010

(16) Filed as an exhibit to our Current Report on Form 8-K filed on January 7, 2011
(17) Filed as an exhibit to our Current Report on Form 8-K filed on January 19, 2011
(18) Filed as an exhibit to our Current Report on Form 8-K filed on February 8, 2011
(19) Filed as an exhibit to our Current Report on Form 8-K filed on March 25, 2011
(20) Filed as an exhibit to our Current Report on Form 8-K filed on April 28, 2011
(21) Filed as an exhibit to our Current Report on Form 8-K filed on June 3, 2011