HOUSTON WIRE & CABLE CO

FORM 10-K
(Annual Report)

Filed 03/12/15 for the Period Ending 12/31/14

Address	10201 NORTH LOOP EAST HOUSTON, TX 77029
Telephone	(713) 609-2100
CIK	0001356949
Symbol	HWCC
SIC Code	5063 - Electrical Apparatus and Equipment Wiring Supplies, and Construction Materials
Industry	Electronic Instr. & Controls
Sector	Technology
Fiscal Year	12/31

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

FORM 10-K

☒ **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

☐ **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: 000-52046

HOUSTON WIRE & CABLE COMPANY

Delaware	**36-4151663**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
10201 North Loop East	
Houston, Texas	**77029**
(Address of principal executive offices)	(Zip Code)

(713) 609-2100
(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of Class	**Name of Each Exchange on Which Registered**
Common stock, par value $0.001 per share	The NASDAQ Stock Market

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

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act.
YES ☐ NO ☒

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 ☐ NO ☒

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

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulations 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. ☒

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 definitions of "large accelerated filer", "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer ☐ Accelerated Filer ☒ Non-Accelerated Filer ☐ Smaller reporting company ☐

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act)

YES ☐ NO ☒

The aggregate market value of the voting stock (common stock) held by non-affiliates of the registrant as of June 30, 2014 was $215,790,429.

At March 2, 2015, there were 17,423,315 shares of the registrant’s common stock, $.001 par value per share, outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Part III of this report incorporates by reference specific portions of the registrant’s definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

HOUSTON WIRE & CABLE COMPANY
Form 10-K
For the Fiscal Year Ended December 31, 2014

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PART I

ITEM 1. BUSINESS

Overview

We are one of the largest providers of electrical and mechanical wire and cable, hardware and related services to the U.S. market. We provide our customers with a single-source solution for these items by offering a large selection of in-stock items, exceptional customer service and high levels of product expertise.

Our wide product selection and specialized services support our position in the supply chain between wire and cable manufacturers and the customer. The breadth and depth of wire and cable and related hardware that we offer, requires significant warehousing resources and a large number of SKU's (stock-keeping units). While manufacturers may have the space and capabilities to maintain a large supply of inventory, we do not believe that any single manufacturer has the breadth and depth of product that we offer. More importantly, manufacturers historically have not offered the services that our customers need, such as complimentary custom cutting, cable coiling, custom slings and harnesses, paralleling, bundling, striping, cable management for large capital projects, and same day shipment, and do not have multiple distribution centers across the nation.

Our Cable Management Program addresses our customers' growing requirement for sophisticated and efficient just-in-time product management for large capital projects. This program entails purchasing and storing dedicated inventory so our customers have immediate product availability for the duration of their project. Advantages of this program include extra pre-allocated safety stock, firm pricing, zero cable surplus and just-in-time delivery. Used on large construction and capital expansion projects, our Cable Management Program combines the expertise of our cable specialists with dedicated project inventory and superior logistics to allow complex projects to be completed on time, within budget and with minimal residual waste.

History

We were founded in 1975 and have a long history of exceptional customer service, broad product selection and high levels of product expertise. In 1987, we completed our first initial public offering and were subsequently purchased in 1989 by ALLTEL Corporation and in 1997 by investment funds affiliated with Code, Hennessy & Simmons LLC. In June 2006, we completed our second initial public offering. On June 25, 2010, we purchased Southwest Wire Rope LP, its general partner Southwest Wire Rope GP LLC and its wholly owned subsidiary, Southern Wire and on January 1, 2011, merged the acquired businesses into our operating subsidiary. We have no other business activity.

Products

We offer products in most categories of wire and cable, including: continuous and interlocked armor cable; control and power cable; electronic wire and cable; flexible and portable cord; instrumentation and thermocouple cable; lead and high temperature cable; medium voltage cable; premise and category wire and cable, primary and secondary aluminum distribution cable, steel wire rope and wire rope slings, as well as synthetic fiber rope slings, chain, shackles and other related hardware. We also offer private branded products, including our proprietary brand LifeGuard™, a low-smoke, zero-halogen cable. Our products are used in repair and replacement work, also referred to as Maintenance, Repair and Operations ("MRO"), and related projects, larger-scale projects in the utility, industrial and infrastructure markets and a diverse range of industrial applications including communications, energy, engineering and construction, general manufacturing, marine construction and marine transportation, mining, construction, infrastructure, oilfield services, petrochemical, transportation, utility, and wastewater treatment.

Targeted Markets

Our business is driven, in part, by the strength, growth prospects and activity in the end-markets in which our products are used, which are primarily in the continental United States. We have targeted three of these markets—the utility, industrial and infrastructure markets—in our sales and marketing initiatives.

Utility Market. The utility market includes large investor-owned utilities, rural cooperatives and municipal power authorities. According to Industrial Information Resources' ("IIR's") 2015 Global Industrial Outlook, 2015 spending within the United States power market is expected to be $68.9 billion, up over 8% from 2014 estimates. While we are not a significant distributor of power lines used for the transmission of electricity, we sell many products used in the construction of a power plant and the related pollution control equipment. As such we are positioned to benefit from expenditures for new power generation needed to satisfy a growing population with increasing energy demands and to comply with federal mandates to reduce toxic outputs from power generating facilities. We expect to benefit from this trend as our customers utilize our cable management services to supply the wire and cable required in the construction of new power plants and upgrading of existing power plants. These upgrades often require the addition of highly-engineered and capital-intensive environmental compliance devices such as selective catalytic reduction (SCR) and flue gas desulfurization (FGD) systems to remove harmful emissions from existing power generation units. These projects require the specialty instrumentation, power and control wire and cable that we distribute.

Industrial Market. The industrial market is one of the largest segments of the U.S. economy and is comprised of a diverse base of manufacturing and production companies. According to IIR's 2015 Global Industrial Outlook, the 2015 projected total industrial spending within the United States is expected to be $217.7 billion, up 3% over 2014 spend. We provide a wide variety of products specifically designed for use in manufacturing, metal/mineral, and oil and gas upstream, midstream and downstream markets.

Infrastructure Market. Investments in the development, construction and maintenance of infrastructure markets including education and health care; air, ground and rail transportation; telecommunications, and wastewater are expected to continue to improve from post-recession lows that resulted from public funding shortfalls and budget constraints. Certain segments such as transportation, rail and telecommunications have been identified as candidates for growth in 2015. According to the American Road & Transportation Builders Association (ARTBA), the overall U.S. transportation infrastructure construction market is estimated to grow approximately 3% from $185.9 billion in 2014 to $191.7 billion in 2015. Furthermore, health care and educational institutions are forecasting construction spending to increase in 2015 by 5% and 3% respectively, according to FMI's Research Services Group. With ongoing advancements in telecommunications technology and growing U.S. demand for greater bandwidth, FMI is also forecasting a 7% increase in the communications market after a 3% decline in 2014. The infrastructure growth projections are opportunities for our product and service offering.

Distribution Logistics

We believe that our national distribution presence and value-added services make us an essential partner in the supply chain for our suppliers. We have successfully expanded our business from the original location in Houston, Texas to twenty-two locations nationwide, which includes five third-party logistics providers. Our standard practice is to process customers' orders the same day they are received. Our strategically located distribution centers generally allow for ground delivery nationwide within 24 hours of shipment. Orders are delivered through a variety of distribution methods, including less-than-truck-load, truck-load, air or parcel service providers, direct from supplier and cross-dock shipments. Freight costs are typically borne by our customers. Due to our shipment volume, we have preferred pricing relationships with our contract carriers.

Customers

During 2014, we served approximately 6,300 customers, shipping approximately 42,000 SKU's to approximately 10,500 customer locations nationwide. No customer represented 10% or more of our 2014 sales.

Suppliers

We obtain products from most of the leading wire and cable suppliers. We believe we have strong relationships with our top suppliers. Although we believe that alternative sources are available for the majority of our products, we have strategically concentrated our purchases of electrical wire and cable with five leading suppliers in order to maximize product quality, delivery dependability, purchasing efficiencies, and vendor rebates. As a result, in 2014, approximately 54% of our purchases came from five suppliers. We do not believe we are dependent on any one supplier for any of our wire and cable products and related hardware.

Our top five suppliers in 2014 were Belden Inc., General Cable Corporation, Lake Cable LLC, Nexans Energy USA, Inc. and Southwire Company.

Sales

We market our wire and cable and related services through an inside sales force situated in our regional offices and a field sales force focused on key geographic markets throughout the U.S. By operating under a decentralized process, region managers are able to adapt quickly to market-specific occurrences, allowing us to compete effectively with local competitors. We believe the knowledge, experience and tenure of our sales force is critical to serving our fragmented and diverse customer and end-user base.

Competition

The wire and cable market is highly competitive and fragmented, with several hundred wire and cable competitors serving this market. The product offerings and levels of service from the other wire and cable providers with whom we compete vary widely. We compete with many wire and cable providers on a national, regional and local basis. Most of our direct competitors are smaller companies that focus on a specific geographical area or feature a select product offering, such as surplus wire. In addition to the direct competition with other wire and cable providers, we also face, on a varying basis, competition with distributors and manufacturers that sell products directly or through multiple distribution channels to end-users or other resellers. In the markets that we serve, competition is primarily based on product line breadth, quality, product availability, service capabilities and price.

Employees

At December 31, 2014, we had 360 employees. Our sales and marketing staff accounted for 159 employees, including 42 field sales personnel and 88 inside sales and technical support personnel.

Our employees are not represented by a labor union or covered by a collective bargaining agreement. We believe that our employee relations are good.

Website Access

We maintain an internet website at www.houwire.com. We make available, free of charge under the “Investor Relations” tab on our website, our annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and if applicable, amendments to those reports, as well as proxy and information statements, as soon as reasonably practicable after such documents are electronically filed with or furnished to the Securities and Exchange Commission (the “SEC”). Information contained on our website is not part of, and should not be construed as being incorporated by reference into, this Annual Report on Form 10-K.

Government Regulation

We are subject to regulation by various federal, state and local agencies. We believe we are in compliance in all material respects with existing applicable statutes and regulations affecting environmental issues and our employment, workplace health and workplace safety practices.

ITEM 1A. RISK FACTORS

In addition to other information in this Annual Report on Form 10-K, the following risk factors should be carefully considered in evaluating our business, because such factors may have a significant impact on our business, operating results, cash flows and financial condition. As a result of the risks set forth below and elsewhere in this Annual Report, actual results could differ materially from those projected in any forward-looking statements.

Downturns in capital spending and cyclicality in certain of the markets we serve could have a material adverse effect on our financial condition and results of operations.

The majority of our products are used in the construction, maintenance, repair and operation of facilities, plants and projects in the communications, energy, engineering and construction, general manufacturing, infrastructure, petrochemical, marine construction, marine transportation, mining, oilfield services, transportation, utility, and wastewater treatment industries. The demand for our products and services depends to a large degree on the capital spending levels of end-users in these markets. Many of these end-users defer capital expenditures or cancel projects during economic downturns or periods of uncertainty. In addition, certain of the markets we serve are cyclical, which affects capital spending by end-users in these industries.

We have risks associated with our customers' access to credit.

The continuing uncertainty in global financial markets has not impaired our access to credit to finance our operations. However, poor credit market conditions may adversely impact the availability of construction and other project financing, upon which many of our customers depend, resulting in project cancellations or delays. Our utility and industrial customers may also face limitations when trying to access the credit markets to fund ongoing operations or capital projects. Credit constraints experienced by our customers may result in lost revenues and reduced gross margins for us and, in some cases, higher than expected bad debt losses.

We have risks associated with inventory.

Our business requires us to maintain substantial levels of inventory. We must identify the right mix and quantity of products to keep in our inventory to fulfill customer orders. Failure to do so could adversely affect our sales and earnings. However, if our inventory levels are too high, we are at risk that unexpected changes in circumstances, such as a shift in market demand, drop in prices or loss of a customer, could have a material adverse impact on the net realizable value of our inventory.

Our operating results are affected by fluctuations in commodity prices.

Copper, steel, aluminum and petrochemical products are components of the wire and cable we sell. Fluctuations in the costs of these and other commodities have historically affected our operating results. To the extent higher commodity prices result in increases in the costs we pay for our products, we attempt to reflect the increase in the prices we charge our customers. While we historically have been able to pass most of these cost increases on to our customers, to the extent we are unable to do so in the future, it could have a material adverse effect on our operating results. In addition, as commodity costs increase, our customers may delay or decrease their purchases of our products. To the extent commodity prices decline, the net realizable value of our existing inventory could be reduced, and our gross profit could be adversely affected.

Our sales are impacted by the level of oil and gas drilling activity.

We estimate that approximately one-third of our sales are to the oil and gas markets. MRO and project demand for our products and services in these markets could reduce with decreases in the price of oil, and its effect on exploration and production.

If we are unable to maintain our relationships with our customers, it could have a material adverse effect on our financial results.

We rely on customers to purchase our wire and cable and related hardware. The number, size, business strategy and operations of these customers vary widely from market to market. Our success depends heavily on our ability to identify and respond to our customers' needs.

In 2014, our ten largest customers accounted for approximately 40% of our sales. If we were to lose one or more of our large customers, or if one or more of our large customers were to significantly reduce the amount of wire and cable and related hardware they purchase from us, and we were unable to replace the lost sales on similar terms, we could experience a significant loss of revenue and profits. In addition, if one or more of our key customers failed or were unable to pay, we could experience a write-off or write-down of the related receivables, which could adversely affect our earnings. We participate with national marketing groups and engage in joint promotional sales activities with the members of those groups. Any permanent exclusion of us from, or refusal to allow us to participate in, such national marketing groups could have a material adverse effect on our sales and our results of operations.

An inability to obtain the products that we distribute could result in lost revenues and reduced profits and damage our relationships with customers.

In 2014, we sourced products from approximately 300 suppliers. However, we have adopted a strategy to concentrate our purchases of wire and cable with a small number of suppliers in order to maximize product quality, delivery dependability, purchasing efficiencies and vendor rebates. As a result, in 2014 approximately 54% of our purchases came from five suppliers. If any of these suppliers changes its sales strategy or decides to terminate its business relationship with us, our sales and earnings could be adversely affected unless and until we were able to establish relationships with suppliers of comparable products. In addition, if we are not able to obtain the products we distribute from either our current suppliers or other competitive sources, we could experience a loss of revenue, reduction in profits and damage to our relationships with our customers. Supply shortages may occur as a result of unanticipated demand or production cutbacks, shortages of raw materials, labor disputes or weather conditions affecting products or shipments, transportation disruptions or other reasons beyond our control. When shortages occur, wire and cable suppliers often allocate products among their customers, and our allocations might not be adequate to meet our customers' needs.

Loss of key personnel or our inability to attract and retain new qualified personnel could hurt our ability to operate and grow successfully.

Our success is highly dependent upon the services of James L. Pokluda III, our President and Chief Executive Officer, and Nicol G. Graham, our Chief Financial Officer. Our success will continue to depend to a significant extent on our executive officers and key management and sales personnel. We do not have key man life insurance covering any of our executive officers. We may not be able to retain our executive officers and key personnel or attract additional qualified management and sales personnel. The loss of any of our executive officers or our other key management and sales personnel or our inability to recruit and retain qualified personnel could hurt our ability to operate and make it difficult to maintain our market share and to execute our growth strategies.

A change in vendor rebate programs could adversely affect our gross margins and results of operations.

The terms on which we purchase products from many of our suppliers entitle us to receive a rebate based on the volume of our purchases. These rebates effectively reduce our costs for products. If suppliers adversely change the terms of some or all of these programs, the changes may lower our gross margins on products we sell and may have an adverse effect on our operating results.

If we encounter difficulties with our management information systems, including cyber attacks, we would experience problems managing our business.

We believe our management information systems are a competitive advantage in maintaining our leadership position in the wire and cable industry. We rely upon our management information systems to manage and replenish inventory, fill and ship orders on a timely basis and coordinate our sales and marketing activities. If we experience problems with our management information systems, we could experience product shortages, diminished inventory control or an increase in accounts receivable. Any failure by us to maintain our management information systems could adversely impact our ability to attract and serve customers and would cause us to incur higher operating costs and experience reduced profitability.

An increase in competition could decrease sales or earnings.

We operate in a highly competitive industry. We compete directly with national, regional and local providers of wire and cable and related hardware. Competition is primarily focused in the local service area and is generally based on product line breadth, product availability, service capabilities and price. Some of our existing competitors have, and new market entrants may have, greater financial and marketing resources than we do. To the extent existing or future competitors seek to gain or retain market share by reducing prices, we may be required to lower our prices, thereby adversely affecting our financial results. Existing or future competitors also may seek to compete with us for acquisitions, which could have the effect of increasing the price and reducing the number of suitable acquisitions. Other companies, including our current customers, could seek to compete directly with our private branded products, which could adversely affect our sales of those products and ultimately our financial results. Our existing customers, as well as suppliers, could seek to compete with us by offering services similar to ours, which could adversely affect our market share and our financial results. In addition, competitive pressures resulting from economic conditions and the industry trend toward consolidation could adversely affect our growth and profit margins.

We may not be able to successfully identify acquisition candidates, effectively integrate newly acquired businesses into our operations or achieve expected profitability from our acquisitions.

To supplement our growth, we intend to selectively pursue acquisition opportunities. If we are not successful in finding attractive acquisition candidates that we can acquire on satisfactory terms, or if we cannot complete those acquisitions that we identify, we will not be able to realize the benefit of this growth strategy.

Acquisitions involve numerous possible risks, including unforeseen difficulties in integrating operations, technologies, services, accounting and personnel; the diversion of financial and management resources from existing operations; unforeseen difficulties related to entering geographic regions or target markets where we do not have prior experience; the potential loss of key employees; and the inability to generate sufficient profits to offset acquisition or investment-related expenses. If we finance acquisitions by issuing equity securities or securities convertible into equity securities, our existing stockholders could be diluted, which, in turn, could adversely affect the market price of our stock. If we finance an acquisition with debt, it could result in higher leverage and interest costs. As a result, if we fail to evaluate and execute acquisitions properly, we might not achieve the anticipated benefits of these acquisitions, and we may incur costs in excess of what we anticipate, and goodwill impairments may result.

We are anticipating growth in the businesses we acquired in 2010. However, the investment in the Southern Wire reporting unit had a goodwill impairment during 2013 as it did not meet its financial objectives as of that date. Future goodwill impairments may result, should the acquired businesses not achieve their growth or profitability targets.

We may be subject to product liability claims that could be costly and time consuming.

We sell wire and cable and related hardware. As a result, from time to time we have been named as defendants in lawsuits alleging that these products caused physical injury or injury to property. We rely on product warranties and indemnities from the product manufacturers, as well as insurance that we maintain, to protect us from these claims. However, if manufacturers' warranties and indemnities and our insurance coverage are not available or inadequate to cover every claim, it could have an adverse effect on our operating results.

ITEM 1B. UNRESOLVED STAFF COMMENTS

None.

ITEM 2. PROPERTIES

Facilities

We operate out of twenty-two distribution centers strategically located throughout the United States with approximately 820,000 square feet of distribution space. We own three facilities in Houston, Texas, including our corporate headquarters and a facility purchased in December 2013 in which, following extensive building modifications, the four existing Houston operations of Southwest Wire Rope will be consolidated in the second quarter of 2015. We also own two facilities in Louisiana. All of the other facilities are leased, including five from third-party logistics providers. Fifteen of the facilities, in addition to containing inventory for re-sale, house knowledgeable sales staff. We believe that our properties are in good operating condition and adequately serve our current business operations.

ITEM 3. LEGAL PROCEEDINGS

From time to time, we are involved in lawsuits that are brought against us in the normal course of business. We are not currently a party to any legal proceedings that we expect, either individually or in the aggregate, to have a material adverse effect on our business or financial condition. We, along with many other defendants, have been named in a number of lawsuits in the state courts of Illinois, Minnesota, North Dakota, and South Dakota alleging that certain wire and cable which may have contained asbestos caused injury to the plaintiffs who were exposed to this wire and cable. These lawsuits are individual personal injury suits that seek unspecified amounts of money damages as the sole remedy. It is not clear whether the alleged injuries occurred as a result of the wire and cable in question or whether we, in fact, distributed the wire and cable alleged to have caused any injuries. We maintain general liability insurance that, to date, has covered the defense of and all costs associated with these claims. In addition, we did not manufacture any of the wire and cable at issue, and we would rely on any warranties from the manufacturers of such cable if it were determined that any of the wire or cable that we distributed contained asbestos which caused injury to any of these plaintiffs. In connection with ALLTEL's sale of our company in 1997, ALLTEL provided indemnities with respect to costs and damages associated with these claims that we believe we could enforce if our insurance coverage proves inadequate.

ITEM 4. MINE SAFETY DISCLOSURES

Not applicable.

SUPPLEMENTAL ITEM. EXECUTIVE OFFICERS OF THE REGISTRANT

Name/Office	Age	Business Experience During Last 5 Years
James L. Pokluda III President and Chief Executive Officer	50	Chief Executive Officer since January 2012 and President since May 2011. Prior thereto, Vice President Sales & Marketing from April 2007 until May 2011.
Nicol G. Graham Chief Financial Officer, Treasurer and Secretary	62	Chief Financial Officer, Treasurer and Secretary since 1997.

PART II

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

Our common stock is listed on The NASDAQ Global Market under the symbol "HWCC". As of February 11, 2015, there were 2,181 holders of record, including participants in security position listings. This figure does not include those beneficial holders whose shares may be held of record by brokerage firms and clearing agencies. The following table lists quarterly information on the price range of our common stock based on the high and low reported sale prices for our common stock as reported by The NASDAQ Global Market for the periods indicated below.

	High	Low
Year ended December 31, 2014:		
First quarter	$ 14.47	$ 12.58
Second quarter	$ 13.34	$ 11.29
Third quarter	$ 13.26	$ 11.92
Fourth quarter	$ 14.00	$ 11.51
Year ended December 31, 2013:		
First quarter	$ 12.97	$ 10.89
Second quarter	$ 14.82	$ 12.70
Third quarter	$ 15.07	$ 12.25
Fourth quarter	$ 14.49	$ 12.42

Purchases of Equity Securities by the Issuer and Affiliated Purchasers

The following table provides information about our purchases of common stock for the quarter ended December 31, 2014. For further information regarding our stock repurchase activity, see Note 6 to our Consolidated Financial Statements.

Period	Total number of shares purchased	Average price paid per share	Total number of shares purchased as part of publicly announced plans or programs (1)	Maximum number (or approximate dollar value) of shares that may yet be purchased under the plans or programs (1)
October 1 – 31, 2014	45,100	$ 12.30	45,100	$ 19,089,314
November 1 – 30, 2014	33,693	$ 13.26	33,693	$ 18,642,692
December 1 – 31, 2014	41,385	$ 12.33	41,385	$ 18,132,372
Total	120,178	$ 12.58	120,178	

(1) The board authorized a stock repurchase program of $25 million in March 2014. The program has no expiration date.

Stock Performance Graph

The following graph compares the total stockholder return on our common stock with the total return on the NASDAQ US Index and the Russell 2000 Index. We believe the Russell 2000 Index includes companies with market capitalization comparable to ours. Houston Wire & Cable Company has a unique niche in the marketplace, due to the size and scope of our business platform, and we are unable to identify peer issuers, as the public companies within our industry are substantially more diversified than we are.

Total return is based on an initial investment of $100 on January 1, 2009, and reinvestment of dividends.

Dividend Policy

Holders of our common stock are entitled to receive dividends when, as and if declared by our Board of Directors. We have paid a quarterly cash dividend since August 2007. From February 2008 through February 2011, our quarterly cash dividend was $0.085 per share, from May 2011 through February 2013 was $0.09 per share and from May 2013 through February 2014 was $0.11 per share. Beginning in May 2014, the Board of Directors approved a quarterly cash dividend of $0.12 per share. For the years ended December 31, 2014 and 2013, cash dividends were $0.47 and $0.42 per share, resulting in total dividends paid of $8.3 million and $7.5 million, respectively.

As a holding company, our only source of funds to pay dividends is distributions from our operating subsidiary. Our loan agreement does not limit the amount of dividends we may pay or stock we may repurchase, as long as we are not in default under the loan agreement and we maintain defined levels of fixed charge coverage and availability.

Securities Authorized for Issuance under Equity Compensation Plans

The information called for by this item regarding securities available for issuance is provided in response to Item 12.

ITEM 6. SELECTED FINANCIAL DATA

You should read the following selected financial information together with our consolidated financial statements and the related notes and the "Management's Discussion and Analysis of Financial Condition and Results of Operations" appearing elsewhere in this Form 10-K. We have derived the consolidated statement of income data for each of the years ended December 31, 2014, 2013 and 2012, and the consolidated balance sheet data at December 31, 2014 and 2013, from our audited financial statements, which are included in this Form 10-K. We have derived the consolidated statement of income data for each of the years ended December 31, 2011 and 2010, and the consolidated balance sheet data at December 31, 2012, 2011 and 2010 from our audited financial statements, which are not included in this Form 10-K.

	Year Ended December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands, except share data)				
CONSOLIDATED STATEMENT OF INCOME DATA:					
Sales	$ 390,011	$ 383,292	$ 393,036	$ 396,410	$ 308,522
Cost of sales	304,073	298,633	306,017	307,515	245,932
Gross profit	85,938	84,659	87,019	88,895	62,590
Operating expenses:					
Salaries and commissions	31,196	30,946	30,013	28,053	25,281
Other operating expenses	26,400	26,068	25,139	24,513	20,565
Depreciation and amortization	2,919	2,978	2,941	2,952	1,738
Impairment of goodwill	—	7,562	—	—	—
Total operating expenses	60,515	67,554	58,093	55,518	47,584
Operating income	25,423	17,105	28,926	33,377	15,006
Interest expense	1,168	992	1,252	1,424	844
Income before income taxes	24,255	16,113	27,674	31,953	14,162
Income tax provision	9,283	8,211	10,635	12,276	5,543
Net income	$ 14,972	$ 7,902 (1)	$ 17,039	$ 19,677	$ 8,619
Earnings per share:					
Basic	$ 0.85	$ 0.44 (1)	$ 0.96	$ 1.11	$ 0.49
Diluted	$ 0.85	$ 0.44 (1)	$ 0.96	$ 1.11	$ 0.49
Weighted average common shares outstanding :					
Basic	17,605,290	17,805,464	17,723,277	17,679,524	17,657,682
Diluted	17,683,931	17,900,372	17,815,401	17,801,134	17,710,123

(1) 2013 net income excluding the after tax impact of the impairment of goodwill was $14,594, and basic and fully diluted earnings per share were each $0.82.

	As of December 31,				
	2014	2013	2012	2011	2010
	(Dollars in thousands)				
CONSOLIDATED BALANCE SHEET DATA:					
Cash and cash equivalents	$ —	$ —	$ 274	$ —	$ —
Accounts receivable, net	$ 61,599	$ 60,408	$ 65,892	$ 59,731	$ 67,838
Inventories, net	$ 88,958	$ 96,107	$ 84,662	$ 69,517	$ 67,503
Total assets	$ 189,813	$ 196,175	$ 197,155	$ 179,153	$ 185,490
Book overdraft [1]	$ 3,113	$ 4,594	$ —	$ 2,270	$ 3,055
Total debt	$ 53,847	$ 47,952	$ 58,588	$ 47,967	$ 54,825
Stockholders' equity	$ 111,307	$ 110,694	$ 109,080	$ 97,338	$ 85,720

(1) Our book overdraft is funded by our revolving credit facility as soon as the related checks clear our disbursement account.

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

You should read the following discussion in conjunction with our consolidated financial statements and related notes appearing elsewhere in this Form 10-K. In addition to historical information, this discussion contains forward-looking statements that involve risks, uncertainties and assumptions that could cause actual results to differ materially from our expectations. Factors that could cause such differences include those described in "Risk Factors" and elsewhere in this Form 10-K. Certain tabular information may not foot due to rounding.

Overview

Since our founding almost 40 years ago, we have grown to be one of the largest providers of wire and cable and related services to the U.S. market. Today, we serve approximately 6,300 customers. Our products are used in MRO activities and related projects, as well as for larger-scale projects in the utility, industrial and infrastructure markets and a diverse range of industrial applications including communications, energy, engineering and construction, general manufacturing, mining, construction, oilfield services, infrastructure, petrochemical, transportation, utility, wastewater treatment, marine construction and marine transportation.

Our revenue is driven in part by the level of capital spending within the end-markets we serve. Because many of these end-markets defer capital expenditures during periods of economic downturns, our business has experienced cyclicality from time to time. We believe that our revenue will continue to be impacted by fluctuations in capital spending and by our ability to drive demand through our sales and marketing initiatives and the continued development and marketing of our private branded products, such as LifeGuard™. The continuing economic uncertainty and volatility in commodity prices have impacted sales and the level of demand. This has had and will continue to have an impact on our performance, until economic conditions stabilize.

Our direct costs will continue to be influenced significantly by the prices we pay our suppliers to procure the products we distribute to our customers. Changes in these costs may result, for example, from increases or decreases in raw material costs, changes in our relationships with suppliers or changes in vendor rebates. Our operating expenses will continue to be affected by our investment in sales, marketing and customer support personnel and commissions paid to our sales force for revenue and profit generated. Some of our operating expenses are related to our fixed infrastructure, including rent, utilities, administrative salaries, maintenance, insurance and supplies. To meet our customers' needs for an extensive product offering and short delivery times, we will need to continue to maintain adequate inventory levels. Our ability to obtain this inventory will depend, in part, on our relationships with suppliers.

Critical Accounting Policies and Estimates

Critical accounting policies are those that both are important to the accurate portrayal of a company's financial condition and results of operations, and require subjective or complex judgments, often as a result of the need to make estimates about the effect of matters that are inherently uncertain.

In order to prepare financial statements that conform to accounting principles generally accepted in the United States, commonly referred to as GAAP, we make estimates and assumptions that affect the amounts reported in our financial statements and accompanying notes. Certain estimates are particularly sensitive due to their significance to the financial statements and the possibility that future events may be significantly different from our expectations.

We have identified the following accounting policies as those that require us to make the most subjective or complex judgments in order to fairly present our consolidated financial position and results of operations. Actual results in these areas could differ materially from management's estimates under different assumptions and conditions.

Reserve for Returns and Allowances

We estimate the gross profit impact of returns and allowances for previously recorded sales. This reserve is calculated on historical and statistical returns and allowances data and adjusted as trends in the variables change. A 20% change in our estimate at December 31, 2014 would have resulted in a change in income before income taxes of less than $0.1 million.

Inventories

Inventories are valued at the lower of cost, using the average cost method, or market. We continually monitor our inventory levels at each of our distribution centers. Our reserve for inventory is based on the age of the inventory, movements of our inventory over the prior twelve months and the experience of our purchasing and sales departments in estimating demand for the product in the succeeding year. Our inventories are generally not susceptible to technological obsolescence. A 20% change in our estimate at December 31, 2014 would have resulted in a change in income before income taxes of $0.9 million.

Intangible Assets

The Company's intangible assets, excluding goodwill, represent purchased trade names and customer relationships. Trade names are not being amortized and are treated as indefinite lived assets. Trade names are tested for recoverability on an annual basis in October of each year. The annual test for 2014 showed no indication of impairment. If this test had indicated that an impairment had occurred, we would have recognized the loss in operating income. The Company assigns useful lives to its intangible assets based on the periods over which it expects the assets to contribute directly or indirectly to the future cash flows of the Company. Customer relationships are amortized over 6 or 7 year useful lives. If events or circumstances were to indicate that any of the Company's definite-lived intangible assets might be impaired, the Company would assess recoverability based on the estimated undiscounted future cash flows to be generated from the applicable intangible asset.

Vendor Rebates

Many of our arrangements with our vendors entitle us to receive a rebate of a specified amount when we achieve any of a number of measures, generally related to the volume of purchases from the vendor. We account for such rebates as a reduction of the prices of the vendor's products and therefore as a reduction of inventory until we sell the product, at which time such rebates reduce cost of sales. Throughout the year, we estimate the amount of the rebates earned based on purchases to date relative to the total purchase levels expected to be achieved during the rebate period. We continually revise these estimates to reflect rebates expected to be earned based on actual purchase levels and forecasted purchase volumes for the remainder of the rebate period. A 20% change in our estimate of total rebates earned during 2014 would have resulted in a change in income before income taxes of $1.4 million for the year ended December 31, 2014.

Goodwill

Goodwill represents the excess of the amount we paid to acquire businesses over the estimated fair value of tangible assets and identifiable intangible assets acquired, less liabilities assumed. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash flows, discount rates and asset lives among other items. At December 31, 2014, our goodwill balance was $17.5 million, representing 9.2% of our total assets.

The Company reviews goodwill for impairment annually, or more frequently if indications of possible impairment exist, using a three-step process. The first step is a qualitative evaluation as to whether it is more likely than not that the fair value of any of the reporting units is less than its carrying value using an assessment of relevant events and circumstances. Examples of such events and circumstances include financial performance, industry and market conditions, macroeconomic conditions, reporting unit-specific events, historical results of goodwill impairment testing and the timing of the last performance of a quantitative assessment. If the Company concludes that the goodwill associated with any reporting units is more likely than not impaired, a second step is performed for that reporting unit. This second step, used to quantitatively screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. The third step, employed for any reporting unit that fails the second step, is used to measure the amount of any potential impairment and compares the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill.

The second and third steps that we use to evaluate goodwill for impairment involve the determination of the fair value of our reporting units. Inherent in such fair value determinations are certain judgments and estimates relating to future cash flows, including our interpretation of current economic indicators and market valuations, and assumptions about our strategic plans. In developing fair values for our reporting units, we may employ a market multiple or a discounted cash flow methodology, or a combination thereof. The market multiple methodology compares us to similar companies on the basis of risk characteristics to determine our risk profile relative to the comparable companies as a group. This analysis generally focuses on quantitative considerations, which include financial performance and other quantifiable data, and qualitative considerations, which include any factors which are expected to impact future financial performance. The most significant assumptions affecting the market multiple methodology are the market multiples and control premium. A control premium represents the value an investor would pay above non-controlling interest transaction prices in order to obtain a controlling interest in the respective company.

The discounted cash flow methodology establishes fair value by estimating the present value of the projected future cash flows to be generated from the reporting unit. The discount rate applied to the projected future cash flows to arrive at the present value is intended to reflect all risks of ownership and the associated risks of realizing the stream of projected future cash flows. The discounted cash flow methodology uses our projections of financial performance. The most significant assumptions used in the discounted cash flow methodology are the discount rate, the customer attrition rate and expected future revenue and operating margins, which vary among reporting units. If actual results are not consistent with our assumptions and judgments used in estimating future cash flows and asset fair values, we may be exposed to future impairment losses that could be material to our results of operations.

An impairment test was performed during the third quarter of 2014 and no indications of impairment were determined.

During the third quarter of 2013 and prior to the annual impairment test of goodwill at October 1, 2013, the Company concluded that impairment indicators existed at the Southern Wire reporting unit, due to a decline in the overall financial performance and overall market demand. The carrying value of the Southern Wire reporting unit's goodwill was $20.1 million and its implied fair value resulting from the impairment test was less than the carrying value. As a result, the Company recorded a non-cash goodwill impairment charge of $7.6 million during the year ended December 31, 2013.

Sales

We generate most of our sales by providing wire and cable and related hardware to our customers, as well as billing for freight charges. We recognize revenue upon shipment of our products to customers from our distribution centers or directly from our suppliers. Sales incentives earned by customers are accrued in the same month as the shipment is invoiced and are accounted for as a reduction in sales.

Cost of Sales

Cost of sales consists primarily of the average cost of the wire and cable and related hardware that we sell. We also incur shipping and handling costs in the normal course of business. Cost of sales also reflects cash discounts for prompt payment to vendors and vendor rebates generally related to annual purchase targets, as well as inventory obsolescence charges.

Operating Expenses

Operating expenses include all expenses, excluding freight, incurred to receive, sell and ship product and administer the operations of the Company.

Salaries and Commissions. Salary expense includes the base compensation, and any overtime earned by hourly personnel, for all sales, administrative and warehouse employees and stock compensation expense for options and restricted stock granted to employees. Commission expense is earned by inside sales personnel based on gross profit dollars generated, by field sales personnel from generating sales and meeting various objectives, by sales, national and marketing managers for driving the sales process, by region managers based on the profitability of their branches and by corporate managers based primarily on our profitability and also on other operating metrics.

Other Operating Expenses. Other operating expenses include all other expenses, except for salaries and commissions and depreciation and amortization. This includes all payroll taxes, health insurance, traveling expenses, public company expenses, advertising, management information system expenses, facility rent and all distribution expenses such as packaging, reels, and repair and maintenance of equipment and facilities.

Depreciation and Amortization. We incur depreciation expense on costs related to capitalized property and equipment on a straight-line basis over the estimated useful lives of the assets, which range from three to thirty years. We incur amortization expense on leasehold improvements over the shorter of the lease term or the life of the related asset and on intangible assets over the estimated life of the asset.

Interest Expense

Interest expense consists primarily of interest we incur on our debt.

Results of Operations

The following discussion compares our results of operations for the years ended December 31, 2014, 2013 and 2012.

The following table shows, for the periods indicated, information derived from our consolidated statements of income, expressed as a percentage of sales for the period presented.

	Year Ended December 31,		
	2014	2013	2012
Sales	100.0%	100.0%	100.0%
Cost of sales	78.0%	77.9%	77.9%
Gross profit	22.0%	22.1%	22.1%
Operating expenses:			
Salaries and commissions	8.0%	8.1%	7.6%
Other operating expenses	6.8%	6.8%	6.4%
Depreciation and amortization	0.7%	0.8%	0.7%
Impairment of goodwill	—%	2.0%	—%
Total operating expenses	15.5%	17.6%	14.8%
Operating income	6.5%	4.5%	7.4%
Interest expense	0.3%	0.3%	0.3%
Income before income taxes	6.2%	4.2%	7.0%
Income tax provision	2.4%	2.1%	2.7%
Net income	3.8%	2.1%	4.3%

Note: Due to rounding, percentages may not add up to total operating expenses, operating income, income before income taxes or net income.

Comparison of Years Ended December 31, 2014 and 2013

Sales

	Year Ended December 31,			
(Dollars in millions)	2014	2013	Change	
Sales	$ 390.0	$ 383.3	$ 6.7	1.8%

Our sales in 2014 increased 1.8% to $390.0 million from $383.3 million in 2013. When adjusted for the fluctuation in metal prices, revenues for the 2014 fiscal year increased approximately 4% compared to 2013 sales. Our project business, especially across our key growth initiatives – Environmental Compliance, Engineering & Construction, Industrials, LifeGuard™, Utility Power Generation, and Mechanical wire rope, was up approximately 9% on a metals-adjusted basis. Maintenance, repair, and operations (MRO) business grew at approximately 1% on a metals-adjusted basis.

Gross Profit

	Year Ended December 31,			
(Dollars in millions)	2014	2013	Change	
Gross profit	$ 85.9	$ 84.7	$ 1.3	1.5%
Gross profit as a percent of sales	22.0%	22.1%	(0.1)%	

Gross profit increased 1.5% to $85.9 million in 2014 from $84.7 million in 2013. The increase in gross profit was primarily attributed to the increase in sales. Gross margin (gross profit as a percentage of sales) decreased slightly to 22.0% in 2014 from 22.1% in 2013.

Operating Expenses

(Dollars in millions)	Year Ended December 31, 2014	2013	Change	
Operating expenses:				
Salaries and commissions	$ 31.2	$ 30.9	$ 0.3	0.8%
Other operating expenses	26.4	26.1	0.3	1.3%
Depreciation and amortization	2.9	3.0	(0.1)	(2.0)%
Impairment of goodwill	—	7.6	(7.6)	(100.0)%
Total operating expenses	$ 60.5	$ 67.6	$ (7.0)	(10.4)%
Operating expenses as a percent of sales	15.5%	17.6%	(2.1)%	

Note: Due to rounding, numbers may not add up to total operating expenses.

Salaries and Commissions. Salaries and commissions increased 0.8% to $31.2 million in 2014 from $30.9 million in 2013. Commissions increased $0.8 million as certain salespersons and managers exceeded targets and some managers received bonuses. Salaries decreased $0.5 million due to our cost savings initiative.

Other Operating Expenses. Other operating expenses increased 1.3% to $26.4 million in 2014 from $26.1 million in 2013 primarily due to increased costs of the distribution network including the addition of two new operating locations, partially offset by lower benefits and employee related expenses as the full-time employee headcount decreased.

Depreciation and Amortization . Depreciation and amortization decreased 2.0% to $2.9 million in 2014 from $3.0 million in 2013.

Impairment of Goodwill . The Company recorded a non-cash goodwill impairment charge in 2013 with respect to its Southern Wire reporting unit. (See Note 3 to our Consolidated Financial Statements)

Operating expenses as a percentage of sales decreased to 15.5% in 2014 from 17.6% in 2013 due to the absence of a goodwill impairment charge in 2014 partially offset by higher salaries and commissions, and other operating expenses.

Interest Expense

Interest expense increased 17.7% to $1.2 million in 2014 from $1.0 million in 2013 due to higher average debt and a higher effective interest rate. Average debt was $55.6 million in 2014 compared to $47.8 million in 2013. The average effective interest rate increased to 2.1% in 2014 from 1.9% in 2013. This increase was primarily due to the higher applicable London Interbank Offered Rate (“LIBOR”) spread as a result of the lower availability under the loan agreement in 2014.

Income Tax Expense

Income tax expense increased 13.1% to $9.3 million in 2014 compared to $8.2 million in 2013. The effective income tax rate decreased to 38.3% in 2014 from 51.0% in 2013 primarily due to the non-deductible portion of the goodwill impairment charge in 2013.

Net Income

We achieved net income of $15.0 million in 2014 compared to $7.9 million in 2013, an increase of 89.5%, primarily due to the non-cash goodwill impairment in 2013.

Comparison of Years Ended December 31, 2013 and 2012

Sales

(Dollars in millions)	Year Ended December 31, 2013	2012	Change	
Sales	$ 383.3	$ 393.0	$ (9.7)	(2.5)%

Our sales in 2013 decreased 2.5% to $383.3 million from $393.0 million in 2012. When adjusted for the fluctuation in metal prices, revenues for the 2013 fiscal year were unchanged compared to 2012 sales. Our project business, especially across our key growth initiatives – Environmental Compliance, Engineering & Construction, Industrials, LifeGuard™, Utility Power Generation, and Mechanical wire rope, was down approximately 16%, or 14% on a metals-adjusted basis, primarily due to delays in project starts and market uncertainty. MRO business grew approximately 5%, or 7% on a metals-adjusted basis, for the year.

Gross Profit

(Dollars in millions)	Year Ended December 31, 2013	2012	Change	
Gross profit	$ 84.7	$ 87.0	$ (2.4)	(2.7)%
Gross profit as a percent of sales	22.1%	22.1%	(0.0)%	

Gross profit decreased 2.7% to $84.7 million in 2013 from $87.0 million in 2012. The decrease in gross profit was primarily attributed to the decrease in sales. The gross margin remained consistent at 22.1% between the periods.

Operating Expenses

(Dollars in millions)	Year Ended December 31, 2013	2012	Change	
Operating expenses:				
Salaries and commissions	$ 30.9	$ 30.0	$ 0.9	3.1%
Other operating expenses	26.1	25.1	0.9	3.7%
Depreciation and amortization	3.0	2.9	0.0	1.3%
Impairment of goodwill	7.6	—	7.6	n/a
Total operating expenses	$ 67.6	$ 58.1	$ 9.5	16.3%
Operating expenses as a percent of sales	17.6%	14.8%	2.8%	

Note: Due to rounding, numbers may not add up to total operating expenses.

Salaries and Commissions. Salaries and commissions increased 3.1% to $30.9 million in 2013 from $30.0 million in 2012. This increase was due to additional headcount primarily in operations and sales/marketing which was partially offset by lower commissions.

Other Operating Expenses. Other operating expenses increased 3.7% to $26.1 million in 2013 from $25.1 million in 2012. This increase is primarily related to higher operations expenses related to additional facilities and higher inventory. Additional headcount also contributed to the increase.

Depreciation and Amortization . Depreciation and amortization increased slightly between the periods.

Impairment of Goodwill . The Company recorded a non-cash goodwill impairment charge in 2013 with respect to its Southern Wire reporting unit. (See Note 3 to our Consolidated Financial Statements)

Operating expenses as a percentage of sales increased to 17.6% in 2013 from 14.8% in 2012. This increase primarily relates to the impairment of goodwill, as well as higher operations cost and personnel costs.

Interest Expense

Interest expense decreased 20.8% to $1.0 million in 2013 from $1.3 million in 2012 due to lower average interest rates, lower average debt and a higher percentage of the debt in LIBOR borrowings. Average debt was $47.8 million in 2013 compared to $58.0 million in 2012. The average effective interest rate decreased to 1.9% in 2013 from 2.1% in 2012. This decrease was primarily due to a lower applicable LIBOR spread as a result of the higher availability under the loan agreement in 2013.

Income Tax Expense

Income tax expense decreased 22.8% to $8.2 million in 2013 compared to $10.6 million in 2012. This percentage decrease was lower than the percentage decrease in operating income due to the non-deductible portion of the goodwill impairment.

Net Income

Our net income in 2013 was $7.9 million compared to $17.0 million in 2012, a decrease of 53.6%.

Impact of Inflation and Commodity Prices

Our results of operations are affected by changes in the inflation rate and commodity prices. Moreover, because copper, steel, aluminum and petrochemical products are components of the wire and cable and related hardware we sell, fluctuations in the costs of these and other commodities have historically affected our operating results. We estimate decreasing metal prices negatively impacted sales by approximately 3% in 2014. To the extent commodity prices decline, the net realizable value of our existing inventory could also decline, and our gross profit can be adversely affected because of either reduced selling prices or lower of cost or market adjustments in the carrying value of our inventory. If we turn our inventory approximately four times a year, the impact of changes in commodity prices in any particular quarter would primarily affect the results of the succeeding calendar quarter. If we are unable to pass on to our customers future cost increases due to inflation or rising commodity prices, our operating results could be adversely affected.

Liquidity and Capital Resources

Our primary capital needs are for working capital obligations, capital expenditures, dividend payments, our stock repurchase program and other general corporate purposes, including acquisitions. Our primary sources of working capital are cash from operations supplemented by bank borrowings.

Liquidity is defined as the ability to generate adequate amounts of cash to meet the current need for cash. We assess our liquidity in terms of our ability to generate cash to fund our operating activities. Significant factors which could affect liquidity include the following:

- the adequacy of available bank lines of credit;
- cash flows generated from operating activities;
- capital expenditures;
- additional stock repurchases;
- payment of dividends;
- acquisitions; and
- the ability to attract long-term capital with satisfactory terms

Comparison of Years Ended December 31, 2014 and 2013

Our net cash provided by operating activities was $11.3 million in 2014 compared to $20.7 million in 2013. Our net income increased by $7.1 million or 89.5% to $15.0 million in 2014 from $7.9 million in 2013.

Changes in our operating assets and liabilities resulted in cash used in operating activities of $7.5 million in 2014. Trade accounts payable decreased $5.6 million primarily due to lower inventory. Accrued and other current liabilities decreased $5.6 million primarily due to lower accrued wire purchases. Partially offsetting these uses of cash was the decrease in inventory totaling $6.1 million.

Net cash used in investing activities was $2.2 million in 2014 compared to $3.4 million in 2013. The decrease was primarily attributable to the purchase of a building in December 2013. The building is currently undergoing renovation, which is expected to be substantially complete in the second quarter of 2015, and will be used to consolidate four existing Southwest Wire Rope locations.

Net cash used in financing activities was $9.1 million in 2014 compared to $17.6 million in 2013. The payment of dividends of $8.3 million and the purchase of treasury stock of $6.9 million partially offset by net borrowings on the revolver of $5.9 million were the main components of financing activities in 2014.

Comparison of Years Ended December 31, 2013 and 2012

Our net cash provided by operating activities was $20.7 million in 2013 compared to net cash used in operating activities of $3.0 million in 2012. Although our net income decreased by $9.1 million or 53.6% to $7.9 million in 2013 from $17.0 million in 2012, this was primarily due to the $7.6 million goodwill impairment charge, which was a non-cash item.

Changes in our operating assets and liabilities resulted in cash provided by operating activities of $2.3 million in 2013. Accounts receivable were lower by $5.5 million due to decreased sales in the fourth quarter. Book overdraft, which is funded by our revolving credit facility as soon as the related vendor checks clear our disbursement account, increased $4.6 million. Accrued and other current liabilities increased $3.3 million due primarily to higher accrued purchases and volume rebates to our customers. Trade accounts payable increased $1.3 million due to higher inventory purchases.

Partially offsetting these sources of cash was the $12.0 million increase in inventory. The increase in inventory resulted from the Company taking advantage of lower pricing and increased rebates from manufacturers in the fourth quarter, geographic expansion, the addition of new product lines and expanding certain other product lines.

Net cash used in investing activities was $3.4 million in 2013 compared to $1.0 million in 2012. The increase was primarily attributable to the purchase of a new building in December 2013 which will be used to consolidate four existing Southwest Wire Rope locations.

Net cash used in financing activities was $17.6 million in 2013 compared to net cash provided by financing activities of $4.3 million in 2012. Net payments on the revolver of $10.6 million and the payment of dividends of $7.5 million were the main components of financing activities in 2013.

Indebtedness

Our principal source of liquidity at December 31, 2014 was working capital of $130.1 million compared to $123.3 million at December 31, 2013. We also had available borrowing capacity under our loan agreement in the amount of $42.4 million at December 31, 2014 and $50.7 million at December 31, 2013.

We believe that we will have adequate availability of capital to fund our present operations, meet our commitments on our existing debt, continue to fund our dividend payments and stock repurchase program, and fund anticipated growth over the next twelve months, including expansion in existing and targeted market areas. We continually seek potential acquisitions and from time to time hold discussions with acquisition candidates. If suitable acquisition opportunities or working capital needs arise that would require additional financing, we believe that our financial position and earnings history provide a solid base for obtaining additional financing resources at competitive rates and terms. Additionally, based on market conditions, we may decide to issue additional shares of common or preferred stock to raise funds.

Loan and Security Agreement

On September 30, 2011, we entered into a Third Amended and Restated Loan and Security Agreement (the “2011 Loan Agreement”) with certain lenders and Bank of America, N.A., as agent. The 2011 Loan Agreement provides for a $100 million revolving credit facility and expires on September 30, 2016. Availability under the 2011 Loan Agreement is limited to a borrowing base equal to 85% of the value of eligible accounts receivable, plus 65% of the value of eligible inventory, less certain reserves. The 2011 Loan Agreement is secured by a lien on substantially all of our property, other than real estate.

Portions of the loan under the 2011 Loan Agreement may be converted to LIBOR loans in minimum amounts of $1.0 million and integral multiples of $0.1 million. LIBOR loans bear interest at the British Bankers Association LIBOR Rate plus 125 to 200 basis points based on availability, and loans not converted to LIBOR loans bear interest at a fluctuating rate equal to the greatest of the agent’s prime rate, the federal funds rate plus 50 basis points, or 30-day LIBOR plus 150 basis points. Additionally, we are obligated to pay an unused facility fee on the unused portion of the loan commitment. Unused commitment fees are 25 or 30 basis points, depending on the amount of the unused commitment.

Covenants in the 2011 Loan Agreement require us to maintain certain minimum financial ratios and availability levels. Repaid amounts can be re-borrowed subject to the borrowing base. On November 3, 2014, we entered into a Second Amendment to the 2011 Loan Agreement, which added an availability-based covenant as an alternative to the existing fixed charge coverage ratio. As of December 31, 2014, we met the availability-based covenant.

Contractual Obligations

The following table describes our cash commitments to settle contractual obligations as of December 31, 2014.

	Total	Less than 1 year	1-3 years	3-5 years	More than 5 years
			(In thousands)		
Loans payable	$ 53,847	$ —	$ 53,847	$ —	$ —
Operating lease obligations	7,760	2,545	3,643	1,487	85
Non-cancellable purchase obligations [1]	38,742	38,742	—	—	—
Total	$ 100,349	$ 41,287	$ 57,490	$ 1,487	$ 85

(1) These obligations reflect purchase orders outstanding with manufacturers as of December 31, 2014. We believe that some of these obligations may be cancellable upon negotiation with our vendors, but we are treating these as non-cancellable for this disclosure due to the absence of an express cancellation right.

Capital Expenditures

We made capital expenditures of $2.2 million, $3.4 million and $1.0 million in the years ended December 31, 2014, 2013 and 2012, respectively. The increase in 2013 was primarily due to the $2.5 million purchase of a facility which will be used to consolidate the Southwest Wire Rope operations in Houston. The 2014 expenditures primarily relate to the renovation and build out of the facility acquired in 2013.

Off-Balance Sheet Arrangements

We have no off-balance sheet arrangements, other than operating leases.

Financial Derivatives

We have no financial derivatives.

Market Risk Management

We are exposed to market risks arising from changes in market prices, including movements in interest rates and commodity prices.

Interest Rate Risk

Borrowings under our 2011 Loan Agreement bear interest at variable interest rates and therefore are sensitive to changes in the general level of interest rates. At December 31, 2014, the weighted average interest rate on our $53.8 million of variable interest debt was approximately 1.9%.

While our variable rate debt obligations expose us to the risk of rising interest rates, management does not believe that the potential exposure is material to our overall financial performance or results of operations. Based on December 31, 2014 borrowing levels, a 1.0% change in the applicable interest rates would have a $0.5 million effect on our annual interest expense.

Commodity Risk

We are subject to periodic fluctuations in copper prices, as our products have varying levels of copper content in their construction. In addition, varying steel, aluminum and petrochemical prices also impact certain products we purchase. Profitability is influenced by these fluctuations as prices change between the time we buy and sell our products.

Foreign Currency Exchange Rate Risk

Our products are purchased and invoiced in U.S. dollars. Accordingly, we do not believe we are exposed to foreign exchange rate risk.

Climate Risk

Our operations are subject to inclement weather conditions including hurricanes, earthquakes and abnormal weather events. Our previous experience from these events has had a minimal effect on our operations.

Factors Affecting Future Results

This Annual Report on Form 10-K contains statements that may be considered forward-looking. These statements can be identified by the fact that they do not relate strictly to historical or current facts. They use words such as "aim," "anticipate," "believe," "could," "estimate," "expect," "intend," "may," "plan," "project," "should," "will be," "will continue," "will likely result," "would" and other words and terms of similar meaning in conjunction with a discussion of future operating or financial performance. You should read statements that contain these words carefully, because they discuss our future expectations, contain projections of our future results of operations or of our financial position or state other "forward-looking" information. Actual results could differ materially from the results indicated by these statements, because the realization of those results is subject to many risks and uncertainties. Some of these risks and uncertainties are discussed in greater detail under Item 1A, "Risk Factors."

All forward-looking statements are based on current management expectations and speak only as of the date of this filing. Except as required under federal securities laws and the rules and regulations of the SEC, we do not have any intention, and do not undertake, to update any forward-looking statements to reflect events or circumstances arising after the date of this Form 10-K.

ITEM 7A. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Quantitative and Qualitative Disclosures about Market Risk are reported in Item 7, “Management’s Discussion and Analysis of Financial Condition and Results of Operations”, under the captions “Market Risk Management”, “Interest Rate Risk”, “Commodity Risk”, and “Foreign Currency Exchange Rate Risk”.

ITEM 8. CONSOLIDATED FINANCIAL STATEMENTS AND SUPPLEMENTARY DATA

Houston Wire & Cable Company

Index to consolidated financial statements

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Houston Wire & Cable Company

We have audited the accompanying consolidated balance sheets of Houston Wire & Cable Company (the Company) as of December 31, 2014 and 2013, and the related consolidated statements of income, stockholders' equity and cash flows for each of the three years in the period ended December 31, 2014. These financial statements are the responsibility of the Company's management. Our responsibility is to express an opinion on these financial statements 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 financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the 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 financial statements referred to above present fairly, in all material respects, the consolidated financial position of Houston Wire & Cable Company at December 31, 2014 and 2013, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2014, in conformity with U.S. generally accepted accounting principles.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), Houston Wire & Cable Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control-Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) and our report dated March 12, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas

March 12, 2015

Houston Wire & Cable Company
Consolidated Balance Sheets

	December 31, 2014	December 31, 2013
	(In thousands, except share data)	
Assets		
Current assets:		
Accounts receivable, net	$ 61,599	$ 60,408
Inventories, net	88,958	96,107
Deferred income taxes	3,188	2,591
Income taxes	219	420
Prepaids	565	762
Total current assets	154,529	160,288
Property and equipment, net	8,954	7,974
Intangible assets, net	8,501	10,234
Goodwill	17,520	17,520
Other assets	309	159
Total assets	$ 189,813	$ 196,175
Liabilities and stockholders' equity		
Current liabilities:		
Book overdraft	$ 3,113	$ 4,594
Trade accounts payable	7,993	13,637
Accrued and other current liabilities	13,282	18,772
Total current liabilities	24,388	37,003
Debt	53,847	47,952
Other long-term obligations	96	97
Deferred income taxes	175	429
Total liabilities	78,506	85,481
Stockholders' equity:		
Preferred stock, $0.001 par value; 5,000,000 shares authorized, none issued and outstanding	—	—
Common stock, $0.001 par value; 100,000,000 shares authorized: 20,988,952 shares issued: 17,508,015 and 17,954,032 shares outstanding at December 31, 2014 and 2013, respectively	21	21
Additional paid-in capital	54,871	55,642
Retained earnings	111,233	104,607
Treasury stock	(54,818)	(49,576)
Total stockholders' equity	111,307	110,694
Total liabilities and stockholders' equity	$ 189,813	$ 196,175

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

Houston Wire & Cable Company
Consolidated Statements of Income

	Year Ended December 31,		
	2014	2013	2012
	(In thousands, except share and per share data)		
Sales	$ 390,011	$ 383,292	$ 393,036
Cost of sales	304,073	298,633	306,017
Gross profit	85,938	84,659	87,019
Operating expenses:			
Salaries and commissions	31,196	30,946	30,013
Other operating expenses	26,400	26,068	25,139
Depreciation and amortization	2,919	2,978	2,941
Impairment of goodwill	—	7,562	—
Total operating expenses	60,515	67,554	58,093
Operating income	25,423	17,105	28,926
Interest expense	1,168	992	1,252
Income before income taxes	24,255	16,113	27,674
Income tax provision	9,283	8,211	10,635
Net income	$ 14,972	$ 7,902	$ 17,039
Earnings per share:			
Basic	$ 0.85	$ 0.44	$ 0.96
Diluted	$ 0.85	$ 0.44	$ 0.96
Weighted average common shares outstanding:			
Basic	17,605,290	17,805,464	17,723,277
Diluted	17,683,931	17,900,372	17,815,401
Dividends declared per share	$ 0.47	$ 0.42	$ 0.36

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

Houston Wire & Cable Company
Consolidated Statements of Stockholders' Equity

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Retained Earnings	Treasury Stock Shares	Treasury Stock Amount	Total Stockholders' Equity
	(In thousands, except share data)						
Balance at December 31, 2011	20,988,952	$ 21	$ 55,760	$ 93,588	(3,177,146)	$ (52,031)	$ 97,338
Net income	—	—	—	17,039	—	—	17,039
Exercise of stock options, net	—	—	(395)	—	27,977	532	137
Excess tax benefit (deficiency)	—	—	22	—	—	—	22
Amortization of unearned stock compensation	—	—	1,040	—	—	—	1,040
Impact of forfeited vested options	—	—	(6)	—	—	—	(6)
Impact of forfeited restricted stock awards	—	—	82	—	(5,000)	(82)	—
Issuance of restricted stock awards	—	—	(1,212)	—	74,203	1,212	—
Impact of surrendered equity awards to satisfy taxes	—	—	—	—	(9,487)	(115)	(115)
Dividends on common stock	—	—	—	(6,375)	—	—	(6,375)
Balance at December 31, 2012	20,988,952	21	55,291	104,252	(3,089,453)	(50,484)	109,080
Net income	—	—	—	7,902	—	—	7,902
Exercise of stock options, net	—	—	(526)	—	62,312	1,018	492
Excess tax benefit (deficiency)	—	—	39	—	—	—	39
Amortization of unearned stock compensation	—	—	900	—	—	—	900
Impact of forfeited vested options	—	—	(108)	—	—	—	(108)
Impact of forfeited restricted stock awards	—	—	232	—	(14,165)	(232)	—
Issuance of restricted stock awards	—	—	(186)	—	11,338	186	—
Impact of surrendered equity awards to satisfy taxes	—	—	—	—	(4,952)	(64)	(64)
Dividends on common stock	—	—	—	(7,547)	—	—	(7,547)
Balance at December 31, 2013	20,988,952	21	55,642	104,607	(3,034,920)	(49,576)	110,694
Net income	—	—	—	14,972	—	—	14,972
Exercise of stock options, net	—	—	(116)	—	18,500	297	181
Repurchase of treasury shares	—	—	—	—	(555,008)	(6,980)	(6,980)
Excess tax benefit (deficiency)	—	—	(10)				(10)
Amortization of unearned stock compensation	—	—	868	—	—	—	868
Impact of forfeited vested options	—	—	(72)	—	—	—	(72)
Impact of forfeited restricted stock awards	—	—	186	—	(11,666)	(186)	—
Impact of released vested restricted stock units	—	—	(172)		10,709	172	—
Issuance of restricted stock awards	—	—	(1,455)		91,448	1,455	—
Dividends on common stock	—	—	—	(8,346)	—	—	(8,346)
Balance at December 31, 2014	20,988,952	$ 21	$ 54,871	$ 111,233	(3,480,937)	$ (54,818)	$ 111,307

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

Houston Wire & Cable Company
Consolidated Statements of Cash Flows

	Year Ended December 31,		
	2014	2013	2012
		(In thousands)	
Operating activities			
Net income	$ 14,972	$ 7,902	$ 17,039
Adjustments to reconcile net income to net cash provided by (used in) operating activities:			
Impairment of goodwill	—	7,562	—
Depreciation and amortization	2,919	2,978	2,941
Amortization of unearned stock compensation	868	900	1,040
Provision for inventory obsolescence	1,002	559	815
Deferred income taxes	(923)	(1,485)	(773)
Other non-cash items	(43)	(15)	(69)
Changes in operating assets and liabilities:			
Accounts receivable	(1,144)	5,516	(6,081)
Inventories	6,147	(12,004)	(15,960)
Book overdraft	(1,481)	4,594	(2,270)
Trade accounts payable	(5,644)	1,307	2,231
Accrued and other current liabilities	(5,616)	3,312	(3,722)
Income taxes	184	(435)	1,685
Other operating activities	28	54	91
Net cash provided by (used in) operating activities	11,269	20,745	(3,033)
Investing activities			
Expenditures for property and equipment	(2,177)	(3,396)	(1,005)
Proceeds from disposals of property and equipment	25	2	9
Net cash used in investing activities	(2,152)	(3,394)	(996)
Financing activities			
Borrowings on revolver	405,884	396,724	402,231
Payments on revolver	(399,989)	(407,360)	(391,610)
Proceeds from exercise of stock options	181	492	137
Payment of dividends	(8,293)	(7,466)	(6,375)
Excess tax benefit for options	7	49	35
Purchase of treasury stock	(6,907)	(64)	(115)
Net cash (used in) provided by financing activities	(9,117)	(17,625)	4,303
Net change in cash	—	(274)	274
Cash at beginning of year	—	274	—
Cash at end of year	$ —	$ —	$ 274
Supplemental disclosures			
Cash paid during the year for interest	$ 1,160	$ 998	$ 1,231
Cash paid during the year for income taxes	$ 10,029	$ 10,236	$ 9,762

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

(Dollars in thousands, except share and per share data)

1. Organization and Summary of Significant Accounting Policies

Description of Business

Houston Wire & Cable Company (the "Company"), through its wholly owned subsidiaries, HWC Wire & Cable Company, Advantage Wire & Cable and Cable Management Services Inc., provides wire and cable, hardware and related services to the U.S. market through twenty-two locations in fourteen states throughout the United States. On June 25, 2010, the Company purchased Southwest Wire Rope LP, its general partner Southwest Wire Rope GP LLC and its wholly owned subsidiary, Southern Wire and on January 1, 2011, merged them into the Company's operating subsidiary. The Company has no other business activity.

Basis of Presentation and Principles of Consolidation

The consolidated financial statements include the accounts of the Company and its subsidiaries and have been prepared following accounting principles generally accepted in the United States ("GAAP") and the requirements of the Securities and Exchange Commission ("SEC"). The financial statements include all normal and recurring adjustments that are necessary for a fair presentation of the Company's financial position and operating results. All significant inter-company balances and transactions have been eliminated.

Use of Estimates

The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. The most significant estimates are those relating to the allowance for doubtful accounts, the reserve for returns and allowances, the inventory obsolescence reserve, vendor rebates, and asset impairments. Actual results could differ materially from the estimates and assumptions used for the preparation of the financial statements.

Earnings per Share

Basic earnings per share is calculated by dividing net income by the weighted average number of common shares outstanding. Diluted earnings per share include the dilutive effects of stock option and unvested restricted stock awards and units.

The following reconciles the denominator used in the calculation of diluted earnings per share:

	Year Ended December 31,		
	2014	2013	2012
Denominator:			
Weighted average common shares for basic earnings per share	17,605,290	17,805,464	17,723,277
Effect of dilutive securities	78,641	94,908	92,124
Denominator for diluted earnings per share	17,683,931	17,900,372	17,815,401

Options to purchase 476,473, 478,458 and 525,846 shares of common stock were not included in the diluted net income per share calculation for 2014, 2013 and 2012, respectively, as their inclusion would have been anti-dilutive.

Accounts Receivable

Accounts receivable consists primarily of receivables from customers, less an allowance for doubtful accounts of $139 and $148, and a reserve for returns and allowances of $422 and $518 at December 31, 2014 and 2013, respectively. Consistent with industry practices, the Company normally requires payment from most customers within 30 days. The Company has no contractual repurchase arrangements with its customers. Credit losses have been within management's expectations.

The following table summarizes the changes in the allowance for doubtful accounts for the past three years:

	2014	2013	2012
Balance at beginning of year	$ 148	$ 213	$ 211
Bad debt expense	50	(59)	(19)
Write-offs, net of recoveries	(59)	(6)	21
Balance at end of year	$ 139	$ 148	$ 213

Inventories

Inventories are carried at the lower of cost, using the average cost method, or market and consist primarily of goods purchased for resale, less a reserve for obsolescence and unusable items and unamortized vendor rebates. The reserve for inventory is based upon a number of factors, including the experience of the purchasing and sales departments, age of the inventory, new product offerings, and other factors. The reserve for inventory may periodically require adjustment as the factors identified above change. The inventory reserve was $4,478 and $3,934 at December 31, 2014 and 2013, respectively.

Vendor Rebates

Under many of the Company's arrangements with its vendors, the Company receives a rebate of a specified amount of consideration, payable when the Company achieves any of a number of measures, generally related to the volume level of purchases from the vendors. The Company accounts for such rebates as a reduction of the prices of the vendors' products and therefore as a reduction of inventory until it sells the products, at which time such rebates reduce cost of sales in the accompanying consolidated statements of income. Throughout the year, the Company estimates the amount of the rebates earned based on purchases to date relative to the total purchase levels expected to be achieved during the rebate period. The Company continually revises these estimates to reflect rebates expected to be earned based on actual purchase levels and forecasted purchase volumes for the remainder of the rebate period.

Property and Equipment

The Company provides for depreciation on a straight-line method over the following estimated useful lives:

Buildings	25 to 30 years
Machinery and equipment	3 to 5 years

Leasehold improvements are depreciated over their estimated life or the term of the lease, whichever is shorter.

Total depreciation expense was approximately $1,186, $1,245, and $1,208 for the years ended December 31, 2014, 2013 and 2012, respectively.

Goodwill

Goodwill represents the excess of the amount paid to acquire businesses over the estimated fair value of tangible assets and identifiable intangible assets acquired, less liabilities assumed. Determining the fair value of assets acquired and liabilities assumed requires management's judgment and often involves the use of significant estimates and assumptions, including assumptions with respect to future cash flows, discount rates and asset lives among other items. At December 31, 2014, the goodwill balance was $17.5 million, representing 9.2% of the Company's total assets.

The Company reviews goodwill for impairment annually, or more frequently if indications of possible impairment exist, using a three-step process. The first step is a qualitative evaluation as to whether it is more likely than not that the fair value of any of the reporting units is less than its carrying value using an assessment of relevant events and circumstances. Examples of such events and circumstances include financial performance, industry and market conditions, macroeconomic conditions, reporting unit-specific events, historical results of goodwill impairment testing and the timing of the last performance of a quantitative assessment. If the Company concludes that the goodwill associated with any reporting unit is more likely than not impaired, a second step is performed for that reporting unit. This second step, used to quantitatively screen for potential impairment, compares the fair value of the reporting unit with its carrying amount, including goodwill. The third step, employed for any reporting unit that fails the second step, is used to measure the amount of any potential impairment and compares the implied fair value of the reporting unit's goodwill with the carrying amount of goodwill.

Other Assets

Other assets include deferred financing costs on the current loan agreement of $100. The deferred financing costs are amortized on a straight-line basis over the contractual life of the related loan agreement, which approximates the effective interest method, and such amortization expense is included in interest expense in the accompanying consolidated statements of income.

Estimated future amortization expense for capitalized loan costs through the maturity of the loan agreement are $18 in 2015 and $14 in

2016.

Intangibles

Intangible assets, from the acquisition of Southwest Wire Rope and Southern Wire in 2010, consist of customer relationships, trade names, and non-compete agreements. The customer relationships are amortized over 6 or 7 year useful lives and non-compete agreements were amortized over a 1 year useful life. If events or circumstances were to indicate that any of the Company's definite-lived intangible assets might be impaired, the Company would assess recoverability based on the estimated undiscounted future cash flows to be generated from the applicable intangible asset. Trade names are not being amortized and are tested for impairment on an annual basis.

Self Insurance

The Company retains certain self-insurance risks for both health benefits and property and casualty insurance programs. The Company limits its exposure to these self-insurance risks by maintaining excess and aggregate liability coverage. Self-insurance reserves are established based on claims filed and estimates of claims incurred but not reported. The estimates are based on information provided to the Company by its claims administrators.

Segment Reporting

The Company operates in a single operating and reporting segment, sales of wire and cable, hardware and related services to the U.S. market.

Revenue Recognition, Returns & Allowances

The Company recognizes revenue when the following four basic criteria have been met:

1. Persuasive evidence of an arrangement exists;
2. Delivery has occurred or services have been rendered;
3. The seller's price to the buyer is fixed or determinable; and
4. Collectability is reasonably assured.

The Company records revenue when customers take delivery of products. Customers may pick up products at any distribution center location, or products may be delivered via third party carriers. Products shipped via third party carriers are considered delivered based on the shipping terms, which are generally FOB shipping point. Normal payment terms are net 30 days. Customers are permitted to return product only on a case-by-case basis. Product exchanges are handled as a credit, with any replacement items being re-invoiced to the customer. Customer returns are recorded as an adjustment to sales. In the past, customer returns have not been material. The Company has no installation obligations.

The Company may offer sales incentives, which are accrued monthly as an adjustment to sales.

Shipping and Handling

The Company incurs shipping and handling costs in the normal course of business. Freight amounts invoiced to customers are included as sales and freight charges and are included as a component of cost of sales.

Credit Risk

The Company's customers are located primarily throughout the United States. No single customer accounted for 10% or more of the Company's sales in 2014, 2013 or 2012. The Company performs periodic credit evaluations of its customers and generally does not require collateral.

Advertising Costs

Advertising costs are expensed when incurred. Advertising expenses were $284, $333, and $314 for the years ended December 31, 2014, 2013, and 2012, respectively.

Financial Instruments

The carrying values of accounts receivable, trade accounts payable and accrued and other current liabilities approximate fair value, due to the short maturity of these instruments. The carrying amount of long term debt approximates fair value as it bears interest at variable rates.

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 Accounting Standards Codification ("ASC") Topic 605, "Revenue Recognition," and most industry-specific guidance. This ASU 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 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 amendments in the ASU must be applied using one of two retrospective methods and are effective for annual and interim periods beginning after December 15, 2016. Early adoption is not permitted. As the Company recognizes revenue only once product has shipped, it does not believe that this ASU will have a significant impact on its revenue recognition policy. However, the Company is still evaluating the impact of this ASU on its financial position and results of operations before it makes a final determination whether this ASU applies and if so, which implementation method the Company will use.

Stock-Based Compensation

Stock options issued under the Company's stock plan have an exercise price equal to the fair value of the Company's stock on the grant date. Restricted stock awards and units are valued at the closing price of the Company's stock on the grant date. The Company recognizes compensation expense ratably over the vesting period. The Company's compensation expense is included in salaries and commissions expense in the accompanying consolidated statements of income.

The Company receives a tax deduction for certain stock option exercises in the period in which the options are exercised, generally for the excess of the market price on the date of exercise over the exercise price of the options. The Company reports excess tax benefits from the award of equity instruments as financing cash flows. Excess tax benefits result when a deduction reported for tax return purposes for an award of equity instruments exceeds the cumulative compensation cost for the instruments recognized for financial reporting purposes.

Income Taxes

Deferred tax assets and liabilities are determined based on differences between the carrying amounts of assets and liabilities for financial reporting purposes and the amounts used for income tax purposes and are measured using the enacted tax rates and laws that will be in effect when the differences are expected to reverse.

2. Detail of Selected Balance Sheet Accounts

Property and Equipment

Property and equipment are stated at cost and consist of:

	At December 31, 2014	At December 31, 2013
Land	$ 2,476	$ 2,476
Buildings	5,759	4,717
Machinery and equipment	11,220	10,354
	19,455	17,547
Less accumulated depreciation	10,501	9,573
Total	$ 8,954	$ 7,974

Intangibles assets

Intangibles assets consist of:

	At December 31, 2014	At December 31, 2013
Trade names	$ 4,610	$ 4,610
Customer relationships	11,630	11,630
	16,240	16,240
Less accumulated amortization:		
Trade names	—	—
Customer relationships	7,739	6,006
	7,739	6,006
Total	$ 8,501	$ 10,234

Intangible assets include customer relationships which are being amortized over 6 or 7 year useful lives and non-compete agreements which were amortized over a 1 year useful life. The weighted average amortization period for intangible assets is 6.6 years. Trade names are not amortized; however, they are tested annually for impairment. As of December 31, 2014, accumulated amortization on the acquired intangible assets was $7,739 and amortization expense was $1,733 for each of the years ended December 31, 2014, 2013 and 2012. Future amortization expense to be recognized on the acquired intangible assets is expected to be as follows:

	Annual Amortization Expense
2015	$ 1,733
2016	1,512
2017	646

Goodwill

	At December 31,	
	2014	2013
Goodwill	$ 25,082	$ 25,082
Accumulated impairment losses	(7,562)	(7,562)
Net balance	$ 17,520	$ 17,520

Accrued and Other Current Liabilities

Accrued and other current liabilities consist of:

	At December 31,	
	2014	2013
Customer advances	$ 62	$ 522
Customer rebates	5,145	4,952
Payroll, commissions, and bonuses	2,349	2,226
Accrued inventory purchases	2,778	8,161
Other	2,948	2,911
Total	$ 13,282	$ 18,772

3. Impairment of Goodwill

An impairment test was performed during the third quarter of 2014 and no impairments were identified.

During the third quarter of 2013 and prior to the annual impairment test of goodwill in October, the Company concluded that impairment indicators existed at the Southern Wire reporting unit, due to a decline in the overall financial performance and overall market demand.

The Company performed step two of the impairment test and concluded that the fair value of the Southern Wire reporting unit was less than its carrying value; therefore, the Company performed step three of the impairment analysis.

Step three of the impairment analysis measures the impairment charge by allocating the reporting unit's fair value to all of the assets and liabilities of the reporting unit in a hypothetical analysis that calculates implied fair value of goodwill in the same manner as if the reporting unit was being acquired in a business combination and recording the deferred tax impact. Any excess of the carrying value of the reporting unit's goodwill over the implied fair value of the reporting unit's goodwill is recorded as an impairment loss.

The fair value of the Southern Wire reporting unit was estimated using a discounted cash flow model combined with a market approach, with a weighting of 50% to the discounted cash flow analysis and 50% to the market approach. The material assumptions used for the income approach included a weighted average cost of capital of 13% and a long-term growth rate of 3-4%. The carrying value of the Southern Wire reporting unit's goodwill was $20.1 million and its implied fair value resulting from step two of the impairment test was less than the carrying value. As a result, the Company recorded a non-cash goodwill impairment charge of $7.6 million during the year ended December 31, 2013.

The Company is still anticipating significant growth in the businesses it acquired in 2010, but if this growth is not achieved, further goodwill impairments may result.

4. Debt

On September 30, 2011, HWC Wire & Cable Company, as borrower, entered into the Third Amended and Restated Loan and Security Agreement ("2011 Loan Agreement"), with certain lenders and Bank of America, N.A., as agent, and the Company, as guarantor, executed a Second Amended and Restated Guaranty of the borrower's obligations thereunder. The 2011 Loan Agreement provides for a $100 million revolving credit facility, bears interest at the agent's base rate, with a London Interbank Offered Rate ("LIBOR") rate option and expires on September 30, 2016. The 2011 Loan Agreement is secured by a lien on substantially all the property of the Company, other than real estate. Availability under the 2011 Loan Agreement is limited to a borrowing base equal to 85% of the value of eligible accounts receivable, plus 65% of the value of eligible inventory, less certain reserves.

Portions of the loan may be converted to LIBOR loans in minimum amounts of $1,000 and integral multiples of $100. LIBOR loans bear interest at the British Bankers Association LIBOR Rate plus 125 to 200 basis points based on availability, and loans not converted to LIBOR loans bear interest at a fluctuating rate equal to the greatest of the agent's prime rate, the federal funds rate plus 50 basis points, or 30-day LIBOR plus 150 basis points. Unused commitment fees are 25 or 30 basis points, depending on the amount of the unused commitment.

The 2011 Loan Agreement includes, among other things, covenants that require the Company to maintain a specified minimum fixed charge coverage ratio and availability levels. Additionally, the 2011 Loan Agreement allows for the unlimited payment of dividends and repurchases of stock, subject to the absence of events of default and maintenance of a fixed charge coverage ratio and minimum level of availability. The 2011 Loan Agreement contains certain provisions that may cause the debt to be classified as a current liability, in accordance with GAAP, if availability falls below certain thresholds, even though the ultimate maturity date under the loan agreement remains as September 30, 2016. Availability has remained above these thresholds. On November 3, 2014, the Company entered into a Second Amendment to the 2011 Loan Agreement, which added an availability-based covenant as an alternative to the existing fixed charge coverage ratio. At December 31, 2014, the Company was in compliance with the availability-based covenants governing its indebtedness.

The Company's borrowings at December 31, 2014 and 2013 were $53,847 and $47,952, respectively. The weighted average interest rates on outstanding borrowings were 1.9% and 2.0% at December 31, 2014 and 2013, respectively.

During 2014, the Company had an average available borrowing capacity of approximately $45,380. This average was computed from the monthly borrowing base certificates prepared for the lender. At December 31, 2014, the Company had available borrowing capacity of $42,398 under the terms of the 2011 Loan Agreement. During the years ended December 31, 2014, 2013 and 2012, the Company paid $114, $130, and $101, respectively, for the unused facility.

Principal repayment obligations for succeeding fiscal years are as follows:

2015	$	—
2016		53,847
2017		—
2018		—
2019		—
Total	$	53,847

5. Income Taxes

The provision (benefit) for income taxes consists of:

	Year Ended December 31,		
	2014	2013	2012
Current:			
Federal	$ 9,123	$ 8,675	$ 10,129
State	1,083	1,021	1,279
Total current	10,206	9,696	11,408
Deferred:			
Federal	(794)	(1,290)	(703)
State	(129)	(195)	(70)
Total deferred	(923)	(1,485)	(773)
Total	$ 9,283	$ 8,211	$ 10,635

A reconciliation of the U.S. Federal statutory tax rate to the effective tax rate on income before taxes is as follows:

Year Ended December 31,

	2014	2013	2012
Federal statutory rate	35.0%	35.0%	35.0%
State taxes, net of federal benefit	2.7	3.9	2.8
Non-deductible items	0.7	12.6	0.6
Other	(0.1)	(0.6)	—
Total effective tax rate	38.3%	50.9%	38.4%

The non-deductible items in 2013 include the impact of the $5.3 million non-deductible portion of the $7.6 million impairment charge.

Significant components of the Company's deferred taxes were as follows:

	Year Ended December 31, 2014	Year Ended December 31, 2013
Deferred tax assets:		
Uniform capitalization adjustment	$ 1,219	$ 1,009
Inventory reserve	1,724	1,514
Allowance for doubtful accounts	53	57
Stock compensation expense	2,053	2,064
Property and equipment	136	102
Other	128	—
Total deferred tax assets	5,313	4,746
Deferred tax liabilities		
Goodwill	405	185
Intangibles	1,895	2,303
Other	—	96
Total deferred tax liabilities	2,300	2,584
Net deferred tax assets	$ 3,013	$ 2,162

The Company recognizes interest on any tax issue as a component of interest expense and any related penalties in other operating expenses. As of December 31, 2014, 2013 and 2012, the Company made no provisions for interest or penalties related to uncertain tax positions. The tax years 2010 through 2014 remain open to examination by the major taxing jurisdictions to which the Company is subject.

6. Stockholders' Equity

On March 7, 2014, the Board of Directors adopted a new stock repurchase program under which the Company is authorized to purchase up to $25 million of its outstanding shares of common stock from time to time, depending on market conditions, trading activity, business conditions and other factors. Shares of stock purchased under the program will be held as treasury shares and may be used to satisfy the exercise of options, issuance of restricted stock, to fund acquisitions or for other uses as authorized by the Board of Directors. During 2014, the Company made repurchases under the stock repurchase program of 545,564 shares for a total cost of $6,867,628.

Under the terms of the 2006 Stock Plan, the Company acquired 9,444 shares that were surrendered by the holders to pay withholding taxes in 2014.

The Company has paid a quarterly cash dividend since August 2007, resulting in aggregate dividends in 2014, 2013 and 2012 of $8,293, $7,466 and $6,375, respectively.

The Company is authorized to issue 5,000,000 shares of preferred stock, par value $.001 per share. The Board of Directors is authorized to fix the particular preferences, rights, qualifications and restrictions of each series of preferred stock. In connection with the adoption of a now terminated stockholder rights plan, the Board of Directors designated 100,000 shares as Series A Junior Participating Preferred Stock. No shares of preferred stock have been issued.

7. Employee Benefit Plans

The Company maintains a combination profit-sharing plan and salary deferral plan (the "Plan") for the benefit of its employees. Employees who are eligible to participate in the Plan can contribute a percentage of their base compensation, up to the maximum percentage allowable not to exceed the limits of Internal Revenue Code ("Code") Sections 401(k), 404, and 415, subject to the IRS-imposed dollar limit. Employee contributions are invested in certain equity and fixed-income securities, based on employee elections. Effective January 1, 2014, the Company adjusted its match and now matches 100% of the first 1% of the employee's contribution. Accordingly, the Company is no longer adopting the Safe Harbor provisions of the Code. Through 2013, the Company adopted the Safe Harbor provisions of the Code, whereby contributions up to the first 3% of an employee's compensation were matched 100% by the Company and the next 2% were matched 50% by the Company. The Company's match for the years ended December 31, 2014, 2013 and 2012 was $217, $803, and $735, respectively.

8. Incentive Plans

On March 23, 2006, the Company adopted and on May 1, 2006, the stockholders approved the 2006 Stock Plan (the "2006 Plan") to provide incentives for certain key employees and directors through awards of stock options and restricted stock awards and units. The 2006 Plan provides for incentives to be granted at the fair market value of the Company's common stock at the date of grant and options may be either nonqualified stock options or incentive stock options as defined by Section 422 of the Code. Under the 2006 Plan a maximum of 1,800,000 shares may be granted to designated participants. The maximum number of shares available to any one participant in any one calendar year is 500,000.

The Company also has options outstanding under a stock option plan adopted in 2000 (the “2000 Plan”). The 2000 Plan provided for options to be granted at the fair market value of the Company’s common stock at the date of the grant, which options could be either nonqualified stock options or incentive stock options as defined by Section 422 of the Code. In connection with the adoption of the 2006 Plan, the Board of Directors resolved that no further options would be granted under the 2000 Plan.

Stock Option Awards

The Company has granted options to purchase its common stock to employees and directors of the Company under the two stock plans at no less than the fair market value of the underlying stock on the date of grant. These options are granted for a term not exceeding ten years and may be forfeited in the event the employee or director terminates his or her employment or relationship with the Company. Options granted to employees generally vest over three to five years, and options granted to directors generally vest one year after the date of grant. Shares issued to satisfy the exercise of options may be newly issued shares or treasury shares. Both option plans contain anti-dilutive provisions that permit an adjustment of the number of shares of the Company's common stock represented by each option for any change in capitalization. Compensation cost for options granted is charged to expense on a straight line basis over the term of the option.

The fair value of each option awarded is estimated on the date of grant using a Black-Scholes option-pricing model. Expected volatilities are based on historical volatility of the Company's stock and other factors. The expected life of options granted represents the period of time that options granted are expected to be outstanding. The risk-free rate for periods within the life of the option is based on the U.S. Treasury yield curve in effect at the time of grant. There were no options granted in 2014 or 2013.

Vesting dates range from May 8, 2015 to December 31, 2017, and expiration dates range from December 30, 2015 to May 8, 2022. The following summarizes stock option activity and related information:

	2014			
	Options (in 000's)	Weighted Average Exercise Price	Aggregate Intrinsic Value	Weighted Average Remaining Contractual Life (in years)
Outstanding—Beginning of year	655	$ 15.33	$ 563	
Granted	—	—		
Exercised	(19)	9.78		
Forfeited	(35)	15.37		
Expired	—	—		
Outstanding—End of year	602	$ 15.50	$ 243	4.17
Exercisable—End of year	491	$ 15.88	$ 243	3.56
Weighted average fair value of options granted during 2014	$ —			
Weighted average fair value of options granted during 2013	$ —			
Weighted average fair value of options granted during 2012	$ 5.29			

During the years ended December 31, 2014, 2013 and 2012, excess tax benefits of $7, $49 and $35, respectively, were reflected in financing cash flows.

The total intrinsic value of options exercised during the years ended December 31, 2014, 2013 and 2012 was $51, $366 and $258, respectively.

The total fair value of options vested during the years ended December 31, 2014, 2013 and 2012 was $168, $271 and $404, respectively.

Restricted Stock Awards and Restricted Stock Units

On December 8, 2014, the Company granted 4,112 and 12,336 voting shares of restricted stock to the Company's President. The grant of 4,112 shares vest 100% on December 8, 2015 and the grant of 12,336 shares vest in one third increments on the first, second and third anniversaries of the date of grant. Vesting is dependent upon the recipient being employed and any dividends declared will be accrued and paid to the recipient when the related shares vest.

The Company also granted 50,000 voting shares of restricted stock under the 2006 Plan to members of management on December 8, 2014. These shares vest in one third increments, on the third, fourth and fifth anniversaries of the date of grant. Any dividends declared will be accrued and paid to the recipient if and when the related shares vest as long as the recipient is still employed by the Company.

On November 4, 2014, the Company awarded restricted stock units with a grant date value of $25, for a total of 1,817 restricted stock units, to its newly-elected non-employee director. This award of restricted stock units vests at the date of the 2015 Annual Meeting of Stockholders. The grant entitles the non-employee director to receive a number of shares of the Company's common stock equal to the number of vested restricted stock units, together with dividend equivalents from the date of grant, at such time as the director's service on the board terminates for any reason.

On September 11, 2014 and February 10, 2014, the Company granted 5,000 and 20,000 voting shares, respectively, of restricted stock under the Company's 2006 Stock Plan to three members of management. These shares vest in one third increments, on the third, fourth and fifth anniversaries of the respective date of grant. Any dividends declared will be accrued and paid to the recipient if and when the related shares vest as long as the recipient is still employed by the Company.

Following the Annual Meeting of Stockholders on May 6, 2014, the Company awarded restricted stock units with a grant date value of $50 to each non-employee director who was re-elected, for an aggregate of 25,422 restricted stock units. Each award of restricted stock units vests at the date of the 2015 Annual Meeting of Stockholders. Each non-employee director is entitled to receive a number of shares of the Company's common stock equal to the number of vested restricted stock units, together with dividend equivalents from the date of grant, at such time as the director's service on the board terminates for any reason.

Restricted common shares are measured at fair value on the date of grant based on the quoted price of the common stock. Such value is recognized as compensation expense over the corresponding vesting period which ranges from one to five years, based on the number of awards that vest.

The following summarizes restricted stock activity for the year ended December 31, 2014:

	2014			
	Awards		Units	
	Shares (in 000's)	Weighted Average Market Value at Grant Date	Shares (in 000's)	Weighted Average Market Value at Grant Date
Non-vested —Beginning of year	141	$ 12.33	21	$ 14.28
Granted	91	10.18	27	11.93
Vested	(20)	12.20	(21)	14.28
Cancelled/Forfeited	(11)	11.29	—	—
Non-vested —End of year	201	$ 11.43	27	$ 11.93

Total stock-based compensation cost was $868, $900 and $1,040 for the years ended December 31, 2014, 2013 and 2012, respectively. Total income tax benefit recognized for stock-based compensation arrangements was $332, $459 and $400 for the years ended December 31, 2014, 2013 and 2012, respectively.

As of December 31, 2014, there was $1,706 of total unrecognized compensation cost related to non-vested, share-based compensation arrangements. The cost is expected to be recognized over a weighted average period of approximately 38 months. There were 443,608 shares available for future grants under the 2006 Plan at December 31, 2014.

9. Commitments and Contingencies

The Company has entered into operating leases, primarily for distribution centers and office facilities. These operating leases frequently include renewal options at the fair rental value at the time of renewal. For leases with step rent provisions, whereby the rental payments increase incrementally over the life of the lease, the Company recognizes the total minimum lease payments on a straight line basis over the minimum lease term. Facility rent expense was approximately $2,865 in 2014, $2,697 in 2013 and $2,671 in 2012.

Future minimum lease payments under non-cancelable operating leases with initial terms of one year or more consisted of the following at December 31, 2014:

2015	$ 2,545
2016	2,048
2017	1,595
2018	989
2019	498
Thereafter	85
Total minimum lease payments	$ 7,760

The Company had aggregate purchase commitments for fixed inventory quantities of approximately $38,742 at December 31, 2014.

As part of the acquisition of Southwest Wire Rope and Southern Wire in 2010, the Company assumed the liability for the post-remediation monitoring of the water quality at one of the acquired facilities in Louisiana. The expected liability of $96 at December 31, 2014 relates to the cost of the monitoring, which the Company estimates will be incurred over approximately the next 2 years and also the cost to plug the wells. Remediation work was completed prior to the acquisition in accordance with the requirements of the Louisiana Department of Environmental Quality.

The Company, along with many other defendants, has been named in a number of lawsuits in the state courts of Illinois, Minnesota, North Dakota, and South Dakota alleging that certain wire and cable which may have contained asbestos caused injury to the plaintiffs who were exposed to this wire and cable. These lawsuits are individual personal injury suits that seek unspecified amounts of money damages as the sole remedy. It is not clear whether the alleged injuries occurred as a result of the wire and cable in question or whether the Company, in fact, distributed the wire and cable alleged to have caused any injuries. The Company maintains general liability insurance that, to date, has covered the defense of and all costs associated with these claims. In addition, the Company did not manufacture any of the wire and cable at issue, and the Company would rely on any warranties from the manufacturers of such cable if it were determined that any of the wire or cable that the Company distributed contained asbestos which caused injury to any of these plaintiffs. In connection with ALLTEL's sale of the Company in 1997, ALLTEL provided indemnities with respect to costs and damages associated with these claims that the Company believes it could enforce if its insurance coverage proves inadequate.

There are no legal proceedings pending against or involving the Company that, in management’s opinion, based on the current known facts and circumstances, are expected to have a material adverse effect on the Company’s consolidated financial position, cash flows, or results from operations.

10. Subsequent Events

On February 9, 2015, the Board of Directors approved a quarterly dividend of $0.12 per share payable to shareholders of record on February 20, 2015. This dividend totaling $2,069 was paid on February 27, 2015.

11. Select Quarterly Financial Data (unaudited)

The following table presents the Company's unaudited quarterly results of operations for each of the last eight quarters in the period ended December 31, 2014. The unaudited information has been prepared on the same basis as the audited consolidated financial statements.

	Year Ended December 31, 2014			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(in thousands, except per share data)			
Sales	$ 89,530	$ 96,721	$ 103,461	$ 100,299
Gross profit	$ 20,718	$ 21,077	$ 22,439	$ 21,704
Operating income	$ 6,207	$ 5,980	$ 6,888	$ 6,348
Net income	$ 3,668	$ 3,528	$ 4,031	$ 3,745
Earnings per share:				
Basic	$ 0.21	$ 0.20	$ 0.23	$ 0.21
Diluted	$ 0.21	$ 0.20	$ 0.23	$ 0.21

	Year Ended December 31, 2013			
	Fourth Quarter	Third Quarter	Second Quarter	First Quarter
	(in thousands, except per share data)			
Sales	$ 94,442	$ 95,214	$ 99,332	$ 94,304
Gross profit	$ 20,633	$ 20,922	$ 21,725	$ 21,379
Operating (loss) income	$ 5,408	$ (1,556) (1)	$ 6,867	$ 6,386
Net income (loss)	$ 3,149	$ (3,162) (1)	$ 4,053	$ 3,862
Earnings (loss) per share:				
Basic	$ 0.18	$ (0.18) (1)	$ 0.23	$ 0.22
Diluted	$ 0.18	$ (0.18) (1)	$ 0.23	$ 0.22

(1) During the third quarter of 2014, the Company recorded a non-cash goodwill impairment charge of $7,562, related to the Southern Wire reporting unit. See Note 3 for additional information.

ITEM 9. CHANGES IN AND DISAGREEMENTS WITH ACCOUNTANTS ON ACCOUNTING AND FINANCIAL DISCLOSURE

None.

ITEM 9A. CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

In accordance with Exchange Act Rules 13a-15 and 15a-15, we carried out an evaluation, under the supervision and with the participation of management, including our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures as of the end of the period covered by this report. Based on that evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of December 31, 2014.

Design and Evaluation of Internal Control over Financial Reporting

Pursuant to Section 404 of the Sarbanes-Oxley Act of 2002, we included a report of management's assessment of the design and effectiveness of our internal controls as part of this Annual Report on Form 10-K for the fiscal year ended December 31, 2014. Ernst & Young, LLP, our independent registered public accounting firm, also attested to our internal control over financial reporting. Management's report and the independent registered accounting firm's attestation report are included on pages 41 and 42 under the captions entitled "Management's Report on Internal Control Over Financial Reporting" and "Report of Independent Registered Public Accounting Firm on Internal Control Over Financial Reporting."

There has been no change in our internal controls over financial reporting that occurred during the quarter ended December 31, 2014 that has materially affected, or is reasonably likely to materially affect, our internal controls over financial reporting.

MANAGEMENT'S REPORT ON INTERNAL CONTROL OVER FINANCIAL REPORTING

The Company has assessed the effectiveness of its internal control over financial reporting as of December 31, 2014 based on criteria established by *Internal Control — Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission* (2013 framework) ("COSO Framework"). The Company's management is responsible for establishing and maintaining adequate internal controls over financial reporting. The Company's independent registered public accountants that audited the Company's financial statements as of December 31, 2014 have issued an attestation report on management's assessment of the effectiveness of the Company's internal control over financial reporting, which appears on page 42.

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. 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 the 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 and procedures may deteriorate.

The Company's assessment of the effectiveness of its internal control over financial reporting included testing and evaluating the design and operating effectiveness of its internal controls. In management's opinion, the Company has maintained effective internal control over financial reporting as of December 31, 2014, based on criteria established in the COSO Framework.

/s/ James L. Pokluda III	*/s/ Nicol G. Graham*
James L. Pokluda III	Nicol G. Graham
President and Chief Executive Officer	Chief Financial Officer, Treasurer
	and Secretary (Chief Accounting Officer)

Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders
Houston Wire & Cable Company

We have audited Houston Wire & Cable Company's internal control over financial reporting as of December 31, 2014, based on criteria established in Internal Control—Integrated Framework issued by the Committee of Sponsoring Organizations of the Treadway Commission (2013 framework) (the COSO criteria). Houston Wire & Cable Company's management is responsible 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 the company's internal control over financial reporting based on our audit.

We conducted our audit 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 effective internal control over financial reporting was maintained in all material respects. Our audit included obtaining an understanding of internal control over financial reporting, assessing the risk that a material weakness exists, testing and evaluating the design and operating effectiveness of internal control based on the assessed risk, and performing such other procedures as we considered necessary in the circumstances. We believe that our audit provides a reasonable basis for our opinion.

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, Houston Wire & Cable Company maintained, in all material respects, effective internal control over financial reporting as of December 31, 2014, based on the COSO criteria.

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), the consolidated balance sheets as of December 31, 2014 and 2013, and the related consolidated statements of income, stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2014 of Houston Wire & Cable Company and our report dated March 12, 2015 expressed an unqualified opinion thereon.

/s/ Ernst & Young LLP

Houston, Texas

March 12, 2015

ITEM 9B. OTHER INFORMATION

We have no information to report pursuant to Item 9B.

PART III

ITEM 10. DIRECTORS, EXECUTIVE OFFICERS AND CORPORATE GOVERNANCE

The information called for by Item 10 relating to directors and nominees for election to the Board of Directors is incorporated herein by reference to the "Election of Directors" section of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015. The information called for by Item 10 relating to executive officers and certain significant employees is set forth in Part I of this Annual Report on Form 10-K.

The information called for by Item 10 relating to disclosure of delinquent Form 3, 4 or 5 filers is incorporated herein by reference to the "General – Section 16 (a) Beneficial Ownership Reporting Compliance" section of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

The information called for by Item 10 relating to the code of ethics is incorporated herein by reference to the "Corporate Governance and Board Committees – Code of Conduct" section of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

The information called for by Item 10 relating to the procedures by which security holders may recommend nominees to the Board of Directors is incorporated herein by reference to the "Corporate Governance and Board Committees – Stockholder Recommendations for Director Nominations" section of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

The information called for by Item 10 relating to the audit committee and the audit committee financial expert is incorporated herein by reference to the "Corporate Governance and Board Committees – Committees Established by the Board – Audit Committee" section of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

ITEM 11. EXECUTIVE COMPENSATION

The information called for by Item 11 is incorporated herein by reference to the "Compensation Committee Report," "Compensation Committee Interlocks and Insider Participation," "Executive Compensation" and "Director Compensation" sections of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

ITEM 12. SECURITY OWNERSHIP OF CERTAIN BENEFICIAL OWNERS AND MANAGEMENT AND RELATED STOCKHOLDER MATTERS

The information called for by Item 12 is incorporated herein by reference to the "Stock Ownership of Certain Beneficial Owners and Management" and "Equity Compensation Plan Information" sections of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

ITEM 13. CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS, AND DIRECTOR INDEPENDENCE

The information called for by Item 13 is incorporated herein by reference to the "Corporate Governance and Board Committees – Director Independence" and "Related Party Transaction Policy" sections of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

ITEM 14. PRINCIPAL ACCOUNTING FEES AND SERVICES

The information called for by Item 14 is incorporated herein by reference to the "Principal Independent Accounting Fees and Services" section of the registrant's definitive Proxy Statement relating to the Annual Meeting of Stockholders to be held on May 5, 2015.

PART IV

ITEM 15. EXHIBITS AND FINANCIAL STATEMENT SCHEDULES

(a) The following financial statements of our Company and Report of the Independent Registered Public Accounting Firm are included in Part II:

- Report of Independent Registered Public Accounting Firm
- Consolidated Balance Sheets as of December 31, 2014 and 2013
- Consolidated Statements of Income for the years ended December 31, 2014, 2013 and 2012
- Consolidated Statements of Stockholders’ Equity for the years ended December 31, 2014, 2013 and 2012
- Consolidated Statements of Cash Flows for the years ended December 31, 2014, 2013 and 2012
- Notes to Consolidated Financial Statements

(b) Financial Statement Schedules:

Financial statement schedules have been omitted because they are either not applicable or the required information has been disclosed in the financial statements or notes thereto.

(c) Exhibits

Exhibits are set forth on the attached exhibit index

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

HOUSTON WIRE & CABLE COMPANY
(Registrant)

Date: March 12, 2015

By: /s/ NICOL G. GRAHAM
Nicol G. Graham
Chief Financial Officer, Treasurer and Secretary

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and in the capacities and on the dates indicated.

SIGNATURE	TITLE	DATE
/s/ JAMES L. POKLUDA III James L. Pokluda III	President, Chief Executive Officer and Director	March 12, 2015
/s/ NICOL G. GRAHAM Nicol G. Graham	Chief Financial Officer, Treasurer and Secretary (Principal Accounting Officer)	March 12, 2015
/s/ WILLIAM H. SHEFFIELD William H. Sheffield	Chairman of the Board	March 12, 2015
/s/ MICHAEL T. CAMPBELL Michael T. Campbell	Director	March 12, 2015
/s/ IAN STEWART FARWELL Ian Stewart Farwell	Director	March 12, 2015
/s/ MARK A. RUELLE Mark A. Ruelle	Director	March 12, 2015
/s/ WILSON B. SEXTON Wilson B. Sexton	Director	March 12, 2015
/s/ SCOTT L. THOMPSON Scott L. Thompson	Director	March 12, 2015
/s/ G. GARY YETMAN G. Gary Yetman	Director	March 12, 2015

INDEX TO EXHIBITS

EXHIBIT NUMBER	EXHIBIT
3.1	Amended and Restated Certificate of Incorporation of Houston Wire & Cable Company (incorporated herein by reference to Exhibit 3.1 to Houston Wire & Cable Company's Registration Statement on Form S-1 (Registration No. 333-132703))
3.2	Amended and Restated By-Laws of Houston Wire & Cable Company (incorporated herein by reference to Exhibit 3.2 to Houston Wire & Cable Company's Registration Current Report on Form 8-K filed May 11, 2012)
10.1*	Houston Wire & Cable Company 2000 Stock Plan (incorporated herein by reference to Exhibit 10.2 to Houston Wire & Cable Company's Registration Statement on Form S-1 (Registration No. 333-132703))
10.2*	Houston Wire & Cable Company 2006 Stock Plan, as amended (incorporated herein by reference to (i) Exhibit 10.3 to Houston Wire & Cable Company's Registration Statement on Form S-1 (Registration No. 333-132703), (ii) Exhibit 10.1 to Houston Wire & Cable Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, as amended), (iii) Exhibit 10.12 to Houston Wire & Cable Company's Annual Report on Form 10-K for the year ended December 31, 2013 and (iv) Exhibit 10.2 to Houston Wire & Cable Company's Current Report on Form 8-K filed December 12, 2014.
10.3*	Amended and Restated Executive Employment Agreement dated as of January 1, 2015 between James L. Pokluda, III and Houston Wire & Cable Company **
10.4*	Form of Employee Stock Option Agreement under Houston Wire & Cable Company's 2006 Stock Plan (incorporated herein by reference to Exhibit 10.23 to Houston Wire & Cable Company's Annual Report on Form 10-K for the year ended December 31, 2007)
10.5*	Form of Director Stock Option Agreement under Houston Wire & Cable Company's 2006 Stock Plan (incorporated herein by reference to Exhibit 10.24 to Houston Wire & Cable Company's Annual Report on Form 10-K for the year ended December 31, 2007)
10.6*	Form of Employee Stock Award Agreement under Houston Wire & Cable Company's 2006 Stock Plan (incorporated herein by reference to Exhibit 10.6 to Houston Wire & Cable Company's Annual Report on Form 10-K for the year ended December 31, 2011)
10.7*	Form of Restricted Stock Unit Award Agreement for Non-Employee Directors under Houston Wire & Cable Company's 2006 Stock Plan (incorporated herein by reference to Exhibit 10.2 to Houston Wire & Cable Company's Quarterly Report on Form 10-Q for the quarter ended June 30, 2011, as amended)
10.8*	Description of Senior Management Bonus Program (incorporated herein by reference to Exhibit 10.1 to Houston Wire & Cable Company's Current Report on Form 8-K filed December 12, 2014)
10.9*	Form of Director/Officer Indemnification Agreement by and between Houston Wire & Cable Company and a director, member of a committee of the Board of Directors or officer of Houston Wire & Cable Company (incorporated herein by reference to Exhibit 10.24 to Houston Wire & Cable Company's Annual Report on Form 10-K for the year ended December 31, 2006)
10.10	Third Amended and Restated Loan and Security Agreement, dated as of September 30, 2011, as amended among HWC Wire & Cable Company, as borrower, Houston Wire & Cable Company, as Guarantor, certain financial institutions, as lenders, and Bank of America, N.A., as agent (incorporated herein by reference to (i) Exhibit 10.1 to Houston Wire & Cable Company's Current Report on Form 8-K filed October 5, 2011), (ii) Exhibit 10.2 to Houston Wire & Cable Company's Quarterly Report on Form 10-Q for the quarter ended March 31, 2014 and (iii) Exhibit 10.1 to Houston Wire & Cable Company's Quarterly Report on Form 10-Q for the quarter ended September 30, 2014)
10.11	Second Amended and Restated Guaranty dated as of September 30, 2011, by Houston Wire & Cable Company, as guarantor, in favor of Bank of America, N.A., as agent (incorporated herein by reference to Exhibit 10.2 to Houston Wire & Cable Company's Current Report on Form 8-K filed October 5, 2011)
21.1	Subsidiaries of Houston Wire & Cable Company (incorporated herein by reference to Exhibit 21.1 to Houston Wire & Cable Company's Registration Statement on Form S-1 (Registration No. 333-132703))

23.1	Consent of Ernst & Young, LLP **
31.1	Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **
31.2	Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 **
32.1	Certifications of CEO and CFO pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 **

*   Management contract or compensatory plan or arrangement
**   Filed herewith

Exhibit 10.3

AMENDED AND RESTATED
EXECUTIVE EMPLOYMENT AGREEMENT

THIS AMENDED AND RESTATED EXECUTIVE EMPLOYMENT AGREEMENT (the "Agreement") is entered into as of January 1, 2015, by and between James L. Pokluda, III (the "Executive") and Houston Wire & Cable Company, a Delaware corporation (the "Company") .

WHEREAS, Executive is currently an elected director of the Company and holds the position of President and Chief Executive Officer; and

WHEREAS, the Company currently employs Executive pursuant to a certain Executive Employment Agreement dated as of January 1, 2012 (the "Prior Agreement"); and

WHEREAS, the Company and Executive desire to amend the Prior Agreement as herein set forth to reflect certain mutually agreed changes to the terms and conditions thereof; and

WHEREAS, for their mutual convenience, the Company and Executive desire to restate the Prior Agreement, as so amended, in its entirety.

NOW, THEREFORE, for good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the parties hereto agree as follows:

1. Capacities and Duties .

1.1 Title . The Executive hereby continues to be employed in the capacity of President and Chief Executive Officer of the Company and of HWC Wire & Cable Company. The Executive shall report directly to the Board of Directors of the Company (the "Board") and shall be subject to its supervision, control and direction. The Executive will at all times abide by the Company's personnel policies in effect from time to time and will faithfully, industriously and to the best of the Executive's ability, experience and talents perform all of the duties that may be required of and from the Executive by the Board pursuant to the express and implied terms hereof, consistent with the Executive's status as the President and Chief Executive Officer of the Company and HWC Wire & Cable Company.

1.2 Exclusive Services . During the Term, the Executive agrees to devote his best efforts and full business time to rendering services to the Company. The Executive is specifically restricted from being employed by any other company, other than a Subsidiary or an Affiliate (each as defined below) of the Company, while employed by the Company pursuant to this Agreement; provided that the Executive's service on boards of directors of other companies in accordance with the Company's Corporate Governance Principles, or on boards of any civic, charitable, education or professional organizations, shall not be considered employment in violation of this Section 1.2.

1.3 Election as Director . The Company shall use its best efforts to cause the Executive to remain elected as a member of the Company's Board of Directors during the term of this Agreement. The Company and the Executive have entered into an indemnification agreement substantially similar to the form of agreement the Company has with the other members of the Board of Directors.

2. Term . The term of this Agreement (the "Term") shall commence as of the date hereof and, unless terminated earlier as herein provided, shall end on December 31, 2016, provided that on December 31, 2016 and each December 31 thereafter (each such December 31, an "Expiration Date"), the Term shall automatically and without any action by either party be extended for an additional period of one year, unless at least one year prior to any Expiration Date either party notifies the other of its election not to extend the Term, in which case the Term shall end on such Expiration Date, unless terminated earlier as herein provided.

3. Compensation and Benefits . For the Executive's services performed during the Term of this Agreement, the Company agrees to pay or provide the Executive with the following:

3.1 Salary . An annual base salary ("Base Salary") of $430,000, to be paid according to the Company's general payroll practices as in effect from time to time. The Executive's Base Salary will be subject to annual reviews and increases (but not decreases) as approved by the Board and the Compensation Committee of the Board.

3.2 Incentive Compensation Program . The Company shall pay the Executive an annual bonus ("Incentive Bonus") of up to 75% of his Base Salary for each full fiscal year of the Company in which the Executive is employed by the Company, based upon achievement of a series of performance targets for such fiscal year as described in this Section 3.2. The targets will correspond to an Incentive Bonus equal to 10%, 25%, 50% and 75% of the Executive's Base Salary for that fiscal year. If the Company does not meet the performance target for the 10% level, no Incentive Bonus will be paid for the fiscal year. If the Company performs at a level that is between two of the performance targets, the Incentive Bonus shall be a percentage of the Executive's Base Salary for that fiscal year calculated on a straight line basis between the percentages that would apply at those two targets. As used in this Section 3.2, "Base Salary" means the rate of Base Salary in effect for a majority of that fiscal year (or, if no Base Salary rate was in effect for a majority of such fiscal year, then a rate equal to the actual Base Salary paid for that fiscal year). No later than 60 days after the beginning of each fiscal year, the Board (or the Compensation Committee) and the Executive shall mutually agree upon the performance targets for such fiscal year, which performance targets will be consistent with the Company's business plan approved by the Board for such fiscal year. Except as provided for in this Agreement, the Company shall not be obligated to pay any Incentive Bonus for any fiscal year unless the Executive is employed by the Company at the end of that fiscal year. The Executive shall be paid the Incentive Bonus by March 15 of the year following the fiscal year to which the Bonus relates, provided that if the audit of the Company and its Subsidiaries is not completed by such date, payment shall be made within 60 days following the completion of the audit, but no later than December 31 of such year.

3.3 Stock Plan . The Executive will participate in the Company's 2006 Stock Plan (including any amended or successor plan, the "Stock Plan"). The Executive will be eligible to receive awards of stock options, restricted stock and/or restricted stock units during the Term in accordance with the Company's regular annual grant procedures.

3.4 Benefits . The Executive shall be entitled to receive all benefits of employment generally available to the Company's other executive employees when and as such benefits, if any, become available and the Executive becomes eligible for them, including any medical, dental, life and disability insurance benefits, paid time off benefits, long-term incentive plan, stock option plan, pension plan and/or profit-sharing plan; provided that the Executive shall not participate in the Senior Management Bonus Program. The Company has the right to amend or terminate any such benefit plans or programs. The Executive shall be insured under the Company's director and officer indemnification policy.

3.5 Vacation. The Executive shall be entitled to four weeks of paid vacation each year during the Term, which shall accrue each January 1 during the Term. The Executive will use his reasonable efforts to schedule vacation periods to minimize disruption of the Company's business.

3.6 Vehicle Allowance. The Executive shall be entitled to participate in the Company's automobile policy as it applies to executive employees.

3.7 Reimbursement of Expenses. The Company shall reimburse the Executive for up to $5,000 in legal expenses incurred in connection with the review and negotiation of this Agreement. The Company shall also reimburse the Executive for any reasonable business expenses incurred by the Executive in the ordinary course of the Company's business in accordance with the Company's reimbursement policies then in effect. These expenses shall be substantiated by invoices and receipts, to be submitted by the Executive within 30 days after incurrence, and reimbursement shall be made by the Company within 60 days following its receipt of all necessary documentation with respect to such expenses.

4. Termination of Employment.

4.1 For Cause or Other than for Good Reason or Disability. If, prior to the expiration of the Term, the Company terminates the Executive's employment for Cause or the Executive terminates his employment for any reason other than Good Reason or Disability, the Company shall pay the Executive the unpaid Base Salary earned by the Executive through the date of termination and any vacation pay, expense reimbursements and other cash entitlements accrued by the Executive that are payable pursuant to the Company's policies as of such date. Such payment shall be made within 30 days of termination or earlier if required by law. All unexercised stock options and all outstanding restricted stock or restricted stock units and other equity incentive compensation awards previously granted to the Executive shall be exercisable or forfeited, as the case may be, in accordance with the applicable agreement or award between the Company and the Executive.

4.2 Without Cause or for Good Reason or Disability. If, prior to the expiration of the Term, the Company terminates the Executive's employment without Cause, the Executive terminates his employment for Good Reason or the Executive's employment terminates due to Disability, the Executive shall be entitled to receive:

(a) The cash amounts described in Section 4.1 above.

(b) Continuation of the Executive's Base Salary as then in effect for the 24-month period beginning on the date of such termination of employment, payable in accordance with the Company's payroll policy then in effect.

(c) Two payments, each equal to the amount of the Incentive Bonus paid to the Executive for the most recently completed fiscal year, the first paid at the same time bonuses for the fiscal year in which termination occurs are paid by the Company to other executive employees and the second paid at the same time bonuses for the subsequent fiscal year are paid by the Company to other executive employees.

(d) Continuation of medical benefits under the Company's group health plan as in effect from time to time for the Executive and his spouse and covered dependents for 36 months. Coverage during the first 18 months is subject to the Executive's timely payment of premiums at active employee rates for such coverage and shall be concurrent with coverage under Title I, Part 6 of the Employee Retirement Income Security Act of 1974 ("COBRA"), provided that the Executive timely elects COBRA continuation coverage, and provided, further, that if such premium subsidization results in adverse tax consequences for the Company or the Executive, the Executive shall pay the entire premium for such coverage and the Company shall reimburse the Executive monthly, on an after-tax basis, for the cost of such coverage in excess of the active employee premium. Coverage for the remainder of the 36-month continuation period is subject to the Executive's payment of the entire premium for such coverage. The medical benefits provided under this Section shall terminate at such time that the Executive and his spouse and covered dependents become eligible for medical benefits under any other benefit plan or policy to the extent not prohibited by COBRA.

(e) If the effective date of termination of the Executive's employment occurs before December 31, 2017, then on such effective date (a) the stock options granted on December 20, 2011 with respect to 64,330 shares of the Company's common stock, which will vest 50% on December 31, 2016 and 50% on December 31, 2017, and (b) the 26,576 shares of restricted stock granted on December 20, 2011, which will vest 50% on December 31, 2016 and 50% on December 31, 2017 each shall vest as to a number of shares equal to the sum of (i) and (ii), where (i) is the product of (A) the total number of shares subject to unvested awards that would vest on December 31, 2016, if any, and (B) a fraction, the numerator of which is the number of days in the period beginning January 1, 2012 through the effective date of termination of employment, and the denominator of which is the number of days in the period beginning January 1, 2012 through December 31, 2016 and (ii) is the product of (A) the total number of shares subject to unvested awards that would vest on December 31, 2017 and (B) a fraction, the numerator of which is the number of days in the period beginning January 1, 2012 through the effective date of termination of employment, and the denominator of which is the number of days in the period beginning January 1, 2012 through December 31, 2017. All other unexercised stock options, outstanding restricted stock or restricted stock units and equity incentive compensation awards granted to the Executive shall be exercisable or forfeited, as the case may be, in accordance with the applicable agreement or award between the Company and the Executive.

4.3 Death . If prior to the expiration of the Term the Executive's employment terminates due to his death, the Executive's estate shall be entitled to receive:

(a) The cash amounts described in Section 4.1 above.

(b) A prorata payment of the Incentive Bonus that would have been earned by the Executive had he remained employed through the end of the fiscal year in which the termination occurs (determined on the basis of the number of days of employment during such fiscal year), paid at the same time bonuses for such fiscal year are paid by the Company to other executive employees.

(c) Continuation of medical benefits under the Company's group health plan as in effect from time to time for the Executive's surviving spouse and covered dependents for 36 months pursuant to COBRA. Coverage during the first 18 months is subject to the beneficiaries' timely payment of premiums at active employee rates for such coverage, provided that the beneficiary timely elects COBRA continuation coverage, and provided, further, that if such premium subsidization results in adverse tax consequences for the Company or the beneficiary, the beneficiary shall pay the entire premium for such coverage and the Company shall reimburse the beneficiary monthly, on an after-tax basis, for the cost of such coverage in excess of the active employee premium. Coverage for the remainder of the 36-month continuation period is subject to the beneficiaries' payment of the entire premium for such coverage. The medical benefits provided under this Section shall terminate at such time that the Executive's surviving spouse and covered dependents become eligible for medical benefits under any other benefit plan or policy to the extent not prohibited by COBRA.

(d) All unexercised stock options and all unpaid restricted stock or restricted stock units and other equity incentive compensation awards previously granted to the Executive shall be exercisable or forfeited, as the case may be, in accordance with the applicable agreement or award between the Company and the Executive.

4.4 Without Cause or for Good Reason following a Change in Control . If, prior to the expiration of the Term and within two years following a Change in Control, the Company terminates the Executive's employment without Cause (other than for Disability) or the Executive terminates his employment for Good Reason, the Executive shall be entitled to receive:

(a) Within ten days after the date of termination, a lump-sum payment equal to the sum of:

(i) The cash amounts described in Section 4.1 above;

(ii) Two times the Executive's Base Salary as then in effect; and

(iii) Two times the amount of the Incentive Bonus paid to the Executive for the most recently completed fiscal year.

(b) Continuation of medical benefits under the Company's group health plan as in effect from time to time for the Executive and his spouse and covered dependents for 36 months. Coverage during the first 18 months is subject to the Executive's timely payment of premiums at active employee rates for such coverage and shall be concurrent with coverage under COBRA, provided that the Executive timely elects COBRA continuation coverage, and provided, further, that if such premium subsidization results in adverse tax consequences for the Company or the Executive, the Executive shall pay the entire premium for such coverage and the Company shall reimburse the Executive monthly, on an after-tax basis, for the cost of such coverage in excess of the active employee premium. Coverage for the remainder of the 36-month continuation period is subject to the Executive's payment of the entire premium for such coverage. The medical benefits provided under this Section shall terminate at such time that the Executive and his spouse and covered dependents become eligible for medical benefits under any other benefit plan or policy to the extent not prohibited by COBRA.

(c) All unexercised stock options, outstanding unpaid restricted stock or restricted stock units and equity incentive compensation awards previously granted to the Executive shall be exercisable or paid, as the case may be, in accordance with the applicable agreement or award between the Company and the Executive.

Notwithstanding the foregoing, in the event the Change in Control is not a change in ownership or effective control within the meaning of Code Section 409A (as defined in Section 13 below) and the regulations thereunder, payment of the amounts described in Section 4.4(a)(ii) and 4.4 (a)(iii) shall be paid over the same time frame and in the same manner as the payments described in Section 4.2(b) and 4.2(c), respectively.

4.5 Entitlement To Benefits . Notwithstanding any other Section of this Agreement, upon termination of the Executive's employment, the Executive shall be entitled to all vested benefits, vested stock-based awards, accrued and unused vacation, return of personal effects, COBRA rights and other rights that may not be waived or released as a matter of law, in addition to any other sums, benefits, or rights which are provided for in this Agreement.

4.6 Release of Claims . The Executive agrees that, as a condition to receiving benefits under this Section 4, the Executive will execute a general release of claims in a form provided by the Company on the date of termination of the Executive's employment.. If the Executive timely executes the release and does not revoke the release, payments of any continued Base Salary shall begin on the first payroll period occurring after the 55th day following the Executive's termination of employment, and the first payment shall include amounts that would have been paid to the Executive in the interim had employment continued. Any release executed by the Executive shall contain exceptions to the release for (a) any existing right to indemnification, contribution and a defense, (b) any directors and officers and general liability insurance coverage of the Executive, (c) the Executive's rights as a shareholder, (d) all vested rights of the Executive, (e) the Executive's right to enforce this Agreement and (f) any rights which cannot be waived or released as a matter of law.

4.7 No Offset . Subject to Section 6, there shall be no offset of any kind to the payment of the severance benefits described in this Section 4.

4.8 Action Required to Terminate the Executive . **Action by the affirmative vote of a majority of the members of the Board, other than the Executive, taken at a meeting of the Board or by written consent of the Board shall be required for the Company to terminate** the Executive's employment.

4.9 Internal Revenue Code Section 280G . If (a) in connection with a Change in Control, the Executive would be or is subject to an excise tax under Section 4999 of the Internal Revenue Code (an "Excise Tax") with respect to any cash, benefits or other property received, or any acceleration of vesting of any benefit or award (the "Change in Control Benefits"), and (b) (i) the total net after-tax value of the Change in Control Benefits to the Executive (taking into account federal, state and local income and employment taxes and the Excise Tax) is less than (ii) the total net after-tax value of the Change in Control Benefits (taking into account federal, state and local income and employment taxes and the Excise Tax) reduced to the largest amount payable without triggering the imposition of any Excise Tax, then the Change in Control Benefits payable under this Agreement shall be reduced to the amount described in (b)(ii). No later than 30 days after the date of the Change in Control, a nationally recognized accounting firm selected by the Company shall make a determination as to whether any Excise Tax would be reported with respect to the Change in Control Benefits and, if so, the amounts described in each of (b)(i) and (b)(ii) above. If a reduction to the Change in Control Benefits is necessary, the Executive shall determine the Change in Control Benefits to be reduced, and the Company shall provide the Executive with such information as is necessary to make such determination. The Company and the Executive shall furnish to the accounting firm such information and documents as the accounting firm may reasonably request in order to make a determination under this Section 4.9. The Company shall be responsible for all fees and expenses connected with the determinations by the accounting firm pursuant to this Section 4.9. The Executive agrees to notify the Company in the event of any audit or other proceeding by the Internal Revenue Service or any taxing authority in which the Internal Revenue Service or other taxing authority asserts that any Excise Tax should be assessed against the Executive and to cooperate with the Company in contesting any such proposed assessment with respect to such Excise Tax.

4.10 Definitions of Terms Used in Section 4 .

(a) Cause . "Cause" shall exist if there i s (i) a material neglect by the Executive of his assigned duties, which includes any failure to follow the written direction of the Board or to comply with the Company's code of ethics or written policies, or repeated refusal by the Executive to perform his assigned duties, in each case other than by reason of Disability, which continues for 30 days following receipt of written notice from the Board; (ii) the commission by the Executive of any act of fraud or embezzlement against Company or any of its Affiliates or the commission of any felony or act involving dishonesty; (iii) the commission by the Executive of any act of moral turpitude which actually causes financial harm to the Company or any of its Affiliates ; (iv) a material breach by the Executive of the terms of Section 5.1 of this Agreement or any other confidentiality or non-disclosure agreement of the Executive with the Company; or (v) the Executive's commencement of employment with another company while he is an employee of the Company without the prior consent of the Board.

(b) Change in Control . "Change in Control" shall have the meaning set forth in the Stock Plan, as in effect on the date of this Agreement.

(c) Disability . "Disability" means, in the sole judgment of the Board, the Executive's inability to engage in any substantial gainful activity by reason of any medically-determinable physical or mental impairment which can be expected to result in death or which has lasted or can be expected to last for a continuous period of not less than 12 months.

(d) Good Reason . "For Good Reason" shall mean voluntary termination of this Agreement by the Executive if, without the prior consent of the Executive: (a) the Company shall relocate its principal executive offices to a location outside the Houston, Texas metropolitan area , (b) there is a material reduction by the Company in the Executive's responsibilities, duties, authority, title or reporting relationship; or (c) the Company acts in any way that would materially reduce the Executive's Base Salary (as defined or subsequently increased pursuant to Section 3.1) or if the Company adversely affects the Executive's participation in or reduces the Executive's benefit under any benefit plan of the Company in which the Executive is participating in a manner that results in a material negative change to the Executive; provided, however, that termination for Good Reason by the Executive shall not be permitted unless (x) the Executive has given the Company at least 30 day's prior written notice that he has a basis for a termination for Good Reason, which notice shall specify the facts and circumstances constituting Good Reason, and (y) the Company has not remedied such facts and circumstances constituting Good Reason within such 30-day period.

5. Restrictive Covenants .

5.1 Confidential and Proprietary Information . During the Term and for a period of two years following the date of termination of the Executive’s employment with the Company (except as to trade secrets, which shall not be disclosed at any time), the Executive acknowledges that he has as of the date of this Agreement, and will continue to have, access to and use of Confidential and Proprietary Information and agrees that he will not, either directly or indirectly, and he will not permit any Covered Entity which is Controlled by the Executive to, either directly or indirectly, divulge to any Person or use any of the Confidential and Proprietary Information, except as required in connection with the performance of the Executive’s duties to the Company. The Executive and each Covered Entity (and if deceased, his personal representative) shall promptly, following a request therefor from the Company, return to the Company, without retaining copies, all tangible items (including electronic data storage devices) which are or which contain Confidential and Proprietary Information.

5.2 Non-Competition; Non-Solicitation; No Disparagement . The Executive acknowledges and agrees that: (i) through his continuing services to the Company, he will learn valuable trade secrets and other Confidential and Proprietary Information relating to the Company’s businesses; (ii) the Executive’s services to the Company are unique in nature, and (iii) the Company would be irreparably damaged if the Executive were to provide services to any Person in violation of the restrictions contained in this Agreement. Accordingly, as an inducement to the Company to enter into this Agreement, the Executive agrees that except in the Executive’s capacity as an employee of the Company, neither the Executive nor any Covered Entity shall directly or indirectly, without the prior written consent of the Company (which may be withheld in its sole discretion), during the Restriction Period:

(a) engage or participate in, anywhere in the Territory (as defined below), as an employee, owner, partner, shareholder, officer, director, member, manager, advisor, consultant, lender, lessor, agent or (without limitation by the specific enumeration of the foregoing) otherwise, or permit his name to be used by or render services of any type for, any Competing Business (as defined below) or any Person developing a Competing Business; provided, however, that nothing in this Agreement shall prevent the Executive from acquiring or owning, but solely as a passive investment, up to five percent of any class of voting securities registered under the Securities Exchange Act of 1934, as amended, of any issuer engaged in a Competing Business;

(b) take any action which could reasonably be expected to divert from the Company any opportunity which would be within the scope of the Company’s business;

(c) solicit or attempt to solicit any Person who is or has been (A) a customer of the Company at any time within one year prior to the date of termination of the Executive’s employment to purchase any product or service which may be provided by the Company, or (B) a customer, supplier, licensor, licensee or other business relation conducting business with the Company at any time within one year prior to the date of termination of the Executive’s employment, to cease doing business with, or to alter or limit its business relationship with, the Company;

(d) solicit, attempt to solicit, or assist anyone else to solicit any Business Associate (as defined below) to terminate his, her or its association with the Company;

(e) recruit, solicit, hire or otherwise retain the services of any Business Associate, whether on a full-time basis, part-time basis or otherwise and whether as an employee, independent contractor, consultant, advisor or in another capacity; or

(f) make (or cause to be made) to any Person any knowingly disparaging, derogatory or other negative statement about the Company or any of its officers, directors, employees or agents.

5.3 Protection of and Rights to Intellectual Property . All Intellectual Property developed by the Executive during the Term shall be the sole and exclusive property of the Company, without further compensation. Any Intellectual Property based upon Confidential and Proprietary Information and developed at any time either during or following the Term shall be the property of the Company. The Executive shall assign to the Company or its designees, the entire right, title and interest in said Intellectual Property. The Executive shall, at the Company's request and expense, make applications for domestic or foreign patents, execute all documents necessary thereto, assist in securing, defending or enforcing any such title and right thereto, and assist the Company in any other claims or litigation involving said Intellectual Property. Consistent with applicable law, the Company acknowledges that no provision in this Agreement is intended to require assignment of any of the Executive's rights in an invention if no equipment, supplies, facilities, or trade secret information of the Company was used, and the invention was developed entirely on the Executive's own time, unless the invention relates to the Business or to the Company's current or demonstrably anticipated business, research or development, or the invention results from any work performed by the Executive for the Company.

5.4 Specific Performance . The Executive agrees that any violation by him of Sections 5.1, 5.2 or 5.3 of this Agreement would be highly injurious to the Company and would cause irreparable harm to the Company. By reason of the foregoing, the Executive consents and agrees that if he violates any provision of Sections 5.1, 5.2 or 5.3 of this Agreement, the Company shall be entitled, in addition to any other rights and remedies that it may have, to apply to any court of competent jurisdiction in Houston, Texas for specific performance and/or injunctive or other equitable relief in order to enforce, or prevent any continuing violation of, the provisions of such Sections 5.1, 5.2 and 5.3. The Executive also recognizes that the territorial, time and scope limitations set forth in Sections 5.1 and 5.2, as applicable, are reasonable and are properly required for the protection of the Company, and, in the event that any such territorial, time or scope limitation is deemed to be unreasonable by a court of competent jurisdiction, the Company and the Executive agree, and the Executive submits, to the reduction of any or all of said territorial, time or scope limitations to such an area, period or scope as said court shall deem reasonable under the circumstances. If such partial enforcement is not possible, then to the extent permitted by law, the provision shall be deemed severed, and the remaining provisions of this Agreement shall remain in full force and effect. If any covenant in Section 5.1 or 5.2 is breached, then (to the extent permitted by law) the Restricted Period with respect to such covenant shall be extended by the number of days during which such breach exists.

5.5 Impact of Breach of Section 5 on Certain Payments . The Executive agrees that the payment of any compensation or benefits pursuant to Section 4.2 or 4.4 is conditioned on the Executive's compliance with the provisions of Sections 5.1, 5.2 and 5.3.

5.6 Definitions of Terms Used in Section 5 .

(a) Affiliate . An “Affiliate” of a Person is another Person that Controls, is Controlled by or is under common Control with such first Person.

(b) Business Associate . “Business Associate” means any employee, representative, consultant or agent of the Company who is acting in such capacity as of the date hereof or has acted in such capacity at any time within the 12 month period immediately preceding the date of hire, recruitment, solicitation or retention by the Executive or a Covered Entity.

(c) Competing Business . A “Competing Business” means a business which is, in whole or in part, directly or indirectly, competitive with the business of the Company as conducted at the time of enforcement of Section 5.2 (if such enforcement occurs prior to the termination of the Executive’s employment) or at the time of the termination of the Executive’s employment (if enforcement of Section 5.2 occurs at or following such time) or under development at either such time, as the case may be, and expected to be introduced or undertaken within one year following such date of enforcement. Without limiting the generality of the foregoing sentence, the term Competing Business shall include the business of the Company.

(d) Confidential and Proprietary Information . “Confidential and Proprietary Information” means all information and any idea in any form whatsoever, tangible or intangible, pertaining in any manner to the business of the Company or any Affiliate of the Company, or to the Company’s clients, consultants or business associates, *unless* the information is or becomes publicly known through lawful means (other than disclosure by the Executive, unless such disclosure by the Executive is made in good faith in the course of performing the Executive’s duties under this Agreement, or with the express written consent of the Board of Directors).

(e) Control . “Control” means (i) in the case of corporate entities, direct or indirect ownership of more than 50% of the stock or participating assets entitled to vote for the election of directors; and (ii) in the case of non-corporate entities (such as individuals, limited liability companies, partnerships or limited partnerships), either (A) direct or indirect ownership of more than fifty percent 50% of the equity interest or (B) the power to direct the management and policies of the noncorporate entity.

(f) Covered Entity . “Covered Entity” means every Affiliate of the Executive, and every Person in which the Executive has invested (whether through debt or equity securities), or to which the Executive has contributed any capital or made any advances, or in which any Affiliate of the Executive has an ownership interest or profit sharing percentage, or a firm from which the Executive or any Affiliate of the Executive receives or is entitled to receive income, compensation or consulting fees, or in which the Executive or any Affiliate of the Executive has an interest as a lender (other than solely as a trade creditor for the sale of goods or provision of services that do not otherwise violate the provisions of this Agreement). The agreements of the Executive contained herein specifically apply to each Person which is presently a Covered Entity or which becomes a Covered Entity subsequent to the date of this Agreement. Notwithstanding the foregoing, nothing contained in this Agreement prohibits the Executive or any Affiliate of the Executive from owning less than five percent of any class of voting securities registered under the Securities Exchange Act of 1934, as amended, of any issuer, and no such issuer shall be considered a Covered Entity solely by virtue of such ownership or the incidents thereof. Further notwithstanding anything contained in the foregoing provisions to the contrary, the term “Covered Entity” shall not include the Company, any Subsidiary of the Company, or any Affiliate of the Company or any such Subsidiary.

(g) Engage. To "engage" in a business means (i) to render services in (or with respect to) the Territory for that business, or (ii to own, manage, operate or control (or participate in the ownership, management, operation or control of) an enterprise engaged in that business in (or with respect to) the Territory.

(h) Intellectual Property. "Intellectual Property" means all discoveries, inventions, improvements, computer programs, formulas, ideas, devices, writings or other intellectual property (including any notes, records, reports, sketches, plans, memoranda and other tangible information relating to such Intellectual Property), whether or not subject to protection under the patent or copyright laws, which the Executive shall conceive solely or jointly with others, in the course of, or within the scope of employment, or which relates directly to the business of the Company or its actual or anticipated research and development, or which was conceived or created using the Company's materials or facilities, whether during or after working hours.

(i) Person. "Person" means any individual, partnership, limited partnership, corporation, limited liability company, association, joint stock company, trust, joint venture, unincorporated organization or any other entity.

(j) Restriction Period. "Restriction Period" shall mean the period commencing on the date hereof and continuing during the Executive's employment with the Company and for a period of one year (two years in the event the Executive is entitled to continuation of Base Salary under Section 4.2(b)) following the date of termination of the Executive's employment with the Company.

(k) Solicit. To "solicit" means to encourage or induce, or to take any action that is intended or calculated to encourage or induce, or which is reasonably likely to result in encouragement or inducement.

(l) Subsidiary. "Subsidiary" shall mean any Person which is Controlled, directly or indirectly, by the Company, including through the ownership of stock or other interests in one or more other business enterprises which are connected with the Company.

(m) Territory. "Territory" means the United States of America.

6. Recoupment. All incentive compensation paid under this Agreement shall be subject to the Company's Incentive Compensation Recoupment Policy, as from time to time in effect.

7. Withholding. The Executive authorizes the Company to make any and all applicable withholdings of federal and state taxes and other items the Company may be required to deduct, as such items may exist under this Agreement or otherwise from time to time.

8. Successors and Assigns . This Agreement is intended to bind and inure to the benefit of and be enforceable by the Executive, the Company and their respective heirs, successors and assigns, except that the Executive shall not have any right to assign or otherwise transfer this Agreement, or any of the Executive's rights, duties or any other interest herein, to any party without the prior written consent of the Company, and any such purported assignment shall be null and void.

9. Survival of Rights and Obligations . The rights and obligations of the parties as stated herein shall survive the termination of this Agreement.

10. Entire Agreement . This Agreement sets forth the parties' sole and entire agreement regarding the subject matter hereof and supersedes any and all other agreements, statements and representations of the parties, including but not limited to any employment agreement or other agreement regarding the Executive's compensation or terms of employment entered into prior to the date hereof. Notwithstanding the foregoing, benefits provided under the Company's employee benefit plans, including any awards granted under the Stock Plan, will be subject to the terms and conditions of the relevant plans and, where applicable, award agreements.

11. Modifications or Waivers . The terms and provisions of this Agreement may be modified or amended only by a written instrument executed by each of the parties hereto, and compliance with the terms and provisions hereof may be waived only by a written instrument executed by each party entitled to the benefits thereof. No failure or delay on the part of any party in exercising any right, power, or privilege granted hereunder shall constitute a waiver thereof, nor shall any single or partial exercise of any such right, power, or privilege preclude any other or further exercise thereof or the exercise of any other right, power, or privilege granted hereunder.

12. Governing Law . This Agreement shall be governed pursuant to federal law, as applicable or the laws of the State of Texas, without giving effect to any choice of law or conflict of law provision or rule that would cause the application of the laws of any jurisdiction other than the State of Texas.

13. Internal Revenue Code Section 409A . If at the time of the Executive's termination of employment for reasons other than death he is a "specified employee" (as such term is defined and determined in accordance with the procedures set forth in Treas. Reg. §1.409A-1(i)), any amounts payable to the Executive pursuant to this Agreement that are subject to Section 409A of the Internal Revenue Code ("Code Section 409A") shall not be paid or commence to be paid until six months following the Employee's termination of employment or, if earlier, the Employee's subsequent death. Each cash payment made pursuant to Section 4 shall be considered a separate payment for purposes of Code Section 409A. This Agreement is to be construed and interpreted in a manner consistent with Code Section 409A, and the parties hereto agree to amend this Agreement as necessary to avoid the imposition of penalty taxes under Code Section 409A against the Executive. No payment required to be made hereunder shall be accelerated or deferred by the Company or the Executive in a manner that would subject such payment to any excise tax under Code Section 409A.

14. Severability . If any part, clause or condition of this Agreement is held to be partially or wholly invalid, unenforceable or inoperative for any reason whatsoever, such shall not affect any other provision or portion hereof, which shall continue to be effective as though such invalid, unenforceable or inoperative part, clause or condition had not been made. If any provision, or its application to any Person or circumstance, is held by a court of competent jurisdiction or an arbitrator pursuant to Section 18 hereof to be invalid or unenforceable, the court or the arbitrator is empowered to and shall modify any such provision so as to be enforceable. All remaining provisions shall remain valid and enforceable.

15. Interpretation .

15.1 Section Headings . The section and subsection heading of this Agreement are included for purposes of convenience only, and shall not affect the construction or interpretation of any of its provisions.

15.2 Gender and Number . Whenever required by the context, the singular shall include the plural, the plural shall include the singular, and the masculine gender shall include the neuter and feminine genders and vice versa.

16. Notices . All notices and other communications under or in connection with this Agreement shall be in writing and shall be deemed given (a) if delivered personally, upon delivery, (b) if delivered by registered or certified mail (return receipt requested), upon the earlier of actual delivery or three days after being mailed, (c) if given by overnight courier with receipt acknowledgment requested, the next business day following the date sent, or (d) if given by telecopy, upon confirmation of transmission by telecopy, in each case to the parties at the following addresses:

To the Company:	Houston Wire & Cable Company 10201 North Loop East Houston, TX 77029 Facsimile: (713) 609-2168 Attention: Chairman of the Board
with a copy to:	Schiff Hardin LLP 6600 Sears Tower Chicago, Illinois 60606 Facsimile: (312) 258-5600 Attention: Robert Minkus
To the Executive:	James L. Pokluda III At the most recent address on file with the Company

17. Joint Preparation . Each of the parties to this Agreement has negotiated it at length, and has had the opportunity to consult with and be represented by its or his own competent counsel. This Agreement is therefore deemed to have been jointly prepared by the parties and any uncertainty or ambiguity existing in it shall not be interpreted against any party, but rather shall be interpreted according to the rules generally governing the interpretation of contracts.

18. Mediation and Arbitration . If requested by the Company or the Executive, any unresolved controversy or claim arising from or related to this Agreement or breach hereof shall be resolved by use of mediation initially, and if that fails to resolve the matter, by arbitration. Mediation shall be in Houston, Texas, before one mediator qualified in mediation of employment matters agreed upon by the parties, or if no agreement on a mediator is reached, before a mediator chosen according to the American Arbitration Association (“AAA”) National Rules for the Resolution of Employment Disputes, specifically the Employment Mediation Rules. There shall be only one mediator. The parties will use best efforts to obtain a mediator and complete the mediation within 30 days from the date of request for mediation. If the mediation has not been completed within 45 days from the date of request for mediation, any party may, by notice to all other parties and the AAA, forego mediation and move directly to arbitration under the AAA National Rules for the Resolution of Employment Disputes; provided, however, that such arbitration shall be before three arbitrators, not one, and shall be in Houston, Texas. Also, by written agreement signed by the Company and the Executive, the parties hereto may agree to forego mediation, may make any agreement regarding scheduling of the mediation or the arbitration process, discovery or hearing, which agreement shall be binding on the mediator or arbitrator, despite any AAA rule to the contrary. In any arbitration, if the Executive is the prevailing party, the Company shall pay all reasonable attorney’s fees of the Executive, as well as the expenses and administrative fees related to the arbitration. If the Company is the prevailing party at the arbitration, each party shall pay its own attorney’s fees and expenses and its share of the administrative fees and expenses related to the arbitration. Notwithstanding the foregoing provisions of this Section 18, (a) the parties are not required to arbitrate any issue for which injunctive relief is sought by any party hereto, (b) all parties may seek injunctive relief in any federal or state court having jurisdiction located in Harris County, Texas, and (c) claims of worker’s compensation and unemployment compensation shall not be subject to arbitration under this Agreement.

19. Cooperation and Further Actions . The parties agree to perform any and all acts and to execute and deliver any and all documents necessary or convenient to carry out the terms of this Agreement.

20. Counterparts . This Agreement may be executed in two or more counterparts, including electronically transmitted counterparts, each of which shall be deemed an original and all of which shall be considered one and the same instrument.

[Signature Page Follows]

IN WITNESS WHEREOF, the parties hereto have executed, or caused their duly authorized representatives to execute, this Agreement as of the Effective Date.

EXECUTIVE

____

James L. Pokluda III

HOUSTON WIRE & CABLE COMPANY

By: ____

William H. Sheffield
Chairman of the Board

Exhibit 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the incorporation by reference in the Registration Statement (Form S-8 No. 333-135777) pertaining to the Houston Wire & Cable Company 2000 Stock Plan and the Houston Wire & Cable Company 2006 Stock Plan of our reports dated March 12, 2015, with respect to the consolidated financial statements of Houston Wire & Cable Company, and the effectiveness of internal control over financial reporting of Houston Wire & Cable Company, included in this Annual Report (Form 10-K) for the year ended December 31, 2014.

/s/ Ernst & Young LLP

Houston, Texas

March 12, 2015

Exhibit 31.1

Certification of CEO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, James L. Pokluda III, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2014 of Houston Wire & Cable Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2015

/s/ James L. Pokluda III
James L. Pokluda III
Chief Executive Officer

Exhibit 31.2

Certification of CFO Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002

I, Nicol G. Graham, certify that:

1. I have reviewed this annual report on Form 10-K for the year ended December 31, 2014 of Houston Wire & Cable Company;

2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;

3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;

4. The registrant's other certifying officer and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:

   (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;

   (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, 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;

   (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and

   (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and

5. The registrant's other certifying officer and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):

   (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and

   (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: March 12, 2015

/s/ Nicol G. Graham
Nicol G. Graham
Chief Financial Officer

Exhibit 32.1

Certifications of CEO and CFO Pursuant to 18 U.S.C. Section 1350,
as Adopted Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002

In connection with the Annual Report of Houston Wire & Cable Company (the "Corporation") on Form 10-K for the fiscal year ended December 31, 2014 as filed with the Securities and Exchange Commission on the date hereof (the "Report"), James L. Pokluda III, as Chief Executive Officer of the Corporation, and Nicol G. Graham, as Chief Financial Officer of the Corporation, each hereby certifies, pursuant to 18 U.S.C. section 1350, as adopted pursuant to section 906 of the Sarbanes-Oxley Act of 2002, to the best of their knowledge, that:

(1) The Report fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934; and

(2) The information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Corporation.

Date: March 12, 2015

/s/ James L. Pokluda III
James L. Pokluda III
Chief Executive Officer

Date: March 12, 2015

/s/ Nicol G. Graham
Nicol G. Graham
Chief Financial Officer

This certification accompanies the Report pursuant to section 906 of the Sarbanes-Oxley Act of 2002 and shall not be deemed filed by Houston Wire & Cable Company for purposes of section 18 of the Securities Exchange Act of 1934, as amended.