CITIGROUP INC
Form 4
April 03, 2008

FORM 4

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

OMB APPROVAL
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STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

(Print or Type Responses)

1. Name and Address of Reporting Person *
MULCAHY ANNE M

(Last) (First) (Middle)

C/O CITIGROUP INC. CORPORATE LAW DEPT., 425 PARK AVENUE, 2ND FLOOR

(Street)

NEW YORK, NY 10043

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
CITIGROUP INC [C]

3. Date of Earliest Transaction (Month/Day/Year)
04/01/2008

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

__X__ Director _____ 10% Owner
_____ Officer (give title below) _____ Other (specify below)

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			
Common Stock	04/01/2008		A		129.7 (1)	A	$ 21.266	8,719.1	D	
Common Stock	04/01/2008		A		146.9 (1)	A	$ 21.266	9,872.9 (2)	I	See footnote (2)
Common Stock								58.7	I	By Spouse

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

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Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Owne Follo Repo Trans (Instr
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares		

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
MULCAHY ANNE M C/O CITIGROUP INC. CORPORATE LAW DEPT. 425 PARK AVENUE, 2ND FLOOR NEW YORK, NY 10043	X			

Signatures

Anne M. Mulcahy by Glenn S. Gray, Attorney-in-Fact	04/03/2008
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Reinvestment of cash, including dividends and interest, under the Compensation Plan for Non-Employee Directors.

(2) Represents deferred shares of common stock held by the Issuer for the benefit of the Reporting Person pursuant to the Issuer's Compensation Plan for Non-Employee Directors.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.
Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. BGCOLOR="#CFF0FC"style="width:8%; border-top:solid 0.75pt #000000; border-bottom:solid 0.75pt #000000;">

595.1

Change in plan assets:

Fair value of plan assets at beginning of the year

336.2

400.7

Actual return on plan assets

47.9

27.9

Employer contributions

27.7

26.7

Participant contributions

1.8

1.9

Change in currency exchange rates

11.2

(1.0

)

Benefits paid

(24.1

)

(24.8

)

Fair value of plan assets at end of year

400.7

431.4

Funded status

$

(181.4

)

$

(163.7

)

Amounts recognized in the balance sheet:

Noncurrent pension asset

$

5.1

$

.2

Accrued pension costs:

Current

(1.9

)

(1.4

)

Noncurrent

(184.6

)

(162.5

)

Total

$

(181.4

)

$

(163.7

)

Accumulated other comprehensive loss:

Actuarial losses

Explanation of Responses:

$

187.1

$

157.4

Prior service cost

5.4

2.7

Net transition obligations

1.3

-

Total

$

193.8

$

160.1

Accumulated benefit obligations (ABO)

$

536.5

$

550.2

The components of our net periodic defined benefit pension cost for our non-U.S. defined benefit pension plans are presented in the table below. During 2011, certain eligible participants elected to take lump sum distributions upon their retirement, resulting in a nominal settlement charge in 2011. In December 2013, we amended one of our Canadian plans in which participation with respect to hourly workers was closed to new participants in December 2013, and existing hourly plan participants will no longer accrue additional benefits after December 2013, resulting in a $7.1 million curtailment charge for recognition of previously unamortized prior service cost and transition obligation and $.2 million for special termination benefits. The amounts shown below for the amortization of prior service cost, net transition obligations and recognized actuarial losses for 2011, 2012 and 2013 were recognized as components of our accumulated other comprehensive income (loss) at December 31, 2010, 2011 and 2012, respectively, net of deferred income taxes.

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	Years ended December 31,		
	2011	2012	2013
	(In millions)		
Net periodic pension cost:			
Service cost benefits	$11.2	$10.4	$13.1
Interest cost on PBO	23.6	22.3	21.1
Expected return on plan assets	(17.6)	(17.0)	(18.5)
Settlement losses	.5	-	-
Curtailment loss	-	-	7.3
Recognized actuarial losses	6.6	7.9	12.5
Amortization of prior service cost	1.2	1.1	1.1
Amortization of net transition obligations	.5	.4	.4
Total	$26.0	$25.1	$ 37.0

Certain information concerning our non-U.S. defined benefit pension plans is presented in the table below.

	December 31,	
	2012	2013
	(In millions)	
Plans for which the ABO exceeds plan assets:		
PBO	$520.0	$527.0
ABO	482.1	489.5
Fair value of plan assets	333.5	364.2

The weighted-average rate assumptions used in determining the actuarial present value of benefit obligations for our non-U.S. defined benefit pension plans as of December 31, 2012 and 2013 are presented in the table below.

Rate	December 31,	
	2012	2013
Discount rate	3.7%	3.8%
Increase in future compensation levels	3.1%	2.7%

The weighted-average rate assumptions used in determining the net periodic pension cost for our non-U.S. defined benefit pension plans for 2011, 2012 and 2013 are presented in the table below.

Rate	Years ended December 31,		
	2011	2012	2013
Discount rate	5.1%	4.9%	3.7%
Increase in future compensation levels	3.1%	3.2%	3.1%
Long-term return on plan assets	5.5%	5.2%	5.0%

Variances from actuarially assumed rates will result in increases or decreases in accumulated pension obligations, pension expense and funding requirements in future periods.

The funded status of our U.S. defined benefit pension plan is presented in the table below.

	December 31,	
	2012	2013
	(In millions)	
Change in PBO:		
Benefit obligations at beginning of the year	$17.8	$19.1
Interest cost	.8	.7
Actuarial losses (gains)	1.4	(1.7)
Benefits paid	(.9)	(.9)
Benefit obligations at end of the year	19.1	17.2
Change in plan assets:		
Fair value of plan assets at beginning of the year	12.9	14.4
Actual return on plan assets	1.9	2.0
Employer contributions	.5	.3
Benefits paid	(.9)	(.9)
Fair value of plan assets at end of year	14.4	15.8
Funded status	$(4.7)	$(1.4)
Amounts recognized in the balance sheet:		
Accrued pension costs:		
Current	$(.1)	$(.1)
Noncurrent	(4.6)	(1.3)
Total	$(4.7)	$(1.4)
Accumulated other comprehensive loss - actuarial losses	$10.7	$8.1
ABO	$19.1	$17.2

The components of our net periodic defined benefit pension cost for our U.S. defined benefit pension plan is presented in the table below. The amounts shown below for recognized actuarial losses for 2011, 2012 and 2013 were recognized as components of our accumulated other comprehensive income (loss) at December 31, 2010, 2011 and 2012 respectively, net of deferred income taxes.

	Years ended December 31,		
	2011	2012	2013
	(In millions)		
Net periodic pension cost (income):			
Interest cost on PBO	$ .9	$ .8	$ .7
Expected return on plan assets	(1.4)	(1.3)	(1.4)
Recognized actuarial losses	.3	.5	.5
Total	$ (.2)	$ -	$ (.2)

The discount rate assumptions used in determining the actuarial present value of the benefit obligation for our U.S. defined benefit pension plan as of December 31, 2012 and 2013 are 3.6% and 4.5%, respectively. The impact of assumed increases in future compensation levels does not have an effect on the benefit obligation as the plan is frozen with regards to compensation.

The weighted-average rate assumptions used in determining the net periodic pension cost for our U.S. defined benefit pension plan for 2011, 2012 and 2013 are presented in the table below. The impact of assumed increases in future compensation levels does not have an effect on the periodic pension cost as the plan is frozen with regards to compensation.

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Rate	Years ended December 31, 2011	2012	2013
Discount rate	5.1 %	4.2 %	3.6 %
Long-term return on plan assets	10.0%	10.0%	10.0%

Variances from actuarially assumed rates will result in increases or decreases in accumulated pension obligations, pension expense and funding requirements in future periods.

The amounts shown in the above tables for actuarial losses, prior service cost and net transition obligations at December 31, 2012 and 2013 have not yet been recognized as components of our periodic defined benefit pension cost as of those dates. These amounts will be recognized as components of our periodic defined benefit cost in future years and are recognized, net of deferred income taxes, in our accumulated other comprehensive income (loss) at December 2012 and 2013. We expect approximately $10.4 million, $.5 million and $.1 million of the unrecognized actuarial losses, prior service costs and net transition obligations, respectively, will be recognized as components of our consolidated net periodic defined benefit pension cost in 2014.

The table below details the changes in our consolidated other comprehensive income (loss) during 2011, 2012 and 2013.

	Years ended December 31, 2011	2012	2013
	(In millions)		
Changes in plan assets and benefit obligations recognized in other comprehensive income (loss):			
Current year:			
Net actuarial gain (loss)	$(19.8)	$(66.9)	$14.7
Plan curtailment	-	-	7.1
Settlements	.5	-	-
Amortization of unrecognized:			
Net actuarial losses	6.9	8.3	13.0
Prior service cost	1.2	1.1	1.1
Net transition obligations	.5	.4	.4
Total	$(10.7)	$(57.1)	$36.3

At December 31, 2012 and 2013, substantially all of the assets attributable to our U.S. plan were invested in the Combined Master Retirement Trust (CMRT), a collective investment trust sponsored by Contran to permit the collective investment by certain master trusts that fund certain employee benefits plans sponsored by Contran and certain of its affiliates. The CMRT's long-term investment objective is to provide a rate of return exceeding a composite of broad market equity and fixed income indices (including the S&P 500 and certain Russell indices) while utilizing both third-party investment managers as well as investments directed by Mr. Simmons (prior to his death in December 2013). Prior to his death, Mr. Simmons was the sole trustee of the CMRT, and he, along with the CMRT's investment committee, of which Mr. Simmons was a member, actively managed the investments of the CMRT.

The CMRT trustee and investment committee did not maintain a specific target asset allocation in order to achieve their objectives, but instead they periodically change the asset mix of the CMRT based upon, among other things, advice they receive from third-party advisors and their expectations regarding potential returns for various investment alternatives and what asset mix would generate the greatest overall return. Prior to December 2012, the CMRT had an investment in TIMET common stock; however, in December 2012 the CMRT sold its shares of common stock in conjunction with the tender offer discussed in Note 6. During the history of the CMRT from its inception in 1988 through December 31, 2013, the average annual rate of return has been 14%. For the years ended December 31, 2011, 2012 and 2013, the assumed long-term rate of return for plan assets invested in the CMRT was 10%. In determining the appropriateness of the long-term rate of return assumption, we primarily relied on the historical rates of return achieved by the CMRT, although we considered other factors as well including, among

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other things, the investment objectives of the CMRT's managers and their expectation that such historical returns would in the future continue to be achieved over the long-term.

Following the death of Mr. Simmons in December 2013, the Contran board of directors in January 2014 appointed a financial institution as the new directed trustee of the CMRT, and the Contran board appointed five individuals (all executive officers of Contran) as the new investment committee of the CMRT. The new investment committee intends to reallocate to current and/or new investment managers or various mutual funds the portion of the CMRT assets that had previously been under the direct and active management by Mr. Simmons. Such reallocation will be done prudently over a period of time, given the asset composition of this portion of the portfolio. Concurrent with this change in investment strategy in which there is no longer a portion of the CMRT's assets under the direct and active management by Mr. Simmons, and considering the long-term asset mix for the assets of the CMRT and the expected long-term rates of return for such asset components as well as advice from Contran's actuaries, beginning in 2014 the assumed long-term rate of return for plan assets invested in the CMRT will be reduced to 7.5%.

The CMRT unit value is determined semi-monthly, and the plans have the ability to redeem all or any portion of their investment in the CMRT at any time based on the most recent semi-monthly valuation. However, the plans do not have the right to individual assets held by the CMRT and the CMRT has the sole discretion in determining how to meet any redemption request. For purposes of our plan asset disclosure, we consider the investment in the CMRT as a Level 2 input because (i) the CMRT value is established semi-monthly and the plans have the right to redeem their investment in the CMRT, in part or in whole, at anytime based on the most recent value and (ii) observable inputs from Level 1 or Level 2 were used to value approximately 83% of the assets of the CMRT at each of December 31, 2012 and 2013, as noted below. The aggregate fair value of all of the CMRT assets, including funds of Contran and its other affiliates that also invest in the CMRT, and supplemental asset mix details of the CMRT are as follows:

	December 31,			
	2012		2013	
	(In millions)			
CMRT asset value	$726.4		$722.8	
CMRT fair value input:				
Level 1	82	%	79	%
Level 2	1		4	
Level 3	17		17	
	100	%	100	%
CMRT asset mix:				
Domestic equities, principally publicly traded	43	%	53	%
International equities, publicly traded	2		-	
Fixed income securities, publicly traded	12		35	
Privately managed limited partnerships	8		11	
Other, primarily cash	35		1	
	100	%	100	%

The relatively large percentage of the CMRT invested in cash and other assets at December 31, 2012 is the result of the CMRT's December 2012 disposition of its shares of TIMET common stock, which generated aggregate proceeds to the CMRT of $254.7 million (or approximately 35% of the CMRT's total asset value at December 31, 2012), and which funds were invested in a cash equivalent at the end of 2012. Subsequently in January 2013, the CMRT redeployed such proceeds into other investments.

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In determining the expected long-term rate of return on non-U.S. plan asset assumptions, we consider the long-term asset mix (e.g. equity vs. fixed income) for the assets for each of our plans and the expected long-term rates of return for such asset components. In addition, we receive third-party advice about appropriate long-term rates of return. Such assumed asset mixes are summarized below:

In Germany, the composition of our plan assets is established to satisfy the requirements of the German insurance commissioner. Our German pension plan assets represent an investment in a large collective investment fund established and maintained by Bayer AG in which several pension plans, including our German pension plan and Bayer's pension plans, have invested. Our plan assets represent a very nominal portion of the total collective investment fund maintained by Bayer. These plan assets are a Level 3 input because there is not an active market that approximates the value of our investment in the Bayer investment fund. We determine the fair value of the Bayer plan assets based on periodic reports we receive from the managers of the Bayer plan. These periodic reports are subject to audit by the German pension regulator.

In Canada, we currently have a plan asset target allocation of 45% to equity securities, 48% to fixed income securities, 7% to other investments and cash. We expect the long-term rate of return for such investments to average approximately 125 basis points above the applicable equity or fixed income index. The Canadian assets are Level 1 input because they are traded in active markets.

In Norway, we currently have a plan asset target allocation of 12% to equity securities, 78% to fixed income securities, 9% to real estate and the remainder primarily to other investments and liquid investments such as money markets. The expected long-term rate of return for such investments is approximately 8%, 4%, 6% and 4%, respectively. The majority of Norwegian plan assets are Level 1 inputs because they are traded in active markets; however approximately 8% of our Norwegian plan assets are invested in real estate and other investments not actively traded and are therefore a Level 3 input.

We also have plan assets in Belgium and the United Kingdom. The Belgian plan assets are invested in certain individualized fixed income insurance contracts for the benefit of each plan participant as required by the local regulators and are therefore a Level 3 input. The United Kingdom plan assets consist of marketable securities which are Level 1 inputs because they trade in active markets.

We regularly review our actual asset allocation for each plan, and will periodically rebalance the investments in each plan to more accurately reflect the targeted allocation and/or maximize the overall long-term return when considered appropriate.

The composition of our December 31, 2012 and 2013 pension plan assets by fair value level is shown in the table below. The amounts shown for plan assets invested in the CMRT include a nominal amount of cash held by our U.S. pension plan which is not part of the plan's investment in the CMRT.

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	Fair Value Measurements at December 31, 2012			
	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Germany	$224.8	$ -	$ -	$ 224.8
Canada:				
Local currency equities	22.4	22.4	-	-
Non local currency equities	30.3	30.3	-	-
Local currency fixed income	38.0	38.0	-	-
Global mutual fund	5.6	5.6	-	-
Cash and other	2.1	2.1	-	-
Norway:				
Local currency equities	3.2	3.2	-	-
Non local currency equities	5.2	5.2	-	-
Local currency fixed income	40.9	40.9	-	-
Non local currency fixed income	4.8	4.8	-	-
Real estate	5.5	-	-	5.5
Cash and other	7.6	7.0	-	.6
U.S.				
CMRT	14.4	-	14.4	-
Other	10.3	3.1	-	7.2
Total	$415.1	$ 162.6	$ 14.4	$ 238.1

	Fair Value Measurements at December 31, 2013			
	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Germany	$247.5	$ -	$ -	$ 247.5
Canada:				
Local currency equities	24.0	24.0	-	-
Non local currency equities	33.0	33.0	-	-
Local currency fixed income	44.7	44.7	-	-
Global mutual fund	6.1	6.1	-	-
Cash and other	.5	.5	-	-
Norway:				
Local currency equities	2.0	2.0	-	-
Non local currency equities	5.2	5.2	-	-
Local currency fixed income	35.0	35.0	-	-
Non local currency fixed income	3.6	3.6	-	-
Real estate	4.8	-	-	4.8

Cash and other	13.2	12.4	-	.8
U.S.				
CMRT	15.8	-	15.8	-
Other	11.8	3.4	-	8.4
Total	$447.2	$ 169.9	$ 15.8	$ 261.5

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A rollforward of the change in fair value of Level 3 assets follows.

	2012	2013
	(In millions)	
Fair value at beginning of year	$200.6	$238.1
Gain on assets held at end of year	33.0	11.2
Gain on assets sold during the year	.1	-
Assets purchased	15.1	16.1
Assets sold	(14.3)	(14.6)
Transfers out	(1.0)	-
Currency exchange rate fluctuations	4.6	10.7
Fair value at end of year	$238.1	$261.5

Postretirement benefits other than pensions (OPEB) - We provide certain health care and life insurance benefits for eligible retired employees. Certain of our Canadian employees may become eligible for such postretirement health care and life insurance benefits if they reach retirement age while working for us. In the U.S., employees who retired after 1998 are not entitled to any such benefits. The majority of all retirees are required to contribute a portion of the cost of their benefits and certain current and future retirees are eligible for reduced health care benefits at age 65. We have no OPEB plan assets, rather, we fund medical claims as they are paid. Contribution to our OPEB plans to cover benefit payments are expected to be the equivalent of:

Years ending December 31,	Amount
	(In millions)
2014	.5
2015	.5
2016	.5
2017	.5
2018	.5
Next 5 years	2.7

The funded status of our OPEB plans is presented in the table below:

	December 31,	
	2012	2013
	(In millions)	
Change in accumulated OPEB obligations:		
Obligations at beginning of the year	$13.2	$14.6
Service cost	.3	.3
Interest cost	.6	.6
Actuarial losses (gains)	.5	(1.6)
Plan amendments	-	(4.4)
Curtailment	-	(.1)
Change in currency exchange rates	.4	(.9)
Benefits paid from employer contributions	(.4)	(.3)
Obligations at end of the year	14.6	8.2
Fair value of plan assets	-	-
Funded status	$(14.6)	$(8.2)
Amounts recognized in the balance sheet:		
Current accrued pension costs	$(.5)	$(.4)
Noncurrent accrued pension costs	(14.1)	(7.8)
Total	$(14.6)	$(8.2)
Accumulated other comprehensive income:		
Net actuarial losses	$5.1	$3.0
Prior service credit	(4.7)	(7.9)
Total	$.4	$(4.9)

The amounts shown in the table above for net actuarial losses and prior service credit at December 31, 2012 and 2013 have not yet been recognized as components of our periodic OPEB cost as of those dates. These amounts will be recognized as components of our periodic OPEB cost in future years and are recognized, net of deferred income taxes, in our accumulated other comprehensive income (loss). We expect to recognize approximately $.3 million of unrecognized actuarial losses and $1.0 million of prior service credit as components of our periodic OPEB cost in 2014.

At December 31, 2013, the accumulated OPEB obligations for all OPEB plans was comprised of $.9 million related to U.S. plans and $7.3 million related to our Canadian plan (2012 - $1.1 million and $13.5 million, respectively).

In the fourth quarter of 2013, we amended the benefit formula for most Canadian participants of our plans effective January 1, 2014, resulting in a curtailment gain as of December 31, 2013. Key assumptions including the service cost and benefit duration as of December 31, 2013 now reflect these plan revisions to the benefit formula.

The components of our periodic OPEB costs are presented in the table below. The amounts shown below for amortization of prior service credit and recognized actuarial losses for 2011, 2012 and 2013 were recognized as components of our accumulated other comprehensive income (loss) at December 31, 2010, 2011 and 2012, respectively, net of deferred income taxes.

	Years ended December 31, 2011	2012	2013
	(In millions)		
Net periodic OPEB cost:			
Service cost	$ .2	$ .3	$ .3
Interest cost	.6	.6	.6
Amortization of prior service credit	(.8)	(.6)	(.6)
Recognized actuarial losses	.3	.3	.3
Curtailment gain	-	-	(.6)
Total	$ .3	$ .6	$ -

The table below details the changes in benefit obligations recognized in accumulated other comprehensive income (loss) during 2011, 2012 and 2013.

	Years ended December 31, 2011	2012	2013
	(In millions)		
Changes in benefit obligations recognized in other comprehensive income (loss):			
Current year:			
Net actuarial loss	$ (2.0)	$ (.5)	$ 1.6
Plan amendments/curtailment	-	-	4.5
Amortization of unrecognized:			
Net actuarial loss	.3	.3	.3
Prior service credit	(.8)	(.6)	(1.1)
Total	$ (2.5)	$ (.8)	$ 5.3

A summary of our key actuarial assumptions used to determine the net benefit obligation as of December 31, 2012 and 2013 are presented in the table below. The weighted average discount rate was determined using the projected benefit obligation as of such dates. The impact of assumed increases in future compensation levels does not have a material effect on the actuarial present value of the benefit obligation as substantially all of such benefits relate solely to eligible retirees, for which compensation is not applicable.

	2012	2013
Healthcare inflation:		
Initial rate	7.0%	7.0%
Ultimate rate	5.0%	5.0%
Year of ultimate rate achievement	2018	2020
Weighted average discount rate	3.9%	4.6%

Assumed health care cost trend rates affect the amounts we report for health care plans. A one percent change in assumed health care trend rates would not have a material effect on the net periodic OPEB cost for 2013 or on the accumulated OPEB obligation at December 31, 2013.

The weighted average discount rate used in determining the net periodic OPEB cost for 2013 was 3.9% (2012 - 4.1%; 2011 - 5.1%). Such weighted average rate was determined using the projected benefit obligation as of the beginning of each year. The impact of assumed increases in future compensation levels does not have a material effect on the net periodic OPEB cost as substantially all of such benefits relate solely to eligible retirees, for which

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compensation is not applicable. The impact of the assumed rate of return on plan assets also does not have a material effect on the net periodic OPEB cost as there were no plan assets as of December 31, 2012 or 2013.

Variances from actuarially-assumed rates will result in additional increases or decreases in accumulated OPEB obligations, net periodic OPEB cost and funding requirements in future periods.

Note 12 - Other noncurrent liabilities:

	December 31,	
	2012	2013
	(In millions)	
Reserve for uncertain tax positions	$13.4	$16.5
Employee benefits	11.3	12.2
Insurance claims and expenses	.3	.3
Other	5.3	5.5
Total	$30.3	$34.5

Note 13 - Stockholders' equity:

NL common stock options held by our employees - Certain of our employees were granted nonqualified options to purchase NL common stock under the terms of certain option plans sponsored by NL. Generally, the stock options were granted at a price equal to or greater than 100% of the market price of NL's common stock at the date of grant, vested over a five-year period and expired ten years from the date of grant. No options were granted during the past three years, and 25,950 options were exercised during 2011, after which no such options remained outstanding.

Long-term incentive compensation plan - Prior to 2012, we had a long-term incentive compensation plan that provided for the discretionary grant of, among other things, qualified incentive stock options, nonqualified stock options, restricted common stock, stock awards and stock appreciation rights. Up to 150,000 shares of our common stock could be issued pursuant to this plan. During 2011 and 2012 we awarded an aggregate of 3,500 and 4,500 shares, respectively, of our common stock pursuant to this plan to members of our board of directors. In February 2012, our board of directors voted to replace the existing long-term incentive plan with a new plan that would provide for the award of stock to our board of directors, and up to a maximum of 200,000 shares could be awarded. The new plan was approved at our May 2012 shareholder meeting and shortly thereafter the prior long-term incentive compensation plan terminated. 7,000 shares were awarded under this new plan in 2013. 193,000 shares are available for future award under this new plan.

Stock split - In May 2011, we amended our certificate of incorporation to increase the authorized number of shares of our common stock from 60 million to 240 million. Also in May 2011, we implemented a 2-for-1 split of our common stock effected in the form of a stock dividend. Other than the disclosure of the authorized number of shares of our common stock discussed in this paragraph, we have adjusted all share and per-share disclosures for all periods presented in our consolidated financial statements prior to the 2011 stock split to give effect to the stock split.

Special dividend - Cash dividends in 2011 include a $.50 per share special dividend paid to stockholders in the first quarter of 2011.

Stock repurchase program - In December 2010, our board of directors authorized the repurchase of up to 2.0 million shares of our common stock in open market transactions, including block purchases, or in privately-negotiated transactions at unspecified prices and over an unspecified period of time. We may repurchase our common stock from time to time as market conditions permit. The stock repurchase program does not include specific price targets or timetables and may be suspended at any time. Depending on market conditions, we may terminate the program prior to its completion. We would use cash on hand or other sources of liquidity to acquire the shares. Repurchased shares will be added to our treasury and cancelled.

During 2013 we repurchased 49,000 shares in market transactions for an aggregate of $.7 million in cash. We cancelled these treasury shares and allocated their cost to common stock at par value and additional paid-in capital. At December 31, 2013 an additional 1,951,000 shares are available for repurchase under this authorization.

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Accumulated other comprehensive loss - Changes in accumulated other comprehensive income for 2011, 2012 and 2013 are presented in the table below.

	Years ended December 31,		
	2011	2012	2013
	(In millions)		
Accumulated other comprehensive loss, net of tax:			
Marketable securities:			
Balance at beginning of year	$-	$5.1	$4.2
Other comprehensive income (loss):			
Unrealized gains (losses) arising during the year	5.1	(5.5)	5.3
Less reclassification adjustment for amounts included in realized loss	-	4.6	1.3
Balance at end of year	$5.1	$4.2	$10.8
Currency translation:			
Balance at beginning of year	$(65.1)	$(91.8)	$(63.5)
Other comprehensive income (loss)	(26.7)	28.3	6.7
Balance at end of year	$(91.8)	$(63.5)	$(56.8)
Defined benefit pension plans:			
Balance at beginning of year	$(89.0)	$(99.2)	$(137.3)
Other comprehensive income (loss):			
Amortization of prior service cost and net losses included in net periodic pension cost	6.5	7.0	10.0
Net actuarial gain (loss) arising during year	(16.7)	(45.1)	12.6
Plan curtailment	-	-	5.3
Balance at end of year	$(99.2)	$(137.3)	$(109.4)
OPEB plans:			
Balance at beginning of year	$1.8	$.1	$(.5)
Other comprehensive income (loss):			
Amortization of prior service credit and net losses included in net periodic OPEB cost	(.3)	(.2)	(.6)
Net actuarial gain (loss) arising during year	(1.4)	(.4)	1.2
Plan amendments	-	-	3.3
Balance at end of year	$.1	$(.5)	$3.4
Total accumulated other comprehensive loss:			
Balance at beginning of year	$(152.3)	$(185.8)	$(197.1)
Other comprehensive income (loss)	(33.5)	(11.3)	45.1
Balance at end of year	$(185.8)	$(197.1)	$(152.0)

The marketable securities reclassification adjustment in 2012, all of which was reclassified into net income, consists principally of the securities transaction loss related to the sale of TIMET common stock discussed in Note 6. See Note 11 for amounts related to our defined benefit pension plans and OPEB plans.

Note 14 - Related party transactions:

We may be deemed to be controlled by Ms. Lisa Simmons, Ms. Connelly and Ms. Annette Simmons. See Note 1. Corporations that may be deemed to be controlled by or affiliated with such individuals sometimes engage in (a) intercorporate transactions such as guarantees, management and expense sharing arrangements, shared fee arrangements, joint ventures, partnerships, loans, options, advances of funds on open account, and sales, leases and exchanges of assets, including securities issued by both related and unrelated parties and (b) common investment and acquisition strategies, business combinations, reorganizations, recapitalizations, securities repurchases, and purchases and sales (and other acquisitions and dispositions) of subsidiaries, divisions or other business units, which transactions have involved both related and unrelated parties and have included transactions which resulted in the acquisition by one related party of a publicly-held noncontrolling interest in another related party. While no transactions of the type described above are planned or proposed with respect to us other than as set forth in these financial statements, we continuously consider, review and evaluate, and understand that Contran and related entities consider, review and evaluate such transactions. Depending upon the business, tax and other objectives then relevant, it is possible that we might be a party to one or more such transactions in the future.

Current receivables from and payables to affiliates are summarized in the table below.

	December 31,	
	2012	2013
	(In millions)	
Current receivable from affiliate - LPC	$-	$14.2
Current payables to affiliates:		
LPC	$23.5	$21.1
Income taxes payable to Valhi	18.1	.5
Other	-	.1
Total	$41.6	$21.7
Note payable to Contran - noncurrent	$-	$170.0

From time to time, we will have loans and advances outstanding between us and various related parties pursuant to term and demand notes. We generally enter into these loans and advances for cash management purposes. When we loan funds to related parties, we are generally able to earn a higher rate of return on the loan than we would earn if we invested the funds in other instruments, and when we borrow from related parties, we are generally able to pay a lower rate of interest than we would pay if we had incurred third-party indebtedness. While certain of these loans to affiliates may be of a lesser credit quality than cash equivalent instruments otherwise available to us, we believe we have considered the credit risks in the terms of the applicable loans. In this regard:

In November 2010, we entered into an unsecured revolving demand promissory note with Valhi whereby, as amended, we have agreed to loan Valhi up to $100 million (up to $225 million at December 31, 2011 and prior to December 2012). Our loan to Valhi bears interest at prime plus 1.00%, payable quarterly, with all principal due on demand, but in any event no earlier than December 31, 2015. The amount of our outstanding loans to Valhi at any time is at our discretion. As of December 31, 2013 and 2012, we had no outstanding loans to Valhi under this promissory note; and

In February 2013, we entered into a promissory note with Contran in which we borrowed $190 million on this note and subsequently repaid $20 million during 2013. We prepaid and cancelled this note payable to Contran in February 2014 using a portion of the net proceeds of our new term loan. See Note 9.

Interest income (including unused commitment fees) on our loan to Valhi was $3.7 million in 2011, $7.1 million in 2012 and $.5 million in 2013. Interest expense on our loan from Contran was $11.7 million in 2013.

Amounts payable to LPC are generally for the purchase of TiO_2, while amounts receivable from LPC are generally from the sale of TiO_2 feedstock. See Note 5. Purchases of TiO_2 from LPC were $144.8 million in 2011, $250.2 million in 2012 and $224.5 million in 2013. Sales of feedstock to LPC were $93.0 million in 2011, $143.7 million in 2012 and $141.1 million in 2013.

Under the terms of various intercorporate services agreements (ISAs) entered into between us and various related parties, including Contran, employees of one company will provide certain management, tax planning, financial and administrative services to the other company on a fee basis. Such charges are based upon estimates of the time devoted by the employees of the provider of the services to the affairs of the recipient, and the compensation and associated expenses of such persons. Because of the large number of companies affiliated with Contran, we believe we benefit from cost savings and economies of scale gained by not having certain management, financial and administrative staffs duplicated at each entity, thus allowing certain individuals to provide services to multiple companies but only be compensated by one entity. The net ISA fee charged to us, approved by the

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independent members of our board of directors, is included in selling, general and administrative expense and corporate expense and was $9.6 million in 2011, $11.2 million in 2012 and $12.9 million in 2013. This agreement is renewed annually and we expect to pay approximately $12.3 million under the ISA during 2014.

Tall Pines Insurance Company and EWI RE, Inc. provide for or broker certain insurance policies for Contran and certain of its subsidiaries and affiliates, including ourselves. Tall Pines and EWI are subsidiaries of Valhi. Consistent with insurance industry practices, Tall Pines and EWI receive commissions from insurance and reinsurance underwriters and/or assess fees for the policies that they provide or broker. The aggregate premiums paid to Tall Pines and EWI by us and our joint venture were $9.5 million in 2011, $12.0 million in 2012 and $11.3 million in 2013. These amounts principally included payments for insurance and reinsurance premiums paid to third parties, but also included commissions paid to Tall Pines and EWI. Tall Pines purchases reinsurance from third-party insurance carriers with an A.M. Best Company rating of generally at least A- (excellent) for substantially all of the risks it underwrites. We expect these relationships with Tall Pines and EWI will continue in 2014.

Contran and certain of its subsidiaries and affiliates, including us, purchase certain of their insurance policies as a group, with the costs of the jointly-owned policies being apportioned among the participating companies. With respect to certain of such policies, it is possible that unusually large losses incurred by one or more insureds during a given policy period could leave the other participating companies without adequate coverage under that policy for the balance of the policy period. As a result, Contran and certain of its subsidiaries and affiliates, including us, have entered into a loss sharing agreement under which any uninsured loss is shared by those entities who have submitted claims under the relevant policy. We believe the benefits, in the form of reduced premiums and broader coverage associated with the group coverage for such policies, justifies the risk associated with the potential for any uninsured loss.

Note 15 - Commitments and contingencies:

Environmental matters - Our operations are governed by various environmental laws and regulations. Certain of our operations are and have been engaged in the handling, manufacture or use of substances or compounds that may be considered toxic or hazardous within the meaning of applicable environmental laws and regulations. As with other companies engaged in similar businesses, certain of our past and current operations and products have the potential to cause environmental or other damage. We have implemented and continue to implement various policies and programs in an effort to minimize these risks. Our policy is to maintain compliance with applicable environmental laws and regulations at all of our facilities and to strive to improve our environmental performance. From time to time, we may be subject to environmental regulatory enforcement under U.S. and non-U.S. statutes, resolution of which typically involves the establishment of compliance programs. It is possible that future developments, such as stricter requirements of environmental laws and enforcement policies thereunder, could adversely affect our production, handling, use, storage, transportation, sale or disposal of such substances. We believe all of our plants are in substantial compliance with applicable environmental laws.

Litigation matters - We are involved in various environmental, contractual, product liability, patent (or intellectual property), employment and other claims and disputes incidental to our business. We currently believe the disposition of all claims and disputes, individually or in the aggregate, should not have a material adverse effect on our consolidated financial condition, results of operations or liquidity.

In March 2010, we were served with two complaints which were subsequently consolidated as Haley Paint et al. v. E.I. Du Pont de Nemours and Company, et al. (United States District Court, for the District of Maryland, Case No. 1:10-cv-00318-RDB). A third plaintiff intervened into the case in July 2011. The defendants included us, E.I. Du Pont de Nemours & Company, Huntsman International LLC, Millennium Inorganic Chemicals, Inc. and the National Titanium Dioxide Company Limited (d/b/a Cristal). Plaintiffs sought to represent a class consisting of all persons and entities that purchased titanium dioxide in the United States directly from one or more of the defendants on or after March 1, 2002. The complaint alleged that the defendants conspired and combined to fix, raise, maintain, and stabilize the price at which titanium dioxide was sold in the United States and engaged in other anticompetitive conduct. In May 2010, defendants filed a motion to dismiss, which plaintiffs opposed. In March 2011, the court denied the motion to dismiss. In February 2012, the plaintiffs submitted their motion for class certification, which defendants opposed. In August 2012, the court granted the plaintiffs' motion for class certification and trial was set for September 2013. On September 10, 2013, and following the agreement by the three other defendants in the third quarter of 2013 to enter into settlement agreements with the class plaintiffs, we also entered into a settlement agreement with the class plaintiffs, without admitting any fault or wrongdoing, and agreed to pay an aggregate of $35 million (payable in two installments at specified times, expected to occur by mid-2014). Following the service of the Class Action Fairness Notice and the Order of Final Approval from the court, we, and the other defendants, will be dismissed with prejudice from this matter. Other operating expense in 2013 includes a $35 million charge related to this settlement. See also Note 8.

In March 2013, we were served with the complaint, Los Gatos Mercantile, Inc. d/b/a Los Gatos Ace Hardware, et al v. E.I. Du Pont de Nemours and Company, et al. (United States District Court, for the Northern District of California, Case No. 3:13-cv-01180-SI). The defendants include us, E.I. Du Pont de Nemours & Company, Huntsman International LLC and Millennium Inorganic Chemicals, Inc. Plaintiffs seek to represent a class consisting of indirect purchasers of titanium dioxide in the states of Arizona, Arkansas, California, the District of Columbia, Florida, Hawaii, Illinois, Iowa, Kansas, Maine, Massachusetts, Michigan, Minnesota, Mississippi, Missouri, Montana, Nebraska, Nevada, New Hampshire, New Mexico, New York, North Carolina, North Dakota, Oregon, South Carolina, South Dakota, Tennessee, Utah, Vermont, West Virginia and Wisconsin that indirectly purchased titanium dioxide from one or more of the defendants on or after March 1, 2002. The complaint alleges that the defendants conspired and combined to fix, raise, maintain, and stabilize the price at which titanium dioxide was sold in the United States and engaged in other anticompetitive conduct. The case is now proceeding in the trial court. We believe the action is without merit, will deny all allegations of wrongdoing and liability and intend to defend against the action vigorously.

In November 2013, we were served with the complaint, The Valspar Corporation, et al v. E.I. Du Pont de Nemours and Company, et al. (United States District Court, for the District of Minnesota, Case No. 1:13-cv-03214-RHK-L1B). The defendants include us, E.I. Du Pont de Nemours & Company, Huntsman International LLC, Millennium Inorganic Chemicals, Inc. and the National Titanium Dioxide Company Limited (d/b/a Cristal). Plaintiff opted out of the settlement in the original lawsuit, Haley Paint et al. v. E.I. Du Pont de Nemours and Company, et al. (United States District Court, for the District of Maryland, Case No. 1:10-cv-00318-RDB) and filed its own lawsuit against the Defendants. The complaint alleged that the defendants conspired and combined to fix, raise, maintain, and stabilize the price at which titanium dioxide was sold in the United States and engaged in other anticompetitive conduct. The case is now proceeding in the trial court. We believe the action is without merit, will deny all allegations of wrongdoing and liability and intend to defend against the action vigorously.

Concentrations of credit risk - Sales of TiO_2 accounted for approximately 92% of our sales in 2011, 90% in 2012 and 90% in 2013. The remaining sales result from the mining and sale of ilmenite ore (a raw material used in the sulfate pigment production process), and the manufacture and sale of iron-based water treatment chemicals and certain titanium chemical products (derived from co-products of the TiO_2 production processes). TiO_2 is generally sold to the paint, plastics and paper industries. Such markets are generally considered “quality-of-life” markets whose demand for TiO_2 is influenced by the relative economic well-being of the various geographic regions. We sell TiO_2 to over 4,000 customers, with the top ten customers approximating 30% of net sales in 2011 and 34% in both 2012 and 2013. We did not have sales to a single customer comprising 10% or more of our net sales in 2011. In each of 2012 and 2013, one customer, Behr Process Corporation, accounted for approximately 10% of our net sales. The table below shows the approximate percentage of our TiO_2 sales by volume for our significant markets, Europe and North America, for the last three years.

	2011	2012	2013
Europe	53%	47%	49%
North America	32%	35%	33%

Long-term contracts - We have long-term supply contracts that provide for certain of our TiO_2 feedstock requirements through 2016. The agreements require us to purchase certain minimum quantities of feedstock with minimum purchase commitments aggregating approximately $820 million over the life of the contracts in years subsequent to December 31, 2013. In addition, we have other long-term supply and service contracts that provide for various raw materials and services. These agreements require us to purchase certain minimum quantities or services with minimum purchase commitments aggregating approximately $123 million at December 31, 2013.

Operating leases - Our principal German operating subsidiary leases the land under its Leverkusen TiO_2 production facility pursuant to a lease with Bayer AG that expires in 2050. The Leverkusen facility itself, which we own and which represents approximately one-third of our current TiO_2 production capacity, is located within Bayer's extensive manufacturing complex. We periodically establish the amount of rent for the land lease associated with the Leverkusen facility by agreement with Bayer for periods of at least two years at a time. The lease agreement provides for no formula, index or other mechanism to determine changes in the rent for such land lease; rather, any change in the rent is subject solely to periodic negotiation between Bayer and us. We recognize any change in the rent based on such negotiations as part of lease expense starting from the time such change is agreed upon by both parties, as any such change in the rent is deemed "contingent rentals" under GAAP. Under the terms of a master supply and services agreement, a majority-owned subsidiary of Bayer provides raw materials, including chlorine, auxiliary and operating materials, utilities and services necessary to operate the Leverkusen facility. This agreement, as amended, expires in 2017 and will automatically renew for successive three year terms until terminated by either party upon one year's prior notice.

We also lease various other manufacturing facilities and equipment. Some of the leases contain purchase and/or various term renewal options at fair market and fair rental values, respectively. In most cases we expect that, in the normal course of business, such leases will be renewed or replaced by other leases. Net rent expense approximated $13 million in 2011, $16 million in 2012 and $15 million in 2013. At December 31, 2013, future minimum payments under non-cancellable operating leases having an initial or remaining term of more than one year were as follows:

Years ending December 31,	Amount (In millions)
2014	$ 12.2
2015	10.3
2016	5.0
2017	3.6
2018	3.2
2019 and thereafter	23.4
Total	$ 57.7

Approximately $18 million of the $57.7 million aggregate future minimum rental commitments at December 31, 2013 relates to our Leverkusen facility lease discussed above. The minimum commitment amounts for such lease included in the table above for each year through the 2050 expiration of the lease are based upon the current annual rental rate as of December 31, 2013. As discussed above, any change in the rent is based solely on negotiations between Bayer and us, and any such change in the rent is deemed "contingent rentals" under GAAP which is excluded from the future minimum lease payments disclosed above.

Income taxes - We and Valhi have agreed to a policy providing for the allocation of tax liabilities and tax payments as described in Note 1. Under applicable law, we, along with every other member of the Contran Tax Group, are each jointly and severally liable for the aggregate federal income tax liability of Contran and the other companies included in the Contran Tax Group for all periods in which we are included in the Contran Tax Group. Valhi has agreed, however, to indemnify us for any liability for income taxes of the Contran Tax Group in excess of our tax liability computed in accordance with the tax allocation policy.

Note 16 - Financial instruments:

The following table summarizes the valuation of our financial instruments recorded on a fair value basis as of December 31, 2012 and 2013:

	Fair value measurements			
	Total	Quoted prices in active markets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
	(In millions)			
Asset (liability)				
December 31, 2012				
Currency forward contracts	$1.8	$ 1.8	$ -	$ -
Noncurrent marketable securities (See Note 6)	21.6	21.6	-	-
December 31, 2013				
Currency forward contracts	$(1.0)	$ (1.0)	$ -	$ -
Noncurrent marketable securities (See Note 6)	30.4	30.4	-	-

Certain of our sales generated by our non-U.S. operations are denominated in U.S. dollars. We periodically use currency forward contracts to manage a very nominal portion of currency exchange rate risk associated with trade receivables denominated in a currency other than the holder's functional currency or similar exchange rate risk associated with future sales. We have not entered into these contracts for trading or speculative purposes in the past, nor do we currently anticipate entering into such contracts for trading or speculative purposes in the future. Derivatives used to hedge forecasted transactions and specific cash flows associated with financial assets and liabilities denominated in currencies other than the U.S. dollar and which meet the criteria for hedge accounting are designated as cash flow hedges. Consequently, the effective portion of gains and losses is deferred as a component of accumulated other comprehensive income and is recognized in earnings at the time the hedged item affects earnings. Contracts that do not meet the criteria for hedge accounting are marked-to-market at each balance sheet date with any resulting gain or loss recognized in income currently as part of net currency transactions. The fair value of the currency forward contracts is determined using Level 1 inputs based on the currency spot forward rates quoted by banks or currency dealers.

At December 31, 2013, we had currency forward contracts to exchange:

- an aggregate of $36.0 million for an equivalent value of Canadian dollars at an exchange rate ranging from Cdn. $1.02 to Cdn. $1.06 per U.S. dollar. These contracts with Wells Fargo Bank, N.A. mature from January 2014 through December 2014 at a rate of $3.0 million per month, subject to early redemption provisions at our option;
- an aggregate $20.0 million for an equivalent value of Norwegian kroner at exchange rates ranging from kroner 6.12 to kroner 6.25 per U.S. dollar. These contracts with DnB Nor Bank ASA mature at a rate of $5.0 million per month in certain months from January 2014 through October 2014; and
- an aggregate €20.0 million for an equivalent value of Norwegian kroner at exchange rates ranging from kroner 8.04 to kroner 8.41 per euro. These contracts with DnB Nor Bank ASA mature at a rate of €5.0 million per month in certain months from January 2014 through October 2014.

The estimated fair value of such currency forward contracts at December 31, 2013 was a $1.0 million net liability, of which $.2 million is recognized as part of accounts and other receivables and $1.2 million is recognized as part of accounts payable and accrued liabilities in our Consolidated Balance Sheet, with a corresponding $1.0 million currency transaction loss in our Consolidated Statement of Operations (2012 - $1.8 million net asset, recognized as part of accounts and other receivables, with a corresponding $1.8 million currency transaction gain in

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our Consolidated Statement of Operations). We did not use hedge accounting for any of our contracts to the extent we held such contracts during 2011, 2012 and 2013.

The following table presents the financial instruments that are not carried at fair value but which require fair value disclosure as of December 31, 2012 and 2013.

	December 31, 2012		December 31, 2013	
	Carrying amount	Fair value	Carrying amount	Fair value
	(In millions)			
Cash, cash equivalents and restricted cash	$292.9	$292.9	$63.8	$63.8
Notes payable and long-term debt:				
Variable rate:				
European credit facility	13.2	13.2	-	-
Term loan	384.5	396.8	-	-
Note payable to Contran	-	-	170.0	170.0
North American credit facility	-	-	11.1	11.1
Common stockholders' equity	1,062.1	2,260.2	935.1	2,207.2

At December 31, 2012, the estimated market price of our term loan was $1,017.5 per $1,000 principal amount. The fair value of our term loan was based on quoted market prices; however, these quoted market prices represented Level 2 inputs because the markets in which the Notes and term loan trade were not active. The fair values of our note payable to Contran and our European credit facility represent Level 2 inputs, and are deemed to approximate book value. The fair value of our common stockholders' equity is based upon quoted market prices at each balance sheet date, which represent Level 1 inputs. Due to their near-term maturities, the carrying amounts of accounts receivable and accounts payable are considered equivalent to fair value. See Notes 1 and 6.

Note 17 - Quarterly results of operations (unaudited):

	Quarter ended			
	March 31	June 30	September 30	December 31
	(In millions, except per share data)			
Year ended December 31, 2012				
Net sales	$561.3	$545.3	$ 472.9	$ 396.8
Gross margin	261.5	163.3	86.0	49.6
Net income (loss)	136.9	64.5	35.2	(18.1)
Basic and diluted income (loss) per share	$1.18	$.56	$ .30	$ (.16)
Year ended December 31, 2013				
Net sales	$463.6	$481.1	$ 419.1	$ 368.6
Gross margin	3.9	9.6	47.2	51.5
Net income (loss)	(41.1)	(33.9)	(29.9)	2.9
Basic and diluted income (loss) per share	$(.35)	$(.29)	$ (.26)	$ .03

We recognized the following amounts during 2012:

· a $7.2 million pre-tax interest charge related to the June redemption of our outstanding Senior Secured Notes in the second quarter (see Note 9),

- a $3.9 million pre-tax loss on the sale of TIMET stock in the fourth quarter (see Note 6),
- an incremental tax benefit of $11.1 million in the third quarter as we determined that due to global changes in the business we would not remit certain dividends from non-U.S. jurisdictions. As a result, certain current year tax attributes were available for carryback to offset prior year tax expense. See Note 10.

- an incremental tax of $8.0 million in the fourth quarter. As a result of a change in circumstances related to our sale and the sale by certain of our affiliates of their shares of TIMET common stock, which sale provided an opportunity for us and other members of our consolidated U.S. federal income tax group to elect to claim foreign tax credits, we determined that we could tax-efficiently remit non-cash dividends from our non-U.S. jurisdictions before the end of the year that absent the TIMET sale would not have been considered. Such incremental income tax recognized in the fourth quarter is the incremental income tax on the non-cash dividends remitted in the fourth quarter. Our provision for income taxes in the fourth quarter of 2012 also includes a $2.8 million expense related to a net increase in our reserve for uncertain tax positions. See Note 10. In addition, an aggregate $3.5 million of such fourth quarter 2012 provision for income taxes is a correction of amounts that should have been recognized in the third quarter of 2011 and is not material to any current or prior periods.

We recognized the following amounts during 2013:

- a $6.6 million pre-tax charge related to the February voluntary prepayment of an aggregate $290 million principal amount of our term loan in the first quarter (see Note 9),
- a $35 million pre-tax litigation settlement charge included in corporate expense in the third quarter (see Note 15),
- a $2.3 million pre-tax charge related to the July voluntary prepayment of the remaining $100 million principal amount of our term loan in the third quarter (see Note 9),
- pre-tax charges aggregating approximately $28 million consisting of unabsorbed fixed production and other costs as a result of the Canadian plant lockout in the third and fourth quarters of approximately $19 million, $7 million as a result of the pension curtailment charge discussed in Note 11, and $2 million for severance and other back-to-work expenses associated with reaching terms of the new Canadian collective bargaining agreement. Approximately $7 million of the costs (primarily related to unabsorbed fixed production costs) related to the third quarter of 2013 with the remaining costs recognized in the fourth quarter of 2013, and
- a tax benefit in the fourth quarter of $3.9 million related to the utilization of certain current year U.S. losses.

The sum of the quarterly per share amounts may not equal the annual per share amounts due to relative changes in the weighted average number of shares used in the per share computations.