

Commercial Vehicle Group, Inc.

Form 10-Q

November 09, 2010

**Table of Contents**

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

**Form 10-Q**

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

**For the quarterly period ended September 30, 2010**

**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 001-34365**

**COMMERCIAL VEHICLE GROUP, INC.**

(Exact name of Registrant as specified in its charter)

**Delaware**

(State or other jurisdiction of  
incorporation or organization)

**41-1990662**

(I.R.S. Employer  
Identification No.)

**7800 Walton Parkway  
New Albany, Ohio**

(Address of principal executive offices)

**43054**

(Zip Code)

**(614) 289-5360**

(Registrant's telephone number, including area code)

**Not Applicable**

(Former name, former address and former fiscal year, if changed since last report)

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, 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer

Accelerated filer

Non-accelerated filer

Smaller reporting  
company

(Do not check if a 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 number of shares outstanding of the Registrant's common stock, par value \$.01 per share, at September 30, 2010 was 28,545,253 shares.



**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES  
QUARTERLY REPORT ON FORM 10-Q**

**PART I FINANCIAL INFORMATION**

**ITEM 1 FINANCIAL STATEMENTS** 1

**CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS FOR THE THREE AND NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)** 1

**CONDENSED CONSOLIDATED BALANCE SHEETS AS OF SEPTEMBER 30, 2010 AND DECEMBER 31, 2009 (UNAUDITED)** 2

**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010 AND 2009 (UNAUDITED)** 3

**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)** 4

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS** 23

**ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK** 31

**ITEM 4 CONTROLS AND PROCEDURES** 31

**PART II OTHER INFORMATION** 33

**SIGNATURES** 35

Certification of CEO

Certification of CFO

CEO Certification Pursuant to Section 906

CFO Certification Pursuant to Section 906

EX-31.1

EX-31.2

EX-32.1

EX-32.2

**Table of Contents****ITEM 1 FINANCIAL STATEMENTS****COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS**

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010 (Unaudited) (In thousands, except per share amounts)	2009 (Unaudited)	2010 (Unaudited) (In thousands, except per share amounts)	2009 (Unaudited)
REVENUES	\$ 150,950	\$ 110,811	\$ 439,706	\$ 322,844
COST OF REVENUES	131,086	107,199	385,194	323,570
Gross Profit (Loss)	19,864	3,612	54,512	(726)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	14,533	11,298	41,412	35,007
AMORTIZATION EXPENSE	60	98	180	292
INTANGIBLE ASSET IMPAIRMENT				7,000
LONG-LIVED ASSET IMPAIRMENT				3,445
RESTRUCTURING COSTS	162		1,572	1,947
Operating Income (Loss)	5,109	(7,784)	11,348	(48,417)
OTHER (INCOME) EXPENSE	(1,061)	1,211	(3,801)	(7,186)
INTEREST EXPENSE	4,418	3,989	12,839	11,299
LOSS ON EARLY EXTINGUISHMENT OF DEBT		459		1,254
EXPENSE RELATING TO DEBT EXCHANGE		2,902		2,902
Income (Loss) Before Provision (Benefit) for Income Taxes	1,752	(16,345)	2,310	(56,686)
PROVISION (BENEFIT) FOR INCOME TAXES	610	(463)	(201)	1,113

Edgar Filing: Commercial Vehicle Group, Inc. - Form 10-Q

NET INCOME (LOSS)	\$ 1,142	\$ (15,882)	\$ 2,511	\$ (57,799)
INCOME (LOSS) PER COMMON SHARE:				
Basic	\$ 0.04	\$ (0.73)	\$ 0.10	\$ (2.66)
Diluted	\$ 0.04	\$ (0.73)	\$ 0.09	\$ (2.66)
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	27,340	21,747	25,770	21,747
Diluted	28,087	21,747	26,584	21,747

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

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED BALANCE SHEETS**

	<b>September 30, 2010 (Unaudited)</b>	<b>December 31, 2009 (Unaudited)</b>
	<b>(In thousands, except share and per share amounts)</b>	
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 43,783	\$ 9,524
Accounts receivable, net of reserve for doubtful accounts of \$2,768 and \$1,812, respectively	90,435	74,063
Inventories, net	70,397	58,051
Prepaid expenses and other, net	9,960	26,781
 Total current assets	 214,575	 168,419
 PROPERTY, PLANT AND EQUIPMENT, net	 57,201	 62,315
INTANGIBLE ASSETS, net of accumulated amortization of \$2,186 and \$2,006, respectively	3,907	4,087
OTHER ASSETS, net	13,634	15,688
 TOTAL ASSETS	 \$ 289,317	 \$ 250,509
 <b>LIABILITIES AND STOCKHOLDERS DEFICIT</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 66,999	\$ 59,657
Accrued liabilities, other	33,555	32,977
 Total current liabilities	 100,554	 92,634
 LONG-TERM DEBT	 165,277	 162,644
PENSION AND OTHER POST-RETIREMENT BENEFITS	25,521	26,915
OTHER LONG-TERM LIABILITIES	3,634	6,081
 Total liabilities	 294,986	 288,274
 <b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS DEFICIT:</b>		
Preferred stock \$.01 par value; 5,000,000 shares authorized; 27,339,930 and 22,070,531 shares issued and outstanding, respectively	274	221
Treasury stock purchased from employees; 130,674 shares, respectively	(1,090)	(1,090)
Additional paid-in capital	214,668	186,291
Retained loss	(197,335)	(199,846)
Accumulated other comprehensive loss	(22,186)	(23,341)

Total stockholders' deficit	(5,669)	(37,765)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' DEFICIT</b>	<b>\$ 289,317</b>	<b>\$ 250,509</b>

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

2

---



**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended</b> <b>September 30,</b>	
	<b>2010</b> <b>(Unaudited)</b>	<b>2009</b> <b>(Unaudited)</b>
	<b>(In thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 2,511	\$ (57,799)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	8,842	12,932
Noncash amortization of debt financing costs	1,136	1,069
Loss on early extinguishment of debt		1,254
Amortization of bond discount/premium, net	(936)	
Paid-in-kind interest	3,569	
Shared-based compensation expense	1,998	2,139
(Gain) loss on sale of assets	(87)	977
Noncash gain on forward exchange contracts	(3,377)	(7,122)
Intangible asset impairment		7,000
Long-lived asset impairment		3,445
Change in other operating items	(2,305)	50,057
Net cash provided by operating activities	11,351	13,952
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(5,783)	(4,799)
Proceeds from disposal/sale of property plant and equipment	97	20
Other assets and liabilities	389	(1,969)
Net cash used in investing activities	(5,297)	(6,748)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from issuance of common stock, net	25,359	
Proceeds from issuance of common stock under equity incentive plans	1,126	
Excess tax benefit from equity incentive plans	(52)	
Repayment of revolving credit facility		(237,290)
Borrowings under revolving credit facility		222,490
Borrowing of long-term debt		13,120
Payments on capital lease obligations		(90)
Debt issuance costs and other		(3,244)
Net cash provided by (used in) financing activities	26,433	(5,014)
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH	1,772	676
NET INCREASE IN CASH	34,259	2,866

Edgar Filing: Commercial Vehicle Group, Inc. - Form 10-Q

CASH:

Beginning of period	9,524	7,310
End of period	\$ 43,783	\$ 10,176

SUPPLEMENTAL CASH FLOW INFORMATION:

Cash paid for interest	\$ 9,998	\$ 12,741
Cash received for income taxes, net	\$ (21,116)	\$ (4,069)

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

3

---

**Table of Contents****COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)****1. Description of Business and Basis of Presentation**

Commercial Vehicle Group, Inc. and its subsidiaries ( CVG , Company or we ) design and manufacture seat systems, interior trim systems (including instrument and door panels, headliners, cabinetry, molded products and floor systems), cab structures and components, mirrors, wiper systems, electronic wiring harness assemblies and controls and switches for the global commercial vehicle market, including the heavy-duty truck market, the construction, military, bus, agriculture and specialty transportation market. We have facilities located in the United States in Arizona, Indiana, Illinois, Iowa, North Carolina, Ohio, Oregon, Tennessee, Virginia and Washington and outside of the United States in Australia, Belgium, China, Czech Republic, Mexico, Ukraine and the United Kingdom.

We have prepared the condensed consolidated financial statements included herein, without audit, pursuant to the rules and regulations of the United States Securities and Exchange Commission ( SEC ). The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of the results of operations and statements of financial position for the interim periods presented. Certain information and footnote disclosures normally included in the consolidated financial statements prepared in accordance with accounting principles generally accepted in the United States of America ( U.S. GAAP ) have been condensed or omitted pursuant to such rules and regulations. We believe that the disclosures are adequate to make the information presented not misleading when read in conjunction with our fiscal 2009 consolidated financial statements and the notes thereto included in Part II, Item 8 of our Annual Report on Form 10-K as filed with the SEC on March 12, 2010. Unless otherwise indicated, all amounts are in thousands except per share amounts.

Revenues and operating results for the three and nine months ended September 30, 2010 are not necessarily indicative of the results to be expected in future operating quarters.

**2. Recently Issued Accounting Pronouncements**

In January 2010, the FASB issued ASU 2010-6, *Improving Disclosures about Fair Value Measurements*, which requires interim disclosures regarding significant transfers in and out of Level 1 and Level 2 fair value measurements. Additionally, ASU 2010-6 requires disclosure for each class of assets and liabilities and disclosures about the valuation techniques and inputs used to measure fair value for both recurring and non-recurring fair value measurements. These disclosures are required for fair value measurements that fall in either Level 2 or Level 3. Further, ASU 2010-6 requires separate presentation of Level 3 activity for the fair value measurements. We adopted the interim disclosure requirements under this standard during the quarter ended March 31, 2010, with the exception of the separate presentation in the Level 3 activity rollforward, which is not effective until fiscal years beginning after December 15, 2010 and for interim periods within those fiscal years.

**3. Fair Value Measurement**

Accounting guidance on fair value measurement defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements.

The fair value framework requires the categorization of assets and liabilities into three levels based upon the assumptions (inputs) used to price the assets or liabilities. Level 1 provides the most reliable measure of fair value, whereas Level 3 generally requires significant management judgment. The three levels are defined as follows:

Level 1 Unadjusted quoted prices in active markets for identical assets and liabilities.

Level 2 Observable inputs other than those included in Level 1. For example, quoted prices for similar assets or liabilities in active markets or quoted prices for identical assets or liabilities in inactive markets.

Level 3 Unobservable inputs reflecting management's own assumptions about the inputs used in pricing the asset or liability.

**Table of Contents**

The fair values of our financial assets and liabilities are categorized as follows (in thousands):

	September 30,				December 31, 2009			
	Total	Level 1	Level 2	Level 3	Total	Level 1	Level 2	Level 3
Derivative assets <sup>(1)</sup>	\$	\$	\$	\$	\$ 66		\$ 66	\$
Derivative liabilities								
(1)	\$ 958	\$	\$ 958	\$	\$ 4,400	\$	\$ 4,400	\$

(1) Based on observable market transactions of spot and forward rates.

Our derivative assets and liabilities represent foreign exchange contracts that are measured at fair value using observable market inputs such as forward rates, interest rates, our own credit risk and our counterparties' credit risks. Based on these inputs, the derivative assets and liabilities are classified as Level 2.

The carrying amounts and fair values of financial instruments are as follows (in thousands):

	September 30, 2010		December 31, 2009	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$165,277	\$146,794	\$162,644	\$103,473

The following methods were used to estimate the fair value of each class of financial instruments:

*Long-term debt.* The fair value of long-term debt is based on quoted market prices or on rates available on debt with similar terms and maturities.

**4. Restructuring Activities**

In the three months ended December 31, 2009, we announced the following restructuring plans:

The closure and consolidation of one of our facilities located in Liberec, Czech Republic, which was a result of management's continued focus on reducing fixed costs and eliminating excess capacity. We substantially completed the closure as of December 31, 2009.

The closure of our Norwalk, Ohio truck cab assembly facility, which was a result of Navistar's decision to insource the cab assembly operations into its existing assembly facility in Escobedo, Mexico. We substantially completed the Norwalk closure as of September 30, 2010.

We estimate that we will record total charges for these restructuring activities of approximately \$4.4 million, consisting of approximately \$0.6 million of employee-related costs and approximately \$3.8 million of facility closure and other costs. For the three months ended September 30, 2010, we recorded restructuring charges of approximately \$0.2 million, consisting of approximately \$0.2 million of facility closure and other costs. We have incurred cumulative restructuring charges relating to these activities of approximately \$3.3 million through September 30, 2010.

In the three months ended June 30, 2010, we established an additional restructuring reserve relating to the closure of our Norwalk, Ohio facility for one-time termination benefits and the fair value of the remaining lease rentals. As a result of the closure of our Norwalk, Ohio facility, we are actively marketing the sale of approximately \$2.3 million of assets consisting of \$1.4 million in land and building and approximately \$0.9 million in machinery and equipment. We expect to substantially complete this activity within this fiscal year and have, therefore, classified the assets as held-for-sale.

A summary of the restructuring liability for the nine months ended September 30, 2010 is as follows (in thousands):

**Table of Contents**

	<b>Employee Costs</b>	<b>Facility Exit and Other Contractual Costs</b>	<b>Total</b>
Balance December 31, 2009	\$ 337	\$ 1,454	\$ 1,791
Provisions	889	823	1,712
Utilizations	(878)	(590)	(1,468)
Currency Translation		(9)	(9)
Balance September 30, 2010	\$ 348	\$ 1,678	\$ 2,026

**5. Share-Based Compensation**

*Restricted Stock Awards* Restricted stock is a grant of shares of common stock that may not be sold, encumbered or disposed of, and that may be forfeited in the event of certain terminations of employment, prior to the end of a restricted period set by the compensation committee. A participant granted restricted stock generally has all of the rights of a stockholder, unless the compensation committee determines otherwise. Listed below is a summary of our restricted stock awards:

In October 2007, 328,900 shares of restricted stock were awarded by our compensation committee under our Second Amended and Restated Equity Incentive Plan. The shares of restricted stock granted in October 2007 vest in three equal annual installments commencing on October 20, 2008.

In November 2008, 798,450 shares of restricted stock were awarded by our compensation committee under our Second Amended and Restated Equity Incentive Plan. The shares of restricted stock granted in November 2008 vest in three equal annual installments commencing on October 20, 2009.

In November 2009, 638,150 shares of restricted stock were awarded by our compensation committee under our Third Amended and Restated Equity Incentive Plan (the Plan). The shares of restricted stock granted in November 2009 vest in three equal annual installments commencing on October 20, 2010.

As of September 30, 2010, there was approximately \$2.5 million of unearned compensation expense related to non-vested share-based compensation arrangements granted under the Plan. This expense is subject to future adjustments for vesting and forfeitures and will be recognized on a straight-line basis over the remaining period of one month for the October 2007 awards, 13 months for the November 2008 awards and 25 months for the November 2009 awards, respectively.

We currently estimate the forfeiture rates for the October 2007, November 2008 and November 2009 restricted stock awards at 8.4%, 8.2% and 8.2%, respectively, for all participants in the Plan.

The following table summarizes information about the non-vested restricted stock grants as of September 30, 2010:

	<b>Shares (in thousands)</b>	<b>Weighted-Average Grant-Date Fair Value</b>
Nonvested at December 31, 2009	1,226	\$ 7.60
Granted		
Vested		
Forfeited	(21)	4.21
Nonvested at September 30, 2010	1,205	\$ 7.64

As of September 30, 2010, 679,136 shares of the 3.2 million shares authorized for issuance were available for issuance under the Plan, including cumulative forfeitures.

**6. Stockholders Investment**

*Common Stock* Our authorized capital stock consists of 30,000,000 shares of common stock with a par value of \$0.01 per share, with 28,545,253 shares outstanding as of September 30, 2010.

**Table of Contents**

*Preferred Stock* Our authorized capital stock consists of 5,000,000 shares of preferred stock with a par value of \$0.01 per share, with no preferred shares outstanding as of September 30, 2010.

*Earnings Per Share* Basic earnings per share is determined by dividing net income by the weighted average number of common shares outstanding during the period. Diluted earnings per share, and all other diluted per share amounts presented, is determined by dividing net income by the weighted average number of common shares and potential common shares outstanding during the period as determined by the Treasury Stock Method, as amended. Potential common shares are included in the diluted earnings per share calculation when dilutive. Diluted earnings per share for the three months ended September 30, 2010 and 2009 includes the effects of potential common shares consisting of common stock issuable upon exercise of outstanding stock options when dilutive (in thousands, except per share amounts):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net income (loss) applicable to common stockholders basic and diluted	\$ 1,142	\$ (15,882)	\$ 2,511	\$ (57,799)
Weighted average number of common shares outstanding	27,340	21,747	25,770	21,747
Dilutive effect of outstanding stock options and restricted stock grants after application of the Treasury Stock Method	747		814	
Dilutive shares outstanding	28,087	21,747	26,584	21,747
Basic income (loss) per share	\$ 0.04	\$ (0.73)	\$ 0.10	\$ (2.66)
Diluted income (loss) per share	\$ 0.04	\$ (0.73)	\$ 0.09	\$ (2.66)

For the three months ended September 30, 2010, diluted earnings per share did not include approximately 0.5 million outstanding stock options as the effect would have been antidilutive. For the three months ended September 30, 2009, diluted loss per share did not include approximately 491 thousand outstanding non-vested restricted stock and approximately 426 thousand warrants, as the effect would have been antidilutive. For the nine months ended September 30, 2010, diluted earnings per share did not include approximately 0.5 million outstanding stock options as the effect would have been antidilutive. For the nine months ended September 30, 2009, diluted loss per share did not include approximately 209 thousand outstanding non-vested restricted stock and approximately 142 thousand warrants, as the effect would have been antidilutive.

*Dividends* We have not declared or paid any cash dividends in the past. The terms of our Loan and Security Agreement restrict the payment or distribution of our cash or other assets, including cash dividend payments.

*Stockholder Rights Plan* In May 2009, our board of directors adopted a Stockholder Rights Plan ( Rights Plan ) intended to protect stockholders from coercive or otherwise unfair takeover tactics.

Under the Rights Plan, with certain exceptions, the rights will become exercisable only if a person or group acquires 20 percent or more of our outstanding common stock or commences a tender or exchange offer that could result in ownership of 20 percent or more of our common stock. The Rights Plan has a term of 10 years and will expire on May 20, 2019, unless the rights are earlier redeemed or terminated by the board of directors.

*Common Stock Warrants* On August 4, 2009, we issued 745,000 warrants to purchase common stock. Each warrant was issued as part of a unit consisting of (i) \$1,000 principal amount of 11%/13% third lien senior secured notes due 2013 and (ii) 17.68588 warrants. The units are immediately separable. The units were issued pursuant to a warrant and unit agreement with U.S. Bank National Association, as unit agent and warrant agent. As of September 30, 2010, approximately 741,073 warrants have been exercised.

Each warrant entitles the holder thereof to purchase one share of our common stock at an exercise price of \$0.35 per share. The warrants provide for mandatory cashless exercise. The number of shares for which a warrant may be exercised and the exercise price are subject to adjustment in certain events. The warrants are exercisable at any time on or after separation and prior to their expiration on August 4, 2019.

**7. Accounts Receivable**

Trade accounts receivable are stated at current value less an allowance for doubtful accounts, which approximates fair value. This estimated allowance is based primarily on management's evaluation of specific balances as the balances



**Table of Contents**

become past due, the financial condition of our customers and our historical experience of write-offs. If not reserved through specific identification procedures, our general policy for uncollectible accounts is to reserve at a certain percentage threshold, based upon the aging categories of accounts receivable and our historical experience with write-offs. Past due status is based upon the due date of the original amounts outstanding. When items are ultimately deemed uncollectible, they are charged off against the reserve previously established in the allowance for doubtful accounts.

**8. Inventories**

Inventories are valued at the lower of first-in, first-out ( FIFO ) cost or market. Cost includes applicable material, labor and overhead. Inventories consisted of the following (in thousands):

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
Raw materials	\$ 50,654	\$ 41,677
Work in process	12,197	8,955
Finished goods	14,772	14,433
Less excess and obsolete	(7,226)	(7,014)
	<b>\$ 70,397</b>	<b>\$ 58,051</b>

Inventory quantities on-hand are regularly reviewed and, where necessary, provisions for excess and obsolete inventory are recorded based primarily on our estimated production requirements driven by expected market volumes. Excess and obsolete provisions may vary by product depending upon future potential use of the product.

**9. Intangible Assets**

We review definite-lived intangible and long-lived assets for recoverability whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. A determination is made by management to ascertain whether property and equipment and certain definite-lived intangibles have been impaired based on the sum of expected future undiscounted cash flows from operating activities. If the estimated undiscounted cash flows are less than the carrying amount of such assets, we will recognize an impairment loss in an amount necessary to write down the assets to fair value as determined from expected discounted future cash flows.

Our intangible assets were comprised of the following (in thousands):

	<b>September 30, 2010</b>			<b>December 31, 2009</b>		
	<b>Weighted- Average Amortization Period</b>	<b>Gross Carrying Amount</b>	<b>Net Carrying Amount</b>	<b>Weighted- Average Amortization Period</b>	<b>Gross Carrying Amount</b>	<b>Net Carrying Amount</b>
Definite-lived intangible assets:						
	20			20		
Trademarks/Tradenames	years	\$ 5,655	\$(1,748)	\$ 3,907	\$ 5,655	\$(1,568)

Definite-lived intangible assets:

Trademarks/Tradenames

The aggregate intangible asset amortization expense was approximately \$0.1 million and \$0.1 million for the three months ended September 30, 2010 and 2009, respectively, and approximately \$0.2 million and \$0.3 million for the nine months ended September 30, 2010 and 2009, respectively.

The estimated intangible asset amortization expense for the fiscal year ending December 31, 2010, and for the five succeeding years is as follows (in thousands):

**Table of Contents**

<b>Fiscal Year Ended December 31,</b>	<b>Estimated Amortization Expense</b>
2010	\$ 240
2011	\$ 240
2012	\$ 240
2013	\$ 240
2014	\$ 240
2015	\$ 240

**10. Debt**

Debt consisted of the following (in thousands):

	<b>September 30, 2010</b>	<b>December 31, 2009</b>
Revolving credit facilities bore interest at a weighted average of 7.4% as of September 30, 2010 and 6.2% as of December 31, 2009	\$	\$
8.0% senior notes due July 1, 2013	97,810	97,810
15% second lien term loan due November 1, 2012 (\$16,800 principal amount, net of \$3,351 and \$4,150, respectively, of original issue discount)	13,449	12,650
11%/13% third lien senior secured notes due February 15, 2013 (\$42,124 principal amount and \$6,062 and \$7,797, respectively, of issuance premium)	48,186	49,921
Paid-in-kind interest on 11%/13% third lien senior secured notes due February 15, 2013	5,832	2,263
	\$ 165,277	\$ 162,644

On January 7, 2009, we and certain of our direct and indirect U.S. subsidiaries, as borrowers (the "borrowers"), entered into a Loan and Security Agreement with Bank of America, N.A., as agent and lender, which provides for a three-year asset-based revolving credit facility with an aggregate principal amount of up to \$37.5 million (after giving effect to a second amendment to our Loan and Security Agreement entered into on August 4, 2009), which is subject to an availability block of \$10.0 million, until we deliver a compliance certificate for any fiscal quarter ending March 31, 2010 or thereafter demonstrating a fixed charge coverage ratio of at least 1.1 to 1.0 for the most recent four fiscal quarters, at which time the availability block will be \$7.5 million at all times while the fixed charge coverage ratio is at least 1.1 to 1.0 and certain borrowing base limitations are met. Up to an aggregate of \$10.0 million is available to the borrowers for the issuance of letters of credit, which reduces availability under the revolving credit facility. As of September 30, 2010, we did not have borrowings under the Loan and Security Agreement. In addition, as of September 30, 2010, we had outstanding letters of credit of approximately \$2.4 million and borrowing availability of \$35.1 million under the Loan and Security Agreement, which is subject to a \$10.0 million availability block. Our Loan and Security Agreement contains financial covenants, including a minimum fixed charge coverage ratio, if we do not maintain certain availability requirements. Because we had borrowing availability in excess of \$5.0 million (after giving effect to the \$10.0 million availability block) from July 1, 2010 through September 30, 2010, we were not required to comply with the minimum fixed charge coverage ratio covenant during the quarter ended September 30, 2010.

Under the Loan and Security Agreement, borrowings bear interest at various rates plus a margin based on certain financial ratios. The borrowers' obligations under the Loan and Security Agreement are secured by a first-priority lien (subject to certain permitted liens) on substantially all of the tangible and intangible assets of the borrowers, as well as 100% of the capital stock of the direct domestic subsidiaries of each borrower and 65% of the capital stock of each foreign subsidiary directly owned by a borrower. Each of CVG and each other borrower is jointly and severally liable

for the obligations under the Loan and Security Agreement and unconditionally guarantees the prompt payment and performance thereof.

On September 7, 2010, we entered into a third amendment (the Third Amendment ) to the Loan and Security Agreement. Pursuant to the Third Amendment, the applicable margin for borrowings was amended to reduce the applicable margin and include grid pricing based upon the fixed charge coverage ratio for the most recently ended fiscal quarter:

**Table of Contents**

Level	Ratio	Domestic Base Rate Loans	LIBOR Revolver Loans
III	≤ 1.25 to 1.00	2.00%	3.00%
II	≥ 1.25 to 1.00 but < 1.75 to 1.00	1.75%	2.75%
I	≥ 1.75 to 1.00	1.50%	2.50%

Until delivery of the financial statements and corresponding compliance certificate for the fiscal year ending December 31, 2010, the applicable margin shall be set at Level II. Thereafter, the applicable margin shall be subject to increase or decrease following receipt by the agent of the financial statements and corresponding compliance certificate for each fiscal quarter. If the financial statements or corresponding compliance certificate are not timely delivered, then the highest rate shall be applicable until the first day of the calendar month following actual receipt. In addition, the unused commitment fee was reduced to (i) .875% per annum during any fiscal quarter in which the aggregate average daily unused commitment is equal to or greater than 50% of the revolver commitments or (ii) .625% per annum times the unused commitment during any fiscal quarter in which the aggregate average daily unused commitment is less than 50% of the revolver commitments.

Under the Third Amendment, Permitted Foreign Investments were increased from \$5.0 million annually and \$10.0 million during the term of the agreement, to \$10.0 million annually and \$20.0 million during the term of the agreement, so long as the Domestic Availability immediately prior to and after such investment is at least \$5.0 million. Restricted Investments under Section 10.2.5 was also revised to allow for the investment in our Chinese subsidiary to be in the form of up to 70% Equity and 30% intercompany loan, also subject to the annual and lifetime Permitted Foreign Investment limitations.

Pursuant to the Third Amendment, the limitations on other aggregate Investments not otherwise permitted in the agreement, and other aggregate Debt not otherwise permitted in the agreement, was increased to \$1.5 million and \$5.0 million respectively.

We entered into a loan and security agreement (the *Second Lien Credit Agreement*), providing for a term loan (the *second lien term loan*), on August 4, 2009. We issued the 11%/13% third lien senior secured notes due 2013 (the *third lien notes*) pursuant to an indenture, dated as of August 4, 2009 (the *Third Lien Notes Indenture*), by and among CVG, certain of our subsidiaries party thereto, as guarantors (the *guarantors*), and U.S. Bank National Association, as trustee. The second lien term loan due 2012 and the third lien notes are senior secured obligations of CVG. The second lien term loan is secured by a second-priority lien, and the third lien notes are secured by a third-priority lien, on substantially all of the tangible and intangible assets of CVG and certain of its domestic subsidiaries, and a pledge of 100% of the capital stock of certain of CVG's domestic subsidiaries and 65% of the capital stock of each foreign subsidiary owned directly by a domestic subsidiary. The second lien term loan and the third lien notes are guaranteed by certain of CVG's domestic subsidiaries.

The second lien term loan bears interest at the fixed per annum rate of 15% until it matures on November 1, 2012. During an event of default, if the required lenders so elect, the interest rate applied to any outstanding obligations will be equal to the otherwise applicable rate plus 2.0%. Interest on our third lien notes is payable on February 15 and August 15 of each year until their maturity date of February 15, 2013. We paid interest entirely in pay-in-kind interest (*PIK interest*), by increasing the outstanding principal amount of the third lien notes, on the interest payment dates on February 15, 2010 and August 15, 2010, at an annual rate of 13.0%. We have elected to pay our February 15, 2011 interest in cash, at an annual rate of 11.0%. After February 15, 2011, we will be required to make all interest payments entirely in cash, at an annual rate of 11.0%.

The 8.0% senior notes due 2013 are senior unsecured obligations and rank *pari passu* in right of payment to all of our existing and future senior indebtedness and are effectively subordinated to our existing and future secured obligations. The 8.0% senior notes are guaranteed by certain of our domestic subsidiaries. The 8% senior notes due 2013 bear interest paid semi-annually on January 1 and July 1 at a fixed per annum rate of 8% until the maturity date of July 1, 2013.

**11. Income Taxes**

We, or one of our subsidiaries, file federal income tax returns in the United States and income tax returns in various states and foreign jurisdictions. With few exceptions, we are no longer subject to income tax examinations by any of the taxing authorities for years before 2004. There are currently no income tax examinations in process.

**Table of Contents**

As of September 30, 2010, we have provided a liability of approximately \$0.7 million of unrecognized tax benefits related to various federal and state income tax positions, which would impact our effective tax rate if recognized. We accrue penalties and interest related to unrecognized tax benefits through income tax expense, which is consistent with the recognition of these items in prior reporting periods. We had approximately \$241 thousand accrued for the payment of interest and penalties at September 30, 2010, of which \$20 thousand was accrued during the current year. Accrued interest and penalties are included in the \$0.7 million of unrecognized tax benefits.

During the current quarter, we did not release any tax reserves associated with items falling outside the statute of limitations and the closure of certain tax years for examination purposes. We anticipate events could occur within the next 12 months that would have an impact on the amount of unrecognized tax benefits that would be required. Approximately \$86 thousand of unrecognized tax benefits relate to items that are affected by expiring statutes of limitation within the next 12 months.

**12. Commitments and Contingencies**

*Warranty* We are subject to warranty claims for products that fail to perform as expected due to design or manufacturing deficiencies. Customers continue to require their outside suppliers to guarantee or warrant their products and bear the cost of repair or replacement of such products. Depending on the terms under which we supply products to our customers, a customer may hold us responsible for some or all of the repair or replacement costs of defective products when the product supplied did not perform as represented. Our policy is to reserve for estimated future customer warranty costs based on historical trends and current economic factors. The following represents a summary of the warranty provision for the nine months ended September 30, 2010 (in thousands):

Balance	December 31, 2009	\$ 3,066
	Additional provisions recorded	793
	Deduction for payments made	(1,175)
	Currency translation adjustment	2
Balance	September 30, 2010	\$ 2,686

*Leases* We lease office and manufacturing space and certain equipment under non-cancelable operating lease agreements that require us to pay maintenance, insurance, taxes and other expenses in addition to annual rents. As of September 30, 2010, our equipment leases did not provide for any material guarantee of a specified portion of residual values.

*Guarantees* We accrue for costs associated with guarantees when it is probable that a liability has been incurred and the amount can be reasonably estimated. The most likely cost to be incurred is accrued based on an evaluation of currently available facts, and where no amount within a range of estimates is more likely, the minimum is accrued. In accordance with accounting guidance for guarantees issued after December 31, 2002, we record a liability for the fair value of such guarantees in the balance sheet. As of September 30, 2010, we had no such guarantees.

*Litigation* We are subject to various legal actions and claims incidental to our business, including those arising out of alleged defects, product warranties, employment-related matters and environmental matters. Management believes that we maintain adequate insurance to cover these claims. We have established reserves for issues that are probable and estimatable in amounts management believes are adequate to cover reasonable adverse judgments not covered by insurance. Based upon the information available to management and discussions with legal counsel, it is the opinion of management that the ultimate outcome of the various legal actions and claims that are incidental to our business will not have a material adverse impact on our consolidated financial position, results of operations or cash flows; however, such matters are subject to many uncertainties, and the outcomes of individual matters are not predictable with assurance.

**13. Foreign Currency Forward Exchange Contracts**

We use forward exchange contracts to hedge certain of the foreign currency transaction exposures primarily related to our United Kingdom operations. We estimate our projected revenues and purchases in certain foreign currencies or locations and will hedge a portion or all of the anticipated long or short position. As of September 30, 2010, none of

our derivatives were designated as hedging instruments; therefore, our forward foreign exchange contracts have been marked-to-market and the fair value of contracts recorded in the consolidated balance sheets with the offsetting non-cash gain or loss

**Table of Contents**

recorded in our consolidated statements of operations. We do not hold or issue foreign exchange options or forward contracts for trading purposes.

The following table summarizes the notional amount of our open foreign exchange contracts (in thousands):

	September 30, 2010		December 31, 2009	
	U.S. \$ Equivalent	U.S. Equivalent Fair Value	U.S. \$ Equivalent	U.S. Equivalent Fair Value
<b>Commitments to buy currencies:</b>				
Japanese Yen	\$	\$	\$ (345)	\$ (338)
<b>Commitments to sell currencies:</b>				
Euro	\$ 1,730	\$ 2,203	\$ 12,809	\$ 15,095
Japanese Yen	1,548	2,033	8,004	10,045
	\$ 3,278	\$ 4,236	\$ 20,813	\$ 25,140
Total	\$ 3,278	\$ 4,236	\$ 20,468	\$ 24,802

The fair value of our derivative instruments was a net liability of approximately \$1.0 million and \$4.4 million as of September 30, 2010 and December 31, 2009, respectively, which is recorded within accrued liabilities in the condensed consolidated balance sheets.

We consider the impact of our and our counterparties' credit risk on the fair value of the contracts as well as the ability of each party to execute its obligations under the contract. For the three and nine months ended September 30, 2010, we recorded a credit valuation adjustment of approximately \$11 thousand and \$0.2 million, respectively, on our foreign currency forward contracts, which is included in other income on the condensed consolidated statement of operations.

The following table summarizes the fair value and presentation in the consolidated balance sheets for derivatives not designated as hedging instruments (in thousands):

	Asset Derivatives			
	September 30, 2010		December 31, 2009	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Location		Location	
Foreign exchange contracts	Other assets	\$	Other assets	\$ 66

	Liability Derivatives			
	September 30, 2010		December 31, 2009	
	Balance Sheet	Fair Value	Balance Sheet	Fair Value
	Location		Location	



Foreign exchange contracts  
 The following table summarizes the effect of derivative instruments on the consolidated statements of operations for derivatives not designated as hedging instruments (in thousands):

	Accrued	\$ 958	Accrued	\$4,400
	liabilities		liabilities	

  

	Location of Gain (Loss) Recognized in	Three Months Ended September 30,		Nine Months Ended September 30,	
		2010	2009	2010	2009
	Income on Derivatives Other	Amount of Gain (Loss) Recognized in Income on Derivatives		Amount of Gain Recognized in Income on Derivatives	
Foreign exchange contracts	expenses	\$1,022	\$(1,228)	\$3,377	\$7,122

**14. Pension and Other Post-Retirement Benefit Plans**

We sponsor pension and other post-retirement benefit plans that cover certain hourly and salaried employees in the United States and United Kingdom. Our policy is to make annual contributions to the plans to fund the normal cost as required

**Table of Contents**

by local regulations. In addition, we have a post-retirement benefit plan for certain U.S. operations, retirees and their dependents.

The components of net periodic benefit cost related to the pension and other post-retirement benefit plans was as follows (in thousands):

	U.S. Pension Plans Three Months Ended September 30,		Non-U.S. Pension Plans Three Months Ended September 30,		Other Post-Retirement Benefit Plans Three Months Ended September 30,	
	2010	2009	2010	2009	2010	2009
Service cost	\$ 58	\$ 71	\$	\$	\$ 1	\$ 1
Interest cost	492	477	596	527	30	31
Expected return on plan assets	(426)	(379)	(451)	(379)		
Amortization of prior service cost					(25)	
Recognized actuarial loss (gain)	24	27	104	49	2	(28)
Net periodic benefit cost	148	196	249	197	8	4
Special termination benefits	27	41			68	85
Net benefit cost	\$ 175	\$ 237	\$ 249	\$ 197	\$ 76	\$ 89

We previously disclosed in our financial statements for the year ended December 31, 2009, that we expect to contribute approximately \$1.8 million to our pension plans and \$0.6 million to our other post-retirement benefit plans in 2010. As of September 30, 2010, approximately \$1.7 million of contributions have been made to our pension plans. We anticipate contributing an additional \$0.4 million to our pension plans in 2010 for total estimated contributions during 2010 of \$2.1 million.

**15. Comprehensive Loss**

We follow the comprehensive income accounting guidance, which established standards for reporting and display of comprehensive income and its components. Comprehensive income reflects the change in equity of a business enterprise during a period from transactions and other events and circumstances from nonowner sources.

Comprehensive income represents net income adjusted for foreign currency translation adjustments and minimum pension liability. In accordance with the accounting guidance, we have elected to disclose comprehensive income in stockholders' investment. The components of accumulated other comprehensive loss consisted of the following as of September 30, 2010 (in thousands):

Foreign currency translation adjustment	\$ (6,935)
Pension liability	(15,251)
	\$ (22,186)

Comprehensive income (loss) was as follows (in thousands):

**Nine Months Ended September  
30,**

	<b>2010</b>	<b>2009</b>
Net income (loss)	\$ 2,511	\$ (57,799)
Other comprehensive loss:		
Foreign currency translation adjustment	1,123	3,051
Pension liability	32	
Comprehensive income (loss)	\$ 3,666	\$ (54,748)

#### **16. Related Party Transactions**

In May 2008, we entered into a freight services arrangement with Group Transportation Services Holdings, Inc. ( GTS ), a third party logistics and freight management company. Under this arrangement, which was approved by our Audit Committee on April 29, 2008, GTS manages a portion of the Company's freight and logistics program as well as administers its payments to additional third party freight service providers. In May 2010, GTS merged with Roadrunner Transportation Systems, Inc. ( RRTS ) in connection with the initial public offering of RRTS. Scott D. Rued, a member of our Board of Directors, is Chairman of the Board of RRTS and Chad M. Utrup, our Chief Financial Officer, was elected to the Board of Directors of RRTS in May 2010. For the nine months ended September 30, 2010, we made payments (net of pass through payments to other third party freight service providers) to GTS/RRTS of approximately \$0.4 million for these services.

**Table of Contents**

**17. Consolidating Guarantor and Non-Guarantor Financial Information**

The following condensed consolidating financial information presents balance sheets, statements of operations and cash flow information related to our business. Each guarantor is a direct or indirect subsidiary of CVG and has fully and unconditionally guaranteed the 8% senior notes and third lien notes issued by CVG, on a joint and several basis. The following condensed consolidating financial information presents the financial information of CVG (the parent company), the guarantor companies and the non-guarantor companies in accordance with Rule 3-10 under the Securities and Exchange Commission's Regulation S-X. The financial information may not necessarily be indicative of results of operations or financial position had the guarantor companies or non-guarantor companies operated as independent entities. The guarantor companies and the non-guarantor companies include the consolidated financial results of their wholly owned subsidiaries accounted for under the equity method. All applicable corporate expenses have been allocated appropriately among the guarantor and non-guarantor subsidiaries.

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2010**

	<b>Parent Company</b>	<b>Guarantor Companies</b>	<b>Non-Guarantor Companies (In thousands)</b>	<b>Elimination</b>	<b>Consolidated</b>
REVENUES	\$	\$ 111,946	\$ 49,477	\$ (10,473)	\$ 150,950
COST OF REVENUES		98,683	42,876	(10,473)	131,086
Gross Profit		13,263	6,601		19,864
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		11,031	3,502		14,533
AMORTIZATION EXPENSE		60			60
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(4,970)	(91)		5,061	
RESTRUCTURING COSTS		162			162
Operating Income	4,970	2,101	3,099	(5,061)	5,109
OTHER INCOME			(1,061)		(1,061)
INTEREST EXPENSE (INCOME)	4,408	(48)	58		4,418
Income Before (Benefit) Provision for Income Taxes	562	2,149	4,102	(5,061)	1,752
(BENEFIT) PROVISION FOR INCOME TAXES	(580)	895	295		610
NET INCOME	\$ 1,142	\$ 1,254	\$ 3,807	\$ (5,061)	\$ 1,142

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

	<b>Parent Company</b>	<b>Guarantor Companies</b>	<b>Non-Guarantor Companies (In thousands)</b>	<b>Elimination</b>	<b>Consolidated</b>
REVENUES	\$	\$ 336,837	\$ 132,264	\$ (29,395)	\$ 439,706
COST OF REVENUES		296,815	117,774	(29,395)	385,194
Gross Profit		40,022	14,490		54,512
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		32,014	9,398		41,412
AMORTIZATION EXPENSE		180			180
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(9,687)	(672)		10,359	
RESTRUCTURING COSTS		1,572			1,572
Operating Income	9,687	6,928	5,092	(10,359)	11,348
OTHER INCOME	(35)		(3,766)		(3,801)
INTEREST EXPENSE (INCOME)	12,904	(205)	140		12,839
(Loss) Income Before (Benefit) Provision for Income Taxes	(3,182)	7,133	8,718	(10,359)	2,310
(BENEFIT) PROVISION FOR INCOME TAXES	(5,693)	3,531	1,961		(201)
NET INCOME	\$ 2,511	\$ 3,602	\$ 6,757	\$ (10,359)	\$ 2,511

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2010**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
<b>ASSETS</b>					
CURRENT ASSETS:					
Cash	\$ 31,436	\$ 678	\$ 11,669	\$	\$ 43,783
Accounts receivable, net	219	61,924	28,292		90,435
Intercompany receivable	39,722	12,733		(52,455)	
Inventories, net		40,595	29,802		70,397
Prepaid expenses and other, net	3,784	9,460	8,830	(12,114)	9,960
Total current assets	75,161	125,390	78,593	(64,569)	214,575
PROPERTY, PLANT AND EQUIPMENT, net		51,423	5,778		57,201
EQUITY INVESTMENT IN SUBSIDIARIES	89,415	9,701	1	(99,117)	
INTANGIBLE ASSETS, net		3,907			3,907
OTHER ASSETS, net	4,784	9,120	(1)	(269)	13,634
TOTAL ASSETS	\$ 169,360	\$ 199,541	\$ 84,371	\$ (163,955)	\$ 289,317
<b>LIABILITIES AND STOCKHOLDERS (DEFICIT) INVESTMENT</b>					
CURRENT LIABILITIES:					
Accounts payable	\$	\$ 38,410	\$ 28,589	\$	\$ 66,999
Intercompany payable		35,896	16,559	(52,455)	
Accrued liabilities, other	8,574	27,290	10,010	(12,319)	33,555
Total current liabilities	8,574	101,596	55,158	(64,774)	100,554
LONG-TERM DEBT, net	165,277				165,277
PENSION AND OTHER POST-RETIREMENT BENEFITS		13,580	11,941		25,521
OTHER LONG-TERM LIABILITIES	1,178	965	1,555	(64)	3,634
Total liabilities	175,029	116,141	68,654	(64,838)	294,986
STOCKHOLDERS (DEFICIT) INVESTMENT	(5,669)	83,400	15,717	(99,117)	(5,669)
TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT	\$ 169,360	\$ 199,541	\$ 84,371	\$ (163,955)	\$ 289,317

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

	<b>Parent Company</b>	<b>Guarantor Companies</b>	<b>Non-Guarantor Companies</b>	<b>Elimination</b>	<b>Consolidation</b>
	<b>(In thousands)</b>				
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net cash (used in) provided by operating activities	\$ (3,993)	\$ 16,315	\$ (971)	\$	\$ 11,351
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchases of property, plant and equipment		(4,708)	(1,075)		(5,783)
Proceeds from disposal/sale of property plant and equipment		83	14		97
Other assets and liabilities		389			389
Net cash used in investing activities		(4,236)	(1,061)		(5,297)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Proceeds from issuance of common stock, net	25,359				25,359
Proceeds from issuance of common stock under equity incentive plans	1,126				1,126
Excess tax benefit from equity incentive plans	(52)				(52)
Change in intercompany receivables/payables	8,987	(11,440)	2,453		
Net cash provided by (used in) financing activities	35,420	(11,440)	2,453		26,433
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH		1	1,771		1,772



Edgar Filing: Commercial Vehicle Group, Inc. - Form 10-Q

NET INCREASE IN CASH	31,427	640	2,192	34,259
CASH:				
Beginning of period	9	38	9,477	9,524
End of period	\$ 31,436	\$ 678	\$ 11,669	\$ 43,783

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2009**

	<b>Parent Company</b>	<b>Guarantor Companies</b>	<b>Non-Guarantor Companies (Unaudited) (In thousands)</b>	<b>Elimination</b>	<b>Consolidated</b>
REVENUES	\$	\$ 91,114	\$ 26,084	\$ (6,387)	\$ 110,811
COST OF REVENUES		86,693	26,893	(6,387)	107,199
Gross Profit (Loss)		4,421	(809)		3,612
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		7,723	3,575		11,298
AMORTIZATION EXPENSE		98			98
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	12,207	(129)		(12,078)	
Operating Loss	(12,207)	(3,271)	(4,384)	12,078	(7,784)
OTHER EXPENSE			1,211		1,211
INTEREST EXPENSE	441	3,533	15		3,989
LOSS ON EARLY EXTINGUISHMENT OF DEBT	459				459
EXPENSE RELATING TO DEBT EXCHANGE	2,902				2,902
Loss Before Benefit for Income Taxes	(16,009)	(6,804)	(5,610)	12,078	(16,345)
BENEFIT FOR INCOME TAXES	(127)		(336)		(463)
NET LOSS	\$ (15,882)	\$ (6,804)	\$ (5,274)	\$ 12,078	\$ (15,882)

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	<b>Parent Company</b>	<b>Guarantor Companies</b>	<b>Non-Guarantor Companies (Unaudited) (In thousands)</b>	<b>Elimination</b>	<b>Consolidated</b>
REVENUES	\$	\$ 264,209	\$ 75,072	\$ (16,437)	\$ 322,844
COST OF REVENUES		260,722	79,285	(16,437)	323,570
Gross Profit (Loss)		3,487	(4,213)		(726)
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		24,475	10,532		35,007
AMORTIZATION EXPENSE		292			292
INTANGIBLE ASSET IMPAIRMENT		7,000			7,000
LONG-LIVED ASSET IMPAIRMENT			3,445		3,445
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	51,436	(226)		(51,210)	
RESTRUCTURING COSTS		853	1,094		1,947
Operating Loss	(51,436)	(28,907)	(19,284)	51,210	(48,417)
OTHER EXPENSE (INCOME)		16	(7,202)		(7,186)
INTEREST EXPENSE	1,028	10,128	143		11,299
LOSS ON EARLY EXTINGUISHMENT OF DEBT	1,254				1,254
EXPENSE RELATING TO DEBT EXCHANGE	2,902				2,902
Loss Before Provision (Benefit) for Income Taxes	(56,620)	(39,051)	(12,225)	51,210	(56,686)

PROVISION (BENEFIT) FOR INCOME TAXES	1,179		(66)		1,113
NET LOSS	\$ (57,799)	\$ (39,051)	\$ (12,159)	\$ 51,210	\$ (57,799)

**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED BALANCE SHEET AS OF DECEMBER 31, 2009**

	<b>Parent Company</b>	<b>Guarantor Companies</b>	<b>Non-Guarantor Companies (In thousands)</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash	\$ 9	\$ 38	\$ 9,477	\$	\$ 9,524
Accounts receivable, net	218	57,680	16,165		74,063
Intercompany receivable	48,709	9,853		(58,562)	
Inventories, net		34,425	23,626		58,051
Prepaid expenses and other, net	570	16,812	9,461	(62)	26,781
<b>Total current assets</b>	<b>49,506</b>	<b>118,808</b>	<b>58,729</b>	<b>(58,624)</b>	<b>168,419</b>
<b>PROPERTY, PLANT AND EQUIPMENT, net</b>		<b>56,938</b>	<b>5,377</b>		<b>62,315</b>
<b>EQUITY INVESTMENT IN SUBSIDIARIES</b>	<b>76,573</b>	<b>8,940</b>		<b>(85,513)</b>	
<b>INTANGIBLE ASSETS, net</b>		<b>4,087</b>			<b>4,087</b>
<b>OTHER ASSETS, net</b>	<b>6,206</b>	<b>9,413</b>	<b>67</b>	<b>2</b>	<b>15,688</b>
<b>TOTAL ASSETS</b>	<b>\$ 132,285</b>	<b>\$ 198,186</b>	<b>\$ 64,173</b>	<b>\$ (144,135)</b>	<b>\$ 250,509</b>
<b>LIABILITIES AND STOCKHOLDERS (DEFICIT) INVESTMENT</b>					
<b>CURRENT LIABILITIES:</b>					
Current maturities of long-term debt	\$	\$	\$	\$	\$
Accounts payable		42,638	17,017	2	59,657
Intercompany payable		44,456	14,106	(58,562)	
Accrued liabilities, other	4,057	18,919	9,999	2	32,977
<b>Total current liabilities</b>	<b>4,057</b>	<b>106,013</b>	<b>41,122</b>	<b>(58,558)</b>	<b>92,634</b>
<b>LONG-TERM DEBT, net</b>	<b>162,644</b>				<b>162,644</b>
<b>PENSION AND OTHER POST-RETIREMENT BENEFITS</b>		<b>14,173</b>	<b>12,742</b>		<b>26,915</b>
<b>OTHER LONG-TERM LIABILITIES</b>	<b>3,349</b>	<b>294</b>	<b>2,502</b>	<b>(64)</b>	<b>6,081</b>
<b>Total liabilities</b>	<b>170,050</b>	<b>120,480</b>	<b>56,366</b>	<b>(58,622)</b>	<b>288,274</b>
<b>STOCKHOLDERS (DEFICIT) INVESTMENT</b>	<b>(37,765)</b>	<b>77,706</b>	<b>7,807</b>	<b>(85,513)</b>	<b>(37,765)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS (DEFICIT) INVESTMENT</b>	<b>\$ 132,285</b>	<b>\$ 198,186</b>	<b>\$ 64,173</b>	<b>\$ (144,135)</b>	<b>\$ 250,509</b>



**Table of Contents**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF CASH FLOWS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2009**

	<b>Parent Company</b>	<b>Guarantor Companies</b>	<b>Non-Guarantor Companies (Unaudited) (In thousands)</b>	<b>Elimination</b>	<b>Consolidated</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net loss	\$ (57,799)	\$ (39,051)	\$ (12,159)	\$ 51,210	\$ (57,799)
Adjustments to reconcile net loss to net cash (used in) provided by operating activities:					
Depreciation and amortization		10,974	1,958		12,932
Noncash amortization of debt financing costs	1,069				1,069
Loss on early extinguishment of debt	1,254				1,254
Share-based compensation expense		2,139			2,139
Loss on sale of assets		584	393		977
Equity loss (gain) in subsidiaries	51,436	(226)		(51,210)	
Noncash gain on forward exchange contracts			(7,122)		(7,122)
Intangible asset impairment		7,000			7,000
Long-lived asset impairment			3,445		3,445
Change in other operating items	3,446	40,084	6,868	(341)	50,057
Net cash (used in) provided by operating activities	(594)	21,504	(6,617)	(341)	13,952
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchases of property, plant and equipment		(3,557)	(1,242)		(4,799)
Proceeds from disposal/sale of property, plant and equipment		14	6		20
Other investing activities		(1,969)			(1,969)
Net cash used in investing activities		(5,512)	(1,236)		(6,748)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					

Edgar Filing: Commercial Vehicle Group, Inc. - Form 10-Q

Repayment of revolving credit facility	(237,290)				(237,290)
Borrowings under revolving credit facility	222,490				222,490
Borrowings of long-term debt	13,120				13,120
Payments on capital lease obligations		(81)	(9)		(90)
Change in intercompany receivables/payables	9,499	(15,749)	5,909	341	
Debt issuance costs and other	(3,244)				(3,244)
Net cash provided by (used in) financing activities	4,575	(15,830)	5,900	341	(5,014)
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH		1	675		676
NET INCREASE (DECREASE) IN CASH	3,981	163	(1,278)		2,866
CASH:					
Beginning of period	9	47	7,254		7,310
End of period	\$ 3,990	\$ 210	\$ 5,976	\$	\$ 10,176



**Table of Contents**

**ITEM 2 MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS**

**Company Overview**

We are a leading supplier of fully integrated system solutions for the global commercial vehicle market, including the Heavy-duty (Class 8) truck market, the construction, military, bus and agriculture market and the specialty transportation markets. As a result of our leadership in cab-related products and systems, we are positioned to benefit from the increased focus of our customers on cab design and comfort and convenience features to better serve their end-user, the operator. Our products include static and suspension seat systems, electronic wire harness assemblies, control and switches, cab structures and components, interior trim systems (including instrument panels, door panels, headliners, cabinetry and floor systems), mirrors and wiper systems specifically designed for applications in commercial vehicles.

We are differentiated from suppliers to the automotive industry by our ability to manufacture low volume customized products on a sequenced basis to meet the requirements of our customers. We believe that we have the number one or two position in several of our major markets and that we are one of the only suppliers in the North American commercial vehicle market that can offer complete cab systems, including cab body assemblies, sleeper boxes, seats, interior trim, flooring, wire harnesses, panel assemblies and other structural components. We believe our products are used by a majority of the North American heavy truck OEMs, which we believe creates an opportunity to cross-sell our products and offer a fully integrated system solution.

Demand for our heavy truck products is generally dependent on the number of new heavy truck commercial vehicles manufactured in North America, which in turn is a function of general economic conditions, interest rates, changes in governmental regulations, consumer spending, fuel costs and our customers' inventory levels and production rates. New heavy truck commercial vehicle demand has historically been cyclical and is particularly sensitive to the industrial sector of the economy, which generates a significant portion of the freight tonnage hauled by commercial vehicles. Production of heavy truck commercial vehicles in North America initially peaked in 1999 and experienced a downturn from 2000 to 2003 that was due to a weak economy, an oversupply of new and used vehicle inventory and lower spending on heavy truck commercial vehicles and equipment. Demand for commercial vehicles improved in 2006 due to broad economic recovery in North America, corresponding growth in the movement of goods, the growing need to replace aging truck fleets and OEMs received larger than expected preorders in anticipation of the new EPA emissions standards becoming effective in 2007.

During 2007, the demand for North American Class 8 heavy trucks experienced a downturn as a result of preorders in 2006 and general weakness in the North American economy and corresponding decline in the need for commercial vehicles to haul freight tonnage in North America. The demand for new heavy truck commercial vehicles in 2008 remained close to 2007 levels as weakness in the overall North American economy continue to impact production related orders. The overall weakness in the North American economy and credit markets continued to put pressure on the demand for new vehicles in 2009 as reflected in the 42% decline of North American Class 8 production levels from 2008. We believe this general weakness has contributed to the reluctance of trucking companies to invest in new truck fleets. In addition, the tightening of credit in financial markets may continue to adversely affect the ability of our customers to obtain financing for significant truck orders. As of September 30, 2010, North American Class 8 production levels have increased approximately 35% over the prior year period indicating an economic recovery in the heavy truck market. If the overall economy and the financial markets, do not continue to recover, we expect that low demand for Class 8 trucks could continue to have a negative impact on our revenues, operating results and financial position.

Demand for our construction products is also dependent on the overall vehicle demand for new commercial vehicles in the global construction equipment market and generally follows certain economic conditions around the world. Within the construction market, there are two classes of construction equipment, the medium/heavy equipment market (weighing over 12 metric tons) and the light construction equipment market (weighing below 12 metric tons). Demand in the medium/heavy construction equipment market is typically related to the level of larger scale infrastructure development projects such as highways, dams, harbors, hospitals, airports and industrial development as well as activity in the mining, forestry and other raw material based industries. Demand in the light construction equipment

market is typically related to certain economic conditions such as the level of housing construction and other smaller-scale developments and projects. Our products are primarily used in the medium/heavy construction equipment markets. During 2009, we experienced a significant decline in global construction equipment production levels as a result of the global economic downturn and related reduction in new equipment orders. Through September 2010, the global construction market is showing signs of recovery. If the global economy and the financial markets, do not continue to recover, we expect that low demand for construction equipment could have a negative impact on our revenues, operating results and financial position.

**Table of Contents**

Along with the United States, we have operations in Europe, China, Australia and Mexico. Our operating results are, therefore, impacted by exchange rate fluctuations to the extent we translate our foreign operations from their local currencies into U.S. dollars.

We continuously seek ways to improve our operating performance by lowering costs. These efforts include, but are not limited to, the following:

- adjusting our hourly and salaried workforce to optimize costs in line with our production levels;
- sourcing efforts in Mexico, Europe and Asia;
- consolidating our supply base to improve purchasing leverage;
- eliminating excess production capacity through the closure and consolidation of manufacturing, warehousing or assembly facilities;
- improving our manufacturing cost basis by locating production in low-cost regions of the world; and
- implementing Lean Manufacturing and Total Quality Production System ( TQPS ) initiatives to improve operating efficiency and product quality.

Although OEM demand for our products is directly correlated with new vehicle production, we also have the opportunity to grow through increasing our product content per vehicle through cross selling and bundling of products. We generally compete for new business at the beginning of the development of a new vehicle platform and upon the redesign of existing programs. New platform development generally begins at least one to three years before the marketing of such models by our customers. Contract durations for commercial vehicle products generally extend for the entire life of the platform, which is typically five to seven years.

In sourcing products for a specific platform, the customer generally develops a proposed production timetable, including current volume and option mix estimates based on their own assumptions, and then sources business with the supplier pursuant to written contracts, purchase orders or other firm commitments in terms of price, quality, technology and delivery. In general, these contracts, purchase orders and commitments provide that the customer can terminate if a supplier does not meet specified quality and delivery requirements and, in many cases, they provide that the price will decrease over the proposed production timetable. Awarded business generally covers the supply of all or a portion of a customer's production and service requirements for a particular product program rather than the supply of a specific quantity of products. Accordingly, in estimating awarded business over the life of a contract or other commitment, a supplier must make various assumptions as to the estimated number of vehicles expected to be produced, the timing of that production, mix of options on the vehicles produced and pricing of the products being supplied. The actual production volumes and option mix of vehicles produced by customers depend on a number of factors that are beyond a supplier's control.

**Results of Operations**

The table below sets forth certain operating data expressed as a percentage of revenues for the three and nine month periods indicated:

**Table of Contents**

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	86.8	96.7	87.6	100.2
Gross profit (loss)	13.2	3.3	12.4	(0.2)
Selling, general and administrative expenses	9.6	10.2	9.4	10.8
Amortization expense		0.1		0.1
Intangible asset impairment				2.2
Long-lived asset impairment				1.1
Restructuring costs	0.1		0.4	0.6
Operating income (loss)	3.5	(7.0)	2.6	(15.0)
Other (income) expense	(0.6)	1.1	(0.9)	(2.2)
Interest expense	2.9	3.6	2.9	3.5
Loss on early extinguishment of debt		0.4		0.4
Expense relating to debt exchange		2.6		0.9
Income (loss) before income taxes	1.2	(14.7)	0.6	(17.6)
Provision (Benefit) for income taxes	0.4	(0.4)		0.3
Net income (loss)	0.8%	(14.3)%	0.6%	(17.9)%

**Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009**

**Revenues.** Revenues increased approximately \$40.1 million, or 36.2%, to \$150.9 million in the three months ended September 30, 2010 from \$110.8 million in the three months ended September 30, 2009. This increase resulted primarily from an increase in our heavy truck, construction and military markets. Our North American end market revenues increased by approximately \$17.7 million, including a 34.7% improvement in the North American class 8 heavy truck production units. In addition, our European and Asian end markets increased by approximately \$25.3 million primarily as a result of a general improvement in production levels of our global construction market. Translation of our foreign operations into U.S. dollars decreased our revenues by approximately \$2.9 million over the prior year period.

**Gross Profit.** Gross profit was approximately \$19.9 million for the three months ended September 30, 2010 compared to \$3.6 million in the three months ended September 30, 2009, an increase of approximately \$16.3 million. This increase was primarily the result of our cost reduction efforts from the prior year period as well as the impact of the increased revenues discussed above. As a percentage of revenues, gross profit was 13.2% for the three months ended September 30, 2010 compared to 3.3% for the three months ended September 30, 2009.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses increased approximately \$3.2 million to \$14.5 million in the three months ended September 30, 2010 from \$11.3 million in the three months ended September 30, 2009. This increase was primarily the result of increased wages and compensation, along with increased travel and other expenses to support our new business and strategic initiatives.

**Amortization Expense.** Amortization expense was approximately \$0.1 million, respectively, for the three months ended September 30, 2010 and September 30, 2009.

**Restructuring Costs.** We recorded restructuring charges for the three months ended September 30, 2010 of \$0.2 million relating to the closure of our Norwalk, Ohio facility as a result of Navistar's decision to in-source its cab assembly operation to Mexico. We did not record restructuring charges for the three months ended September 30, 2009.

*Other (Income) Expense.* We use forward exchange contracts to hedge foreign currency transaction exposures related primarily to our United Kingdom operations. We estimate our projected revenues and purchases in certain foreign currencies or locations and will hedge a portion or all of the anticipated long or short position. As of September 30, 2010, none of our derivatives were designated as hedging instruments; therefore, our forward foreign exchange contracts have been marked-to-market and the fair value of contracts recorded in the consolidated balance sheets with the offsetting non-cash gain or loss recorded in our consolidated statements of operations. We recorded other income for the three months ended September 30, 2010 of \$1.1 million and other expense for the three months ended September 30, 2009 of \$1.2 million, which is primarily related to the noncash change in value of the forward exchange contracts in existence at the end of each period.

**Table of Contents**

*Interest Expense.* Interest expense increased approximately \$0.4 million to \$4.4 million in the three months ended September 30, 2010 from \$4.0 million in the three months ended September 30, 2009. This increase was primarily due to higher average interest rates on our second lien term loan and third lien notes.

*Loss on Early Extinguishment of Debt.* In connection with entering into our Loan and Security Agreement on January 7, 2009, we expensed approximately \$0.5 million of fees relating to the prior senior credit agreement for the three months ended September 30, 2009. We did not record an expense for fees relating to the prior senior credit agreement for the three months ended September 30, 2010.

*Expense Relating to Debt Exchange.* In connection with the private exchange of a portion of our 8% senior notes and the issuance of a new second lien term loan during the three months ended September 30, 2009, we recorded approximately \$2.9 million in third party fees relating to the modification of our debt arrangements. We did not record an expense relating to the modification of our debt arrangements for the three months ended September 30, 2010.

*Provision (Benefit) for Income Taxes.* Our effective tax rate was 34.8% and 2.8% for the three months ended September 30, 2010 and 2009, respectively. An income tax provision of approximately \$0.6 million was recorded for the three months ended September 30, 2010 compared to an income tax benefit of approximately \$0.5 million for the three months ended September 30, 2009. The change in income tax from the prior year quarter can be primarily attributed to changes in tax reserves, geographic tax rates and profitability and to valuation allowances recorded against our deferred tax assets.

*Net Income (Loss).* Net income was \$1.1 million in the three months ended September 30, 2010, compared to a net loss of \$15.9 million in the three months ended September 30, 2009, primarily as a result of the factors discussed above.

***Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009***

*Revenues.* Revenues increased approximately \$116.9 million, or 36.2%, to \$439.7 million in the nine months ended September 30, 2010 from \$322.8 million in the nine months ended September 30, 2009. This increase resulted primarily from an increase in our heavy truck, construction and military markets. Our North American end market revenues increased by approximately \$62.3 million, including a 32.8% improvement in the North American class 8 heavy truck production units. In addition, our European and Asian end markets increased by approximately \$55.3 million primarily as a result of a general improvement in production levels of our global construction market. Translation of our foreign operations into U.S. dollars decreased our revenues by approximately \$0.8 million over the prior year period.

*Gross Profit (Loss).* Gross profit was approximately \$54.5 million for the nine months ended September 30, 2010 compared to a gross loss of \$0.7 million in the nine months ended September 30, 2009, an increase of approximately \$55.2 million. This increase was primarily the result of our cost reductions efforts from the prior year period as well as the impact of the increased revenues discussed above. As a percentage of revenues, gross profit was 12.4% for the nine months ended September 30, 2010 compared to gross loss of 0.2% in the nine months ended September 30, 2009.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased approximately \$6.4 million to \$41.4 million in the nine months ended September 30, 2010 from \$35.0 million in the nine months ended September 30, 2009. This increase was primarily the result of increased wages and compensation, along with increased travel and other expenses to support our new business and strategic initiatives.

*Amortization Expense.* Amortization expense was approximately \$0.2 million and \$0.3 million, respectively, for the nine months ended September 30, 2010 and 2009.

*Intangible Asset Impairment.* Our intangible asset impairment analysis is performed annually during the second quarter. In connection with this test, we determined that the fair value was less than the carrying value of our net assets and resulted in the recording of an impairment charge of approximately \$7.0 million for the nine months ended September 30, 2009. We did not record an intangible asset impairment for the nine months ended September 30, 2010.

*Long-Lived Asset Impairment.* We identified that an impairment indicator existed for the nine months ended September 30, 2009. As a result, we recorded an impairment of approximately \$3.4 million as the carrying value of the assets exceeded their fair value. We did not record a long-lived asset impairment for the nine months ended September 30, 2010.

*Restructuring Costs.* We recorded restructuring charges for the nine months ended September 30, 2010 of \$1.6 million relating to the closure of our Norwalk, Ohio facility as a result of Navistar's decision to in-source its cab assembly

**Table of Contents**

operation to Mexico. We recorded restructuring charges for the nine months ended September 30, 2009 of \$1.9 million relating to the reduction in our workforce and the closure of certain manufacturing, warehousing and assembly facilities.

*Other Income.* We use forward exchange contracts to hedge foreign currency transaction exposures related primarily to our United Kingdom operations. We estimate our projected revenues and purchases in certain foreign currencies or locations and will hedge a portion or all of the anticipated long or short position. As of September 30, 2010, none of our derivatives were designated as hedging instruments; therefore, our forward foreign exchange contracts have been marked-to-market and the fair value of contracts recorded in the consolidated balance sheets with the offsetting non-cash gain or loss recorded in our consolidated statements of operations. The other income for the nine months ended September 30, 2010 and 2009 of \$3.8 million and \$7.2 million, respectively, is primarily related to the noncash change in value of the forward exchange contracts in existence at the end of each period.

*Interest Expense.* Interest expense increased approximately \$1.5 million to \$12.8 million in the nine months ended September 30, 2010 from \$11.3 million in the nine months ended September 30, 2009. This increase was primarily due to higher average interest rate on our second lien term loan and third lien notes.

*Loss on Early Extinguishment of Debt.* In connection with entering into our Loan and Security Agreement on January 7, 2009, we expensed approximately \$1.3 million of fees relating to the prior senior credit agreement for the nine months ended September 30, 2009. We did not record an expense for fees relating to the prior senior credit agreement for the nine months ended September 30, 2010.

*Expense Relating to Debt Exchange.* In connection with the private exchange of a portion of our 8% senior notes and the issuance of a new second lien term loan during the nine months ended September 30, 2009, we recorded approximately \$2.9 million in third party fees relating to the modification of our debt arrangements. We did not record an expense relating to the modification of our debt arrangements for the nine months ended September 30, 2010.

*(Benefit) Provision for Income Taxes.* We recorded an income tax benefit of approximately \$0.2 million for the nine months ended September 30, 2010 compared to an income tax provision of approximately \$1.1 million for the nine months ended September 30, 2009. The change in income tax from the prior year period can be primarily attributed to changes in tax reserves, geographic tax rates and profitability and to valuation allowances recorded against our deferred tax assets.

*Net Income (Loss).* Net income was \$2.5 million in the nine months ended September 30, 2010, compared to a net loss of \$57.8 million in the nine months ended September 30, 2009, primarily as a result of the factors discussed above.

**Liquidity and Capital Resources****Cash Flows**

For the nine months ended September 30, 2010, net cash provided by operations was approximately \$11.4 million compared to \$14.0 million for the nine months ended September 30, 2009. The net cash provided by operations for the nine months ended September 30, 2010 was primarily a result of the tax refund of approximately \$21.4 million, which we received on April 29, 2010, which was offset by an increase in working capital.

Net cash used in investing activities was approximately \$5.3 million for the nine months ended September 30, 2010 compared to \$6.7 million for the nine months ended September 30, 2009. The amounts used in investing activities for the nine months ended September 30, 2010 primarily reflect capital expenditure purchases.

Net cash provided by financing activities was approximately \$26.4 million for the nine months ended September 30, 2010, compared to net cash used of \$5.0 million for the nine months ended September 30, 2009. The net cash provided by financing activities for the nine months ended September 30, 2010 is primarily related to the proceeds from the issuance of common stock.

**Debt and Credit Facilities**

As of September 30, 2010, we had an aggregate of \$165.3 million of outstanding indebtedness excluding \$2.4 million of outstanding letters of credit under various financing arrangements and an additional \$35.1 million of borrowing capacity under our Loan and Security Agreement, which is subject to a \$10.0 million availability block. The indebtedness consisted of the following:



**Table of Contents**

\$97.8 million of 8.0% senior notes due 2013;

\$13.5 million (\$16.8 million principal amount, net of \$3.3 million of original issue discount) of 15% second lien term loan due 2012;

\$48.2 million (\$42.1 million principal amount, and \$6.1 million of issuance premium) of 11%/13% third lien secured notes due 2013; and

\$5.8 million of paid-in-kind interest on the 11%/13% third lien secured notes due 2013.

*Credit Agreement* On January 7, 2009, we and certain of our direct and indirect U.S. subsidiaries, as borrowers (the borrowers), entered into a Loan and Security Agreement (the Loan and Security Agreement) with Bank of America, N.A., as agent and lender, which, as amended, provides for a three-year asset-based revolving credit facility with an aggregate principal amount of up to \$37.5 million (after giving effect to a second amendment to our Loan and Security Agreement entered into on August 4, 2009), which is subject to an availability block of \$10.0 million, until we deliver a compliance certificate for any fiscal quarter ending March 31, 2010 or thereafter demonstrating a fixed charge coverage ratio of at least 1.1 to 1.0 for the most recent four fiscal quarters, at which time the availability block will be \$7.5 million at all times while the fixed charge coverage ratio is at least 1.1 to 1.0 and certain borrowing base limitations are met. Up to an aggregate of \$10.0 million is available to the borrowers for the issuance of letters of credit, which reduces availability under the revolving credit facility.

As of September 30, 2010, approximately \$2.7 million in deferred fees relating to the Loan and Security Agreement, our 8.0% senior notes due 2013 and our 11%/13% third lien senior secured notes due 2013 were outstanding and were being amortized over the life of the agreements.

As of September 30, 2010, we did not have borrowings under the Loan and Security Agreement. In addition, as of September 30, 2010, we had outstanding letters of credit of approximately \$2.4 million and borrowing availability of \$35.1 million under the Loan and Security Agreement, which is subject to a \$10.0 million availability block.

*Third Amendment to Loan and Security Agreement.* On September 7, 2010, we entered into a third amendment (the Third Amendment) to the Loan and Security Agreement. Pursuant to the Third Amendment, the applicable margin for borrowings was amended to reduce the applicable margin and include grid pricing based upon the fixed charge coverage ratio for the most recently ended fiscal quarter:

Level	Ratio	Domestic Base Rate Loans	LIBOR Revolver Loans
III	≤ 1.25 to 1.00	2.00%	3.00%
II	≥ 1.25 to 1.00 but < 1.75 to 1.00	1.75%	2.75%
I	≥ 1.75 to 1.00	1.50%	2.50%

Until delivery of the financial statements and corresponding compliance certificate for the fiscal year ending December 31, 2010, the applicable margin shall be set at Level II. Thereafter, the applicable margin shall be subject to increase or decrease following receipt by the agent of the financial statements and corresponding compliance certificate for each fiscal quarter. If the financial statements or corresponding compliance certificate are not timely delivered, then the highest rate shall be applicable until the first day of the calendar month following actual receipt. In addition, the unused commitment fee was reduced to (i) .875% per annum during any fiscal quarter in which the aggregate average daily unused commitment is equal to or greater than 50% of the revolver commitments or (ii) .625% per annum times the unused commitment during any fiscal quarter in which the aggregate average daily unused commitment is less than 50% of the revolver commitments.

Under the Third Amendment, Permitted Foreign Investments were increased from \$5.0 million annually and \$10.0 million during the term of the agreement, to \$10.0 million annually and \$20.0 million during the term of the agreement, so long as the Domestic Availability immediately prior to and after such investment is at least \$5.0 million. Restricted Investments under Section 10.2.5 was also revised to allow for the investment in our Chinese subsidiary to be in the form of up to 70% Equity and 30% intercompany loan, also subject to the annual and lifetime Permitted Foreign Investment limitations.



**Table of Contents**

Pursuant to the Third Amendment, the limitations on other aggregate Investments not otherwise permitted in the agreement, and other aggregate Debt not otherwise permitted in the agreement, was increased to \$1.5 million and \$5.0 million, respectively.

*Terms, Covenants and Compliance Status* We are not required to comply with the fixed charge coverage ratio requirement for as long as we maintain at least \$5.0 million of borrowing availability (after giving effect to the \$10.0 million availability block) under the Loan and Security Agreement. If borrowing availability (after giving effect to the \$10.0 million availability block) is less than \$5.0 million for three consecutive business days or less than \$2.5 million on any day, we would have been required to comply with a fixed charge coverage ratio of 1.0:1.0 for fiscal quarters ending on or after March 31, 2010, and will be required to continue to comply with these requirements until we have borrowing availability (after giving effect to the \$10.0 million availability block) of \$5.0 million or greater for 60 consecutive days.

Because we had borrowing availability in excess of \$5.0 million (after giving effect to the \$10.0 million availability block) during the quarter ended September 30, 2010, we were not required to comply with the fixed charge coverage during the quarter ended September 30, 2010.

The Loan and Security Agreement also contains other customary restrictive covenants, including, without limitation: limitations on the ability of the borrowers and their subsidiaries to incur additional debt and guarantees; grant liens on assets; pay dividends or make other distributions; make investments or acquisitions; dispose of assets; make payments on certain indebtedness; merge, combine with any other person or liquidate; amend organizational documents; file consolidated tax returns with entities other than other borrowers or their subsidiaries; make material changes in accounting treatment or reporting practices; enter into restrictive agreements; enter into hedging agreements; engage in transactions with affiliates; enter into certain employee benefit plans; and amend subordinated debt or the indentures governing the third lien notes and the 8% senior notes due 2013. In addition, the Loan and Security Agreement contains customary reporting and other affirmative covenants. We were in compliance with these covenants as of September 30, 2010.

Under the Loan and Security Agreement, borrowings bear interest at various rates plus a margin based on certain financial ratios. The borrowers' obligations under the Loan and Security Agreement are secured by a first-priority lien (subject to certain permitted liens) on substantially all of the tangible and intangible assets of the borrowers, as well as 100% of the capital stock of the direct domestic subsidiaries of each borrower and 65% of the capital stock of each foreign subsidiary directly owned by a borrower. Each of CVG and each other borrower is jointly and severally liable for the obligations under the Loan and Security Agreement and unconditionally guarantees the prompt payment and performance thereof.

*Second Lien Credit Agreement.* Concurrently with the notes exchange described below, on August 4, 2009, CVG and certain of its domestic subsidiaries entered into a Loan and Security Agreement (the *Second Lien Credit Agreement*) with Credit Suisse, as agent, and certain financial institutions, as lenders, providing for a term loan (the *second lien term loan*) in principal amount of \$16.8 million. The second lien term loan bears interest at the fixed per annum rate of 15% until it matures on November 1, 2012. During an event of default, if the required lenders so elect, the interest rate applied to any outstanding obligations will be equal to the otherwise applicable rate plus 2.0%.

The *Second Lien Credit Agreement* provides that the second lien term loan is a senior secured obligation of CVG. CVG's obligations under the *Second Lien Credit Agreement* are guaranteed by the guarantors. The obligations of CVG and the guarantors under the *Second Lien Credit Agreement* are secured by a second-priority lien on substantially all of the tangible and intangible assets of CVG and certain of its domestic subsidiaries, and a pledge of 100% of the capital stock of certain of CVG's domestic subsidiaries and 65% of the capital stock of each foreign subsidiary directly owned by a domestic subsidiary. The liens, the security interests and all of the obligations of CVG and the guarantors and all provisions regarding remedies in an event of default are subject to an intercreditor agreement among the agent under the Loan and Security Agreement, the agent under the *Second Lien Credit Agreement* and the collateral agent for the third lien notes, and an intercreditor agreement among the collateral agent for the *Second Lien Credit Agreement* and the collateral agent for the third lien notes (the *Intercreditor Agreements*).

*Exchange of 8% Senior Notes due 2013 for Units consisting of 11%/13% Third Lien Senior Secured Notes due 2013 and Warrants.* On August 4, 2009, we announced a private exchange with certain holders of our 8% senior notes due

2013 (the 8% senior notes ) pursuant to an exchange agreement, dated as of August 4, 2009, by and between us, certain of our subsidiaries and the exchanging noteholders named therein. Pursuant to the exchange agreement, we exchanged approximately \$52.2 million in aggregate principal amount of the 8% senior notes for units consisting of (i) approximately

**Table of Contents**

\$42.1 million in aggregate principal amount of our new 11%/13% Third Lien Senior Secured Notes due 2013 (the third lien notes ) and (ii) warrants to purchase 745,000 shares of our common stock at an exercise price of \$0.35. The third lien notes were issued pursuant to an indenture, dated as of August 4, 2009 (the Third Lien Notes Indenture ), by and among CVG, certain of our subsidiaries party thereto, as guarantors (the guarantors ), and U.S. Bank National Association, as trustee.

*11%/13% Third Lien Senior Secured Notes due 2013.* The third lien notes were issued under the Third Lien Notes Indenture. Interest is payable on the third lien notes on February 15 and August 15 of each year until their maturity date of February 15, 2013. We paid interest entirely in pay-in-kind interest ( PIK interest ), by increasing the outstanding principal amount of the third lien notes, on the interest payment dates on February 15, 2010 and August 15, 2010, at an annual rate of 13.0%. We have elected to pay our February 15, 2011 interest in cash, at an annual rate of 11.0%. After February 15, 2011, we will be required to make all interest payments entirely in cash, at an annual rate of 11.0%.

The Third Lien Notes Indenture provides that the third lien notes are senior secured obligations of CVG. Our obligations under the third lien notes are guaranteed by the guarantors. The obligations of CVG and the guarantors under the third lien notes are secured by a third-priority lien on substantially all of the tangible and intangible assets of CVG and its domestic subsidiaries, and a pledge of 100% of the capital stock of certain of CVG's domestic subsidiaries and 65% of the capital stock of each foreign subsidiary directly owned by a domestic subsidiary. The liens, the security interests and all obligations of CVG and the guarantors are subject in all respects to the terms, provisions, conditions and limitations of the Intercreditor Agreements.

*8% Senior Notes due 2013.* The 8.0% senior notes are senior unsecured obligations and rank *pari passu* in right of payment to all of our existing and future senior indebtedness and are effectively subordinated to our existing and future secured obligations. The 8.0% senior notes are guaranteed by certain of our domestic subsidiaries.

***Covenants and Liquidity***

We continue to operate in a challenging economic environment, and our ability to comply with the covenants in the Loan and Security Agreement may be affected in the future by economic or business conditions beyond our control. Based on our current forecast, we believe that we will be able to maintain compliance with the fixed charge coverage ratio covenant or the minimum availability requirement, if applicable, and other covenants in the Loan and Security Agreement for the next twelve months; however, no assurances can be given that we will be able to comply. We base our forecasts on historical experience, industry forecasts and various other assumptions that we believe are reasonable under the circumstances. If actual results are substantially different than our current forecast, or if we do not realize a significant portion of our planned cost savings or sustain sufficient cash or borrowing availability, we could be required to comply with our financial covenants, and there is no assurance that we would be able to comply with such financial covenants. If we do not comply with the financial and other covenants in the Loan and Security Agreement, and we are unable to obtain necessary waivers or amendments from the lender, we would be precluded from borrowing under the Loan and Security Agreement, which would have a material adverse effect on our business, financial condition and liquidity. If we are unable to borrow under the Loan and Security Agreement, we will need to meet our capital requirements using other sources and alternative sources of liquidity may not be available on acceptable terms. In addition, if we do not comply with the financial and other covenants in the Loan and Security Agreement, the lender could declare an event of default under the Loan and Security Agreement, and our indebtedness thereunder could be declared immediately due and payable, which would also result in an event of default under the second lien term loan, the third lien notes and the 8% senior notes. Any of these events would have a material adverse effect on our business, financial condition and liquidity.

We believe that cash on hand, cash flow from operating activities together with available borrowings under the Loan and Security Agreement will be sufficient to fund currently anticipated working capital, planned capital spending, certain strategic initiatives and debt service requirements for at least the next 12 months. No assurance can be given, however, that this will be the case.

**Update on Contractual Obligations**

At September 30, 2010, we have provided a liability for \$0.7 million of unrecognized tax benefits related to various income tax positions. We do not expect a significant tax payment related to these obligations within the next year.



## **Table of Contents**

### **Forward-Looking Statements**

All statements, other than statements of historical fact included in this Form 10-Q, including without limitation the statements under Management's Discussion and Analysis of Financial Condition and Results of Operations are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Securities Exchange Act of 1934, as amended. When used in this Form 10-Q, the words anticipate, believe, estimate, expect, intend, plan and similar expressions, as they relate to us, are intended to identify forward-looking statements. Such forward-looking statements may include management's expectations for future periods with respect to cost saving initiatives, market conditions, or financial covenant compliance and liquidity and our financial position or other financial information and are based on the beliefs of our management as well as on assumptions made by and information currently available to us at the time such statements were made. Various economic and competitive factors could cause actual results to differ materially from those discussed in such forward-looking statements, including factors which are outside of our control, such as risks relating to: (i) general economic or business conditions affecting the markets in which we serve; (ii) our ability to develop or successfully introduce new products; (iii) risks associated with conducting business in foreign countries and currencies; (iv) increased competition in the heavy-duty truck or construction market; (v) our failure to complete or successfully integrate additional strategic acquisitions; (vi) the impact of changes in governmental regulations on our customers or on our business; (vii) the loss of business from a major customer or the discontinuation of particular commercial vehicle platforms; (viii) our ability to obtain future financing due to changes in the lending markets or our financial position; (ix) our ability to comply with the financial covenants in our revolving credit facility; and (x) various other risks as outlined under the heading Risk Factors in our Annual Report on Form 10-K for the fiscal year ended December 31, 2009. All subsequent written and oral forward-looking statements attributable to us or persons acting on our behalf are expressly qualified in their entirety by such cautionary statements.

### **ITEM 3 QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK**

There have been no material changes to our exposure to market risk since December 31, 2009.

### **ITEM 4 CONTROLS AND PROCEDURES**

*Disclosure Controls and Procedures.* Our senior management is responsible for establishing and maintaining disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the Exchange Act)), designed to ensure that information required to be disclosed by us in the reports that we file or submit under the Exchange Act is recorded, processed, summarized and reported, within the time periods specified in the Securities and Exchange Commission's rules and forms. Disclosure controls and procedures include, without limitation, controls and procedures designed to ensure that information required to be disclosed by an issuer in the reports that it files or submits under the Exchange Act is accumulated and communicated to the issuer's management, including its principal executive officer or officers and principal financial officer or officers, or persons performing similar functions, as appropriate to allow timely decisions regarding required disclosure.

We have evaluated the effectiveness of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Exchange Act) as of the end of the period covered by this report, with the participation of our Chief Executive Officer and Chief Financial Officer, as well as other key members of our management. Based on this evaluation, our Chief Executive Officer and Chief Financial Officer concluded that our disclosure controls and procedures were effective as of September 30, 2010.

*Changes in Internal Control over Financial Reporting.* There was no change in our internal control over financial reporting during the three months ended September 30, 2010 that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

*Inherent Limitations on Effectiveness of Controls.* Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. The design of a control

system must reflect the fact that there are resource constraints, and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the company have been detected. These inherent limitations include the realities that judgments in decision-



**Table of Contents**

making can be faulty and that breakdowns can occur because of simple error or mistake. Controls also can be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

**Table of Contents**

**PART II. OTHER INFORMATION**

**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**

Item 1. Legal Proceedings:

From time to time, we are involved in various disputes and litigation matters that arise in the ordinary course of our business. We do not have any material litigation at this time.

Item 1A. Risk Factors:

There have been no material changes to our risk factors as disclosed in Item 1A. Risk Factors in our Annual Report on Form 10-K for the year ended December 31, 2009 filed with the SEC on March 12, 2010.

**Table of Contents**

Item 6. Exhibits:

- 10.1 Amendment No. 3 dated as of September 7, 2010 to Loan and Security Agreement, dated as of January 7, 2009, by and among Commercial Vehicle Group, Inc., as Borrower, certain of the Company's subsidiaries, as guarantors, the financial institutions party to thereto, as lenders, and Bank of America, N.A. as agent for lenders (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on September 8, 2010).
  
- 31.1 Certification by Mervin Dunn, President and Chief Executive Officer.
  
- 31.2 Certification by Chad M. Utrup, Chief Financial Officer.
  
- 32.1 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
  
- 32.2 Certification Pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

**Table of Contents**

**SIGNATURE**

Pursuant to the requirements of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

COMMERCIAL VEHICLE GROUP, INC.

Date: November 9, 2010

By: /s/ Chad M. Utrup  
Chad M. Utrup  
Chief Financial Officer  
(Principal financial and accounting  
officer and duly authorized officer)

35