

Commercial Vehicle Group, Inc.  
Form 10-Q  
November 02, 2011  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

**Form 10-Q**

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

For the quarterly period ended September 30, 2011

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)

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**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  (Do not check if a smaller reporting company) 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, 2011 was 28,769,133 shares.



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

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**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,	
	2011 (Unaudited)	2010 (Unaudited)	2011 (Unaudited)	2010 (Unaudited)
	(In thousands, except per share amounts)		(In thousands, except per share amounts)	
REVENUES	\$ 216,909	\$ 150,950	\$ 606,194	\$ 439,706
COST OF REVENUES	187,087	131,086	523,980	385,194
Gross Profit	29,822	19,864	82,214	54,512
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES	16,210	14,533	48,427	41,412
AMORTIZATION EXPENSE	65	60	255	180
RESTRUCTURING COSTS		162	542	1,572
Operating Income	13,547	5,109	32,990	11,348
OTHER INCOME	(13)	(1,061)	(10)	(3,801)
INTEREST EXPENSE	5,345	4,418	14,391	12,839
LOSS ON EARLY EXTINGUISHMENT OF DEBT			7,448	
Income Before Provision (Benefit) for Income Taxes	8,215	1,752	11,161	2,310
PROVISION (BENEFIT ) FOR INCOME TAXES	839	610	2,677	(201)
NET INCOME	\$ 7,376	\$ 1,142	\$ 8,484	\$ 2,511
INCOME PER COMMON SHARE:				
Basic	\$ 0.27	\$ 0.04	\$ 0.31	\$ 0.10
Diluted	\$ 0.26	\$ 0.04	\$ 0.30	\$ 0.09
WEIGHTED AVERAGE SHARES OUTSTANDING:				
Basic	27,768	27,340	27,767	25,770
Diluted	28,152	28,087	28,187	26,584

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**

	September 30, 2011 (Unaudited) (In thousands, except share and per share amounts)	December 31, 2010 (Unaudited)
<b>ASSETS</b>		
<b>CURRENT ASSETS:</b>		
Cash	\$ 85,318	\$ 42,591
Accounts receivable, net of reserve for doubtful accounts of \$3,299 and \$2,717, respectively	138,007	91,101
Inventories	71,784	66,622
Prepaid expenses and other, net	8,989	11,109
<b>Total current assets</b>	<b>304,098</b>	<b>211,423</b>
PROPERTY, PLANT AND EQUIPMENT, net	73,021	59,321
INTANGIBLE ASSETS, net of accumulated amortization of \$2,499 and \$2,245, respectively	7,360	3,848
OTHER ASSETS, net	16,314	11,615
<b>TOTAL ASSETS</b>	<b>\$ 400,793</b>	<b>\$ 286,207</b>
<b>LIABILITIES AND STOCKHOLDERS INVESTMENT (DEFICIT)</b>		
<b>CURRENT LIABILITIES:</b>		
Accounts payable	\$ 77,767	\$ 61,216
Accrued liabilities	40,003	34,130
<b>Total current liabilities</b>	<b>117,770</b>	<b>95,346</b>
LONG-TERM DEBT	250,000	164,987
PENSION AND OTHER POST-RETIREMENT BENEFITS	21,011	23,343
OTHER LONG-TERM LIABILITIES	2,485	2,643
<b>Total liabilities</b>	<b>391,266</b>	<b>286,319</b>
<b>COMMITMENTS AND CONTINGENCIES</b>		
<b>STOCKHOLDERS INVESTMENT (DEFICIT):</b>		
Preferred stock \$.01 par value; 5,000,000 shares authorized; no shares issued and outstanding;		
common stock \$.01 par value; 60,000,000 shares authorized; 27,767,657 and 27,756,759 shares issued and outstanding, respectively	280	280
Treasury stock purchased from employees; 285,208 shares, respectively	(2,851)	(2,851)
Additional paid-in capital	218,043	215,491
Retained loss	(184,875)	(193,359)
Accumulated other comprehensive loss	(21,070)	(19,673)
<b>Total stockholders investment (deficit)</b>	<b>9,527</b>	<b>(112)</b>
<b>TOTAL LIABILITIES AND STOCKHOLDERS INVESTMENT (DEFICIT)</b>	<b>\$ 400,793</b>	<b>\$ 286,207</b>

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 STATEMENTS OF CASH FLOWS**

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>
	<b>(In thousands)</b>	
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income	\$ 8,484	\$ 2,511
Adjustments to reconcile net income to net cash used in operating activities:		
Depreciation and amortization	9,455	8,842
Provision for doubtful accounts	3,008	3,735
Noncash amortization of debt financing costs	971	1,136
Loss on early extinguishment of debt	7,448	
Amortization of bond discount/premium, net	(345)	(936)
Paid-in-kind interest		3,569
Pension plan contributions	(2,277)	(1,705)
Shared-based compensation expense	2,552	1,998
Loss (gain) on sale of assets	244	(87)
Noncash gain on forward exchange contracts		(3,377)
Change in other operating items	(31,198)	(4,335)
Net cash (used in) provided by operating activities	(1,658)	11,351
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Purchases of property, plant and equipment	(14,555)	(5,783)
Proceeds from disposal/sale of property plant and equipment	57	97
Post-acquisition and acquisitions payments, net of cash received	(11,114)	
Long-term supply contracts, other	(351)	389
Net cash used in investing activities	(25,963)	(5,297)
<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 long-term debt	(170,929)	
Borrowing of long-term debt	250,000	
Debt issuance costs and other	(6,963)	
Net cash provided by financing activities	72,108	26,433
EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH	(1,760)	1,772
NET INCREASE IN CASH	42,727	34,259
<b>CASH:</b>		
Beginning of period	42,591	9,524
End of period	\$ 85,318	\$ 43,783
<b>SUPPLEMENTAL CASH FLOW INFORMATION:</b>		



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Cash paid for interest	\$ 11,204	\$ 9,998
Cash paid (received) for income taxes, net	\$ 1,159	\$ (21,116)
Unpaid purchases of property and equipment included in accounts payable	\$ 854	\$ 537

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

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**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 markets. We have facilities located in the United States in Alabama, 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 2010 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 15, 2011. 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, 2011 are not necessarily indicative of the results to be expected in future operating quarters.

**2. Recently Issued Accounting Pronouncements**

In May 2011, the Financial Accounting Standards Board ( FASB ) issued Accounting Standards Update ( ASU ) No. 2011-04, *Fair Value Measurement*. This ASU clarifies the concepts related to highest and best use and valuation premise, blockage factors and other premiums and discounts, the fair value measurement of financial instruments held in a portfolio and of those instruments classified as a component of stockholders' equity. The guidance includes enhanced disclosure requirements about recurring Level 3 fair value measurements, the use of nonfinancial assets, and the level in the fair value hierarchy of assets and liabilities not recorded at fair value. The provisions of this ASU are effective prospectively for interim and annual periods beginning on or after December 15, 2011. Early application is prohibited. We are currently evaluating the impact of this new ASU.

In June 2011, the FASB issued ASU No. 2011-05, *Comprehensive Income*. This ASU intends to enhance comparability and transparency of other comprehensive income components. The guidance provides an option to present total comprehensive income, the components of net income and the components of other comprehensive income in a single continuous statement or two separate but consecutive statements. This ASU eliminates the option to present other comprehensive income components as part of the statement of changes in stockholders' equity. The provisions of this ASU will be applied retrospectively for interim and annual periods beginning after December 15, 2011. Early application is permitted. We are currently evaluating the impact of this new ASU.

**3. Business Combinations**

On January 28, 2011, we acquired all of the assets and certain liabilities related to Bostrom Seating, Inc. ( Bostrom ) for cash consideration of approximately \$8.8 million (the Bostrom acquisition ). Bostrom is a seat supplier to the North American heavy truck, aftermarket, bus and specialty vehicle markets. Bostrom has one owned manufacturing facility in Piedmont, Alabama. The acquisition of Bostrom further expands our North American presence in certain key end markets and enhances our overall aftermarket position.

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On July 27, 2011, we acquired certain assets of Stratos Seating ( Stratos ) for cash consideration of approximately \$2.3 million (the Stratos acquisition ). Stratos is a seat supplier to the Australian military, truck and specialty vehicle markets. Stratos is located in Wetherill Park, Sydney, Australia. The acquisition of Stratos expands our Australian presence in the military and truck markets and enhances our overall product offering with the addition of the unique Stratos suspension system and military seating products.

The operating results of Bostrom and Stratos have been included in our consolidated financial statements since the dates of acquisition. From the dates of acquisition through September 30, 2011, we recorded revenues of approximately \$25.2 million and \$1.0 million for Bostrom and Stratos, respectively, and operating income of \$0.7 million and \$0.1 million, respectively. Acquisition related expenses for Bostrom and Stratos of approximately \$0.4 million and \$0.1million, respectively, were incurred for the nine months ended September 30, 2011 and have been recorded as selling, general and administrative expenses on our consolidated statements of operations.

The Bostrom and Stratos acquisitions were accounted for by the acquisition method of accounting. Under acquisition accounting, the total purchase price has been allocated to the tangible and intangible assets and liabilities of Bostrom and Stratos based upon their respective fair values. The purchase price and costs associated with the Bostrom and Stratos acquisitions exceeded the preliminary fair value of the net assets acquired by approximately \$2.6 million and \$1.3 million, respectively. During the three-month period ended June 30, 2011, the purchase price for the Bostrom acquisition was reduced by approximately \$0.1 million. During the three-month period ended September 30, 2011, the purchase price for the Stratos acquisition was increased by approximately \$0.1 million. During the three months ended September 30, 2011, we reduced the preliminary purchase price allocation for the Bostrom acquisition by approximately \$0.6 million. In connection with the allocation of the purchase price for Bostrom and Stratos, we recorded definite-lived intangible assets of approximately \$2.6 million and \$1.3 million, respectively, as shown in the following table (in thousands):

	<b>Bostrom</b>	<b>Stratos</b>
Purchase price, net of post-acquisition adjustment	\$ 8,699	\$ 2,415
Net assets at fair value	6,140	1,070
<b>Excess of purchase price over net assets acquired</b>	<b>\$ 2,559</b>	<b>\$ 1,345</b>

The purchase price allocation for the Bostrom acquisition and the Stratos acquisition was as follows (in thousands):

	<b>Bostrom</b>	<b>Stratos</b>
Accounts receivable	\$ 3,898	\$
Inventories	2,274	840
Other current assets	4	
Property, plant and equipment	4,960	437
Definite-lived intangible assets	2,559	1,345
Current liabilities	(4,996)	(207)
<b>Contract purchase price</b>	<b>\$ 8,699</b>	<b>\$ 2,415</b>

The following pro forma information for the three and nine months ended September 30, 2011 and 2010 presents the result of operations as if the acquisitions of Bostrom and Stratos had taken place at the beginning of the periods. The pro forma results are not necessarily indicative of the financial position or result of operations had the acquisition taken place at the beginning of the periods. In addition, the pro forma results are not necessarily indicative of the future financial or operating results (in thousands, except per share data):

	<b>Three Months Ended September 30,</b>		<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>	<b>2011</b>	<b>2010</b>
	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>	<b>(Unaudited)</b>
Revenue	\$ 217,615	\$ 159,538	\$ 612,731	\$ 462,660
Operating income	\$ 13,653	\$ 4,734	\$ 33,936	\$ 10,456

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Net income	\$	7,482	\$	770	\$	9,431	\$	1,621
Earnings Per Share:								
Basic	\$	0.27	\$	0.03	\$	0.34	\$	0.06
Diluted	\$	0.27	\$	0.03	\$	0.33	\$	0.06

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On September 6, 2011, we entered into a joint venture (the Joint Venture ) with Hema Engineering Industries Limited ( Hema ) for the production of seats and seating components for the India commercial vehicle market and for the supply of seats and components to our other global locations. We hold a 90% ownership and Hema holds a 10% ownership in the Joint Venture.

We will lease a production facility in the Delhi NCR (Gurgaon) region of India, where Hema has its existing manufacturing facilities. Hema will initially supply components to the Joint Venture. We have been awarded India truck seating business and expect to begin production of this business in early to mid-2012. We will also transfer existing business to the Joint Venture where it will be manufactured and supplied to other global CVG locations. We have already shipped tooling for certain of our products to India to support its global requirements, including the development of new markets in India.

**4. Fair Value Measurement**

Fair value is the price that would be received from selling an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. Fair value is estimated by applying the following hierarchy, which prioritizes the inputs used to measure fair value into three levels and bases the categorization within the hierarchy upon the lowest level of input that is available and significant to the fair value measurement:

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.

Our financial instruments consist of cash, accounts receivable, accounts payable, accrued liabilities and revolving credit facility. The carrying value of these instruments approximates fair value as a result of the short duration of such instruments or due to the variability of interest cost associated with such instruments.

The carrying amounts and fair values of our long-term debt obligations are as follows (in thousands):

	September 30, 2011		December 31, 2010	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Long-term debt	\$ 250,000	\$ 250,000	\$ 164,987	\$ 159,376

The fair value of long-term debt obligations is based on quoted market prices or on rates available on debt with similar terms and maturities. Based on these inputs, our long-term debt is classified as Level 2.

**5. Stockholders Investment**

*Common Stock* Our authorized capital stock consists of 60,000,000 shares of common stock with a par value of \$0.01 per share, with 28,769,133 shares outstanding as of September 30, 2011.

*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, 2011.

*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. Potential common shares are included in the diluted earnings per share calculation when dilutive. Diluted earnings per share for the three and nine



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months ended September 30, 2011 and 2010 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):

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Net income applicable to common stockholders basic and diluted	\$ 7,376	\$ 1,142	\$ 8,484	\$ 2,511
Weighted average number of common shares outstanding	27,768	27,340	27,767	25,770
Dilutive effect of outstanding stock options and restricted stock grants after application of the Treasury Stock Method	384	747	420	814
Dilutive shares outstanding	28,152	28,087	28,187	26,584
Basic income per share	\$ 0.27	\$ 0.04	\$ 0.31	\$ 0.10
Diluted income per share	\$ 0.26	\$ 0.04	\$ 0.30	\$ 0.09

For the three months ended September 30, 2011 and 2010, diluted earnings per share did not include approximately 0.5 million outstanding stock options, respectively, as the effect would have been antidilutive. For the nine months ended September 30, 2011 and 2010, diluted earnings per share did not include approximately 0.5 million outstanding stock options, respectively, 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.

**6. 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 of the Board of Directors. A participant granted restricted stock generally has all of the rights of a stockholder, unless the Compensation Committee determines otherwise. The following table summarizes information about restricted stock grants as of September 30, 2011:

Grant	Shares	Estimated Forfeiture Rate	Vesting Schedule
November 2008	798,450	9.2%	3 equal annual installments commencing on October 20, 2009
November 2009	638,150	8.2%	3 equal annual installments commencing on October 20, 2010
November 2010	404,000	8.2%	3 equal annual installments commencing on October 20, 2011

As of September 30, 2011, there was approximately \$5.0 million of unearned compensation expense related to non-vested share-based compensation arrangements granted under our equity incentive plans. 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 November 2008 awards, 13 months for the November 2009 awards and 25 months for the November 2010 awards, respectively.

The following table summarizes information about the non-vested restricted stock grants as of September 30, 2011:

	Shares (in thousands)	Weighted-Average Grant-Date Fair Value
Nonvested at December 31, 2010	1,023	\$ 9.02

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Granted		
Vested	(11)	2.47
Forfeited	(11)	7.60
Nonvested at September 30, 2011	1,001	\$ 9.02

As of September 30, 2011, 1,705,549 of the 4.6 million shares authorized for issuance were available for issuance under the Fourth Amended and Restated Equity Incentive Plan, including cumulative forfeitures.



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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 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):

	September 30, 2011	December 31, 2010
Raw materials	\$ 50,637	\$ 46,194
Work in process	13,867	12,477
Finished goods	13,764	13,727
Less excess and obsolete	(6,484)	(5,776)
	\$ 71,784	\$ 66,622

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 assets for recoverability whenever events or changes in circumstances indicate that carrying amounts may not be recoverable. If the estimated undiscounted cash flows are less than the carrying amount of such assets, we recognize an impairment loss in an amount necessary to write down the assets to fair value as estimated from expected future discounted cash flows. Estimating the fair value of these assets is judgmental in nature and involves the use of significant estimates and assumptions. We base our fair value estimates on assumptions we believe to be reasonable, but that are inherently uncertain.

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

	Amortization Period	September 30, 2011			Amortization Period	December 31, 2010		Net Carrying Amount
		Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount		Gross Carrying Amount	Accumulated Amortization	
Definite-lived intangible assets:								
Trademarks/Tradenames	22 years	\$ 9,421	\$ (2,061)	\$ 7,360	20 years	\$ 5,655	\$ (1,807)	\$ 3,848

We recorded approximately \$2.6 million and \$1.2 million in definite-lived intangible assets (tradenames) with useful lives of 30 years in connection with the Bostrom and Stratos acquisitions, respectively.

The aggregate intangible asset amortization expense was approximately \$0.1 million for the three months ended September 30, 2011 and 2010, respectively, and approximately \$0.3 million and \$0.2 million for the nine months ended September 30, 2011 and 2010, respectively.

The estimated intangible asset amortization expense for the fiscal year ending December 31, 2011, and for the five succeeding years is as follows (in thousands):



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Fiscal Year Ended	Estimated Amortization Expense
<b>December 31,</b>	
2011	\$345
2012	\$365
2013	\$365
2014	\$365
2015	\$365
2016	\$365

**10. Restructuring Activities**

In 2009, we announced the following restructuring plans:

A reduction in workforce and the closure of certain manufacturing, warehousing and assembly facilities. The facilities closed included an assembly and sequencing facility in Kent, Washington; seat sequencing and assembly facility in Statesville, North Carolina; manufacturing facility in Lake Oswego, Oregon; inventory and product warehouse in Concord, North Carolina; and seat assembly and distribution facility in Seneffs, Belgium. The decision to reduce our workforce was the result of the extended downturn of the global economy and, in particular, the commercial vehicle markets. We substantially completed these activities as of December 31, 2009.

The closure of our Vancouver, Washington manufacturing facility. The decision to close the facility was the result of the extended downturn of the global economy and, in particular, the commercial vehicle markets. We substantially completed this closure as of December 31, 2009.

The closure and consolidation of one of our facilities located in Liberec, Czech Republic and the closing of our Norwalk, Ohio truck cab assembly facility. The closure and consolidation of our Liberec, Czech Republic facility was a result of management's continued focus on reducing fixed costs and eliminating excess capacity. The closure of this facility was substantially completed as of December 31, 2009.

The closure of our Norwalk, Ohio facility 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 cash expenditures for all of these restructurings of approximately \$6.6 million, consisting of approximately \$2.5 million of severance costs and \$4.1 million of facility closure costs. We have incurred cumulative restructuring charges of \$5.9 million consisting of approximately \$2.5 million of severance costs and \$3.4 million of facility closure costs as of September 30, 2011.

A summary of the restructuring liability for the nine months ended September 30, 2011 is as follows (in thousands):

	Employee Costs	Facility Exit and Other Contractual Costs	Total
Balance - December 31, 2010	\$ 101	\$ 1,362	\$ 1,463
Provisions	128	414	542
Utilizations	(227)	(1,131)	(1,358)
Currency		59	59
Balance September 30, 2011	\$ 2	\$ 704	\$ 706

**11. Commitments and Contingencies**

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*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

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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, 2011 (in thousands):

Balance	December 31, 2010	\$ 2,653
Increase due to acquisitions		297
Additional provisions recorded		1,390
Deduction for payments made		(1,392)
Balance	September 30, 2011	\$ 2,948

**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, 2011, 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, 2011, 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 estimable 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.

**12. Debt**

Debt consisted of the following (in thousands):

	September 30, 2011	December 31, 2010
8% senior notes due July 1, 2013	\$	\$ 97,810
15% second lien term loan due November 1, 2012 (\$16,800 principal amount, net of \$3,042 of original issue discount)		13,758
11%/13% third lien senior secured notes due February 15, 2013 (\$42,124 principal amount and \$5,463 of issuance premium)		47,587
Paid-in-kind interest on 11%/13% third lien senior secured notes due February 15, 2013		5,832
7.875% senior notes due April 15, 2019	250,000	
	\$ 250,000	\$ 164,987

**Revolving Credit Facility** 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 provided for a three-year asset-based revolving credit facility (the 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 was subject to an availability block. On April 26, 2011,

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we entered into an amendment and restatement to the loan and security agreement governing the revolving credit facility (as so amended and restated, the Loan and Security Agreement ) which, among other things, extended the maturity of the revolving credit facility to April

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26, 2014, increased the revolving commitment to \$40.0 million and revised the availability block to equal the amount of debt Bank of America, N.A. or its affiliates makes available to the Company's foreign subsidiaries. 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, 2011, we did not have borrowings under the Loan and Security Agreement. In addition, as of September 30, 2011, we had outstanding letters of credit of approximately \$3.2 million and borrowing availability of \$36.8 million under the Loan and Security Agreement.

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 \$10.0 million from June 30, 2011 through September 30, 2011, we were not required to comply with the minimum fixed charge coverage ratio covenant during the quarter ended September 30, 2011.

Under the revolving credit facility, borrowings bear interest at various rates plus a margin based on certain financial ratios. The borrowers obligations under the revolving credit facility 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 revolving credit facility and unconditionally guarantees the prompt payment and performance thereof.

The applicable margin for borrowings under the revolving credit facility is based upon the fixed charge coverage ratio for the most recently ended fiscal quarter, as follows:

Level	Ratio	Domestic Base Rate Loans	LIBOR Revolver Loans
III	£ 1.25 to 1.00	1.50%	2.50%
II	<sup>3</sup> 1.25 to 1.00 but < 1.75 to 1.00	1.25%	2.25%
I	<sup>3</sup> 1.75 to 1.00	1.00%	2.00%

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. Until receipt by the agent of the financial statements and corresponding compliance certificate for the fiscal quarter ending September 30, 2011, the applicable margin was set at Level II, which corresponds to our June 30, 2011 financial statements and compliance certificate.

We pay a commitment fee to the lenders, which is calculated at a rate per annum based on a percentage of the difference between committed amounts and amounts actually borrowed under the revolving credit facility multiplied by an applicable margin. The commitment fee is payable quarterly in arrears. Currently, the unused commitment fees is (i) .500% per annum times the unused commitment 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) .375% 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.

*Terms, Covenants and Compliance Status* The revolving credit facility requires the maintenance of a minimum fixed charge coverage ratio calculated based upon consolidated EBITDA (as defined in the revolving credit facility) as of the last day of each of our fiscal quarters. We are not required to comply with the fixed charge coverage ratio requirement for as long as we maintain at least \$10.0 million of borrowing availability under the revolving credit facility. If borrowing availability is less than \$10.0 million at any time, we would be required to comply with a fixed charge coverage ratio of 1.1:1.0 as of the end of any fiscal quarter, and would be required to continue to comply with these requirements until we have borrowing availability of \$10.0 million or greater for 60 consecutive days.

The revolving credit facility, as amended, contains 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; 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

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agreements; enter into hedging agreements; engage in transactions with affiliates; enter into certain employee benefit plans; amend subordinated debt or the indenture governing the notes; and other matters customarily restricted in loan agreements. In addition, subject to certain exceptions, the revolving credit facility does not permit the borrowers and their subsidiaries to pay dividends or make other distributions on any equity interests or to purchase or redeem any equity interests other than: (i) upstream payments to a borrower or a subsidiary of a borrower, (ii) the cashless exercise of options and warrants, (iii) the retirement of fractional shares and (iv) repurchases of equity interests deemed to occur in connection with the surrender of shares of equity interests to satisfy tax withholding obligations, subject to certain limitations. The revolving credit facility also contains customary reporting and other affirmative covenants. We were in compliance with these covenants as of September 30, 2011.

The revolving credit facility contains customary events of default, including, without limitation, nonpayment of obligations under the revolving credit facility when due; material inaccuracy of representations and warranties; violation of covenants in the revolving credit facility and certain other documents executed in connection therewith; breach or default of agreements related to debt in excess of \$5.0 million that could result in acceleration of that debt; revocation or attempted revocation of guarantees; denial of the validity or enforceability of the loan documents or failure of the loan documents to be in full force and effect; certain judgments in excess of \$2.0 million; the inability of an obligor to conduct any material part of its business due to governmental intervention, loss of any material license, permit, lease or agreement necessary to the business; cessation of an obligor's business for a material period of time; impairment of collateral through condemnation proceedings; certain events of bankruptcy or insolvency; certain Employee Retirement Income Securities Act ( ERISA ) events; and a change in control of CVG. Certain of the defaults are subject to exceptions, materiality qualifiers, grace periods and baskets customary for credit facilities of this type.

Voluntary prepayments of amounts outstanding under the revolving credit facility are permitted at any time, without premium or penalty.

The revolving credit facility requires us to make mandatory prepayments with the proceeds of certain asset dispositions and upon the receipt of insurance or condemnation proceeds to the extent we do not use the proceeds for the purchase of assets useful in our business.

7.875% Senior Secured Notes due 2019 The 7.875% notes were issued pursuant to an indenture, dated as of April 26, 2011 (the 7.875% Notes Indenture ), by and among CVG, certain of our subsidiaries party thereto, as guarantors (the guarantors ) and U.S. Bank National Association, as trustee. Interest is payable on the 7.875% notes on April 15 and October 15 of each year until their maturity date of April 15, 2019.

The 7.875% notes are senior secured obligations of CVG. Our obligations under the 7.875% notes are guaranteed by the guarantors. The obligations of CVG and the guarantors under the 7.875% notes are secured by a second-priority lien (subject to certain permitted liens) on substantially all of the property and assets of CVG and the guarantors, and a pledge of 100% of the capital stock of CVG's domestic subsidiaries and 65% of the voting capital stock of each foreign subsidiary directly owned by CVG and the guarantors. 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 between the agent for the revolving credit facility and the collateral agent for the 7.875% notes.

The 7.875% Notes Indenture contains restrictive covenants, including, without limitation, limitations on our ability and the ability of our restricted subsidiaries to: incur additional debt; restrict dividends or other payments of subsidiaries; make investments; engage in transactions with affiliates; create liens on assets; engage in sale/leaseback transactions; and consolidate, merge or transfer all or substantially all of our assets and the assets of our restricted subsidiaries. In addition, subject to certain exceptions, the 7.875% Notes Indenture does not permit us to pay dividends on, redeem or repurchase our capital stock or make other restricted payments unless certain conditions are met, including (i) no default under the 7.875% Notes Indenture has occurred and is continuing, (ii) we and our subsidiaries maintain a consolidated coverage ratio of 2.0 to 1.0 on a pro forma basis and (iii) the aggregate amount of the dividends or payments made under this restriction would not exceed 50% of consolidated net income from October 1, 2010 to the end of the most recent fiscal quarter (or, if consolidated net income for such period is a deficit, minus 100% of such deficit), plus cash proceeds received from certain issuances of capital stock, plus certain other amounts. These covenants are subject to important qualifications set forth in the 7.875% Notes Indenture. We were in compliance with these covenants as of September 30, 2011.

The 7.875% Notes Indenture provides for events of default (subject in certain cases to customary grace and cure periods) which include, among others, nonpayment of principal or interest when due, breach of covenants or other agreements in



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the indenture governing the 7.875% notes, defaults in payment of certain other indebtedness, certain events of bankruptcy or insolvency and certain defaults with respect to the security interests. Generally, if an event of default occurs, the trustee or the holders of at least 25% in principal amount of the then outstanding 7.875% notes may declare the principal of and accrued but unpaid interest on all of the 7.875% notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the Intercreditor Agreement.

We may redeem the 7.875% notes, in whole or in part, at any time prior to April 15, 2014 at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the make-whole premium set forth in the 7.875% Notes Indenture. We may redeem the 7.875% notes, in whole or in part, at any time on or after April 15, 2014 at the redemption prices set forth in the 7.875% Notes Indenture, plus accrued and unpaid interest, if any, to the redemption date. Not more than once during each twelve-month period ending on April 15, 2012, April 15, 2013 and April 15, 2014, we may redeem up to \$25.0 million of the aggregate principal amount of the 7.875% notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time on or prior to April 15, 2014, on one or more occasions, we may redeem up to 35% of the aggregate principal amount of the 7.875% notes with the net proceeds of certain equity offerings, as described in the 7.875% Notes Indenture, at a redemption price equal to 107.875% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. If we experience certain change of control events, holders of the 7.875% notes may require us to repurchase all or part of their notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

### **13. 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 2007. There is currently one income tax examination in process.

As of September 30, 2011, we have provided a liability of approximately \$0.8 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 \$0.4 million accrued for the payment of interest and penalties at September 30, 2011, of which \$0.2 million was accrued during the current year. Accrued interest and penalties are included in the \$0.8 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. 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 \$2 thousand of unrecognized tax benefits relate to items that are affected by expiring statutes of limitation within the next 12 months.

### **14. Foreign Currency Forward Exchange Contracts**

We use forward exchange contracts to hedge certain of the foreign currency transaction exposures. 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 positions. As of September 30, 2011, we did not have any derivatives designated as hedging instruments. As of September 30, 2010, 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 do not hold or issue foreign exchange options or forward contracts for trading purposes.

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

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	Location of Gain Recognized in Income on Derivatives	Three Months Ended September 30,		Nine Months Ended September 30,	
		2011	2010	2011	2010
		Amount of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives	Amount of Gain Recognized in Income on Derivatives
Foreign exchange contracts	Other income	\$	\$ 1,022	\$	\$ 3,377

**15. 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 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		Non-U.S. Pension Plans		Other Post-Retirement Benefit Plans	
	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010	Three Months Ended September 30, 2011	Three Months Ended September 30, 2010
Service cost	\$ 18	\$ 58	\$	\$	\$	\$ 1
Interest cost	490	492	528	596	16	30
Expected return on plan assets	(479)	(426)	(448)	(451)		
Amortization of prior service cost					(32)	(25)
Recognized actuarial loss (gain)	26	24	71	104	(34)	2
Net periodic benefit cost	55	148	151	249	(50)	8
Special termination benefits		27				68
Net benefit cost	\$ 55	\$ 175	\$ 151	\$ 249	\$ (50)	\$ 76

	U.S. Pension Plans		Non-U.S. Pension Plans		Other Post-Retirement Benefit Plans	
	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2011	Nine Months Ended September 30, 2010
Service cost	\$ 56	\$ 170	\$	\$	\$	\$ 3
Interest cost	1,467	1,488	1,630	1,643	48	89
Expected return on plan assets	(1,436)	(1,273)	(1,380)	(1,246)		
Amortization of prior service cost					(96)	(50)
Recognized actuarial loss (gain)	77	79	220	286	(102)	4
Net periodic benefit cost	164	464	470	683	(150)	46
Special termination benefits		81				204
Net benefit cost	\$ 164	\$ 545	\$ 470	\$ 683	\$ (150)	\$ 250

We previously disclosed in our financial statements for the year ended December 31, 2010, that we expect to contribute approximately \$2.8 million to our pension plans and \$0.3 million to our other post-retirement benefit plans in 2011. As of September 30, 2011, approximately \$2.3 million of contributions have been made to our pension plans. We anticipate contributing an additional \$0.6 million to our pension plans in 2011 for total estimated contributions during 2011 of \$2.9 million.

**16. Comprehensive Loss**

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

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net income adjusted for foreign currency translation adjustments and minimum pension liability. In accordance with the accounting guidance, we have elected to disclose comprehensive loss in stockholders' investment. The components of accumulated other comprehensive loss consisted of the following as of September 30, 2011 (in thousands):

Foreign currency translation adjustment	\$ (9,243)
Pension liability	(11,827)
<b>Accumulated other comprehensive loss</b>	<b>\$ (21,070)</b>

Comprehensive income was as follows (in thousands):

	<b>Nine Months Ended September 30,</b>	
	<b>2011</b>	<b>2010</b>
Net income	\$ 8,484	\$ 2,511
Other comprehensive income:		
Foreign currency translation adjustment	(1,397)	1,123
Pension liability		32
<b>Comprehensive income</b>	<b>\$ 7,087</b>	<b>\$ 3,666</b>

**17. 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 our 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. Chad M. Utrup, our Chief Financial Officer, was elected to the Board of Directors of RRTS in May 2010. For the three months ended September 30, 2011 and 2010, we made payments (net of pass through payments to other third party freight service providers) to GTS/RRTS of approximately \$0.1 million, respectively, for these services. For the nine months ended September 30, 2011 and 2010, we made payments (net of pass through payments to other third party freight service providers) to GTS/RRTS of approximately \$0.3 million and \$0.4 million, respectively, for these services.

**18. 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 7.875% 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 100% owned subsidiaries accounted for under the equity method. All applicable corporate expenses have been allocated appropriately among the guarantor and non-guarantor subsidiaries.

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**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE THREE MONTHS ENDED SEPTEMBER 30, 2011**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
REVENUES	\$	\$ 169,512	\$ 66,764	\$ (19,367)	\$ 216,909
COST OF REVENUES		145,981	60,473	(19,367)	187,087
Gross Profit		23,531	6,291		29,822
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		11,953	4,257		16,210
AMORTIZATION EXPENSE		57	8		65
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(5,851)	850		5,001	
Operating Income	5,851	10,671	2,026	(5,001)	13,547
OTHER INCOME		(5)	(8)		(13)
INTEREST EXPENSE	282	5,040	23		5,345
Income Before (Benefit) Provision for Income Taxes	5,569	5,636	2,011	(5,001)	8,215
(BENEFIT) PROVISION FOR INCOME TAXES	(1,807)	1,397	1,249		839
NET INCOME	\$ 7,376	\$ 4,239	\$ 762	\$ (5,001)	\$ 7,376

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**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS**  
**CONDENSED CONSOLIDATED STATEMENT OF OPERATIONS**  
**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2011**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
REVENUES	\$	\$ 463,493	\$ 198,870	\$ (56,169)	\$ 606,194
COST OF REVENUES		402,782	177,367	(56,169)	523,980
Gross Profit		60,711	21,503		82,214
SELLING, GENERAL AND ADMINISTRATIVE EXPENSES		35,524	12,903		48,427
AMORTIZATION EXPENSE		247	8		255
EQUITY IN EARNINGS OF CONSOLIDATED SUBSIDIARIES	(13,085)	572		12,513	
RESTRUCTURING COSTS		542			542
Operating Income	13,085	23,826	8,592	(12,513)	32,990
OTHER INCOME		(5)	(5)		(10)
INTEREST EXPENSE	970	13,362	59		14,391
LOSS ON EARLY EXTINGUISHMENT OF DEBT	7,448				7,448
Income Before (Benefit) Provision for Income Taxes	4,667	10,469	8,538	(12,513)	11,161
(BENEFIT) PROVISION FOR INCOME TAXES	(3,817)	4,012	2,482		2,677
NET INCOME	\$ 8,484	\$ 6,457	\$ 6,056	\$ (12,513)	\$ 8,484

**Table of Contents****COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES****NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****CONDENSED CONSOLIDATED BALANCE SHEET AS OF SEPTEMBER 30, 2011**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash	\$ 70,414	\$ 47	\$ 14,857	\$	\$ 85,318
Accounts receivable, net	219	103,673	34,115		138,007
Intercompany receivable	85,228	17,833		(103,061)	
Inventories		43,172	28,612		71,784
Prepaid expenses and other, net		4,706	4,284	(1)	8,989
Total current assets	155,861	169,431	81,868	(103,062)	304,098
PROPERTY, PLANT AND EQUIPMENT, net		62,905	10,116		73,021
EQUITY INVESTMENT IN SUBSIDIARIES	105,477	17,488	310	(123,275)	
INTANGIBLE ASSETS, net		6,159	1,201		7,360
OTHER ASSETS, net	7,459	8,719	135	1	16,314
<b>TOTAL ASSETS</b>	<b>\$ 268,797</b>	<b>\$ 264,702</b>	<b>\$ 93,630</b>	<b>\$ (226,336)</b>	<b>\$ 400,793</b>
<b>LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$	\$ 51,160	\$ 26,607	\$	\$ 77,767
Intercompany payable		83,261	19,800	(103,061)	
Accrued liabilities	8,449	22,262	9,292		40,003
Total current liabilities	8,449	156,683	55,699	(103,061)	117,770
LONG-TERM DEBT	250,000				250,000
PENSION AND OTHER POST-RETIREMENT BENEFITS		11,473	9,538		21,011
OTHER LONG-TERM LIABILITIES	821	966	698		2,485
Total liabilities	259,270	169,122	65,935	(103,061)	391,266
STOCKHOLDERS' INVESTMENT	9,527	95,580	27,695	(123,275)	9,527
<b>TOTAL LIABILITIES AND STOCKHOLDERS' INVESTMENT</b>	<b>\$ 268,797</b>	<b>\$ 264,702</b>	<b>\$ 93,630</b>	<b>\$ (226,336)</b>	<b>\$ 400,793</b>

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**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, 2011**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>					
Net cash provided by (used in) operating activities	\$ 5,959	\$ (12,208)	\$ 4,590	\$ 1	\$ (1,658)
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>					
Purchases of property, plant and equipment		(10,745)	(3,810)		(14,555)
Proceeds from disposal/sale of property plant and equipment		12	45		57
Post-acquisition and acquisition payments, net of cash received		(8,699)	(2,415)		(11,114)
Long-term supply contracts, other		(351)			(351)
Net cash used in investing activities		(19,783)	(6,180)		(25,963)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Change in intercompany receivables/payables	(39,126)	32,012	7,115	(1)	
Repayment of long-term debt	(170,929)				(170,929)
Borrowing of long-term debt	250,000				250,000
Debt issuance costs and other	(6,963)				(6,963)
Net cash provided by financing activities	32,982	32,012	7,115	(1)	72,108
<b>EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH</b>					
		(1)	(1,759)		(1,760)
<b>NET INCREASE IN CASH</b>	<b>38,941</b>	<b>20</b>	<b>3,766</b>		<b>42,727</b>
<b>CASH:</b>					
Beginning of period	31,473	27	11,091		42,591
End of period	\$ 70,414	\$ 47	\$ 14,857	\$	\$ 85,318



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**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**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
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

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**COMMERCIAL VEHICLE GROUP, INC. AND SUBSIDIARIES**  
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**FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2010**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
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 DECEMBER 31, 2010**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
<b>ASSETS</b>					
<b>CURRENT ASSETS:</b>					
Cash	\$ 31,473	\$ 27	\$ 11,091	\$	\$ 42,591
Accounts receivable, net	220	63,172	27,708	1	91,101
Intercompany receivable	46,102	942		(47,044)	
Inventories		38,284	28,340	(2)	66,622
Prepaid expenses and other, net		6,490	4,659	(40)	11,109
Total current assets	77,795	108,915	71,798	(47,085)	211,423
PROPERTY, PLANT AND EQUIPMENT, net		52,875	6,446		59,321
EQUITY INVESTMENT IN SUBSIDIARIES	91,238	9,559		(100,797)	
INTANGIBLE ASSETS, net		3,848			3,848
OTHER ASSETS, net	2,600	8,986	28	1	11,615
<b>TOTAL ASSETS</b>	<b>\$ 171,633</b>	<b>\$ 184,183</b>	<b>\$ 78,272</b>	<b>\$ (147,881)</b>	<b>\$ 286,207</b>
<b>LIABILITIES AND STOCKHOLDERS (DEFICIT) INVESTMENT</b>					
<b>CURRENT LIABILITIES:</b>					
Accounts payable	\$	\$ 37,657	\$ 23,559	\$	\$ 61,216
Intercompany payable		34,359	12,685	(47,044)	
Accrued liabilities	6,092	19,931	8,147	(40)	34,130
Total current liabilities	6,092	91,947	44,391	(47,084)	95,346
LONG-TERM DEBT	164,987				164,987
PENSION AND OTHER POST-RETIREMENT BENEFITS		13,253	10,090		23,343
OTHER LONG-TERM LIABILITIES	666	911	1,066		2,643
Total liabilities	171,745	106,111	55,547	(47,084)	286,319
STOCKHOLDERS (DEFICIT) INVESTMENT	(112)	78,072	22,725	(100,797)	(112)
<b>TOTAL LIABILITIES AND STOCKHOLDERS' (DEFICIT) INVESTMENT</b>	<b>\$ 171,633</b>	<b>\$ 184,183</b>	<b>\$ 78,272</b>	<b>\$ (147,881)</b>	<b>\$ 286,207</b>

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**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**

	Parent Company	Guarantor Companies	Non-Guarantor Companies (In thousands)	Elimination	Consolidated
<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
Long-term supply contracts, other		389			389
Net cash used in investing activities		(4,236)	(1,061)		(5,297)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>					
Change in intercompany receivables/payables	8,987	(11,440)	2,453		
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)
Net cash provided by financing activities	35,420	(11,440)	2,453		26,433
<b>EFFECT OF CURRENCY EXCHANGE RATE CHANGES ON CASH</b>					
		1	1,771		1,772
<b>NET INCREASE IN CASH</b>	<b>31,427</b>	<b>640</b>	<b>2,192</b>		<b>34,259</b>
<b>CASH:</b>					
Beginning of period	9	38	9,477		9,524
End of period	\$ 31,436	\$ 678	\$ 11,669	\$	\$ 43,783

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**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 markets and the specialty transportation markets. 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 original equipment manufacturers ("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 was strong from 2004 to 2006 due to the broad economic recovery in North America, corresponding growth in the movement of goods, the growing need to replace aging truck fleets and OEMs receiving 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 was similar to 2007 levels as weakness in the overall North American economy continued 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. In 2010, North American Class 8 production levels had increased approximately 30% over the prior year period, suggesting a recovery in the heavy truck market, which continued into the first nine months of 2011, as North American Class 8 production levels rose 63% over the same period in 2010. According to an October 2011 report by ACT Research, a publisher of industry market research, North American Class 8 production levels are expected to increase from 154,000 in 2010 to 250,000 in 2011, peak at 323,000 in 2013 and decline to 259,000 in 2016, which represents a compound annual growth rate of approximately 9%.

Demand for our construction products is 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. Our products are primarily used in the medium/heavy construction equipment markets (weighing over 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. 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. During 2010 and through the first nine months of 2011, the global construction market continues to show signs of recovery.

Along with the United States, we have operations in Europe, Asia, 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;



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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:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2011	2010	2011	2010
Revenues	100.0%	100.0%	100.0%	100.0%
Cost of revenues	86.3	86.8	86.4	87.6
Gross profit	13.7	13.2	13.6	12.4
Selling, general and administrative expenses	7.5	9.6	8.0	9.4
Amortization expense			0.1	
Restructuring costs		0.1	0.1	0.4
Operating income	6.2	3.5	5.4	2.6
Other income		(0.6)		(0.9)
Interest expense	2.4	2.9	2.4	2.9
Loss on early extinguishment of debt			1.2	
Income before provision for income taxes	3.8	1.2	1.8	0.6
Provision for income taxes	0.4	0.4	0.4	
Net income	3.4%	0.8%	1.4%	0.6%





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***Three Months Ended September 30, 2011 Compared to Three Months Ended September 30, 2010***

*Revenues.* Revenues increased approximately \$66.0 million, or 43.7%, to \$216.9 million in the three months ended September 30, 2011 from \$150.9 million in the three months ended September 30, 2010. This change resulted primarily from:

a 70% increase in North American heavy-duty (class 8) production, fluctuations in production levels for other North American end markets and net new business awards resulting in approximately \$50.1 million of increased revenues;

an increase in production levels and net new business awards in our European, Australian and Asian markets resulting in approximately \$1.6 million of increased revenues;

favorable foreign exchange fluctuations from the translation of our foreign operations into U.S. Dollars resulting in an increase of approximately \$3.1 million; and

our acquisitions of Bostrom Seating, Inc. ( Bostrom ) and Stratos Seating, Inc. ( Stratos ) resulting in approximately \$11.2 million of increased revenues.

*Gross Profit.* Gross profit was approximately \$29.8 million for the three months ended September 30, 2011 compared to \$19.9 million in the three months ended September 30, 2010, an increase of approximately \$9.9 million. This increase was primarily the result of the impact of the increased revenues discussed above. As a percentage of revenues, gross profit was 13.7% for the three months ended September 30, 2011 compared to 13.2% for the three months ended September 30, 2010.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased approximately \$1.7 million to \$16.2 million in the three months ended September 30, 2011 from \$14.5 million in the three months ended September 30, 2010. 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 for the three months ended September 30, 2011 and 2010, respectively.

*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.

*Other Income.* We use forward exchange contracts to hedge foreign currency transaction exposures. 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, 2011, we did not have any derivatives designated as hedging instruments. We recorded other income for the three months ended September 30, 2011 of \$13 thousand compared to \$1.1 million for the three months ended September 30, 2010. The \$1.1 million of other income recorded for the three months ended September 30, 2010, primarily related to the noncash change in value of the forward exchange contracts, which 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.

*Interest Expense.* Interest expense increased approximately \$0.9 million to \$5.3 million in the three months ended September 30, 2011 from \$4.4 million in the three months ended September 30, 2010. This increase was primarily due to higher average outstanding debt.

*Provision (Benefit) for Income Taxes.* Our effective tax rate was 10.2% and 34.8% for the three months ended September 30, 2011 and 2010, respectively. An income tax provision of approximately \$0.8 million was recorded for the three months ended September 30, 2011 compared to approximately \$0.6 million for the three months ended September 30, 2010. The change in income tax from the prior year's 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.

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

*Net Income.* Net income was \$7.4 million in the three months ended September 30, 2011, compared to \$1.1 million in the three months ended September 30, 2010, primarily as a result of the factors discussed above.

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***Nine months Ended September 30, 2011 Compared to Nine months Ended September 30, 2010***

*Revenues.* Revenues increased approximately \$166.5 million, or 37.9%, to \$606.2 million in the nine months ended September 30, 2011 from \$439.7 million in the nine months ended September 30, 2010. This change resulted primarily from:

a 63% increase in North American heavy-duty (class 8) production, fluctuations in production levels for other North American end markets and net new business awards resulting in approximately \$112.7 million of increased revenues;

an increase in production levels and net new business awards in our European, Australian and Asian markets resulting in approximately \$18.0 million of increased revenues;

favorable foreign exchange fluctuations from the translation of our foreign operations into U.S. Dollars resulting in an increase of approximately \$9.6 million; and

our acquisition of Bostrom Seating, Inc. ( Bostrom ) and Stratos Seating, Inc. ( Stratos ) resulting in approximately \$26.2 million of increased revenues.

*Gross Profit.* Gross profit was approximately \$82.2 million for the nine months ended September 30, 2011 compared to \$54.5 million in the nine months ended September 30, 2010, an increase of approximately \$27.7 million. This increase was primarily the result of the impact of the increased revenues discussed above. As a percentage of revenues, gross profit was 13.6% for the nine months ended September 30, 2011 compared to 12.4% for the nine months ended September 30, 2010.

*Selling, General and Administrative Expenses.* Selling, general and administrative expenses increased approximately \$7.0 million to \$48.4 million in the nine months ended September 30, 2011 from \$41.4 million in the nine months ended September 30, 2010. 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, as well as the acquisitions of Bostrom and Stratos.

*Amortization Expense.* Amortization expense was approximately \$0.3 million for the nine months ended September 30, 2011 compared to \$0.2 million for the nine months ended September 30, 2010.

*Restructuring Costs.* We recorded restructuring charges for the nine months ended September 30, 2011 of \$0.5 million relating to the closure of our Norwalk, Ohio and Vancouver, Washington facilities. 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.

*Other Income.* We use forward exchange contracts to hedge foreign currency transaction exposures. 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, 2011, we did not have any derivatives designated as hedging instruments. We recorded other income for the nine months ended September 30, 2011 of \$10 thousand compared to \$3.8 million for the nine months ended September 30, 2010. The \$3.8 million of other income recorded for the nine months ended September 30, 2010 primarily related to the noncash change in value of the forward exchange contracts, which 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.

*Interest Expense.* Interest expense increased approximately \$1.6 million to \$14.4 million in the nine months ended September 30, 2011 from \$12.8 million in the nine months ended September 30, 2010. This increase was primarily due to higher average outstanding debt.

*Loss on Early Extinguishment of Debt.* In connection with the issuance of our 7.875% senior notes, we expensed approximately \$7.4 million of fees consisting of \$1.2 million write-off of deferred financing fees relating to our prior debt and \$6.2 million of prepayment penalties relating to the prepayment of our prior debt. We did not record an expense relating to the modification of our debt arrangements for the nine months ended September 30, 2010.

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

*Provision (Benefit) for Income Taxes.* We recorded an income tax provision of approximately \$2.7 million for the nine months ended September 30, 2011 compared to an income tax benefit of approximately \$0.2 million for the nine months ended September 30, 2010. 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.

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*Net Income.* Net income was \$8.5 million in the nine months ended September 30, 2011, compared to \$2.5 million in the nine months ended September 30, 2010, primarily as a result of the factors discussed above.

## **Liquidity and Capital Resources**

### **Cash Flows**

For the nine months ended September 30, 2011, net cash used in operations was approximately \$1.7 million compared to net cash provided of approximately \$11.4 million for the nine months ended September 30, 2010. The net cash used in operations for the nine months ended September 30, 2011 was primarily a result of an increase in accounts receivable.

Net cash used in investing activities was approximately \$26.0 million for the nine months ended September 30, 2011 compared to \$5.3 million for the nine months ended September 30, 2010. The amounts used in investing activities for the nine months ended September 30, 2011 primarily reflect capital expenditure purchases and our acquisitions of Bostrom and Stratos.

Net cash provided by financing activities was \$72.1 million for the nine months ended September 30, 2011, compared to \$26.4 million for the nine months ended September 30, 2010. The net cash provided by financing activities for the nine months ended September 30, 2011 was primarily related to net proceeds from issuance of our 7.875% notes as part of our debt refinancing.

### ***Debt and Credit Facilities***

As of September 30, 2011, our outstanding indebtedness consisted of \$250.0 million of our 7.875% senior notes due 2019. Excluding \$3.2 million of outstanding letters of credit under various financing arrangements, we had an additional \$36.8 million of borrowing capacity under our revolving credit facility.

### **Revolving Credit Facility**

On January 7, 2009, we and certain of our direct and indirect U.S. subsidiaries, as borrowers (the *borrowers*), entered into a revolving credit facility (the *revolving credit facility*) with Bank of America, N.A., as agent and lender. On April 26, 2011, we entered into an amendment and restatement to the loan and security agreement governing the revolving credit facility (as so amended and restated, the *Loan and Security Agreement*) which, among other things, extended the maturity of the revolving credit facility to April 26, 2014, increased the revolving commitment to \$40.0 million and revised the availability block to equal the amount of debt Bank of America, N.A. or its affiliates makes available to our foreign subsidiaries. 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, 2011, approximately \$7.1 million in deferred fees relating to the revolving credit facility and our 7.875% notes were outstanding and were being amortized over the life of the agreements.

Under the revolving credit facility, borrowings bear interest at various rates plus a margin based on certain financial ratios. The borrowers obligations under the revolving credit facility 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 revolving credit facility and unconditionally guarantees the prompt payment and performance thereof.

The applicable margin for borrowings under the revolving credit facility is based upon the fixed charge coverage ratio for the most recently ended fiscal quarter, as follows:

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Level	Ratio	Domestic Base Rate Loans	LIBOR Revolver Loans
III	< 1.25 to 1.00	1.50%	2.50%
II	<sup>3</sup> 1.25 to 1.00 but < 1.75 to 1.00	1.25%	2.25%
I	<sup>3</sup> 1.75 to 1.00	1.00%	2.00%

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. Until receipt by the agent of the financial statements and corresponding compliance certificate for the fiscal quarter ending September 30, 2011, the applicable margin was set at Level II, which corresponds to our June 30, 2011 financial statements and compliance certificate.

We pay a commitment fee to the lenders, which is calculated at a rate per annum based on a percentage of the difference between committed amounts and amounts actually borrowed under the revolving credit facility multiplied by an applicable margin. The commitment fee is payable quarterly in arrears. Currently, the unused commitment fee is (i) .500% per annum times the unused commitment 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) .375% 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.

*Terms, Covenants and Compliance Status*

The revolving credit facility requires the maintenance of a minimum fixed charge coverage ratio calculated based upon consolidated EBITDA (as defined in the revolving credit facility) as of the last day of each of our fiscal quarters. We are not required to comply with the fixed charge coverage ratio requirement for as long as we maintain at least \$10.0 million of borrowing availability under the revolving credit facility. If borrowing availability is less than \$10.0 million at any time, we would be required to comply with a fixed charge coverage ratio of 1.1:1.0 as of the end of any fiscal quarter, and would be required to continue to comply with these requirements until we have borrowing availability of \$10.0 million or greater for 60 consecutive days.

The revolving credit facility, as amended, contains 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; 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; amend subordinated debt or the indenture governing the notes; and other matters customarily restricted in loan agreements. In addition, subject to certain exceptions, the revolving credit facility does not permit the borrowers and their subsidiaries to pay dividends or make other distributions on any equity interests or to purchase or redeem any equity interests other than: (i) upstream payments to a borrower or a subsidiary of a borrower, (ii) the cashless exercise of options and warrants, (iii) the retirement of fractional shares and (iv) repurchases of equity interests deemed to occur in connection with the surrender of shares of equity interests to satisfy tax withholding obligations, subject to certain limitations. The revolving credit facility also contains customary reporting and other affirmative covenants. We were in compliance with these covenants as of September 30, 2011.

The revolving credit facility contains customary events of default, including, without limitation, nonpayment of obligations under the revolving credit facility when due; material inaccuracy of representations and warranties; violation of covenants in the revolving credit facility and certain other documents executed in connection therewith; breach or default of agreements related to debt in excess of \$5.0 million that could result in acceleration of that debt; revocation or attempted revocation of guarantees; denial of the validity or enforceability of the loan documents or failure of the loan documents to be in full force and effect; certain judgments in excess of \$2.0 million; the inability of an obligor to conduct any material part of its business due to governmental intervention, loss of any material license, permit, lease or agreement necessary to the business; cessation of an obligor's business for a material period of time; impairment of collateral through condemnation proceedings; certain events of bankruptcy or insolvency; certain Employee Retirement Income Securities Act ( ERISA ) events; and a change in control of CVG. Certain of the defaults are subject to exceptions, materiality qualifiers, grace periods and baskets customary for credit facilities of this type.

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Voluntary prepayments of amounts outstanding under the revolving credit facility are permitted at any time, without premium or penalty.

The revolving credit facility requires us to make mandatory prepayments with the proceeds of certain asset dispositions and upon the receipt of insurance or condemnation proceeds to the extent we do not use the proceeds for the purchase of assets useful in our business.

**7.875% Senior Secured Notes due 2019**

The 7.875% notes were issued pursuant to an indenture, dated as of April 26, 2011 (the 7.875% Notes Indenture ), by and among CVG, certain of our subsidiaries party thereto, as guarantors (the guarantors ) and U.S. Bank National Association, as trustee.

Interest is payable on the 7.875% notes on April 15 and October 15 of each year until their maturity date of April 15, 2019.

The 7.875% Notes Indenture provides that the 7.875% notes are senior secured obligations of CVG. Our obligations under the 7.875% notes are guaranteed by the guarantors. The obligations of CVG and the guarantors under the 7.875% notes are secured by a second-priority lien (subject to certain permitted liens) on substantially all of the property and assets of CVG and the guarantors, and a pledge of 100% of the capital stock of CVG's domestic subsidiaries and 65% of the voting capital stock of each foreign subsidiary directly owned by CVG and the guarantors. 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 between the agent for the revolving credit facility and the collateral agent for the 7.875% notes (the Intercreditor Agreement ).

The 7.875% Notes Indenture contains restrictive covenants, including, without limitation, limitations on our ability and the ability of our restricted subsidiaries to: incur additional debt; restrict dividends or other payments of subsidiaries; make investments; engage in transactions with affiliates; create liens on assets; engage in sale/leaseback transactions; and consolidate, merge or transfer all or substantially all of our assets and the assets of our restricted subsidiaries. In addition, subject to certain exceptions, the 7.875% Notes Indenture does not permit us to pay dividends on, redeem or repurchase our capital stock or make other restricted payments unless certain conditions are met, including (i) no default under the 7.875% Notes Indenture has occurred and is continuing, (ii) we and our subsidiaries maintain a consolidated coverage ratio of 2.0 to 1.0 on a pro forma basis and (iii) the aggregate amount of the dividends or payments made under this restriction would not exceed 50% of consolidated net income from October 1, 2010 to the end of the most recent fiscal quarter (or, if consolidated net income for such period is a deficit, minus 100% of such deficit), plus cash proceeds received from certain issuances of capital stock, plus certain other amounts. These covenants are subject to important qualifications set forth in the 7.875% Notes Indenture. We were in compliance with these covenants as of September 30, 2011.

The 7.875% Notes Indenture provides for events of default (subject in certain cases to customary grace and cure periods) which include, among others, nonpayment of principal or interest when due, breach of covenants or other agreements in the indenture governing the 7.875% notes, defaults in payment of certain other indebtedness, certain events of bankruptcy or insolvency and certain defaults with respect to the security interests. Generally, if an event of default occurs, the trustee or the holders of at least 25% in principal amount of the then outstanding 7.875% notes may declare the principal of and accrued but unpaid interest on all of the 7.875% notes to be due and payable immediately. All provisions regarding remedies in an event of default are subject to the Intercreditor Agreement.

We may redeem the 7.875% notes, in whole or in part, at any time prior to April 15, 2014 at a redemption price equal to 100% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date, plus the make-whole premium set forth in the 7.875% Notes Indenture. We may redeem the 7.875% notes, in whole or in part, at any time on or after April 15, 2014 at the redemption prices set forth in the 7.875% Notes Indenture, plus accrued and unpaid interest, if any, to the redemption date. Not more than once during each twelve-month period ending on April 15, 2012, April 15, 2013 and April 15, 2014, we may redeem up to \$25.0 million of the aggregate principal amount of the 7.875% notes at a redemption price equal to 103% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. In addition, at any time on or prior to April 15, 2014, on one or more occasions, we may redeem up to 35% of the aggregate principal amount of the 7.875% notes with the net proceeds of certain equity offerings, as described in the 7.875% Notes Indenture, at a redemption price equal to 107.875% of the principal amount thereof, plus accrued and unpaid interest, if any, to the redemption date. If we experience certain change of control events, holders of the 7.875% notes may require us to repurchase all or part of their notes at 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the repurchase date.

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### ***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 could 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 7.875% 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, 2011, we have provided a liability for \$0.8 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.

### **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, 2010 and our Quarterly Report on Form 10-Q for the quarter ended March 31, 2011. 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.



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

There have been no material changes to our exposure to market risk since December 31, 2010.

**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, 2011.

*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, 2011 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-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.

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**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, 2010 filed with the SEC on March 15, 2011 and in our Quarterly Report on Form 10-Q for the period ended March 31, 2011 filed with the SEC on May 6, 2011.

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Item 6. Exhibits:

- 3.1 Amended and Restated Certificate of Incorporation of Commercial Vehicle Group, Inc. (incorporated by reference to the Company's quarterly report on Form 10-Q (File No. 000-50890), filed on September 17, 2004).
- 3.2 Certificate of Designations of Series A Preferred Stock (included as Exhibit A to the Rights Agreement filed as Exhibit 4.1 to the Company's current report on Form 8-K (File No. 000-50890), filed on May 22, 2009 and incorporated by reference herein).
- 3.3 Certificate of Amendment of the Amended and Restated Certificate of Incorporation of Commercial Vehicle Group, Inc. (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on May 13, 2011).
- 4.1 Supplemental Indenture, dated as of April 21, 2011, by and among Commercial Vehicle Group, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee, with respect to the 8% senior notes due 2013. (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on April 27, 2011).
- 4.2 Supplemental Indenture, dated as of April 21, 2011, by and among Commercial Vehicle Group, Inc., the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee, with respect to the 11%/13% third lien senior secured notes due 2013 (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on April 27, 2011).
- 4.3 Indenture, dated as of April 26, 2011, by and among the Company, the subsidiary guarantors party thereto and U.S. Bank National Association, as trustee (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on April 28, 2011).
- 4.4 Form of 7.875% Senior Secured Note due 2019 (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on April 28, 2011).
- 4.5 Registration Rights Agreement, dated as of April 26, 2011, by and among Commercial Vehicle Group, Inc., the subsidiary guarantors party thereto and the purchaser named therein (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on April 28, 2011).
- 10.1 Amended and Restated Loan and Security Agreement, dated as of April 26, 2011, by and among the Company, certain of the Company's subsidiaries, as borrowers, and Bank of America, N.A. as agent and lender (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on April 28, 2011).
- 10.2 Intercreditor Agreement, dated as of April 26, 2011, between Bank of America, N.A., as first lien administrative and first lien collateral agent, and U.S. Bank National Association, as trustee and second priority collateral agent (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on April 28, 2011).
- 10.3 Fourth Amended and Restated Equity Incentive Plan (incorporated by reference to the Company's current report on Form 8-K (File No. 001-34365), filed on May 13, 2011).
- 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.
- 101 Interactive Data Files

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**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 2, 2011

By: /s/ Chad M. Utrup  
Chad M. Utrup  
Chief Financial Officer

(Principal financial and accounting officer

and duly authorized officer)