Cooper-Standard Holdings Inc.
Form 10-Q
May 15, 2009

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

x **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the quarterly period ended March 31, 2009

or

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

Commission File Number: 333-123708

COOPER-STANDARD HOLDINGS INC.

(Exact name of registrant as specified in its charter)

Delaware	**20-1945088**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**

39550 Orchard Hill Place Drive

Novi, Michigan 48375

(Address of principal executive offices)

(Zip Code)

(248) 596-5900

(Registrant s telephone number, including area code)

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

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

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

Large accelerated filer	¨	Accelerated filer	¨
Non-accelerated filer	x	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 x

Number of shares of common stock of registrant outstanding, at May 5, 2009:

3,482,612 shares of common stock, $0.01 par value

PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS

THREE MONTHS ENDED MARCH 31, 2008 AND 2009

(UNAUDITED)

(Dollar amounts in thousands)

	Three Months Ended March 31, 2008	Three Months Ended March 31, 2009
Sales	$ 756,021	$ 401,768
Cost of products sold	636,902	363,936
Gross profit	119,119	37,832
Selling, administration, & engineering expenses	67,403	45,164
Amortization of intangibles	7,836	7,218
Restructuring	2,395	22,563
Operating profit (loss)	41,485	(37,113)
Interest expense, net of interest income	(24,215)	(21,097)
Equity earnings (loss)	2,145	(230)
Other income (expense)	3,508	(662)
Income (loss) before income taxes	22,923	(59,102)
Provision (benefit) for income tax expense	7,218	(3,825)
Consolidated net income (loss)	15,705	(55,277)
Less: Net (income) loss attributable to noncontrolling interest	(33)	311
Net income (loss) attributable to Cooper-Standard Holdings Inc.	$ 15,672	$ (54,966)

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

CONDENSED CONSOLIDATED BALANCE SHEETS

(Dollar amounts in thousands)

	December 31, 2008	March 31, 2009 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	$ 111,521	$ 88,339
Accounts receivable, net	352,052	354,171
Inventories, net	116,952	106,602
Prepaid expenses	19,162	20,191
Other	23,867	17,722
Total current assets	623,554	587,025
Property, plant, and equipment, net	623,987	586,456
Goodwill	244,961	244,961
Intangibles, net	227,453	217,018
Other assets	98,296	97,557
	$ 1,818,251	$ 1,733,017
Liabilities and Equity (Deficit)		
Current liabilities:		
Debt payable within one year	$ 94,136	$ 116,703
Accounts payable	192,948	158,165
Payroll liabilities	69,601	65,444
Accrued liabilities	94,980	115,767
Total current liabilities	451,665	456,079
Long-term debt	1,049,959	1,038,978
Pension benefits	161,625	156,107
Postretirement benefits other than pensions	76,822	76,274
Deferred tax liabilities	28,265	29,004
Other long-term liabilities	30,253	28,577
Stockholders equity (deficit):		
Common stock, $0.01 par value, 4,000,000 shares authorized at December 31, 2008 and March 31, 2009, 3,479,100 shares issued and outstanding at December 31, 2008 and March 31, 2009	35	35
Additional paid-in capital	354,894	355,301
Accumulated deficit	(280,216)	(335,182)
Accumulated other comprehensive loss	(59,536)	(76,248)
Total Cooper-Standard Holdings Inc. stockholders equity (deficit)	15,177	(56,094)
Noncontrolling interest	4,485	4,092
Total equity (deficit)	19,662	(52,002)
Total liabilities and equity (deficit)	$ 1,818,251	$ 1,733,017

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

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

THREE MONTHS ENDED MARCH 31, 2008 AND 2009

(UNAUDITED)

(Dollar amounts in thousands)

	2008	2009
Operating Activities:		
Consolidated net income (loss)	$ 15,672	$ (54,966)
Adjustments to reconcile consolidated net income (loss) to net cash provided by (used in) operating activities:		
Depreciation	27,973	22,861
Amortization	7,836	7,218
Non-cash restructuring charges	58	33
Gain on bond repurchase	(1,696)	
Amortization of debt issuance cost	1,128	1,251
Changes in operating assets and liabilities	(28,820)	(8,666)
Net cash provided by (used in) operating activities	22,151	(32,269)
Investing activities:		
Property, plant, and equipment	(25,652)	(8,340)
Other	145	26
Net cash used in investing activities	(25,507)	(8,314)
Financing activities:		
Increase in short term debt	20,233	24,280
Principal payments on long-term debt	(7,513)	(5,608)
Repurchase of bonds	(5,306)	
Other	127	
Net cash provided by financing activities	7,541	18,672
Effects of exchange rate changes on cash	(3,739)	(1,271)
Changes in cash and cash equivalents	446	(23,182)
Cash and cash equivalents at beginning of period	40,877	111,521
Cash and cash equivalents at end of period	$ 41,323	$ 88,339

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share amounts)

1. Overview

Description of business

Cooper-Standard Holdings Inc. (the Company), through its wholly-owned subsidiary Cooper-Standard Automotive Inc., is a leading global manufacturer of fluid handling, body sealing, and noise, vibration and harshness control (NVH) components, systems, subsystems, and modules primarily for use in passenger vehicles and light trucks for global original equipment manufacturers (OEMs) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries.

Change in operating structure and reporting segments

On March 26, 2009, the Company announced the implementation of a comprehensive plan involving the discontinuation of its global product line operating divisions, formerly called the Body & Chassis Systems division (which included the body sealing and NVH product lines) and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. The Company now operates from two divisions, North America and International (covering Europe, South America and Asia). The Company s reporting segments have changed, as of April 1, 2009, to reflect the new operating structure of the Company. This quarterly report is presented on the basis of the prior reporting segments.

Basis of presentation

The accompanying unaudited condensed consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission (SEC) for interim financial information and should be read in conjunction with the consolidated financial statements and notes thereto included in the Company s Annual Report on Form 10-K as of December 31, 2008, as filed with the SEC. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States for complete financial statements. These financial statements include all adjustments (consisting of normal, recurring adjustments) considered necessary for a fair presentation of the financial position and results of operations of the Company. The operating results for the interim period ended March 31, 2009 are not necessarily indicative of results for the full year.

Effective January 1, 2009 the Company implemented the Statement of Financial Accounting Standards (SFAS) No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Upon adoption, certain prior period amounts have been reclassified to conform to the current period financial statement presentation. These reclassifications have no effect on our previously reported results of operations. Refer to Note 8, Comprehensive Income (Loss) and Equity (Deficit) and Note 9, Other Income (Expense) of this form 10-Q for additional information on the adoption of SFAS No. 160.

Stock-based compensation

Effective January 1, 2006, the Company adopted SFAS No. 123(R), *Share-Based Payment*, using the prospective method. The prospective method requires compensation cost to be recognized for all share-based payments granted after the effective date of SFAS No. 123 (R). All awards granted prior to the effective date are accounted for in accordance with Accounting Principles Board Opinion (APB) No. 25, *Accounting for Stock Issued to Employees*.

Recent accounting pronouncements

In March 2008, the Financial Accounting Standards Board (FASB) issued SFAS No. 161, Disclosures About Derivative Instruments and Hedging Activities-an Amendment of FASB Statement No. 133. SFAS No. 161 requires entities that utilize derivative instruments to provide qualitative disclosures about their objectives and strategies for using such instruments, as well as any details of credit risk related contingent features contained within derivatives. SFAS No. 161 also requires entities to disclose additional information about the amounts and locations of derivatives located within the financial statements, how the provisions of SFAS No. 133 have been applied and the impact that hedges have on an entity s financial position, financial performance, and cash flows. SFAS No. 161 is effective for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company adopted this statement as of January 1, 2009.

The FASB issued SFAS No. 141 (revised 2007), Business Combinations. This statement significantly changes the financial accounting and reporting of business combination transactions. The provisions of this statement are to be applied prospectively to business combination transactions entered into by the Company on or after January 1, 2009.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. This statement applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 was effective for the fiscal year beginning after November 15, 2007. The Company adopted SFAS No. 157 as of January 1, 2008 except for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis, for which the effective date was fiscal years beginning after November 15, 2008. See Note 13, Derivative Instruments and Hedging Activities for additional discussion of SFAS No. 157.

Subsequent Events

On April 30, 2009, Chrysler LLC and certain of its U.S. subsidiaries filed for bankruptcy protection under Chapter 11 of the U.S. Bankruptcy Code. The Company s sales to Chrysler s North American operations for the quarter ended March 31, 2009 were $21.1 million or approximately 5% of consolidated sales. As discussed in Note 14, the Company is participating in the Auto Supplier Support Program for certain Chrysler receivables. Management is evaluating the impact of this bankruptcy on the outstanding receivable from Chrysler and believes there are no material adjustments required to the condensed consolidated financial statements as of March 31, 2009.

In recent months, General Motors has reported severe liquidity concerns and the potential inability to meet short-term cash funding requirements and has indicated that there is substantial doubt about its ability to continue as a going concern. Sales to General Motors North American operations for the quarter ended March 31, 2009 were $40.2 million or approximately 10% of consolidated sales. The Company will also participate in the Auto Supplier Support Program for General Motors. Management will continue to monitor sales to General Motors and assess the impact on the Company s financial position and results of operations.

Significant Risks and Uncertainties

As of March 31, 2009, the Company was in compliance with all of its debt covenants. However, as a result of the current automotive industry environment (including the bankruptcy of Chrysler and the North American production shut-downs announced by Chrysler and General Motors), it is uncertain whether we will continue to be in compliance with our debt covenants through 2009. The Company is in the process of assessing the impact of noncompliance and is reviewing alternative responses to this significant uncertainty. Refer to Note 5, Debt of this form 10-Q for additional information on 2009 debt covenant compliance.

2. Goodwill and Intangibles

The changes in the carrying amount of goodwill, by reportable operating segment for the three months ended March 31, 2009 are summarized as follows:

	Body & Chassis	Fluid	Asia Pacific	Total
Balance at January 1, 2009	$ 137,415	$ 106,125	$ 1,421	$ 244,961
Adjustments				
Balance at March 31, 2009	$ 137,415	$ 106,125	$ 1,421	$ 244,961

Automotive industry conditions in North America and Europe continue to be challenging. In North America one of the Company s customers filed for bankruptcy protection in April 2009, estimated vehicle production volumes are significantly lower than prior years and product mix is changing. In Europe the market is fragmented with significant overcapacity and estimated production volumes are declining. If these conditions continue beyond 2009 the Company could potentially need to record a charge to goodwill reflecting impairment.

The following table presents intangible assets and accumulated amortization balances of the Company as of December 31, 2008 and March 31, 2009, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Customer contracts	$ 156,039	$ (78,100)	$ 77,939	7 to 9 years
Customer relationships	169,105	(33,669)	135,436	15 to 20 years
Developed technology	6,421	(2,204)	4,217	5 to 12 years
Trademarks and tradenames	1,700	(306)	1,394	12 to 20 years
Other	11,358	(2,891)	8,467	
Balance at December 31, 2008	$ 344,623	$ (117,170)	$ 227,453	
Customer contracts	$ 154,081	$ (81,980)	$ 72,101	7 to 9 years
Customer relationships	166,801	(35,305)	131,496	15 to 20 years
Developed technology	6,352	(2,413)	3,939	5 to 12 years
Trademarks and tradenames	1,700	(333)	1,367	12 to 20 years
Other	11,034	(2,919)	8,115	
Balance at March 31, 2009	$ 339,968	$ (122,950)	$ 217,018	

Amortization expense totaled $7,836 and $7,218 for the three months ended March 31, 2008 and 2009, respectively. Estimated amortization expense will total approximately $29,000 for the year ending December 31, 2009.

The Company monitors long-lived assets for impairment indicators. The Company performs impairment analysis by comparing the undiscounted cash flows expected to be generated from long-lived assets to related net book values when such indicators occur. The Company concluded that no such indicators occurred during the first quarter ended March 31, 2009. The Company will assess the impact of the April 30, 2009 Chrysler bankruptcy on the realization of its intangible assets (as well as its other long-lived assets) during the second quarter of 2009.

3. Restructuring

2005 Initiatives

In 2005, the Company implemented a restructuring strategy and announced the closure of two manufacturing facilities in the United States and the decision to exit certain businesses within and outside the U.S. During the first quarter of 2009, the Company recorded total costs of $138 related to the previously announced U.S. closures and workforce reductions in Europe. These costs consisted of severance and other exit costs of $9 and $129, respectively. The initiative is substantially complete as of March 31, 2009 at an estimated total cost of approximately $27,000, but the Company will continue to incur costs until the facilities are sold. The following table summarizes the activity for this initiative during the first quarter of 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$ 73	$ 250	$	$ 323
Expense incurred	9	129		138
Cash payments	(32)	(177)		(209)
Utilization of reserve				
Balance at March 31, 2009	$ 50	$ 202	$	$ 252

European Initiatives

In 2006, the Company implemented a European restructuring initiative, which addressed the operations of our non-strategic facilities. The initiative includes the closure of a manufacturing facility, terminations, and the transfer of production to other facilities in Europe and North America. The initiative was substantially completed as of March 31, 2009 at an estimated total cost of approximately $22,000. The Company recorded severance costs and other exit costs of $39 and $88, respectively during the three months ended March 31, 2009. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$ 742	$	$	$ 742
Expense incurred	39	88		127
Cash payments	(171)	(88)		(259)
Utilization of reserve				
Balance at March 31, 2009	$ 610	$	$	$ 610

FHS Acquisition Initiatives

In connection with the acquisition of the automotive fluid handling systems business of ITT Industries, Inc. (FHS), the Company formalized a restructuring plan to address the redundant positions created by the consolidation of the businesses. In connection with this restructuring plan, the Company announced the closure of several manufacturing facilities located in North America, Europe, and Asia and the transfer of related production to other facilities. The closures are substantially complete as of March 31, 2009 at an estimated total cost of approximately $21,000, including costs recorded through purchase accounting. The Company will continue to incur costs until the facilities are sold. As a result of this initiative, the Company recorded certain severance and other exit costs of

$11,833 and $720, respectively, through purchase accounting in 2006. The Company recorded severance and other exit costs of $11, and $827, respectively during the quarter ended March 31, 2009. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$ 1,295	$ 490	$	$ 1,785
Expense incurred	11	827		838
Cash payments	(304)	(827)		(1,131)
Utilization of reserve				
Balance at March 31, 2009	$ 1,002	$ 490	$	$ 1,492

2007 Initiatives

In 2007, the Company implemented a restructuring action and announced the closure of a manufacturing facility located in Mexico and the transfer of related production to other facilities in North America. The closure was substantially completed as of December 31, 2007. The estimated total cost of this closure is approximately $3,400. The Company will continue to incur costs until the facility is sold. During the quarter ended March 31, 2009 the Company recognized other exit costs and asset impairments of $17 and $3, respectively, related to this initiative.

2008 Initiatives

In July 2008, the Company implemented a restructuring action and announced the closure of two manufacturing facilities, one located in Australia and the other located in Germany. Both closures are a result of changes in market demands and volume reductions and are expected to be completed in 2009. The estimated total cost of this initiative is approximately $18,500. The Company recorded severance, other exit costs and asset impairments of $349, $130 and $88, respectively, during the first quarter ended March 31, 2009. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$ 13,460	$	$	$ 13,460
Expense incurred	349	130	88	567
Cash payments	(2,297)	(130)		(2,427)
Utilization of reserve			(88)	(88)
Balance at March 31, 2009	$ 11,512	$	$	$ 11,512

In 2008, the Company initiated the closing of a European facility and the idling of a Canadian facility. During the first quarter ended March 31, 2009, the Company recorded other exit costs of $192 and reversed asset impairments of $58 in connection with this initiative.

Reorganization-Product Line Operating Group Discontinuation Initiative

During 2008, the Company commenced the initial phase of a reorganization ultimately involving the discontinuation of its global product line operating divisions, formerly called the Body & Chassis Systems division (which included the body sealing and NVH product lines) and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. The estimated cost of this initial phase is approximately $7,800. During the first quarter ended March 31, 2009, the Company recorded severance costs of $151 associated with this initiative. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$ 3,929	$	$	$ 3,929
Expense incurred	151			151
Cash payments	(2,124)			(2,124)
Balance at March 31, 2009	$ 1,956	$	$	$ 1,956

In the first quarter of 2009, the Company initiated the final phase of the reorganization of its operating structure, formally discontinuing its product line operating divisions and putting into place the new operating divisions based on geographic regions. During the first quarter ended March 31, 2009, the Company recorded severance costs of $19,798 related to this phase of the initiative. The estimated total cost of this initiative is $20,400. The following table summarizes the activity for this initiative during the first quarter ended March 31, 2009:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2009	$	$	$	$
Expense incurred	19,798			19,798
Cash payments	(223)			(223)
Balance at March 31, 2009	$ 19,575	$	$	$ 19,575

In the first quarter of 2009, the Company initiated the reorganization of one of its Brazilian facilities. During the first quarter ended March 31, 2009, the Company recorded severance costs of $367 related to this initiative. The Company does not anticipate any additional costs to be incurred.

In the first quarter of 2009, the Company initiated the reorganization of its Italian operations. During the first quarter ended March 31, 2009, the Company recorded severance costs of $423 related to this initiative. The estimated total cost of this initiative is approximately $850.

4. Inventories

Inventories are comprised of the following:

	December 31, 2008	March 31, 2009
Finished goods	$ 35,069	$ 28,843
Work in process	26,520	27,665
Raw materials and supplies	55,363	50,094
	$ 116,952	$ 106,602

5. Debt

Outstanding debt consisted of the following at December 31, 2008 and March 31, 2009:

	December 31, 2008	March 31, 2009
Senior Notes	$ 200,000	$ 200,000
Senior Subordinated Notes	323,350	323,350
Term Loan A	25,036	21,343
Term Loan B	66,365	66,198
Term Loan C	165,805	165,373
Term Loan D	184,300	183,825
Term Loan E	88,458	83,918
Revolving Credit Facility	60,933	79,754
Capital leases and other borrowings	29,848	31,920
Total debt	1,144,095	1,155,681
Less: debt payable within one year	(94,136)	(116,703)
Total long-term debt	$ 1,049,959	$ 1,038,978

During the first quarter of 2008, the Company purchased and retired $7,150 of its $330,500 outstanding Senior Subordinated Notes on the open market. The purchase was accounted for as an extinguishment of debt and, accordingly, $1,696 was recognized as a gain on debt extinguishment, after writing off the related unamortized debt issuance costs. The gain is included in other income (expense) in the condensed consolidated statement of operations.

Lehman Commercial Paper, Inc. (LCPI) had a $10,000 commitment to the Company as part of our $125,000 revolving credit facility. LCPI filed for bankruptcy protection in 2008 and the revolver availability was effectively reduced by their position, therefore the revolving credit facility currently provides for borrowings up to $115,000. The Company is seeking to have this commitment replaced by another financial institution.

The Company had $79,754 of outstanding borrowings and $29,313 of standby letters of credit outstanding under the Revolving Credit Facility as of March 31, 2009, leaving $5,933 of undrawn availability. If the Company is successful in replacing the LCPI commitment the undrawn availability would increase by $10,000.

During the second half of 2008 and the first quarter of 2009, vehicle production volumes decreased significantly resulting in a decline in sales, operating income and EBITDA. This decline in operating results reduced cushion that existed within our restrictive financial covenants and increased the risk of a future debt covenant violation. As of March 31, 2009, the Company was in compliance with all of its financial covenants. However, as a result of the current automotive industry environment (including the bankruptcy of Chrysler and the North American production shut-downs by Chrysler and General Motors), the Company is uncertain whether it will continue to be in compliance with its debt covenants through 2009. The Company is in the process of assessing the impact of noncompliance and is reviewing alternative responses to this significant uncertainty.

Non-compliance with covenants would provide our lenders the ability to demand immediate repayment of all outstanding borrowings under the Term Facility and the Revolving Facility. We would not have sufficient cash on hand to satisfy this demand. Accordingly, the inability to comply with covenants, obtain waivers for non-compliance, cure a potential violation with the support of our shareholders, or obtain alternative financing would have a material adverse effect on our financial position, results of operations and cash flows. In the event we were unable to meet our debt requirements, however, we believe we would be able to cure the violation by utilizing the equity cure right provision of our primary credit facility or obtaining a waiver or amendment of the covenants. Utilizing the equity cure right provisions of our primary credit facility would likely require additional financial support from our shareholders. Obtaining waivers or amendments relating to the covenants would likely result in significant incremental cost. Although we cannot provide assurance that we would be successful in obtaining the necessary waivers or in amending the covenants, we were able to do so in previous years and believe that we would be able to do so in 2009, if necessary.

6. Pension and Postretirement Benefits other than Pensions

The following tables disclose the amount of net periodic benefit costs for the three month periods ended March 31, 2008 and 2009 for the Company s defined benefit plans and other postretirement benefit plans:

	Pension Benefits Three Months Ended March 31,			
	2008		**2009**	
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**
Service cost	$ 2,533	$ 925	$ 713	$ 620
Interest cost	3,879	1,960	3,773	1,658
Expected return on plan assets	(4,538)	(1,103)	(3,280)	(683)
Amortization of prior service cost and recognized actuarial loss	48	97	938	47
Curtailment cost			68	
Net periodic benefit cost	$ 1,922	$ 1,879	$ 2,212	$ 1,642

As a result of freezes to several of our U.S. pension plans, service cost for the first quarter of 2009 has decreased compared to the first quarter of 2008.

	Other Postretirement Benefits Three Months Ended March 31, 2008	2009
Service cost	$ 576	$ 429
Interest cost	1,206	1,055
Amortization of prior service credit and recognized actuarial gain	(495)	(821)
Other		40
Net periodic benefit cost	$ 1,287	$ 703

As a result of previous changes in plan design and discount rates other postretirement benefits net periodic benefit cost has decreased compared to the prior year.

7. Income Taxes

Under Accounting Principles Board Opinion No. 28, Interim Financial Reporting, the Company is required to determine its effective tax rate each quarter based upon its estimated annual effective tax rate. The Company is also required to record the tax impact of certain unusual or infrequently occurring items, including changes in judgment about valuation allowances and effects of changes in tax laws or rates, in the interim period in which they occur. In addition, jurisdictions with a projected loss for the year where no tax benefit can be recognized are excluded from the estimated annual effective tax rate.

The effective tax rate for the three months ended March 31, 2008, was 32% as compared to 7% for the three months ended March 31, 2009. The income tax rate for the three months ended March 31, 2009 varies from statutory rates due to income taxes on foreign earnings, the inability to record a tax benefit for pre-tax losses in the U.S. and certain foreign jurisdictions to the extent not offset by other categories of income, tax credits, income tax incentives, withholding taxes, and other permanent items. Further, the Company s current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. The Company intends to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Accordingly, income taxes are impacted by the U.S. valuation allowance and the mix of earnings among jurisdictions.

During March 2008 the Company became aware of a potentially favorable settlement of the pending bilateral Advance Pricing Agreement (APA) negotiations between the United States (US) and Canada relating to the periods 2000 2007. Agreement between the two governments will impact transfer pricing matters between the Company and its wholly owned Canadian subsidiary. In March 2009 the US and Canadian governments signed Mutual Agreement Letters agreeing to the terms of the bi-lateral APA. Final bi-lateral Advance Pricing Agreements with the Company should be completed and signed during the second quarter of 2009. The settlement of the bi-lateral APA will result in income tax refunds to Cooper-Standard Automotive Canada for the years 2000 2007 of up to $80 million Canadian dollars. Under the terms of the Sale and Purchase Agreement with Cooper Tire and Rubber Company (CTR) dated December 23, 2004, CTR is entitled to tax refunds arising in the years 2000 2004. As such, it is expected that the Company will remit to CTR tax refunds received from the Canadian government related to those tax years. Refunds received from the Canadian government will be based on the preparation of amended tax returns for the years 2000 2007. The agreement should also result in a corresponding increase to the US taxable income of the Company for the years 2005 2007, but is not expected to result in any significant cash payment as the increased U.S. tax liability which will be largely offset by existing tax credit carryforwards.

8. Comprehensive Income (Loss) and Equity (Deficit)

On an annual basis, disclosure of comprehensive income is incorporated into the statement of stockholders equity, which is not presented on a quarterly basis. The components of comprehensive income, net of related tax, are as follows:

	Three Months Ended March 31, 2008			Three Months Ended March 31, 2009		
	Total	Cooper-Standard Holdings	Noncontrolling Interest	Total	Cooper-Standard Holdings	Noncontrolling Interest
Net income (loss)	$ 15,705	$ 15,672	$ 33	$ (55,277)	$ (54,966)	$ (311)
Currency translation adjustment	24,978	24,904	74	(22,396)	(22,314)	(82)
Pension and other postretirement benefits, net of tax	32	32		(119)	(119)	
Fair value change of derivatives, net of tax	(7,555)	(7,555)		5,722	5,722	
Comprehensive income (loss):	$ 33,160	$ 33,053	$ 107	$ (72,070)	$ (71,677)	$ (393)

The adoption of SFAS No. 160 resulted in the reclassification of amounts previously attributable to minority interest (now referred to as noncontrolling interest) to a separate component of stockholders equity on the accompanying condensed consolidated balance sheets. Additionally, net income attributable to noncontrolling interests is shown separately from net income in the condensed consolidated statement of operations. This reclassification has no effect on our previously reported results of operations.

The following table summarizes the Company s equity activity for the three months ended March 31, 2009:

	Cooper-Standard Holdings	Noncontrolling Interest	Total Equity (Deficit)
Equity at January 1, 2009	$ 15,177	$ 4,485	$ 19,662
Net loss	(54,966)	(311)	(55,277)
Other comprehensive loss	(16,711)	(82)	(16,793)
Stock-based compensation expense	406		406
Equity (deficit) at March 31, 2009	$ (56,094)	$ 4,092	$ (52,002)

9. Other Income (Expense)

The components of other income (expense) are as follows:

	Three Months Ended March 31,	
	2008	2009
Foreign currency gains (losses)	$ 1,803	$ (1,801)
Gain on debt repurchase	1,696	
Gain on disposal of fixed assets	9	
Interest rate swaps		1,396
Loss on sale of receivables		(257)
Other income (expense)	$ 3,508	$ (662)

Prior year amounts related to noncontrolling interest (minority interest) historically reflected as a component of other income (expense) have been reclassified to conform to current year presentation as required by SFAS No. 160. The adoption of SFAS No. 160 resulted in the reclassification of amounts being reported as minority interest, totaling $(33), being shown separately from net income (loss) in the accompanying condensed consolidated statement of operations.

10. Related Party Transactions

Sales to NISCO, a 50% owned joint venture, totaled $7,606 and $4,031 in the three months ended March 31, 2008 and 2009, respectively.

Purchases of materials from Guyoung Technology Co. Ltd, a Korean corporation of which the Company owns approximately 20% of the common stock, totaled $592 and $226 in the three months ended March 31, 2008 and 2009, respectively.

11. Business Segments

In 2008 and through March 31, 2009, the Company has reported its operating results in three business segments: Body & Chassis Systems, Fluid Systems, and Asia Pacific. The Body & Chassis segment consisted mainly of body sealing products and components that protect vehicle interiors from weather, dust, and noise intrusion as well as systems and components that control and isolate noise vibration in a vehicle to improve ride and handling. The Fluid segment consisted primarily of subsystems and components that direct, control, measure, and transport fluids and vapors throughout a vehicle. The Asia Pacific segment consisted of both Body & Chassis and Fluid operations in that region with the exception of the Company s interest in a joint venture in China which was acquired as part of the MAPS acquisition, and the MAP India joint venture. These joint ventures are included in the Body & Chassis segment which is in line with the internal management structure.

On March 26, 2009, the Company announced the implementation of a plan involving the discontinuation of its global Body & Chassis and Fluid Systems operating divisions and the establishment of a new operating structure organized on the basis of geographic regions. Under