

Cooper-Standard Holdings Inc.
Form 10-Q
August 10, 2011
Table of Contents

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended June 30, 2011

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)

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Delaware
(State or other jurisdiction of
incorporation or organization)

20-1945088
(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

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

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

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes No

As of August 3, 2011 there were 18,343,725 shares of the registrant's common stock, \$0.001 par value, outstanding.

Table of Contents

COOPER-STANDARD HOLDINGS INC.

Form 10-Q

For the period ended June 30, 2011

	Page
<u>PART I. FINANCIAL INFORMATION</u>	
Item 1. Financial Statements (unaudited)	
<u>Condensed Consolidated Statements of Operations</u>	3
<u>Condensed Consolidated Balance Sheets</u>	4
<u>Condensed Consolidated Statements of Cash Flows</u>	5
<u>Notes to Condensed Consolidated Financial Statements</u>	6
Item 2. <u>Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	32
Item 3. <u>Quantitative and Qualitative Disclosures About Market Risk</u>	41
Item 4. <u>Controls and Procedures</u>	41
<u>PART II. OTHER INFORMATION</u>	
Item 1. <u>Legal Proceedings</u>	42
Item 1A. <u>Risk Factors</u>	42
Item 2. <u>Unregistered Sales of Equity Securities and Use of Proceeds</u>	42
Item 6. <u>Exhibits</u>	43
<u>SIGNATURES</u>	44
<u>EXHIBITS INDEX AND EXHIBITS</u>	45

Table of Contents**PART I FINANCIAL INFORMATION****Item 1. Financial Statements.****COOPER-STANDARD HOLDINGS INC.****CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS****(Unaudited)****(Dollar amounts in thousands except per share amounts)**

	Predecessor	Successor	
	Two Months Ended May 31, 2010	One Month Ended June 30, 2010	Three Months Ended June 30, 2011
Sales	\$ 412,804	\$ 215,642	\$ 760,460
Cost of products sold	340,381	181,875	636,752
Gross profit	72,423	33,767	123,708
Selling, administration & engineering expenses	39,099	23,045	65,602
Amortization of intangibles	130	1,264	3,936
Restructuring	5,641	382	36,981
Operating profit	27,553	9,076	17,189
Interest expense, net of interest income	(32,694)	(3,531)	(10,649)
Equity earnings	1,653	734	928
Reorganization items, net	326,786		
Other income (expense), net	(14,300)	(430)	726
Income before income taxes	308,998	5,849	8,194
Provision for income tax expense	32,652	909	6,541
Consolidated net income	276,346	4,940	1,653
Net (income) loss attributable to noncontrolling interests	(63)	(10)	17,369
Net income attributable to Cooper-Standard Holdings Inc.	\$ 276,283	\$ 4,930	\$ 19,022
Net income available to Cooper-Standard Holdings Inc. common stockholders		\$ 3,218	\$ 13,749
Basic net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 0.78
Diluted net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 0.71

Predecessor	One	Successor
Five Months Ended May 31, 2010	Month Ended June 30,	Six Months Ended June 30, 2011

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

	2010		
Sales	\$ 1,009,128	\$ 215,642	\$ 1,449,232
Cost of products sold	832,201	181,875	1,204,758
Gross profit	176,927	33,767	244,474
Selling, administration & engineering expenses	92,166	23,045	126,453
Amortization of intangibles	319	1,264	7,834
Restructuring	5,893	382	41,585
Operating profit	78,549	9,076	68,602
Interest expense, net of interest income	(44,505)	(3,531)	(20,555)
Equity earnings	3,613	734	2,637
Reorganization items, net	303,453		
Other income (expense), net	(21,156)	(430)	15,075
Income before income taxes	319,954	5,849	65,759
Provision for income tax expense	39,940	909	18,819
Consolidated net income	280,014	4,940	46,940
Net (income) loss attributable to noncontrolling interests	(322)	(10)	17,017
Net income attributable to Cooper-Standard Holdings Inc.	\$ 279,692	\$ 4,930	\$ 63,957
Net income available to Cooper-Standard Holdings Inc. common stockholders		\$ 3,218	\$ 48,218
Basic net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 2.75
Diluted net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 2.49

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

Table of Contents**COOPER-STANDARD HOLDINGS INC.****CONDENSED CONSOLIDATED BALANCE SHEETS****(Dollar amounts in thousands except share amounts)**

	December 31, 2010	Successor June 30, 2011 (Unaudited)
Assets		
Current assets:		
Cash and cash equivalents	\$ 294,450	\$ 313,469
Accounts receivable, net	380,915	541,515
Inventories, net	122,043	163,551
Prepaid expenses	20,056	25,579
Other	40,857	44,577
Total current assets	858,321	1,088,691
Property, plant and equipment, net	589,504	654,984
Goodwill	137,000	138,821
Intangibles, net	149,642	145,017
Other assets	119,309	118,546
	\$ 1,853,776	\$ 2,146,059
Liabilities and Equity		
Current liabilities:		
Debt payable within one year	\$ 19,965	\$ 42,289
Accounts payable	176,001	267,752
Payroll liabilities	98,722	111,033
Accrued liabilities	113,831	142,879
Total current liabilities	408,519	563,953
Long-term debt	456,758	459,069
Pension benefits	164,595	169,367
Postretirement benefits other than pensions	80,053	82,370
Deferred tax liabilities	18,337	22,732
Other liabilities	25,907	30,265
Total liabilities	1,154,169	1,327,756
Redeemable noncontrolling interest	6,215	22,935
7% Cumulative participating convertible preferred stock, \$0.001 par value, 10,000,000 shares authorized at December 31, 2010, and June 30, 2011; 1,052,444 and 1,050,784 shares issued and outstanding at December 31, 2010 and June 30, 2011, respectively	130,339	130,914
Equity:		
Common stock, \$0.001 par value, 190,000,000 shares authorized at December 31, 2010 and June 30, 2011; 18,376,112 and 18,343,725 shares issued and outstanding at December 31, 2010 and at June 30, 2011, respectively	17	17
Additional paid-in capital	478,706	481,107
Retained earnings	35,842	94,484
Accumulated other comprehensive income	45,881	85,914

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Total Cooper-Standard Holdings Inc. equity	560,446	661,522
Noncontrolling interests	2,607	2,932
Total equity	563,053	664,454
Total liabilities and equity	\$ 1,853,776	\$ 2,146,059

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

Table of Contents**COOPER-STANDARD HOLDINGS INC.****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(Dollar amounts in thousands)**

	Predecessor Five Months May 31, 2010	Successor One Month June 30, 2010	Successor Six Months Ended June 30, 2011
Operating Activities:			
Consolidated net income	\$ 280,014	\$ 4,940	\$ 46,940
Adjustments to reconcile consolidated net income to net cash provided by (used in) operating activities:			
Depreciation	35,333	7,628	52,490
Amortization	319	1,264	7,834
Non-cash restructuring	46		864
Reorganization items	(303,453)		
Amortization of debt issuance cost	11,505	102	622
Stock-based compensation expense	244	845	5,814
Gain on partial sale of joint venture			(11,423)
Changes in operating assets and liabilities	(99,403)	2,385	(76,641)
Net cash provided by (used in) operating activities	(75,395)	17,164	26,500
Investing activities:			
Property, plant and equipment	(22,935)	(6,155)	(45,459)
Acquisition of business, plus cash acquired			30,878
Proceeds from partial sale of joint venture			16,000
Proceeds from the sale of assets	3,851	(91)	451
Net cash provided by (used in) investing activities	(19,084)	(6,246)	1,870
Financing activities:			
Proceeds from issuance of long-term debt	450,000		
Payments on debtor-in-possession financing	(175,000)		
Decrease in short-term debt	(2,069)	(405)	(1,182)
Payments on long-term debt	(709,574)	(41)	(1,301)
Debt issuance cost and back stop fees	(30,991)		
Issuance of preferred and common stock	355,000		
Cash dividends paid			(3,617)
Other		(14)	(92)
Net cash used in financing activities	(112,634)	(460)	(6,192)
Effects of exchange rate changes on cash	5,528	(388)	(3,159)
Changes in cash and cash equivalents	(201,585)	10,070	19,019
Cash and cash equivalents at beginning of period	380,254	178,669	294,450
Cash and cash equivalents at end of period	\$ 178,669	\$ 188,739	\$ 313,469

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

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****1. Overview*****Basis of presentation***

Cooper-Standard Holdings Inc. (together with its consolidated subsidiaries, the Company, Cooper-Standard, we or us) is a leading manufacturer of fluid handling, body sealing, and Anti-Vibration Systems (AVS) components, systems, subsystems, and modules. The Company's products are primarily for use in passenger vehicles and light trucks that are manufactured by global automotive original equipment manufacturers (OEMs) and replacement markets. The Company conducts substantially all of its activities through their subsidiaries.

On May 27, 2010 (the Effective Date), the Company and certain of its U.S. and Canadian subsidiaries emerged from bankruptcy proceedings under Chapter 11 (Chapter 11) of the United States Bankruptcy Code (the Bankruptcy Code). In accordance with the provisions of Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) 852, *Reorganizations*, the Company adopted fresh-start accounting upon its emergence from Chapter 11 bankruptcy proceedings and became a new entity for financial reporting purposes as of June 1, 2010. Accordingly, the consolidated financial statements for the reporting entity subsequent to emergence from Chapter 11 bankruptcy proceedings (the Successor) are not comparable to the consolidated financial statements for the reporting entity prior to emergence from Chapter 11 bankruptcy proceedings (the Predecessor). The Company, when used in reference to the period subsequent to emergence from Chapter 11 bankruptcy proceedings, refers to the Successor, and when used in reference to periods prior to emergence from Chapter 11 bankruptcy proceedings, refers to the Predecessor. For further information, see Note 3, *Reorganization under Chapter 11 of the Bankruptcy Code*, and Note 4, *Fresh-Start Accounting*, to the consolidated financial statements included in the Company's 2010 Annual Report on Form 10-K.

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 2010 Annual Report on Form 10-K, 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 (U.S. GAAP) 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. Certain prior period amounts have been reclassified to conform to the current period financial statement presentation. The operating results for the interim period ended June 30, 2011 are not necessarily indicative of results for the full year.

The Predecessor financial statements have been restated to recognize the cancellation of Predecessor common stock of \$356,595 resulting from the emergence from bankruptcy as a direct adjustment to equity as compared to including it in reorganization gain. The impact of this change on the consolidated statements of operations for the Predecessor periods is summarized below:

	Predecessor - Two Months Ended May 31, 2010	
	As originally filed	As restated
Reorganization items, net	\$ 683,381	\$ 326,786
Income before income taxes	665,593	308,998
Consolidated net income	632,941	276,346
Net income attributable to Cooper-Standard Holdings, Inc.	632,878	276,283

	Predecessor - Five Months Ended May 31, 2010	
	As originally filed	As restated
Reorganization items, net	\$ 660,048	\$ 303,453
Income before income taxes	676,549	319,954
Consolidated net income	636,609	280,014
Net income attributable to Cooper-Standard Holdings, Inc.	636,287	279,692

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

The adjustment also impacted consolidated net income and reorganization items within the consolidated statement of cash flows for the Predecessor period. The adjustment did not impact net cash used in operating activities. The impact of the adjustment has been reflected within the footnotes to the consolidated financial statements. The adjustment does not impact the Successor period financial statements or footnotes.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

Recent accounting pronouncements

In June 2011, the FASB issued Accounting Standards Update (ASU) 2011-05, *Comprehensive Income (Topic 220)*. This ASU requires companies to present items of net income, items of other comprehensive income (OCI) and total comprehensive income in one continuous statement or two separate but consecutive statements. In addition, this update requires reclassification adjustments between OCI and net income to be presented separately on the face of the financial statements. This ASU is effective for fiscal years and interim periods within those years, beginning after December 15, 2011 (early adoption is permitted). The impact of adoption is not expected to have a material impact on the consolidated financial statements.

In May 2011, the FASB issued ASU 2011-04, *Fair Value Measurement (Topic 820)*. This ASU amends the requirements for measuring fair value and disclosing information about fair value. This ASU is effective for fiscal years and interim periods beginning after December 15, 2011 (early adoption is prohibited). The impact of adoption is not expected to have a material impact on the consolidated financial statements.

In December 2010, the FASB issued ASU 2010-28, *Intangibles Goodwill and Other (Topic 350)*. This ASU modifies the first step of the goodwill impairment test to include reporting units with zero or negative carrying amounts. For these reporting units, the second step of the goodwill impairment test shall be performed to measure the amount of impairment loss, if any; when it is more likely than not that a goodwill impairment exists. This ASU is effective for fiscal years and interim periods beginning after December 15, 2010. The Company has evaluated the ASU and does not believe it will have a material impact on the consolidated financial statements.

2. Acquisitions

On March 28, 2011, the Company completed the acquisition of USi, Inc. from Ikyuo Co. Ltd. of Japan, based in Rockford, Tennessee, for cash consideration of \$6,500. USi Inc. provides an innovative hard coating process for use in automotive and industrial applications, which allows the Company to expand its technology capabilities. This acquisition was accounted for under ASC 805, *Business Combinations*, and the results of operations are included in the Company's condensed consolidated financial statements from the date of acquisition. The estimated fair value of certain assets and liabilities are preliminary and may change in the future as information becomes available from third party valuations. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

To broaden product lines across Europe, the Company completed an agreement with Fonds de Modernisation des Equipementiers Automobiles (FMEA) on May 2, 2011, to establish a joint venture that combined the Company's French body sealing operations and the operations of Société des Polymères Barre-Thomas (SPBT). SPBT is a French supplier of anti-vibration systems and low pressure hoses, as well as body sealing products, which FMEA acquired as a preliminary step to the joint venture transaction. The Company contributed its French body sealing assets and obligations, which had a fair value of approximately \$33,000, to the joint venture to acquire 51 percent ownership and FMEA contributed the assets and obligations of SPBT for its 49 percent ownership. SPBT changed its name to CS France subsequent to the transaction.

The Company accounted for the transaction as a sale of a subsidiary while retaining control under ASC 810, *Consolidations* and an acquisition of 51 percent ownership interest of SPBT under ASC 805, *Business Combinations*. Accordingly, the subsidiary was transferred at historical cost and the assets acquired and the liabilities assumed of SPBT were recorded at fair value and are included in the Company's consolidated balance sheet as of June 30, 2011. The Company received net cash of \$38,224 as part of the transaction. The operating results of CS France's operations are included in the Company's condensed consolidated financial statements from the date of acquisition.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)**

The following table summarizes the estimated fair value of SPBT assets acquired and liabilities assumed at the date of acquisition:

Cash and cash equivalents	\$ 38,224
Accounts receivable, net	35,670
Inventories, net	18,194
Property, plant, and equipment, net	38,172
Other assets	15,680
 Total assets acquired	 145,940
Accounts payable	28,043
Short-term notes payable	20,474
Other current liabilities	26,541
Pension benefits	30,499
Other long-term liabilities	8,365
 Total liabilities assumed	 113,922
 Net assets acquired	 \$ 32,018

The estimated fair value of certain assets and liabilities are preliminary and may change in the future as information becomes available from third party valuations. This joint venture does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

In connection with the investment in CS France, the noncontrolling shareholders have the option, which is embedded in the noncontrolling interest, to require the Company to purchase the remaining 49 percent noncontrolling share at a formula price designed to approximate fair value based on operating results of the entity. The put option becomes exercisable at the expiration of the four year period following the May 2, 2011 closing date of the transaction. The combination of a noncontrolling interest and a put option resulted in a redeemable noncontrolling interest.

The noncontrolling interest is redeemable at other than fair value as the put value is determined based on a formula described above. The Company records the noncontrolling interests in CS France at the greater of 1) the initial carrying amount, increased or decreased for the noncontrolling shareholders' share of net income or loss and its share of other comprehensive income or loss and dividends (carrying amount) or 2) the cumulative amount required to accrete the initial carrying amount to the redemption value using the effective interest method which resulted in accretion of \$678 for the three and six months ended June 30, 2011. Such accretion amounts are recorded as increases to redeemable noncontrolling interests with offsets to equity and interest expense. According to authoritative accounting guidance, the redeemable noncontrolling interest is classified outside of permanent equity, in mezzanine equity, on the Company's consolidated balance sheets. As of June 30, 2011 the estimated redemption value of the put option is \$31,850. The redemption amount related to the put option is guaranteed by the Company and secured with the CS France shares held by a subsidiary of the Company.

According to authoritative accounting guidance for redeemable noncontrolling shareholders' interests, to the extent the noncontrolling shareholders have a contractual right to receive an amount upon exercise of a put option that is other than fair value, and such amount is greater than carrying value, then the noncontrolling shareholder has, in substance, received a dividend distribution that is different than other common stockholders. Therefore the redemption amount in excess of fair value should be reflected in the computation of earnings per share available to the Company's common stockholders. At June 30, 2011 there was no difference between redemption value and fair value.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****3. Goodwill and Intangibles**

The changes in the carrying amount of goodwill by reportable operating segment for the six months ended June 30, 2011 are summarized as follows:

	North America	International	Total
Balance at January 1, 2011	\$ 115,384	\$ 21,616	\$ 137,000
Foreign exchange translation	162	1,659	1,821
Balance at June 30, 2011	\$ 115,546	\$ 23,275	\$ 138,821

Goodwill is not amortized but is tested annually for impairment, or when events or circumstances indicate that impairment may exist, by reporting units, which are determined in accordance with ASC 350, *Goodwill and Other Intangible Assets*.

The following table presents intangible assets and accumulated amortization balances of the Company as of December 31, 2010 and June 30, 2011, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Weighted Average Useful Life (Years)
Customer relationships	\$ 140,124	\$ (8,035)	\$ 132,089	9.6
Developed technology	9,600	(938)	8,662	5.7
Other	8,979	(88)	8,891	
Balance at December 31, 2010	\$ 158,703	\$ (9,061)	\$ 149,642	9.2
Customer relationships	\$ 142,513	\$ (15,158)	\$ 127,355	9.1
Developed technology	9,979	(1,810)	8,169	5.2
Other	\$ 11,529	\$ (2,036)	9,493	
Balance at June 30, 2011	\$ 164,021	\$ (19,004)	\$ 145,017	8.7

Amortization expense totaled \$3,936 for the three months ended June 30, 2011, \$1,264 for the one month ended June 30, 2010 and \$130 for the two months ended May 31, 2010. Amortization expense totaled \$7,834 and \$319 for the six months ended June 30, 2011 and the five months ended May 31, 2010, respectively. Estimated amortization expense will total approximately \$15,800 for the year ending December 31, 2011.

4. Restructuring

The Company implemented several restructuring initiatives in prior years in connection with the closure of facilities in North America, Europe and Asia. The Company commenced these initiatives prior to December 31, 2007 and continued to execute the closures through June 30, 2011.

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

The majority of the costs associated with the closures were incurred shortly after the original implementation. However, the Company continues to incur costs related principally to the liquidation of the respective facilities. The total expense incurred related to these actions amounted to \$113 for the six months ended June 30, 2011, \$54 for the one month ended June 30, 2010 and \$470 for the five months ended May 31, 2010.

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 were a result of changes in market demands and volume reductions and are substantially completed as of June 30, 2011. However, the Company will continue to incur costs until the facilities are sold. The estimated total cost of these initiatives is approximately \$21,600. The total expense incurred related to these actions amounted to \$122 for the six months ended June 30, 2011, \$28 for the one month ended June 30, 2010 and \$(301) for the five months ended May 31, 2010.

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 AVS product lines) and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. 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. The estimated cost of this initiative is approximately \$23,700.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)**

The following tables summarize the activity for this initiative for the six months ended June 30, 2010 and 2011:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2010 - Predecessor	\$ 7,771	\$	\$	\$ 7,771
Expense	(450)			(450)
Cash payments	(3,297)			(3,297)
Balance at May 31, 2010	\$ 4,024	\$	\$	\$ 4,024
Cash payments	(125)			(125)
Balance at June 30, 2010 - Successor	\$ 3,899	\$	\$	\$ 3,899
	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2011	\$ 2,777	\$	\$	\$ 2,777
Expense	1			1
Transfer to FMEA joint venture initiative	(1,877)			(1,877)
Cash payments	(115)			(115)
Balance at June 30, 2011	\$ 786	\$	\$	\$ 786

The Company commenced several initiatives during 2009. These initiatives related to the reorganization or closure of operating facilities in South America, Europe and Asia Pacific. The estimated total cost associated with these actions amount to \$21,000. The following tables summarize the activity for these initiatives for the six months ended June 30, 2010 and 2011:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2010 - Predecessor	\$ 4,215	\$ 56	\$	\$ 4,271
Expense	5,168	314	(21)	5,461
Cash payments	(2,680)	(347)	21	(3,006)
Balance at May 31, 2010	\$ 6,703	\$ 23	\$	\$ 6,726
Expense	(5)	216		211
Cash payments	(2,673)	(218)		(2,891)
Balance at June 30, 2010 - Successor	\$ 4,025	\$ 21	\$	\$ 4,046

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2011	\$ 1,167	\$ 220	\$	\$ 1,387
Expense	52	1,358	864	2,274
Cash payments	(895)	(810)		(1,705)
Utilization of reserve			(864)	(864)
Balance at June 30, 2011	\$ 324	\$ 768	\$	\$ 1,092

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)**

In 2010, the Company initiated the closure of a facility and the consolidation of other facilities. The estimated total costs of these initiatives amount to \$2,100 and are expected to be completed in 2011. The following tables summarize the activity for these initiatives for the six months ended June 30, 2010 and 2011:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2010 - Predecessor	\$	\$	\$	\$
Expense	595	118		713
Cash payments	(132)	(118)		(250)
Balance at May 31, 2010	\$ 463	\$	\$	\$ 463
Expense		89		89
Cash payments	(103)	(89)		(192)
Balance at June 30, 2010 - Successor	\$ 360	\$	\$	\$ 360

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2011	\$ 164	\$	\$	\$ 164
Expense		82		82
Cash payments	(164)	(82)		(246)
Balance at June 30, 2011	\$	\$	\$	\$

In the first quarter of 2011, the Company initiated the closure of a facility in North America and announced the decision to establish a centralized shared services function in Europe. The estimated total costs of these initiatives amount to \$9,600 and are expected to be completed in 2012. The following table summarizes the activity for these initiatives for the six months ended June 30, 2011:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2011	\$	\$	\$	\$
Expense	1,562	3,124		4,686
Cash payments		(1,550)		(1,550)
Balance at June 30, 2011	\$ 1,562	\$ 1,574	\$	\$ 3,136

In the second quarter of 2011, the Company initiated the reorganization of the Company's French body sealing operations in relationship to the joint venture agreement with FMEA. The estimated total cost of this initiative is \$43,500 and is expected to be completed in 2012. The following

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

table summarizes the activity for this initiative for the six months ended June 30, 2011:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2011	\$	\$	\$	\$
Expense	33,328	979		34,307
Reorganization initiative transfer	1,877			1,877
Cash payments and foreign exchange translation	182	(979)		(797)
Balance at June 30, 2011	\$ 35,387	\$	\$	\$ 35,387

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****5. Inventories**

Inventories are comprised of the following at December 31, 2010 and June 30, 2011:

	Successor	
	December 31, 2010	June 30, 2011
Finished goods	\$ 32,690	\$ 44,015
Work in process	27,223	41,123
Raw materials and supplies	62,130	78,413
	\$ 122,043	\$ 163,551

6. Debt

Outstanding debt consisted of the following at December 31, 2010 and June 30, 2011:

	Successor	
	December 31, 2010	June 30, 2011
Senior Notes	\$ 450,000	\$ 450,000
Other borrowings	26,723	51,358
Total debt	\$ 476,723	\$ 501,358
Less: Current portion of long-term debt	(19,965)	(42,289)
Total long-term debt	\$ 456,758	\$ 459,069

Senior ABL Facility

The Senior ABL Facility provides for an aggregate revolving loan availability of up to \$125,000, subject to borrowing base availability, including a \$45,000 letter of credit sub-facility and a \$20,000 swing line sub-facility. The Senior ABL Facility also provides for an uncommitted \$25,000 incremental loan facility, for a potential total Senior ABL Facility of \$150,000 (if requested by the Borrowers and any existing lenders or new lenders agree to fund such increase). No consent of any lender (other than those participating in the increase) is required to effect any such increase. As of June 30, 2011, no amounts were drawn under the Senior ABL Facility, but there were approximately \$30,662 of letters of credit outstanding.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****7. Pension and Postretirement Benefits other than Pensions**

The following tables disclose the amount of net periodic benefit cost for the two and five months ended May 31, 2010, one month ended June 30, 2010 and the three and six months ended June 30, 2011 for the Company's defined benefit plans and other postretirement benefit plans:

	Predecessor		Pension Benefits			
	Two Months Ended		One Month Ended		Three Months	
	May 31, 2010		June 30, 2010		Ended June 30, 2011	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 401	\$ 350	\$ 187	\$ 192	\$ 526	\$ 644
Interest cost	2,511	1,127	1,282	549	3,687	1,823
Expected return on plan assets	(2,420)	(586)	(1,231)	(287)	(4,052)	(1,031)
Amortization of prior service cost and recognized actuarial loss	587	27			5	11
Net periodic benefit cost	\$ 1,079	\$ 918	\$ 238	\$ 454	\$ 166	\$ 1,447

	Predecessor		Pension Benefits			
	Five Months Ended		One Month Ended		Six Months Ended	
	May 31, 2010		June 30, 2010		June 30, 2011	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	\$ 1,002	\$ 893	\$ 187	\$ 192	\$ 1,052	\$ 1,265
Interest cost	6,278	2,871	1,282	549	7,374	3,582
Expected return on plan assets	(6,050)	(1,460)	(1,231)	(287)	(8,104)	(2,042)
Amortization of prior service cost and recognized actuarial loss	1,467	70			10	22
Net periodic benefit cost	\$ 2,697	\$ 2,374	\$ 238	\$ 454	\$ 332	\$ 2,827

	Other Postretirement Benefits		
	Predecessor	Successor	
	Two Months Ended	One Month Ended	Three Months Ended
	May 31, 2010	June 30, 2010	June 30, 2011
Service cost	\$ 256	\$ 144	\$ 461
Interest cost	682	342	985
Amortization of prior service credit and recognized actuarial gain	(558)		1
Other	14	7	21

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Net periodic benefit cost	\$ 394	\$ 493	\$ 1,468
---------------------------	--------	--------	----------

	Other Postretirement Benefits		
	Predecessor	Successor	
	Five Months Ended May 31, 2010	One Month Ended June 30, 2010	Six Months Ended June 30, 2011
Service cost	\$ 638	\$ 144	\$ 919
Interest cost	1,701	342	1,966
Amortization of prior service credit and recognized actuarial gain	(1,395)		2
Other	35	7	42
Net periodic benefit cost	\$ 979	\$ 493	\$ 2,929

8. Income Taxes

Under ASC 270, *Interim 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 and six months ended June 30, 2011 was 80% and 29%, respectively. The effective tax rate for the two months and five months ended May 31, 2010 was 11% and 13%, respectively. The effective tax rate for the one month ended June 30, 2010 was 16%. The income tax rate for the three and six months ended June 30, 2011 varies from statutory rates due to income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to valuation allowance release, the inability to record a tax benefit for pre-tax losses in 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

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)**

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.

In conjunction with the Company's ongoing review of its actual results and anticipated future earnings, the Company reassesses the possibility of releasing the valuation allowance currently in place on its U.S. deferred tax assets. Based upon this assessment, the Company has concluded that a release of the valuation allowance could possibly occur during the next 12 months. The required accounting for the release will involve significant tax amounts and will impact earnings in the quarter in which it is deemed appropriate to release the reserve.

9. Comprehensive Income and Equity

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:

	Predecessor			Successor					
	Two Months Ended			One Month Ended			Three Months Ended		
	May 31, 2010			June 30, 2010			June 30, 2011		
	Cooper-Standard			Cooper-Standard			Cooper-Standard		
	Holdings		Noncontrolling	Holdings		Noncontrolling	Holdings		Noncontrolling
	Total	Inc.	Interest	Total	Inc.	Interest	Total	Inc.	Interest
Net income (loss)	\$ 276,346	\$ 276,283	\$ 63	\$ 4,940	\$ 4,930	\$ 10	\$ 1,653	\$ 19,022	\$ (17,369)
Currency translation adjustment	(31,398)	(31,309)	(89)	(3,036)	(3,031)	(5)	13,849	14,826	(977)
Pension and other postretirement benefits, net of tax	115	115					(394)	(394)	
Fair value change of derivatives, net of tax	57	57		55	55		250	250	
Comprehensive income (loss):	\$ 245,120	\$ 245,146	\$ (26)	\$ 1,959	\$ 1,954	\$ 5	\$ 15,358	\$ 33,704	\$ (18,346)

	Predecessor			Successor					
	Five Months Ended			One Month Ended			Six Months Ended		
	May 31, 2010			June 30, 2010			June 30, 2011		
	Cooper-Standard			Cooper-Standard			Cooper-Standard		
	Holdings		Noncontrolling	Holdings		Noncontrolling	Holdings		Noncontrolling
	Total	Inc.	Interest	Total	Inc.	Interest	Total	Inc.	Interest
Net income (loss)	\$ 280,014	\$ 279,692	\$ 322	\$ 4,940	\$ 4,930	\$ 10	\$ 46,940	\$ 63,957	\$ (17,017)
Currency translation adjustment	(31,074)	(31,091)	17	(3,036)	(3,031)	(5)	37,757	38,671	(914)
Pension and other postretirement benefits, net of tax	126	126					1,638	1,638	
Fair value change of derivatives, net of tax	(81)	(81)		55	55		(276)	(276)	
Comprehensive income (loss):	\$ 248,985	\$ 248,646	\$ 339	\$ 1,959	\$ 1,954	\$ 5	\$ 86,059	\$ 103,990	\$ (17,931)

The following table summarizes the Company's equity and redeemable noncontrolling interest activity for the six months ended June 30, 2011:

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

	Cooper-Standard Holdings Inc.	Noncontrolling Interest	Successor Total Equity (Deficit)	Redeemable Noncontrolling Interest
Equity at January 1, 2011	\$ 560,446	\$ 2,607	\$ 563,053	\$ 6,215
Net income (loss)	63,957	309	64,266	(17,326)
Preferred stock dividends	(3,684)		(3,684)	
Repurchase of stock	(1,921)		(1,921)	
Other comprehensive gain (loss)	40,033	16	40,049	(930)
Stock-based compensation	5,025		5,025	
FMEA joint venture transaction	(1,656)		(1,656)	34,298
Accretion of redeemable noncontrolling interest	(678)		(678)	678
Equity at June 30, 2011	\$ 661,522	\$ 2,932	\$ 664,454	\$ 22,935

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****10. Net Income Per Share Attributable to Cooper-Standard Holdings Inc.**

Basic net income per share attributable to Cooper-Standard Holdings Inc. was computed using the two-class method by dividing net income attributable to Cooper-Standard Holdings Inc., after deducting dividends on the Company's 7% preferred stock and undistributed earnings allocated to participating securities, by the average number of common shares outstanding during the period excluding unvested restricted shares. The Company's shares of 7% preferred stock outstanding are considered participating securities.

A summary of information used to compute basic net income per share attributable to Cooper-Standard Holdings Inc. is shown below:

	One Month Ended June 30, 2010	Successor Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Net income attributable to Cooper-Standard Holdings Inc.	\$ 4,930	\$ 19,022	\$ 63,957
Less: Preferred stock dividends (paid or unpaid)	(922)	(1,842)	(3,684)
Less: Undistributed earnings allocated to participating securities	(790)	(3,431)	(12,055)
Net income available to Cooper-Standard Holdings Inc. common stockholders	\$ 3,218	\$ 13,749	\$ 48,218
Average shares of common stock outstanding	17,489,693	17,558,259	17,523,976
Basic net income per share attributable to Cooper-Standard Holdings Inc.	\$ 0.18	\$ 0.78	\$ 2.75

Diluted net income per share attributable to Cooper-Standard Holdings Inc. was computed using the treasury stock method and dividing net income attributable to Cooper-Standard Holdings Inc. by the average number of shares of common stock outstanding, including the dilutive effect of common stock equivalents, using the average share price during the period. Diluted net income per share attributable to Cooper-Standard Holdings Inc. computed using the two-class method was anti-dilutive. A summary of information used to compute diluted net income per share attributable to Cooper-Standard Holdings Inc. is shown below:

	One Month Ended June 30, 2010	Successor Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Net income available to Cooper-Standard Holdings Inc. common stockholders	\$ 3,218	\$ 13,749	\$ 48,218
Average common shares outstanding	17,489,693	17,558,259	17,523,976
Dilutive effect of:			
Common restricted stock	191,738	429,958	474,096
Preferred restricted stock	57,247	98,632	105,848
Warrants	437,681	973,847	1,015,701

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Options		212,653	224,473
Average dilutive shares of common stock outstanding	18,176,359	19,273,349	19,344,094
Diluted net income per share attributable to Cooper-Standard Holdings Inc.	\$ 0.18	\$ 0.71	\$ 2.49

The effect of certain common stock equivalents, including convertible preferred stock and options, were excluded from the computation of weighted average diluted shares outstanding for the one month ended June 30, 2010, the three months ended June 30, 2011 and the six months ended June 30, 2011 as inclusion would have resulted in antidilution. A summary of these preferred shares (as if converted) and options are shown below:

	One Month Ended June 30, 2010	Successor Three Months Ended June 30, 2011	Six Months Ended June 30, 2011
Number of options	838,952	113,300	113,300
Exercise price	\$ 25.52	\$ 46.75	\$ 46.75
Preferred shares, as if converted	4,290,488	4,381,005	4,381,005
Preferred dividends and undistributed earnings allocated to participating securities that would be added back in the diluted calculation.	\$ 1,712	\$ 5,273	\$ 15,739

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****11. Redeemable Preferred Stock**

The following table reconciles the Company's 7% preferred stock activity for the six months ended June 30, 2011:

	Successor	
	Preferred Shares	Preferred Stock
Preferred Stock at January 1, 2011	1,052,444	\$ 130,339
Stock-based compensation		787
Repurchased preferred stock shares	(1,660)	(212)
Preferred Stock at June 30, 2011	1,050,784	\$ 130,914

12. Stock-Based Compensation

The Company measures stock-based compensation expense at fair value in accordance with the provisions of U.S. GAAP and recognizes such expense over the vesting period of the stock-based employee awards.

Predecessor

Prior to the Effective Date, the Company established the 2004 Cooper-Standard Holdings Inc. Stock Incentive Plan (Stock Incentive Plan), which permitted the granting of nonqualified and incentive stock options, stock appreciation rights, restricted stock and other stock-based awards to employees and directors. In addition, in December 2006 the Company established the Management Stock Purchase Plan, which provided participants the opportunity to purchase Company stock units. On the Effective Date, outstanding awards under the Stock Incentive Plan and Management Stock Purchase Plan were cancelled in accordance with the terms of the Plan of Reorganization. Total compensation expense recognized under these plans amounted to \$245 for the five months ended May 31, 2010.

Successor

On the Effective Date, the Company adopted the 2010 Cooper-Standard Holdings, Inc. Management Incentive Plan. In addition, in 2011 the Company adopted the 2011 Omnibus Incentive Plan, which amended, restated and replaced the 2010 Cooper-Standard Holdings, Inc. Management Incentive Plan. Under these plans, stock options, restricted common stock, restricted preferred stock and unrestricted common stock have been granted to key employees and directors. Total compensation expense recognized for the three and six months ended June 30, 2011 totaled \$3,141 and \$5,814, respectively.

13. Other Income (Expense)

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

Predecessor	Successor	
Two Months Ended May 31, 2010	One Month Ended June 30, 2010	Three Months Ended June 30, 2011

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Foreign currency gains (losses)	\$	(14,126)	\$ (349)	\$	1,091
Loss on sale of receivables		(174)	(81)		(343)
Miscellaneous expense					(22)
Other income (expense)	\$	(14,300)	\$ (430)	\$	726

	Predecessor		Successor		
	Five Months Ended		One Month Ended		
	May 31, 2010		June 30, 2010		
				Six Months Ended	
				June 30, 2011	
Foreign currency gains (losses)	\$	(20,779)	\$ (349)	\$	4,303
Loss on sale of receivables		(377)	(81)		(617)
Gain on partial sale of joint venture (Note 14)					11,423
Miscellaneous expense					(34)
Other income (expense)	\$	(21,156)	\$ (430)	\$	15,075

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

14. Related Party Transactions

Sales to NISCO, a 40% owned joint venture, totaled \$5,372 for the three months ended June 30, 2011, \$2,401 for the one month ended June 30, 2010 and \$4,794 for the two months ended May 31, 2010. Sales to NISCO totaled \$14,033 and \$12,273 for the six months ended June 30, 2011 and for the five months ended May 31, 2010, respectively. In March 2011, the Company received from NISCO a dividend of \$4,750, all of which was related to earnings. In March 2011, the Company sold a 10% ownership interest in NISCO for \$16,000. As a result of this transaction, the Company's ownership percentage in NISCO has decreased from 50% to 40%, and a gain of \$11,423 was recognized in other income in the condensed consolidated financial statements for the period ended March 31, 2011.

Purchases of materials from Guyoung Technology Co. Ltd, a Korean corporation of which the Company owns approximately 20% of the common stock, totaled \$733 for the three months ended June 30, 2011, \$897 for the one month ended June 2010, and \$1,835 for the two months ended May 31, 2010. Purchases of material from Guyoung Technology Co. Ltd totaled \$1,592 and \$4,052 for the six months ended June 30, 2011 and for the five months ended May 31, 2010, respectively.

15. Business Segments

ASC 280, *Segment Reporting*, establishes the standards for reporting information about operating segments in financial statements. In applying the criteria set forth in ASC 280, the Company has determined that it operates in two segments. The Company's principal product lines are body and chassis products and fluid handling products. The Company evaluates segment performance based on segment profit before tax. The results of each segment include certain allocations for general, administrative, interest, and other shared costs.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)**

The following table details information on the Company's business segments:

	Predecessor	Successor	
	Two Months Ended May 31, 2010	One Month Ended June 30, 2010	Three Months Ended June 30, 2011
Sales to external customers			
North America	\$ 211,594	\$ 116,396	\$ 366,307
International	201,210	99,246	394,153
Consolidated	\$ 412,804	\$ 215,642	\$ 760,460
Intersegment sales			
North America	\$ 581	\$ 509	\$ 1,754
International	1,409	496	1,770
Eliminations and other	(1,990)	(1,005)	(3,524)
Consolidated	\$	\$	\$
Segment profit (loss)			
North America	\$ 229,571	\$ 8,133	\$ 45,780
International	79,427	(2,284)	(37,586)
Income before income taxes	\$ 308,998	\$ 5,849	\$ 8,194
Restructuring cost included in segment profit (loss)			
North America	\$ 676	\$ 143	\$ 1,437
International	4,965	239	35,544
Consolidated	\$ 5,641	\$ 382	\$ 36,981

	Predecessor	Successor	
	Five Months Ended May 31, 2010	One Month Ended June 30, 2010	Six Months Ended June 30, 2011
Sales to external customers			
North America	\$ 508,738	\$ 116,396	\$ 725,148
International	500,390	99,246	724,084
Consolidated	\$ 1,009,128	\$ 215,642	\$ 1,449,232
Intersegment sales			

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

North America	\$	1,757	\$	509	\$	3,201
International		3,206		496		4,051
Eliminations and other		(4,963)		(1,005)		(7,252)
Consolidated	\$		\$		\$	
Segment profit (loss)						
North America	\$	233,526	\$	8,133	\$	100,030
International		86,428		(2,284)		(34,271)
Income before income taxes	\$	319,954	\$	5,849	\$	65,759
Restructuring cost included in segment profit (loss)						
North America	\$	851	\$	143	\$	3,120
International		5,042		239		38,465
Consolidated	\$	5,893	\$	382	\$	41,585

	Successor	
	December 31, 2010	June 30, 2011
Segment assets		
North America	\$ 763,401	\$ 797,559
International	878,161	1,155,451
Eliminations and other	212,214	193,049
Consolidated	\$ 1,853,776	\$ 2,146,059

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

16. Guarantor and Non-Guarantor Subsidiaries

In connection with the May 27, 2010 Reorganization of the Company, Cooper-Standard Automotive Inc. (the Issuer), a wholly-owned subsidiary of the Company, issued Senior Notes with a total principal amount of \$450,000. Cooper-Standard Holdings Inc. and all wholly-owned domestic subsidiaries of Cooper-Standard Automotive Inc. (the Guarantors) unconditionally guarantee the notes. The following condensed consolidated financial data provides information regarding the financial position, results of operations, and cash flows of the Guarantors. Separate financial statements of the Guarantors are not presented because management has determined that those would not be material to the holders of the Senior Notes. The Guarantors account for their investments in the non-guarantor subsidiaries on the equity method. The principal elimination entries are to eliminate the investments in subsidiaries and intercompany balances and transactions.

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****For the Two Months Ended May 31, 2010****Predecessor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
Sales	\$	\$ 75.3	\$ 92.6	\$ 263.2	\$ (18.3)	\$ 412.8
Cost of products sold		64.3	81.6	212.8	(18.3)	340.4
Selling, administration, & engineering expenses		17.1	(7.6)	29.6		39.1
Amortization of intangibles		0.1				0.1
Restructuring				5.6		5.6
Operating profit (loss)		(6.2)	18.6	15.2		27.6
Interest expense, net of interest income		(26.2)		(6.5)		(32.7)
Equity earnings			1.0	0.6		1.6
Reorganization items, net		182.9	(2.7)	146.5		326.7
Other income (expense), net		4.1	0.3	(18.7)		(14.3)
Income before income taxes		154.6	17.2	137.1		308.9
Provision for income tax expense (benefit)		32.9	(31.2)	30.9		32.6
Income before equity in income of subsidiaries		121.7	48.4	106.2		276.3
Equity in net income of subsidiaries	276.3	154.6			(430.9)	
Consolidated net income	276.3	276.3	48.4	106.2	(430.9)	276.3
Less: Net income attributable to noncontrolling interest						
Net income attributable to Cooper-Standard Holdings Inc.	\$ 276.3	\$ 276.3	\$ 48.4	\$ 106.2	\$ (430.9)	\$ 276.3

CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS**For the One Month Ended June 30, 2010****Successor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
Sales	\$	\$ 40.0	\$ 51.2	\$ 134.2	\$ (9.8)	\$ 215.6

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Cost of products sold	36.3	38.9	116.5	(9.8)	181.9	
Selling, administration, & engineering expenses	13.3	(0.7)	10.4		23.0	
Amortization of intangibles	0.9		0.4		1.3	
Restructuring			0.4		0.4	
Operating profit (loss)	(10.5)	13.0	6.5		9.0	
Interest expense, net of interest income	(3.0)		(0.5)		(3.5)	
Equity earnings		0.5	0.2		0.7	
Other income (expense), net	0.5	0.1	(1.0)		(0.4)	
Income (loss) before income taxes	(13.0)	13.6	5.2		5.8	
Provision for income tax expense (benefit)	(3.5)	3.7	0.7		0.9	
Income (loss) before equity in income (loss) of subsidiaries	(9.5)	9.9	4.5		4.9	
Equity in net income of subsidiaries	4.9	14.4		(19.3)		
Consolidated net income	4.9	4.9	9.9	4.5	(19.3)	4.9
Less: Net income attributable to noncontrolling interest						
Net income attributable to Cooper-Standard Holdings Inc.	\$ 4.9	\$ 4.9	\$ 9.9	\$ 4.5	\$ (19.3)	\$ 4.9

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****For the Three Months Ended June 30, 2011****Successor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
Sales	\$	\$ 125.3	\$ 155.2	\$ 515.4	\$ (35.4)	\$ 760.5
Cost of products sold		102.5	126.6	443.1	(35.4)	636.8
Selling, administration, & engineering expenses		29.8	(3.7)	39.5		65.6
Amortization of intangibles		2.8		1.1		3.9
Restructuring		0.1	1.3	35.6		37.0
Operating profit (loss)		(9.9)	31.0	(3.9)		17.2
Interest expense, net of interest income		(8.8)		(1.9)		(10.7)
Equity earnings (loss)		0.1	(0.3)	1.1		0.9
Other income (expense), net		13.3	0.5	(13.1)		0.7
Income (loss) before income taxes		(5.3)	31.2	(17.8)		8.1
Provision for income tax expense (benefit)		(0.5)	2.3	4.7		6.5
Income (loss) before equity in income of subsidiaries		(4.8)	28.9	(22.5)		1.6
Equity in net income of subsidiaries	1.6	6.4			(8.0)	
Consolidated net income (loss)	1.6	1.6	28.9	(22.5)	(8.0)	1.6
Add: Net loss attributable to noncontrolling interest				17.4		17.4
Net income (loss) attributable to Cooper-Standard Holdings Inc.	\$ 1.6	\$ 1.6	\$ 28.9	\$ (5.1)	\$ (8.0)	\$ 19.0

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS****For the Five Months Ended May 31, 2010****Predecessor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
Sales	\$	\$ 179.5	\$ 223.1	\$ 650.8	\$ (44.3)	\$ 1,009.1
Cost of products sold		154.2	181.7	540.6	(44.3)	832.2
Selling, administration, & engineering expenses		41.9		50.2		92.1
Amortization of intangibles		0.2		0.1		0.3
Restructuring		0.1	0.1	5.7		5.9
Operating profit (loss)		(16.9)	41.3	54.2		78.6
Interest expense, net of interest income		(32.7)		(11.8)		(44.5)
Equity earnings			2.6	1.0		3.6
Reorganization items, net		160.0	(2.7)	146.1		303.4
Other income (expense)		4.2	0.4	(25.8)		(21.2)
Income before income taxes		114.6	41.6	163.7		319.9
Provision for income tax expense (benefit)		39.5	(35.2)	35.6		39.9
Income before equity in income of subsidiaries		75.1	76.8	128.1		280.0
Equity in net income of subsidiaries	280.0	204.9			(484.9)	
Consolidated net income	280.0	280.0	76.8	128.1	(484.9)	280.0
Less: Net income attributable to noncontrolling interest				(0.3)		(0.3)
Net income attributable to Cooper-Standard Holdings Inc.	\$ 280.0	\$ 280.0	\$ 76.8	\$ 127.8	\$ (484.9)	\$ 279.7

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONSOLIDATING STATEMENT OF OPERATIONS****For the Six Months Ended June 30, 2011****Successor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
Sales	\$	\$ 250.5	\$ 311.7	\$ 955.6	\$ (68.6)	\$ 1,449.2
Cost of products sold		205.2	257.4	810.8	(68.6)	1,204.8
Selling, administration, & engineering expenses		57.9	(5.1)	73.6		126.4
Amortization of intangibles		5.6		2.2		7.8
Restructuring		0.2	3.0	38.4		41.6
Operating profit (loss)		(18.4)	56.4	30.6		68.6
Interest expense, net of interest income		(17.6)		(3.0)		(20.6)
Equity earnings		0.1	0.5	2.0		2.6
Other income (expense), net		25.5	12.6	(22.9)		15.2
Income (loss) before income taxes		(10.4)	69.5	6.7		65.8
Provision for income tax expense (benefit)		(1.0)	6.3	13.5		18.8
Income (loss) before equity in income (loss) of subsidiaries		(9.4)	63.2	(6.8)		47.0
Equity in net income of subsidiaries	47.0	56.4			(103.4)	
Consolidated net income (loss)	47.0	47.0	63.2	(6.8)	(103.4)	47.0
Add: Net loss attributable to noncontrolling interest				17.0		17.0
Net income attributable to Cooper-Standard Holdings Inc.	\$ 47.0	\$ 47.0	\$ 63.2	\$ 10.2	\$ (103.4)	\$ 64.0

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING BALANCE SHEET****December 31, 2010****Successor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	\$	\$ 163.0	\$	\$ 131.5	\$	\$ 294.5
Accounts receivable, net		54.3	72.6	254.0		380.9
Inventories		17.4	28.3	76.3		122.0
Prepaid Expenses		4.3	0.6	15.2		20.1
Other		16.4	(5.2)	29.6		40.8
Total current assets		255.4	96.3	506.6		858.3
Investments in affiliates and intercompany accounts, net	560.5	384.5	934.5	(206.6)	(1,623.8)	49.1
Property, plant, and equipment, net		68.1	71.5	449.9		589.5
Goodwill		111.1		25.9		137.0
Other assets		105.7	(8.5)	122.7		219.9
	\$ 560.5	\$ 924.8	\$ 1,093.8	\$ 898.5	\$ (1,623.8)	\$ 1,853.8
LIABILITIES & EQUITY						
Current liabilities:						
Debt payable within one year	\$	\$	\$	\$ 19.9	\$	\$ 19.9
Accounts payable		34.2	25.5	116.3		176.0
Accrued liabilities		79.8	11.2	121.6		212.6
Total current liabilities		114.0	36.7	257.8		408.5
Long-term debt		450.0		6.8		456.8
Other liabilities		153.7	5.9	129.3		288.9
Total liabilities		717.7	42.6	393.9		1,154.2
Redeemable noncontrolling interest				6.2		6.2
Preferred Stock		130.3				130.3
Total Cooper-Standard Holdings Inc. stockholders equity	560.5	76.8	1,051.2	495.8	(1,623.8)	560.5
Noncontrolling interest				2.6		2.6
Total equity	560.5	76.8	1,051.2	498.4	(1,623.8)	563.1
Total liabilities and equity	\$ 560.5	\$ 924.8	\$ 1,093.8	\$ 898.5	\$ (1,623.8)	\$ 1,853.8

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING BALANCE SHEET****June 30, 2011****Successor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
ASSETS						
Current assets:						
Cash and cash equivalents	\$	\$ 164.9	\$	\$ 148.6	\$	\$ 313.5
Accounts receivable, net		79.1	87.3	375.1		541.5
Inventories		19.4	26.4	117.8		163.6
Prepaid expenses		5.0	0.5	20.1		25.6
Other		16.8		27.7		44.5
Total current assets		285.2	114.2	689.3		1,088.7
Investments in affiliates and intercompany accounts, net	661.5	347.3	973.3	(165.7)	(1,770.0)	46.4
Property, plant, and equipment, net		71.3	69.7	514.0		655.0
Goodwill		111.1		27.7		138.8
Other assets		81.2	6.5	129.5		217.2
	\$ 661.5	\$ 896.1	\$ 1,163.7	\$ 1,194.8	\$ (1,770.0)	\$ 2,146.1
LIABILITIES & EQUITY						
Current liabilities:						
Debt payable within one year	\$	\$	\$	\$ 42.3	\$	\$ 42.3
Accounts payable		53.9	34.7	179.2		267.8
Accrued liabilities		58.6	8.6	186.7		253.9
Total current liabilities		112.5	43.3	408.2		564.0
Long-term debt		450.0		9.1		459.1
Other liabilities		128.9	5.9	170.0		304.8
Total liabilities		691.4	49.2	587.3		1,327.9
Redeemable noncontrolling interest				22.9		22.9
Preferred stock		130.9				130.9
Total Cooper-Standard Holdings Inc. stockholders equity	661.5	73.8	1,114.5	581.7	(1,770.0)	661.5
Noncontrolling interest				2.9		2.9
Total equity	661.5	73.8	1,114.5	584.6	(1,770.0)	664.4
Total liabilities and equity	\$ 661.5	\$ 896.1	\$ 1,163.7	\$ 1,194.8	\$ (1,770.0)	\$ 2,146.1

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****For the Five Months Ended May 31, 2010****Predecessor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	\$	\$ (122.8)	\$ (0.3)	\$ 47.7	\$	\$ (75.4)
INVESTING ACTIVITIES						
Property, plant, and equipment		(3.0)	(4.0)	(15.9)		(22.9)
Fixed asset proceeds			3.6	0.2		3.8
Net cash used in investing activities		(3.0)	(0.4)	(15.7)		(19.1)
FINANCING ACTIVITIES						
Decrease in short term debt		(75.0)		(102.1)		(177.1)
Principal payments on long-term debt		(595.5)		(114.0)		(709.5)
Proceeds from issuance of stock		355.0				355.0
Debt issuance costs		(30.9)		(0.1)		(31.0)
Proceeds from issuance of long-term debt		450.0				450.0
Net cash provided by (used in) financing activities		103.6		(216.2)		(112.6)
Effects of exchange rate changes on cash		(0.3)		5.8		5.5
Changes in cash and cash equivalents		(22.5)	(0.7)	(178.4)		(201.6)
Cash and cash equivalents at beginning of period		91.5	0.7	288.1		380.3
Cash and cash equivalents at end of period	\$	\$ 69.0	\$	\$ 109.7	\$	\$ 178.7
Depreciation and amortization	\$	\$ 6.5	\$ 6.6	\$ 22.6	\$	\$ 35.7

CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS**For the One Month Ended June 30, 2010****Successor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
OPERATING ACTIVITIES						
Net cash provided by operating activities	\$	\$ 13.7	\$ 1.2	\$ 2.3	\$	\$ 17.2
INVESTING ACTIVITIES						

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Property, plant, and equipment	(0.9)	(1.2)	(4.3)	(6.4)
Fixed asset proceeds			0.1	0.1
Net cash used in investing activities	(0.9)	(1.2)	(4.2)	(6.3)
FINANCING ACTIVITIES				
Decrease in short term debt			(0.4)	(0.4)
Principal payments on long-term debt	0.1		(0.1)	
Other	31.2		(31.3)	(0.1)
Net cash provided by (used in) financing activities	31.3		(31.8)	(0.5)
Effects of exchange rate changes on cash			(0.4)	(0.4)
Changes in cash and cash equivalents	44.1		(34.1)	10.0
Cash and cash equivalents at beginning of period	69.0		109.7	178.7
Cash and cash equivalents at end of period	\$ 113.1	\$ 113.1	\$ 75.6	\$ 188.7
Depreciation and amortization	\$ 2.4	\$ 1.4	\$ 5.1	\$ 8.9

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS****For the Six Months Ended June 30, 2011****Successor**

	Parent	Issuer	Guarantors	Non-Guarantors	Eliminations	Consolidated Totals
	(dollars in millions)					
OPERATING ACTIVITIES						
Net cash provided by (used in) operating activities	\$ 3.6	\$ (8.6)	\$ (9.0)	\$ 40.5	\$	\$ 26.5
INVESTING ACTIVITIES						
Property, plant, and equipment		(10.9)	(7.4)	(27.2)		(45.5)
Acquisition of business, plus cash acquired				30.9		30.9
Proceeds from partial sale of joint venture			16.0			16.0
Proceeds from the sale of assets			0.4	0.1		0.5
Net cash provided by (used in) investing activities		(10.9)	9.0	3.8		1.9
FINANCING ACTIVITIES						
Decrease in short-term debt				(1.2)		(1.2)
Principal payments on long-term debt				(1.3)		(1.3)
Other	(3.6)	21.4		(21.5)		(3.7)
Net cash provided by (used in) financing activities	(3.6)	21.4		(24.0)		(6.2)
Effects of exchange rate changes on cash				(3.2)		(3.2)
Changes in cash and cash equivalents		1.9		17.1		19.0
Cash and cash equivalents at beginning of period		163.0		131.5		294.5
Cash and cash equivalents at end of period	\$	\$ 164.9	\$	\$ 148.6	\$	\$ 313.5
Depreciation and amortization	\$	\$ 14.3	\$ 7.9	\$ 38.1	\$	\$ 60.3

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)****17. Financial Instruments**

Fair values of the Senior Notes approximated \$474,750 and \$477,563 at June 30, 2011 and December 31, 2010, respectively, based on quoted market prices, compared to the recorded values of \$450,000.

Derivative Instruments and Hedging Activities

The Company uses derivative financial instruments, including forwards and swap contracts, to manage its exposures to fluctuations in foreign exchange and interest rates. For a fair value hedge, both the effective and ineffective, if significant, portions are recorded in earnings and reflected in the consolidated statement of operations. For a cash flow hedge, the effective portion of the change in the fair value of the derivative is recorded in accumulated other comprehensive income in the condensed consolidated balance sheet. The ineffective portion, if significant, is recorded in other income or expense. When the underlying hedged transaction is realized or the hedged transaction is no longer probable, the gain or loss included in accumulated other comprehensive income is recorded in earnings and reflected in the condensed consolidated statement of operations on the same line as the gain or loss on the hedged item attributable to the hedged risk.

The Company formally documents its hedge relationships, including the identification of the hedging instruments and the hedged items, as well as its risk management objectives and strategies for undertaking the cash flow hedges. The Company also formally assesses whether a cash flow hedge is highly effective in offsetting changes in the cash flows of the hedged item. Derivatives are recorded at fair value in other current assets and other current liabilities.

Cash Flow Hedges

Forward foreign exchange contracts The Company enters into forward contracts to hedge currency risk of the U.S. Dollar against the Mexican Peso, the Canadian Dollar against the U.S. Dollar and the Euro against the Czech Koruna, Polish Zloty and the U.S. Dollar. The forward contracts are used to mitigate the potential volatility to earnings and cash flow arising from changes in currency exchange rates that impact the Company's foreign currency transactions. The gain or loss on the forward contracts is reported as a component of other comprehensive income (OCI) and reclassified into earnings in the same period or periods during which the hedged transaction affects earnings. The amount reclassified from accumulated other comprehensive income (AOCI) into cost of products sold was \$339 and \$473 for the three and six months ended June 30, 2011. A summary of the outstanding contracts and the respective notional amounts is below:

		Notional Amount	Notional Amount (local currency)
Mexican Peso	USD	3,500	43,096
United States Dollar	CAD	10,666	10,700
Czech Koruna	EUR	4,883	120,000
Polish Zloty	EUR	4,324	17,135
United States Dollar	EUR	4,500	6,046

At June 30, 2011, the fair value before taxes of the Company's forward exchange contracts and the accounts in the condensed consolidated balance sheet in which the fair value amounts are included are shown below:

Successor
June 30, 2011
Asset/(liability)

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Other current assets	\$	222
Accrued liabilities		(986)
	\$	(764)

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)**

Interest rate swaps The Company has an interest rate swap contract to manage cash flow fluctuations of variable rate debt due to changes in market interest rates. This contract which fixes the interest payment of a certain variable rate debt instrument is accounted for as a cash flow hedge. As of June 30, 2011, the USD notional amount of this contract was \$6,011. At June 30, 2011, the fair value before taxes of the Company's interest rate swap contract was \$196 and is recorded in accrued liabilities and other long-term liabilities in the Company's consolidated balance sheet with the offset reflected in AOCI, net of deferred taxes. The amount reclassified from AOCI into interest expense for this swap was \$40 for the three months ended June 30, 2011, \$19 for the one month ended June 30, 2010 and \$41 for the two months ended May 31, 2010. Amounts reclassified from AOCI into interest expense were \$91 and \$102 for the six months ended June 30, 2011 and for the five months ended May 31, 2010, respectively. The amount to be reclassified in the next twelve months is expected to be approximately \$108. The maturity date of this swap contract is September 2013.

Fair Value Measurements

ASC 820 clarifies that fair value is an exit price, representing the amount that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants. As such, fair value is a market-based measurement that should be determined based upon assumptions that market participants would use in pricing an asset or liability. As a basis for considering such assumptions, ASC 820 establishes a three-tier fair value hierarchy, which prioritizes the inputs used in measuring fair value as follows:

Level 1: Observable inputs such as quoted prices in active markets;

Level 2: Inputs, other than quoted prices in active markets, that are observable either directly or indirectly; and

Level 3: Unobservable inputs in which there is little or no market data, which require the reporting entity to develop its own assumptions.

Estimates of the fair value of foreign currency and interest rate derivative instruments are determined using exchange traded prices and rates. The Company also considers the risk of non-performance in the estimation of fair value, and includes an adjustment for non-performance risk in the measure of fair value of derivative instruments. In certain instances where market data is not available, the Company uses management judgment to develop assumptions that are used to determine fair value. Fair value measurements and the fair value hierarchy level for the Company's liabilities measured or disclosed at fair value on a recurring basis as of December 31, 2010 and June 30, 2011, are shown below:

Contract	Asset (Liability)	Successor - December 31, 2010		
		Level 1	Level 2	Level 3
Interest rate swap	\$ (300)	\$	\$	\$ (300)
Total	\$ (300)	\$	\$	\$ (300)

Contract	Asset (Liability)	Successor - June 30, 2011		
		Level 1	Level 2	Level 3
Interest rate swap	\$ (196)	\$	\$	\$ (196)
Forward foreign exchange contracts	(764)			(764)
Total	\$ (960)	\$	\$	\$ (960)

Table of Contents**NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(Unaudited)****(Dollar amounts in thousands except per share and share amounts)**

A reconciliation of changes in assets and liabilities related to derivative instruments measured at fair value using the market and income approach adjusted for the Company and their counterparty's credit risks for the six months ended June 30, 2011, is shown below:

	Net Derivative Liabilities
Beginning Balance as of January 1, 2011	\$ (300)
Total losses (realized or unrealized) included in earnings (or changes in net liabilities)	563
Included in other comprehensive income	(660)
Settlements	(563)
Ending Balance as of June 30, 2011	\$ (960)

The amount of total (gains) or losses for the period included in earnings (or changes in net liabilities) attributable to the change in unrealized (gains) or losses relating to assets still held at the reporting date	\$
--	----

(Gains) and losses (realized and unrealized) included in earnings (or changes in net liabilities) for the six months ended June 30, 2011 are reported in cost of products sold and other income (expense):

	Successor Six Months Ended June 30, 2011
Total losses included in earnings (or changes in net liabilities) for the period (above)	\$ 563
Change in unrealized losses relating to assets still held at the reporting date	

Items measured at fair value on a non-recurring basis

In addition to items that are measured at fair value on a recurring basis, the Company measures certain assets and liabilities at fair value on a non-recurring basis, which are not included in the table above. As these non-recurring fair value measurements are generally determined using unobservable inputs, these fair value measurements are classified within Level 3 of the fair value hierarchy. For further information on assets and liabilities measured at fair value on a non-recurring basis, see Note 2. Acquisitions and Note 4. Restructuring.

18. Accounts Receivable Factoring

As a part of its working capital management, the Company sells certain receivables through third party financial institutions without recourse. The amount sold varies each month based on the amount of underlying receivables and cash flow needs of the Company.

At June 30, 2011 and 2010 (excluding the FMEA arrangements discussed below), the Company had \$43,254 and \$37,619, respectively, outstanding under receivable transfer agreements entered into by various locations. The total amount of accounts receivable factored were \$54,562 for the six months ended June 30, 2011, \$7,043 for the one month ended June 30, 2010, and \$40,592 for the five months ended May 31, 2010. The Company incurred a loss on the sale of receivables of \$343 for the three months ended June 30, 2011, \$81 for the one month ended

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

June 30, 2010 and \$174 for the two months ended May 31, 2010. Losses incurred on the sale of receivables were \$617 and \$377 for the six months ended June 30, 2011 and for the five months ended May 31, 2010, respectively; these amounts are recorded in other income (expense) in the condensed consolidated statements of operations. The Company continues to service the receivables for one of the locations. These are permitted transactions under the Company's credit agreement. The Company is also pursuing similar arrangements in various locations.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Unaudited)

(Dollar amounts in thousands except per share and share amounts)

As part of the FMEA joint venture, SPBT had certain factoring arrangements with and without recourse, which are included in the Company's consolidated financial statements.

Recourse

At June 30, 2011, the Company had \$19,641 outstanding under receivable transfer agreements with recourse. The recourse amount is recorded in debt payable within one year. The total amount of accounts receivable factored were \$17,071 for the six months ended June 30, 2011. The Company incurred a loss on the sale of receivables of \$39 for the three and six months ended June 30, 2011.

Without recourse

At June 30, 2011, the Company had \$28,710 outstanding under receivable transfer agreements without recourse. The total amount of accounts receivable factored were \$30,281 for the six months ended June 30, 2011. The Company incurred a loss on the sale of receivables of \$57 for the three and six months ended June 30, 2011.

19. Subsequent Events

In preparing these financial statements, the Company has evaluated events and transactions for potential recognition or disclosure through the date the financial statements were issued.

On July 1, 2011, the Company signed an agreement with Nishikawa Rubber Co., Ltd. (Nishikawa Rubber) to purchase a 20% interest in Nishikawa Tachaplalert Rubber Company Limited for cash consideration of \$10,500. Nishikawa Tachaplalert Rubber Company Limited is a joint venture majority owned by Nishikawa Rubber based in Thailand and supplies body sealing products. The new joint venture entity will be renamed Nishikawa Tachaplalert Cooper Limited. This joint venture will be owned 20% by Cooper Standard, 77.7% by Nishikawa Rubber and 2.3% owned by Original Tachaplalerts and Marubeni Thailand.

Table of Contents

Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations.

This Management's Discussion and Analysis of Financial Condition and Results of Operations (MD&A) presents information related to the condensed consolidated results of operations of the Company, including the impact of restructuring costs on the Company's results, a discussion of the past results and future outlook of each of the Company's segments, and information concerning both the liquidity and capital resources of the Company. The following discussion and analysis, which should be read in conjunction with our condensed consolidated financial statements and the notes included elsewhere in this report, contains certain forward-looking statements relating to anticipated future financial condition and operating results of the Company and its current business plans. In the future, the financial condition and operating results of the Company could differ materially from those discussed herein and its current business plans could be altered in response to market conditions and other factors beyond the Company's control. Important factors that could cause or contribute to such differences or changes include those discussed elsewhere in this report (see Forward-Looking Statements) and in our most recently filed Annual Report on Form 10-K (see Item 1A. Risk Factors).

Business Environment and Outlook

Our business is directly affected by the automotive build rates in North America and Europe. It is also becoming increasingly impacted by build rates in Brazil and Asia Pacific. New vehicle demand is driven by macro-economic and other factors, such as interest rates, manufacturer and dealer sales incentives, fuel prices, consumer confidence, employment levels, income growth trends, government incentives such as cash for clunkers and tax incentives. IHS Automotive's June 2011 expected annualized light vehicle production volumes for 2011 are 13 million units in North America, while Europe's volumes are expected to be 20 million units.

According to IHS Automotive, actual North American light vehicle production volumes for the three months ended June 30, 2011 and June 30, 2010 were 3.1 million. European light vehicle production volumes for the three months ended June 30, 2011 were 5.2 million compared to 5 million for the three months ended June 30, 2010, an increase of approximately 3.8%. According to IHS Automotive, actual North American light vehicle production volumes for the six months ended June 30, 2011 were 6.5 million compared to 6 million for the six months ended June 30, 2010, an increase of approximately 8.4%, and European light vehicle production volumes for the six months ended June 30, 2011 were 10.4 million compared to 9.7 million for the six months ended June 30, 2010, an increase of approximately 7.6%. According to IHS Automotive, North America and Europe light vehicle production volumes in the third quarter of 2011 are estimated at 3.2 million and 4.4 million units, respectively, which is a 0.2 million unit increase for North America and a 0.2 million unit increase for Europe, compared to the third quarter of 2010.

Competition in the automotive supplier industry is intense and has increased in recent years as OEMs have demonstrated a preference for stronger relationships with fewer suppliers. There are typically three or more significant competitors and numerous smaller competitors for most of the products we produce. Globalization and the importance of servicing customers around the world will continue to shape the success of suppliers going forward.

OEMs have shifted some research and development, design and testing responsibility to suppliers, while at the same time shortening new product cycle times. To remain competitive, suppliers must have state-of-the-art engineering and design capabilities and must be able to continuously improve their engineering, design and manufacturing processes to effectively service the customer. Suppliers are increasingly expected to collaborate on, or assume the product design and development of, key automotive components, and to provide innovative solutions to meet evolving technologies aimed at improved emissions and fuel economy.

We continue to experience increases in the costs of certain raw materials. We have implemented strategies with both our suppliers and our customers to help manage spikes in raw material prices. These actions include material substitutions and leveraging our global purchases. Global optimization also includes using benchmarks and selective sourcing from low cost regions. We have also made process improvements to ensure the most efficient use of materials through scrap reduction, as well as standardization of material specification to maximize leverage over a higher volume purchase.

The primary raw materials for our business include fabricated metal-based components, synthetic rubber, carbon black, natural rubber, process oil and plastic components.

Pricing pressure has continued as competition for market share has reduced the overall profitability of the industry and resulted in continued pressure on suppliers for price concessions. Consolidations and market share shifts among vehicle manufacturers continues to put additional pressures on the supply chain. These pricing and market pressures, along with the reduced production volumes, will continue to drive our focus on reducing our overall cost structure through lean initiatives, capital redeployment, restructuring and other cost management processes.

Table of Contents**Results of Operations**

As a result of our emergence from Chapter 11 bankruptcy proceedings on May 27, 2010, and the adoption of fresh-start accounting on May 31, 2010, in accordance with ASC 852, *Reorganizations*, Cooper Standard Holdings Inc. is considered a new entity for financial reporting purposes. Accordingly, our financial statements for the second quarter 2011 separately present the 2010 Predecessor Period and the 2010 Successor Period. Although the 2010 Predecessor Period and the 2010 Successor Period are distinct reporting periods, the effects of emergence and fresh-start accounting did not have a material impact on the comparability of our results of operations between the periods, except as discussed below (dollar amounts in thousands except per share amounts).

	Predecessor	Successor	
	Two Months Ended May 31, 2010	One Month Ended June 30, 2010	Three Months Ended June 30, 2011
Sales	\$ 412,804	\$ 215,642	\$ 760,460
Cost of products sold	340,381	181,875	636,752
Gross profit	72,423	33,767	123,708
Selling, administration & engineering expenses	39,099	23,045	65,602
Amortization of intangibles	130	1,264	3,936
Restructuring	5,641	382	36,981
Operating profit	27,553	9,076	17,189
Interest expense, net of interest income	(32,694)	(3,531)	(10,649)
Equity earnings	1,653	734	928
Reorganization items, net	326,786		
Other income (expense), net	(14,300)	(430)	726
Income before income taxes	308,998	5,849	8,194
Provision for income tax expense	32,652	909	6,541
Consolidated net income	276,346	4,940	1,653
Net (income) loss attributable to noncontrolling interests	(63)	(10)	17,369
Net income attributable to Cooper-Standard Holdings Inc.	\$ 276,283	\$ 4,930	\$ 19,022
Net income available to Cooper-Standard Holdings Inc. common stockholders		\$ 3,218	\$ 13,749
Basic net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 0.78
Diluted net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 0.71

	Predecessor	Successor	
	Five Months Ended May 31, 2010	One Month Ended June 30, 2010	Six Months Ended June 30, 2011
Sales	\$ 1,009,128	\$ 215,642	\$ 1,449,232
Cost of products sold	832,201	181,875	1,204,758

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

Gross profit	176,927	33,767	244,474
Selling, administration & engineering expenses	92,166	23,045	126,453
Amortization of intangibles	319	1,264	7,834
Restructuring	5,893	382	41,585
Operating profit	78,549	9,076	68,602
Interest expense, net of interest income	(44,505)	(3,531)	(20,555)
Equity earnings	3,613	734	2,637
Reorganization items, net	303,453		
Other income (expense), net	(21,156)	(430)	15,075
Income before income taxes	319,954	5,849	65,759
Provision for income tax expense	39,940	909	18,819
Consolidated net income	280,014	4,940	46,940
Net (income) loss attributable to noncontrolling interests	(322)	(10)	17,017
Net income attributable to Cooper-Standard Holdings Inc.	\$ 279,692	\$ 4,930	\$ 63,957
Net income available to Cooper-Standard Holdings Inc. common stockholders		\$ 3,218	\$ 48,218
Basic net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 2.75
Diluted net income per share attributable to Cooper-Standard Holdings Inc.		\$ 0.18	\$ 2.49

Table of Contents**Three Months Ended June 30, 2011, One Month Ended June 30, 2010 and Two Months Ended May 31, 2010**

Sales. Sales for the three months ended June 30, 2011 were \$760.5 million. Sales were favorably impacted by an increase in volumes, the joint venture agreement with FMEA and favorable foreign exchange of \$39.7 million. Sales of \$215.6 million for the one month ended June 30, 2010 were favorably impacted by an increase in volumes, partially offset by unfavorable foreign exchange of \$7.5 million and customer price concessions. Sales of \$412.8 for the two months ended May 31, 2010 were favorably impacted by an increase in volumes and favorable foreign exchange of \$11.2 million.

Gross Profit. Gross profit for the three months ended June 30, 2011 was \$123.7 million or 16.3% of sales. Gross profit and gross profit margin for the period were favorably impacted by an increase in volumes in most regions and our lean savings, partially offset by higher raw material costs. Gross profit for the one month ended June 30, 2010 and the two months ended May 31, 2010 were \$33.8 million and \$72.4 million, respectively. Gross profit as a percentage of sales was 15.7% for the one month ended June 30, 2010 and 17.5% for the two months ended May 31, 2010. Gross profit and gross profit margin for these two periods were favorably impacted by a significant increase in volumes in most regions and our lean savings, partially offset by the restoration of certain employee pay and benefits and slightly higher raw material costs. The one month ended June 30, 2010 was also impacted by the liquidation of the fair value adjustment to inventory of \$8.1 million, which was recognized in cost of sales as the inventory was sold.

Selling, Administration and Engineering. Selling, administration and engineering expense for the three months ended June 30, 2011 was \$65.6 million or 8.6% of sales. Selling, administration and engineering expense for the three months ended June 30, 2011 was favorably impacted by lower compensation expenses. Selling, administration and engineering expense for the one month ended June 30, 2010 and the two months ended May 31, 2010 were \$23 million and \$39.1 million or 10.7% and 9.5% of sales, respectively.

Amortization of Intangibles. Amortization of intangibles was \$3.9 million for the three months ended June 30, 2011, \$1.3 million for the one month ended June 30, 2010 and \$0.1 million for the two months ended May 31, 2010. The amortization of intangibles increased for the Successor period as a result of intangible assets recognized in connection with the adoption of fresh-start accounting in 2010.

Restructuring. Restructuring charges were \$37 million for the three months ended June 30, 2011, primarily related to the reorganization of our French body sealing operations in relationship to the joint venture agreement with FMEA. Restructuring charges were \$0.4 million for the one month ended June 30, 2010 and \$5.6 million for the two months ended May 31, 2010. Restructuring for both periods was primarily related to continuation of initiatives that were announced in 2009 related to the reorganization or closure of operating facilities in South America, Europe and Asia Pacific and an initiative announced in the second quarter of 2010 for the closure and consolidation of two facilities located in Mexico.

Interest Expense, Net. Net interest expense of \$10.6 million for the three months ended June 30, 2011 resulted primarily from interest and debt issue amortization recorded on the Senior Notes. Net interest expense of \$3.5 million for the one month ended June 30, 2010 is primarily interest on our Senior Notes. The net interest expense of \$32.7 million for the two months ended May 31, 2010 includes \$28 million of interest on certain prepetition debt obligations for the period of August 3, 2009 through May 27, 2010 and interest on the DIP facility. The interest on the prepetition debt obligation was recorded when our Plan of Reorganization was approved by the claimholders.

Reorganization Items and Fresh-Start Accounting Adjustments, net. In the two months ended May 31, 2010, we recognized a gain of \$326.8 million for reorganization items and fresh-start accounting adjustments as a result of the bankruptcy proceedings. This gain reflects the cancellation of certain prepetition obligations and valuation of our net assets. These gains were partially offset by the recognition of professional fees incurred as a direct result of the bankruptcy proceedings.

Other Income (Expense). Other income for the three months ended June 30, 2011 was \$0.7 million, which primarily relates to foreign currency gains of \$1.1 million, partially offset by loss on sale of receivables and miscellaneous expense of \$0.4 million. Other expense for the one month ended June 30, 2010 and the two months ended May, 31 2010 were \$0.4 million and \$14.3 million, respectively. Both periods consisted primarily of foreign currency losses.

Provision for Income Tax Expense. For the three months ended June 30, 2011, we recorded an income tax provision of \$6.5 million on earnings before income taxes of \$8.2 million. This compares to an income tax provision of \$0.9 million on earnings before income taxes of \$5.8 million for the one month ended June 30, 2010 and an income tax provision of \$32.7 million on earnings before income tax of \$309 million for the two months ended May 31, 2010. Income tax expense for the three months ended June 30, 2011 differs from statutory rates due to income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to valuation allowance release, the inability to record a tax benefit for pre-tax losses in 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, our current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. We intend to maintain these

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

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.

Table of Contents***Six Months Ended June 30, 2011, One Month Ended June 30, 2010 and Five Months Ended May 31, 2010***

Sales. Sales for the six months ended June 30, 2011 were \$1,449.2 million. Sales were favorably impacted by an increase in volumes, the joint venture agreement with FMEA and favorable foreign exchange of \$46.9 million. Sales of \$215.6 million for the one month ended June 30, 2010 were favorably impacted by increase in volumes, partially offset by unfavorable foreign exchange of \$7.5 million and customer price concessions. Sales of \$1,009.1 million for the five months ended May 31, 2010 were favorably impacted by a significant increase in volumes and favorable foreign exchange of \$52.5 million, partially offset by customer price concessions.

Gross Profit. Gross profit for the six months ended June 30, 2011 was \$244.5 million or 16.9% of sales. Gross profit and gross profit margin for the period were favorably impacted by an increase in volumes in most regions and our lean savings, partially offset by higher raw material costs. Gross profit for the one month ended June 30, 2010 and the five months ended May 31, 2010 were \$33.8 million and \$176.9 million, respectively. Gross profit as a percentage of sales was 15.7% for the one month ended June 30, 2010 and 17.5% for the five months ended May 31, 2010. Gross profit and gross profit margin for these two periods were favorably impacted by a significant increase in volumes in most regions and our lean savings, partially offset by the restoration of certain employee pay and benefits and slightly higher raw material costs. The one month ended June 30, 2010 was also impacted by the liquidation of the fair value adjustment to inventory of \$8.1 million, which was recognized in cost of sales as the inventory was sold.

Selling, Administration and Engineering. Selling, administration and engineering expense for the six months ended June 30, 2011 was \$126.5 million or 8.7% of sales. Selling, administration and engineering expense for the six months ended June 30, 2011 was favorably impacted by lower compensation expenses. Selling, administration and engineering expense for the one month ended June 30, 2010 and the five months ended May 31, 2010 was \$23 million and \$92.2 million or 10.7% and 9.1% of sales, respectively.

Amortization of Intangibles. Amortization of intangibles was \$7.8 million for the six months ended June 30, 2011, \$1.3 million for the one month ended June 30, 2010 and \$0.3 million for the five months ended May 31, 2010. The amortization of intangibles increased for the Successor period as a result of intangible assets recognized in connection with the adoption of fresh-start accounting in 2010.

Restructuring. Restructuring charges were \$41.6 million for the six months ended June 30, 2011, primarily related to the reorganization of our French body sealing operations in relationship to the joint venture agreement with FMEA. Restructuring charges were \$0.4 million for the one month ended June 30, 2010 and \$5.9 million for the five months ended May 31, 2010. Restructuring for both periods was primarily related to continuation of initiatives that were announced in 2009 related to the reorganization or closure of operating facilities in South America, Europe and Asia Pacific and an initiative announced in the second quarter of 2010 for the closure of a facility and the consolidation of two facilities located in Mexico.

Interest Expense, Net. Net interest expense of \$20.6 million for the six months ended June 30, 2011 resulted primarily from interest and debt issue amortization recorded on the Senior Notes. Net interest expense of \$3.5 million for the one month ended June 30, 2010 is primarily interest on our Senior Notes. The net interest expense of \$44.5 million for the five months ended May 31, 2010 includes \$28 million of interest on certain prepetition debt obligations for the period of August 3, 2009 through May 27, 2010 and interest on the DIP facility. The interest on the prepetition debt obligation was recorded when our Plan of Reorganization was approved by the claimholders.

Reorganization Items and Fresh-Start Accounting Adjustments, net. In the five months ended May 31, 2010, we recognized a gain of \$163.6 million for reorganization items as a result of the bankruptcy proceedings. This gain reflects the cancellation of certain prepetition obligations, partially offset by the recognition of professional fees incurred as a direct result of the bankruptcy proceedings. In addition, we recognized a gain of \$139.9 million related to the valuation of our net assets upon emergence from Chapter 11 bankruptcy proceedings pursuant to the provisions of fresh-start accounting.

Other Income (Expense). Other income for the six months ended June 30, 2011 was \$15.1 million which primarily relates to a gain on the partial sale of ownership in our NISCO joint venture of \$11.4 million and foreign currency gains of \$4.3 million, partially offset by loss on sale of receivables of \$0.6 million. Other expense for the one month ended June 30, 2010 and five months ended May, 31 2010 were \$0.4 million and \$21.2 million, respectively. Both periods consisted primarily of foreign currency losses.

Provision for Income Tax Expense. For the six months ended June 30, 2011, we recorded an income tax provision of \$18.8 million on earnings before income taxes of \$65.8 million. This compares to an income tax provision of \$0.9 million on earnings before income taxes of \$5.8 million for the one month ended June 30, 2010 and an income tax provision of \$39.9 million on earnings before income tax of \$320 million for the five months ended May 31, 2010. Income tax expense for the six months ended June 30, 2011 differs from statutory rates due to income taxes on foreign earnings taxed at rates lower than the U.S. statutory rate, income in jurisdictions with no tax expense due to valuation allowance release, the inability to record a tax benefit for pre-tax losses in certain foreign jurisdictions to the extent not offset by other categories of income, tax

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

credits, income tax incentives, withholding taxes, and other permanent items. Further, our current and future provision for income taxes will be significantly impacted by the recognition of valuation allowances in certain countries, particularly the United States. We intend 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.

Table of Contents**Segment Results of Operations**

The following table presents sales and segment profit (loss) for each of the reportable segments for the three and six months ended June 30, 2011, the two and the five months ended May 31, 2010 and the one month ended June 30, 2010:

	Predecessor		Successor	
	Two Months Ended May 31, 2010	One Month Ended June 30, 2010	Three Months Ended June 30, 2011	
Sales to external customers				
North America	\$ 211,594	\$ 116,396	\$ 366,307	
International	201,210	99,246	394,153	
Consolidated	\$ 412,804	\$ 215,642	\$ 760,460	
Segment profit (loss)				
North America	\$ 229,571	\$ 8,133	\$ 45,780	
International	79,427	(2,284)	(37,586)	
Income before income taxes	\$ 308,998	\$ 5,849	\$ 8,194	

	Predecessor		Successor	
	Five Months Ended May 31, 2010	One Month Ended June 30, 2010	Six Months Ended June 30, 2011	
Sales to external customers				
North America	\$ 508,738	\$ 116,396	\$ 725,148	
International	500,390	99,246	724,084	
Consolidated	\$ 1,009,128	\$ 215,642	\$ 1,449,232	
Segment profit (loss)				
North America	\$ 233,526	\$ 8,133	\$ 100,030	
International	86,428	(2,284)	(34,271)	
Income before income taxes	\$ 319,954	\$ 5,849	\$ 65,759	

Three Months Ended June 30, 2011, One Month Ended June 30, 2010 and Two Months Ended May 31, 2010

North America. Sales for the three months ended June 30, 2011 were \$366.3 million. Sales were favorably impacted by an increase in sales volume and favorable foreign exchange of \$6.8 million. Segment profit for the three months ended June 30, 2011 was \$45.8 million, which was favorably impacted by an increase in volume, favorable impact of our lean savings and foreign exchange, partially offset by increased compensation costs as volumes continue to improve and higher raw material costs.

Sales were \$116.4 million and \$211.6 million for the one month ended June 30, 2010 and the two months ended May 31, 2011, respectively. Both periods were favorably impacted by an increase in volume and favorable foreign exchange of \$2.2 million for the one month ended June 30, 2010 and \$6.7 million for the two months ended May 31, 2010. Segment profit was \$8.1 million and \$229.6 million for the one month ended June 30, 2010 and for the two months ended May 31, 2010, respectively. Both periods were favorably impacted by an increase in volumes, our lean savings, partially offset by the restoration of certain employee pay and benefits, and slightly higher raw material costs. In addition, segment profit for the one month ended June 30, 2010 was impacted by higher depreciation and amortization resulting from the

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

adoption of fresh-start accounting and segment profit for the two months ended May 31, 2010 was impacted by a gain of \$231.6 million related to the reorganization and fresh-start accounting adjustments and recognition of interest on certain prepetition debt obligations for the period of August 3, 2009 through May 27, 2010, which was recorded when our Plan of Reorganization was approved by the claimholders.

International. Sales for the three months ended June 30, 2011 were \$394.2 million. Sales were favorably impacted by an increase in sales volume, the joint venture agreement with FMEA and favorable foreign exchange of \$32.9 million. Segment loss for the three months ended June 30, 2011 was \$37.6 million, which was negatively impacted by the restructuring costs associated with the joint venture agreement with FMEA, increased compensation costs as volumes continue to improve, higher raw material costs and higher depreciation and amortization resulting from the adoption of fresh-start accounting in 2010, partially offset by improved volumes in Europe and Asia Pacific and our lean savings.

Sales were \$99.2 million for the one month ended June 30, 2010. Sales were favorably impacted by an increase in volumes, partially offset by unfavorable foreign exchange of \$9.7 million. Sales were \$201.2 million for the two months ended May 31, 2010. Sales were favorably impacted by an increase in volumes and favorable foreign exchange of \$4.5 million. Segment loss for the one month ended June 30, 2010 was \$2.3 million, which was negatively impacted by higher raw material costs, restoration of certain employee pay and benefits, unfavorable foreign exchange and recognition of the fresh-start accounting inventory fair value adjustment, partially offset by the improved volumes and our lean savings. Segment profit for the two months ended May 31, 2010 was \$79.4 million primarily impacted by a gain of \$95.2 million related to the reorganization and fresh-start accounting adjustments and negatively impacted by the recognition of interest on certain prepetition debt obligations for the period of August 3, 2009 through May 27, 2010, which was recorded when our Plan of Reorganization was approved by the claimholders.

Table of Contents

Six Months Ended June 30, 2011, One Month Ended June 30, 2010 and Five Months Ended May 31, 2010

North America. Sales for the six months ended June 30, 2011 were \$725.1 million. Sales were favorably impacted by an increase in sales volume and favorable foreign exchange of \$12.2 million. Segment profit for the six months ended June 30, 2011 was \$100 million, which was favorably impacted by an increase in volumes, favorable impact of our lean savings, partially offset by increased compensation costs as volumes continue to improve and higher raw material costs.

Sales were \$116.4 million and \$508.7 million for the one month ended June 30, 2010 and the five months ended May 31, 2010, respectively. Both periods were favorably impacted by an increase in volumes and favorable foreign exchange of \$2.2 million for the one month ended June 30, 2010 and \$19.3 million for the five months ended May 31, 2010. Segment profit was \$8.1 million and \$233.5 million for the one month ended June 30, 2010 and for the five months ended May 31, 2010, respectively. Both periods were favorably impacted by an increase in volumes, our lean savings, partially offset by the restoration of certain employee pay and benefits, and slightly higher raw material costs. In addition, segment profit for the one month ended June 30, 2010 was impacted by higher depreciation and amortization resulting from the adoption of fresh-start accounting and segment profit for the five months ended May 31, 2010 was favorably impacted by a gain of \$208.6 million related to the reorganization and fresh-start accounting adjustments and negatively impacted by recognition of interest on certain prepetition debt obligations for the period of August 3, 2009 through May 27, 2010, which was recorded when our Plan of Reorganization was approved by the claimholders.

International. Sales for the six months ended June 30, 2011 were \$724.1 million. Sales were favorably impacted by an increase in volume, the joint venture agreement with FMEA and foreign exchange of \$34.7 million. Segment loss for the six months ended June 30, 2011 was \$34.3 million, which was negatively impacted by the restructuring costs associated with the joint venture agreement with FMEA, increased compensation costs as volumes continue to improve, higher raw material costs and higher depreciation and amortization resulting from the adoption of fresh-start accounting in the Successor period, partially offset by improved volumes in Europe and Asia Pacific and our lean savings.

Sales for the one month ended June 30, 2010 were \$99.2 million. Sales were favorably impacted by an increase in volumes, partially offset by unfavorable foreign exchange of \$9.7 million. Sales for the five months ended May 31, 2010 were \$500.4 million. Sales were favorably impacted by a significant increase in volumes and favorable foreign exchange of \$33.2 million. Segment loss for the one month ended June 30, 2010 was \$2.3 million, which was negatively impacted by higher raw material costs, restoration of certain employee pay and benefits and unfavorable foreign exchange partially offset by the improved volumes and our lean savings. Segment profit for the five months ended May 31, 2010 was \$86.4 million. As a result of the reorganization and fresh-start accounting adjustments, a gain of \$94.9 million was recognized in the International segment. Segment profit was favorably impacted by improved volumes and our lean savings, and unfavorably impacted by the restoration of certain employee pay and benefits and slightly higher raw material costs.

Restructuring

We continually evaluate alternatives in an effort to align our business with the changing needs of our customers and lower the operating cost of our Company. This may include the realignment of our existing manufacturing capacity, facility closures, or similar actions. See the Note 4.

Restructuring to Condensed Consolidated Financial Statements for discussion of restructuring activities during the six months ended June 30, 2011.

Liquidity and Capital Resources

Short and Long-Term Liquidity Considerations and Risks

We intend to fund our ongoing capital and working capital requirements through a combination of cash flows from operations and borrowings under our Senior ABL Facility. We anticipate that funds generated by operations and funds available under our Senior ABL Facility will be sufficient to meet working capital requirements for the next 12 months. For additional information, see Note 6. Debt to the condensed consolidated financial statements.

Based on our current and anticipated levels of operations and the condition in our markets and industry, we believe that our cash on hand, cash flow from operations and availability under our Senior ABL Facility will enable us to meet our working capital, capital expenditures, debt service and other funding requirements for the foreseeable future. However, our ability to fund our working capital needs, debt payments and other obligations, and to comply with the financial covenants, including borrowing base limitations, under our Senior ABL Facility, depends on our future operating performance and cash flow and many factors outside of our control, including the costs of raw materials, the state of the overall automotive industry and financial and economic conditions and other factors. Any future acquisitions, joint ventures or other similar transactions will likely require additional capital and there can be no assurance that any such capital will be available to us on acceptable terms,

if at all.

Table of Contents

Cash Flows

Operating Activities. Net cash provided by operations was \$26.5 million for the six months ended June 30, 2011, which included \$76.6 million of use of operating assets and liabilities. Net cash provided by operations was \$17.2 million for the one month ended June 30, 2010, which included \$2.4 million of changes in operating assets and liabilities. Net cash used in operations was \$75.4 million for the five months ended May 31, 2010, which was a result of an increase in our working capital requirements due to the significant increase in volumes and \$37.2 million of interest payments on our prepetition debt obligations and DIP facility.

Investing Activities. Net cash provided by investing activities was \$1.9 million for the six months ended June 30, 2011, which consisted primarily of \$30.9 million of cash acquired as part of the joint venture with FMEA, net of the acquisition of USi Inc., and proceeds of \$16 million from the partial sale of a joint venture, offset by \$45.5 million of capital spending. Net cash used in investing activities was \$6.2 million for the one month ended June 30, 2010, which primarily consisted of capital spending. Cash used in investing activities was \$19.1 million for the five months ended May 31, 2010, which consisted of \$22.9 million of capital spending offset by proceeds from sale of assets of \$3.9 million. We anticipate that we will spend approximately \$105 to \$115 million on capital expenditures in 2011.

Financing Activities. Net cash used in financing activities totaled \$6.2 million for the six months ended June 30, 2011, which consisted primarily of a decrease in short-term debt and payments on long-term debt of \$2.5 million and payment of cash dividends of \$3.6 million. Net cash used by financing activities totaled \$0.5 million for the one month ended June 30, 2010, which consisted primarily of a decrease in short-term debt. Net cash used in financing activities totaled \$112.6 million for the five months ended May 31, 2010, which primarily resulted from activities related to our emergence from bankruptcy. Payments for settlement on our prepetition debt, DIP facility, debt issuance costs and back stop fees totaled \$914.6 million. These payments were offset by cash proceeds from the rights offering conducted pursuant to our Plan of Reorganization of \$355 million and our senior notes offering of \$450 million.

Non-GAAP Financial Measures

In evaluating our business, management considers EBITDA and Adjusted EBITDA as key indicators of our operating performance. Our management also uses EBITDA and Adjusted EBITDA:

because similar measures are utilized in the calculation of the financial covenants and ratios contained in our financing arrangements;

in developing our internal budgets and forecasts;

as a significant factor in evaluating our management for compensation purposes;

in evaluating potential acquisitions;

in comparing our current operating results with corresponding historical periods and with the operational performance of other companies in our industry; and

in presentations to the members of our board of directors to enable our board of directors to have the same measurement basis of operating performance as is used by management in their assessments of performance and in forecasting and budgeting for our company.

In addition, we believe EBITDA and Adjusted EBITDA and similar measures are widely used by investors, securities analysts and other interested parties in evaluating our performance. We define Adjusted EBITDA as net income (loss) plus provision for income tax expense (benefit), interest expense, net of interest income, depreciation and amortization or EBITDA, as adjusted for items that management does not consider to be reflective of our core operating performance. These adjustments include restructuring costs, impairment charges, non-cash fair value adjustments, acquisition related costs, professional fees and expenses associated with our reorganization, non-cash stock based

Edgar Filing: Cooper-Standard Holdings Inc. - Form 10-Q

compensation and non-cash gains and losses from certain foreign currency transactions and translation.

We calculate EBITDA and Adjusted EBITDA by adjusting net income (loss) to eliminate the impact of a number of items we do not consider indicative of our ongoing operating performance. You are encouraged to evaluate each adjustment and the reasons we consider it appropriate for supplemental analysis. EBITDA and Adjusted EBITDA are not financial measurements recognized under U.S. GAAP, and when analyzing our operating performance, investors should use EBITDA and Adjusted EBITDA in addition to, and not as alternatives for, net income (loss), operating income, or any other performance measure derived in accordance with U.S. GAAP, or as an alternative to cash flow from operating activities as a measure of our liquidity. EBITDA and Adjusted EBITDA have limitations as analytical tools, and they should not be considered in isolation or as substitutes for analysis of our results of operations as reported under U.S. GAAP. These limitations include:

Table of Contents

they do not reflect our cash expenditures or future requirements for capital expenditure or contractual commitments;

they do not reflect changes in, or cash requirements for, our working capital needs;

they do not reflect interest expense or cash requirements necessary to service interest or principal payments under our Senior Notes and Senior ABL Facility;

they do not reflect certain tax payments that may represent a reduction in cash available to us;

although depreciation and amortization are non-cash charges, the assets being depreciated or amortized may have to be replaced in the future, and EBITDA and Adjusted EBITDA do not reflect cash requirements for such replacements; and

other companies, including companies in our industry, may calculate these measures differently and, as the number of differences in the way companies calculate these measures increases, the degree of their usefulness as a comparative measure correspondingly decreases.

In addition, in evaluating Adjusted EBITDA, it should be noted that in the future we may incur expenses similar to the adjustments in the below presentation. Our presentation of Adjusted EBITDA should not be construed as an inference that our future results will be unaffected by unusual or non-recurring items.

The following table provides a reconciliation of EBITDA and Adjusted EBITDA to net income, which is the most directly comparable financial measure in accordance with U.S. GAAP (dollars in millions):

	Successor Three Months Ended June 30, 2011	Successor Six Months Ended June 30, 2011
Net income	\$ 19.0	\$ 64.0
Provision for income tax expense	6.5	18.8
Interest expense, net of interest income	10.7	20.6
Depreciation and amortization	31.4	60.3
EBITDA	\$ 67.6	\$ 163.7
Restructuring ⁽¹⁾	37.0	41.6
Noncontrolling interest restructuring ⁽²⁾	(17.7)	(17.7)
Stock-based compensation ⁽³⁾	2.7	5.3
Net gain on partial sale of joint venture ⁽⁴⁾		(11.4)
Inventory write-up ⁽⁵⁾	0.7	0.7
Adjusted EBITDA	\$ 90.3	\$ 182.2

(1) Includes non-cash restructuring.

(2) Proportionate share of restructuring costs related to FMEA joint venture.

(3) Non-cash stock amortization expense and non-cash stock option expense for grants issued at emergence from bankruptcy.

(4) Net gain on partial sale of ownership percentage in joint venture.

(5) Write-up of inventory to fair value for the FMEA joint venture, net of noncontrolling interest.

Recent Accounting Pronouncements

See Note 1 to the condensed consolidated financial statements included elsewhere in this Form 10-Q.

Table of Contents

Forward-Looking Statements

This report includes what the Company believes are forward-looking statements as that term is defined under the Private Securities Litigation Reform Act of 1995. These forward-looking statements include statements concerning our plans, objectives, goals, strategies, future events, future revenue or performance, capital expenditures, financing needs, plans or intentions relating to acquisitions, business trends, and other information that is not historical information. When used in this report, the words estimates, expects, anticipates, projects, plans, intends, believes, forecasts, or future or conditional verbs, such as will, should, could, or may, and variations of such words or similar expressions intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends and data, are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, we cannot assure you that these expectations, beliefs, and projections will be achieved.

The risks, uncertainties, and other important factors that could cause our actual results to differ materially from the forward-looking statements contained in this report include, among others: the ability to maintain contracts and suppliers and customer relationships; limitations on flexibility in operating our business contained in our debt agreements; our dependence on the automotive industry; availability and cost of raw materials; our exposure to natural disasters; our dependence on certain major customers; competition in the automotive industry; sovereign and other risks related to our conducting operations outside the United States; the uncertainty of our ability to achieve expected cost reduction savings; our exposure to product liability and warranty claims; labor conditions; our vulnerability to changes in interest rates; our ability to meet customers' needs for new and improved products in a timely manner; our ability to attract and retain key personnel; potential conflicts of interest between our owners and us; our legal rights to our intellectual property portfolio; our pension plans; environmental and other regulations; and other risks listed in our filings with the SEC. See Item 1A. Risk Factors, in our 2010 Annual Report on Form 10-K, and Item 1A. Risk Factors in Part II of our Form 10-Q for the quarterly period ended March 31, 2011 for additional information regarding these and other risks and uncertainties. There may be other factors that may cause our actual results to differ materially from the forward-looking statements.

All forward-looking statements attributable to us or persons acting on our behalf apply only as of the date of this report and are expressly qualified in their entirety by the cautionary statements included in this report. We undertake no obligation to update or revise forward-looking statements to reflect events or circumstances that arise after the date made or to reflect the occurrence of unanticipated events.

Table of Contents

Item 3. Quantitative and Qualitative Disclosures About Market Risk

There have been no material changes to the quantitative and qualitative information about the Company's market risk from those previously disclosed in the Company's 2010 Annual Report on Form 10-K.

Item 4. Controls and Procedures.

The Company has evaluated, under the supervision and with the participation of the Company's management, including the Company's Chief Executive Officer and Chief Financial Officer, the effectiveness of the Company's disclosure controls and procedures (as defined in Rules 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this Report. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, within the Company have been detected. However, based on that evaluation, the Company's Chief Executive Officer along with the Chief Financial Officer have concluded that the Company's disclosure controls and procedures were effective as of the end of the period covered by this Report.

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2011 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Table of Contents**PART II OTHER INFORMATION****Item 1. Legal Proceedings.**

We are periodically involved in claims, litigation and various legal matters that arise in the ordinary course of business. In addition, we conduct and monitor environmental investigations and remedial actions at certain locations. Each of these matters is subject to various uncertainties, and some of these matters may be resolved unfavorably for us. A reserve estimate is established for each matter and updated as additional information becomes available. We do not believe that the ultimate resolution of any of these matters will have a material adverse effect on our business, financial condition or results of operations.

Item 1A. Risk Factors

In addition to other information set forth in this report, you should carefully consider the factors discussed in Part I, Item 1A. Risk Factors in our 2010 Annual Report on Form 10-K (the "Form 10-K") and Part II, Item 1A. Risk Factors in our Quarterly Report on Form 10-Q for the quarterly period ended March 31, 2011 (the "3-31 Form 10-Q") which could materially impact our business, financial condition or future results. Risks disclosed in the Form 10-K and the 3-31 Form 10-Q are not the only risks facing the Company. Additional risks and uncertainties not currently known to us or that we currently deem immaterial may materially adversely impact our business, financial condition or operating results.

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

(c) Purchases of Equity Securities By the Issuer and Affiliated Purchasers

	Total Number of Shares Purchased (1)	Average Price Paid per Share	Total Number of Shares (or Units) Purchased as Part of Publicly Announced Plans or Programs	Maximum Number (or Approximate Dollar Value) of Shares (or Units) That May Yet Be Purchased Under the Plans or Programs
2011				
April 1 - April 30	1,340	\$ 44.75		\$
May 1 - May 31	36,947	47.80		
June 1 - June 30				
	38,287	\$ 47.69		\$

- (1) The shares of common stock in this column were deemed surrendered to the Company by participants in various benefits plans of the Company to satisfy the participants' taxes related to vesting or delivery of time vesting restricted share units under those plans.

Table of Contents

Item 6. Exhibits

Exhibit No.	Description of Exhibit
12.1*	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
31.1*	Certification of James S. McElya, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Allen J. Campbell, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of James S. McElya, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Allen J. Campbell, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Submitted electronically with the Report.

Table of Contents

SIGNATURES

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.

COOPER-STANDARD HOLDINGS INC.

August 10, 2011
Date

/s/ JAMES S. McELYA
James S. McElya

Chairman, Chief Executive Officer and Director

(Principal Executive Officer)

August 10, 2011
Date

/s/ ALLEN J. CAMPBELL
Allen J. Campbell

Chief Financial Officer

(Principal Financial Officer)

August 10, 2011
Date

/s/ HELEN T. YANTZ
Helen T. Yantz

Controller

(Principal Accounting Officer)

Table of Contents

INDEX TO EXHIBITS

Exhibit No.	Description of Exhibit
12.1*	Computation of Ratio of Earnings to Fixed Charges and Preferred Stock Dividends
31.1*	Certification of James S. McElya, Chief Executive Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
31.2*	Certification of Allen J. Campbell, Chief Financial Officer, pursuant to Rule 13a-14(a)/15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002
32.1*	Certification of James S. McElya, Chief Executive Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
32.2*	Certification of Allen J. Campbell, Chief Financial Officer, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002
101.INS**	XBRL Instance Document
101.SCH**	XBRL Taxonomy Extension Schema Document
101.CAL**	XBRL Taxonomy Extension Calculation Linkbase Document
101.DEF**	XBRL Taxonomy Extension Definition Linkbase Document
101.LAB**	XBRL Taxonomy Label Linkbase Document
101.PRE**	XBRL Taxonomy Extension Presentation Linkbase Document

* Filed herewith.

** Submitted electronically with the Report.