

CHROMCRAFT REVINGTON INC

Form 10-Q

November 17, 2009

**Table of Contents**

**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION  
Washington, D.C. 20549  
FORM 10-Q**

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

**For the quarterly period ended October 3, 2009  
or**

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

**For the transition period from \_\_\_\_\_ to \_\_\_\_\_**

**Commission file number 1-13970**

**CHROMCRAFT REVINGTON, INC.**

(Exact name of registrant as specified in its charter)

Delaware

35-1848094

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1330 Win Hentschel Blvd., Ste. 250, West Lafayette, IN 47906

(Address, including zip code, of registrant's principal executive offices)

(765) 807-2640

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

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

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

The number of shares outstanding for each of the registrant's classes of common stock, as of the latest practicable date:

Common Stock, \$.01 par value 6,130,049 as of October 31, 2009



INDEX

	Page Number
<u>PART I. Financial Information</u>	
<u>Item 1. Financial Statements (unaudited)</u>	
<u>Condensed Consolidated Statements of Operations - Three and Nine Months Ended October 3, 2009 and September 27, 2008</u>	3
<u>Condensed Consolidated Balance Sheets - October 3, 2009 and December 31, 2008</u>	4
<u>Condensed Consolidated Statements of Cash Flows - Nine Months Ended October 3, 2009 and September 27, 2008</u>	5
<u>Condensed Consolidated Statement of Stockholders' Equity - Nine Months Ended October 3, 2009</u>	6
<u>Notes to Condensed Consolidated Financial Statements</u>	7
<u>Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations</u>	14
<u>Item 4T. Controls and Procedures</u>	18
<u>PART II. Other Information</u>	
<u>Item 6. Exhibits</u>	18
<u>SIGNATURES</u>	19
<u>Exhibit 31.1</u>	
<u>Exhibit 31.2</u>	
<u>Exhibit 32.1</u>	

**Table of Contents**

## PART I.

## Item 1. Financial Statements

## Condensed Consolidated Statements of Operations (unaudited)

## Chromcraft Revington, Inc.

(In thousands, except per share data)

	Three Months Ended		Nine Months Ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Sales	\$ 16,030	\$ 23,071	\$ 47,281	\$ 76,139
Cost of sales	13,155	26,683	41,649	73,255
Gross margin (expense)	2,875	(3,612)	5,632	2,884
Selling, general and administrative expenses	3,776	6,225	11,994	20,829
Operating loss	(901)	(9,837)	(6,362)	(17,945)
Interest expense	(78)	(128)	(233)	(303)
Loss before income tax expense	(979)	(9,965)	(6,595)	(18,248)
Income tax expense		(202)		(202)
Net loss	\$ (979)	\$ (10,167)	\$ (6,595)	\$ (18,450)
Basic and diluted loss per share of common stock	\$ (0.21)	\$ (2.23)	\$ (1.43)	\$ (4.04)
Shares used in computing loss per share	4,633	4,561	4,613	4,568

*See accompanying notes to condensed consolidated financial statements.*

**Table of Contents**

Condensed Consolidated Balance Sheets (unaudited)  
Chromcraft Revington, Inc.  
(In thousands)

	October 3, 2009	December 31, 2008
Assets		
Cash and cash equivalents	\$ 3,171	\$ 879
Accounts receivable, less allowance of \$700 in 2009 and \$825 in 2008	8,408	11,655
Inventories	14,217	21,726
Assets held for sale		490
Prepaid expenses and other	1,265	1,000
Current assets	27,061	35,750
Property, plant and equipment, net	8,947	9,549
Other assets	703	688
Total assets	\$ 36,711	\$ 45,987
Liabilities and Stockholders' Equity		
Accounts payable	\$ 3,072	\$ 3,684
Accrued liabilities	4,414	6,410
Current liabilities	7,486	10,094
Deferred compensation	633	795
Other long-term liabilities	1,713	1,667
Total liabilities	9,832	12,556
Stockholders' equity	26,879	33,431

Total liabilities and stockholders' equity	\$ 36,711	\$ 45,987
--	-----------	-----------

*See accompanying notes to condensed consolidated financial statements.*

**Table of Contents**

Condensed Consolidated Statements of Cash Flows (unaudited)  
Chromcraft Revington, Inc.  
(In thousands)

	Nine Months Ended	
	October 3, 2009	September 27, 2008
<b>Operating Activities</b>		
Net loss	\$ (6,595)	\$ (18,450)
Adjustments to reconcile net loss to cash provided by (used in) operating activities		
Depreciation and amortization expense	775	1,175
Deferred income taxes		202
Non-cash share based and ESOP compensation expense	73	249
Provision for doubtful accounts	316	641
Non-cash inventory write-downs	698	4,880
Non-cash asset impairment charges	3	4,610
Changes in operating assets and liabilities		
Accounts receivable	2,931	(1,330)
Inventories	6,811	(4,484)
Prepaid expenses and other	(265)	922
Accounts payable and accrued liabilities	(2,638)	480
Long-term liabilities and assets	(131)	(150)
Cash provided by (used in) operating activities	1,978	(11,255)
 <b>Investing Activities</b>		
Capital expenditures	(173)	(1,290)
Proceeds on disposal of assets	487	1,120
Cash provided by (used in) investing activities	314	(170)
 <b>Financing Activities</b>		
Net borrowing under a bank revolving credit line		2,818
Stock repurchase from related party		(156)
Purchase of common stock by ESOP trust		(22)
Cash provided by financing activities		2,640
Change in cash and cash equivalents	2,292	(8,785)
Cash and cash equivalents at beginning of the period	879	8,785



Cash and cash equivalents at end of the period \$ 3,171 \$

*See accompanying notes to condensed consolidated financial statements.*

**Table of Contents**

Condensed Consolidated Statement of Stockholders Equity (unaudited)  
 Chromcraft Revington, Inc.  
 Nine Months Ended October 3, 2009  
 (In thousands, except share data)

	Common Stock		Capital in Excess of Par Value	Unearned ESOP Shares	Retained Earnings	Treasury Stock		Total Stockholders Equity
	Shares	Amount				Shares	Amount	
Balance at January 1, 2009	7,945,363	\$ 80	\$ 17,688	\$ (15,356)	\$ 52,179	(1,819,154)	\$ (21,160)	\$ 33,431
ESOP compensation expense			(474)	508				34
Issuance of restricted stock awards	3,840							
Share based compensation			9					9
Net loss					(6,595)			(6,595)
Balance at October 3, 2009	7,949,203	\$ 80	\$ 17,223	\$ (14,848)	\$ 45,584	(1,819,154)	\$ (21,160)	\$ 26,879

*See accompanying notes to condensed consolidated financial statements.*

**Table of Contents**

Notes to Condensed Consolidated Financial Statements (unaudited)  
Chromcraft Revington, Inc.

**Note 1. Basis of Presentation**

The accompanying unaudited condensed consolidated financial statements include the accounts of Chromcraft Revington, Inc. and its wholly-owned subsidiaries (together, the Company ) and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and the requirements of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statement presentation.

In the opinion of management, all adjustments (consisting of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the nine month period ended October 3, 2009 are not necessarily indicative of the results that may be expected for the year ending December 31, 2009.

The balance sheet at December 31, 2008 has been derived from the audited financial statements at that date but does not include all information and footnotes required by generally accepted accounting principles (GAAP) for complete financial statements.

For further information, refer to the consolidated financial statements and footnotes thereto included in Chromcraft Revington's annual report on Form 10-K for the year ended December 31, 2008.

**Note 2. Cash and Cash Equivalents**

The Company considers all highly liquid investments with an original maturity of three months or less to be cash equivalents.

At October 3, 2009, one or more of the financial institutions holding the Company's cash accounts are participating in the FDIC's Transaction Account Guarantee Program. Under the program, through December 31, 2009, all noninterest-bearing transaction accounts at these institutions are fully guaranteed by the FDIC for the entire amount in the account.

**Note 3. Asset Impairment and Restructuring Charges**

Beginning in 2006, the Company, in response to competitive business conditions in the residential furniture market, began reducing its furniture manufacturing operations and shifting the products manufactured at these domestic facilities to overseas suppliers, primarily located in China. As a result, the Company has incurred asset impairment and restructuring charges for plant shutdowns and consolidation, exit and disposal activities, termination benefits and inventory write-downs since 2006.

**Table of Contents**

In 2008, the Company incurred asset impairment and restructuring expenses for the closure of two manufacturing plants, reorganized its management, and began the consolidation of its distribution facilities. These restructuring activities were completed in the second quarter of 2009.

Restructuring charges include write-downs of raw materials and in-process inventories related to plant closures to net realization value, one-time termination benefits, and costs for exit and disposal activities. Asset impairment charges were recorded to reduce the carrying value of building, machinery and equipment to fair value based on orderly sales transactions. The Company modified severance arrangements with two former executives, resulting in a \$334,000 decrease to one-time termination benefits for the nine months ended October 3, 2009.

Restructuring charges (credits) recorded for the three and nine months ended October 3, 2009 and September 27, 2008 were as follows:

	<i>(In thousands)</i>			
	Three Months Ended		Nine Months Ended	
	October 3,	September	October 3,	September
	2009	2008	2009	2008
Restructuring charges:				
Exit and disposal activities	\$	\$ 35	\$ 292	\$ 81
One-time termination benefits		295	(189)	1,542
Inventory write-downs		1,901		2,414
Total restructuring costs		2,231	103	4,037
Asset impairment charges		4,400	3	4,610
	\$	\$ 6,631	\$ 106	\$ 8,647
Statements of Operations classification:				
Gross margin	\$	\$ 5,926	\$ 330	\$ 7,019
Selling, general and administrative expenses		705	(224)	1,628
	\$	\$ 6,631	\$ 106	\$ 8,647

The Company incurred total restructuring costs of \$4,895,000 in connection with the 2008 restructuring activities, as follows:

	<i>(In thousands)</i>		
	Year Ended December 31, 2008	Nine Months Ended October 3, 2009	Total
Exit and disposal activities	\$ 246	\$ 292	\$ 538
One-time termination benefits	2,051	(189)	1,862
Inventory write-downs	2,495		2,495
	\$ 4,792	\$ 103	\$ 4,895



**Table of Contents**

Charges (credits) to expense, cash payments or asset write-downs for the nine months ended October 3, 2009 and September 27, 2008, and the restructuring liabilities (assets) at October 3, 2009 and September 27, 2008 were as follows:

	<i>(In thousands)</i>				
	Balance December 31, 2008	Nine Months Ended October 3, 2009			Balance October 3, 2009
		Charges to Expense	Cash Payments	Asset Write-downs	
Exit and disposal activities	\$ (127)	\$ 292	\$ (165)	\$	\$
One-time termination benefits	1,029	(189)	(478)		362
Asset impairment charges		3		(3)	
	\$ 902	\$ 106	\$ (643)	\$ (3)	\$ 362

	<i>(In thousands)</i>				
	Balance January 1, 2008	Nine Months Ended September 27, 2008			Balance September 27, 2008
		Charges to Expense	Cash Payments	Asset Write-downs	
Exit and disposal activities	\$	\$ 81	\$ (81)	\$	\$
One-time termination benefits		1,542	(539)		1,003
Inventory write-downs		2,414		(2,414)	
Asset impairment charges		4,610		(4,610)	
	\$	\$ 8,647	\$ (620)	\$ (7,024)	\$ 1,003

**Note 4. Inventories**

Inventories at October 3, 2009 and December 31, 2008 consisted of the following:

	<i>(In thousands)</i>	
	October 3, 2009	December 31, 2008
Raw materials	\$ 4,172	\$ 3,827
Work-in-process	658	1,471
Finished goods	9,387	16,428
	\$ 14,217	\$ 21,726

Inventory reserves decreased \$3,091,000, on a net basis, in the nine months ended October 3, 2009, primarily attributable to a reduction of slow moving and unprofitable products.

**Table of Contents****Note 5. Property, Plant and Equipment**

Property, plant and equipment at October 3, 2009 and December 31, 2008 consisted of the following:

	<i>(In thousands)</i>	
	October 3, 2009	December 31, 2008
Land	\$ 324	\$ 324
Buildings and improvements	18,431	18,431
Machinery and equipment	23,017	23,309
Leasehold improvements	707	696
Construction in progress	847	960
	43,326	43,720
Less accumulated depreciation and amortization	(34,379)	(34,171)
	\$ 8,947	\$ 9,549

At October 3, 2009 and December 31, 2008, construction in progress included \$765,000 of capitalized costs for a new information technology system. The Company has delayed further expenditures on this project to 2010 to conserve cash during the economic recession.

**Note 6. Accrued Liabilities**

Accrued liabilities at October 3, 2009 and December 31, 2008 consisted of the following:

	<i>(In thousands)</i>	
	October 3, 2009	December 31, 2008
Property tax	\$ 351	\$ 520
Employee-related benefits	834	835
Deferred compensation and severance	786	1,740
Other accrued liabilities	2,443	3,315
	\$ 4,414	\$ 6,410

**Note 7. Bank Debt**

The Company has a revolving loan facility with a bank ( Bank Facility ) that allows it to borrow up to \$30,000,000 based on eligible accounts receivable and inventories. The interest rate under the Bank Facility is determined based, at the Company's option, on either the bank's prime rate or the London Interbank Offered Rate (LIBOR). The Bank Facility is secured by substantially all of the assets of the Company and expires in 2012. There were no borrowings outstanding under the Bank Facility at October 3, 2009.

**Table of Contents**

At October 3, 2009, the Company had approximately \$9,300,000 in unused availability under the Bank Facility, which reflects a \$1,000,000 reduction for a letter of credit outstanding in connection with a self-insured workers compensation program. Certain covenants and restrictions, including a fixed charge coverage ratio as defined in the loan agreement, will become effective if availability under the Bank Facility is less than \$5,000,000. The Company did not comply with the fixed charge coverage ratio at October 3, 2009; however, the Company's availability under the Bank Facility exceeded \$5,000,000 at October 3, 2009 and, accordingly, the covenant regarding this ratio did not apply at the end of the third quarter of 2009.

**Note 8. Employee Stock Ownership Plan**

Chromcraft Revington sponsors a leveraged employee stock ownership plan ( ESOP ) that covers substantially all employees who have completed six months of service. Chromcraft Revington loaned \$20,000,000 to the ESOP Trust to finance the ESOP stock transaction. The loan to the ESOP Trust provides for repayment to Chromcraft Revington over a 30-year term at a fixed rate of interest of 5.48% per annum. Chromcraft Revington makes annual contributions to the ESOP Trust equal to the ESOP Trust's repayment obligation under the loan to the ESOP from the Company. The shares of common stock owned by the ESOP Trust are pledged to the Company as collateral for the Company's loan to the ESOP Trust. As the ESOP loan is repaid, shares are released from collateral and allocated to ESOP accounts of active employees based on the proportion of total debt service paid in the year. Unearned ESOP shares are reported as a reduction of stockholders' equity as reflected in the Consolidated Statement of Stockholders' Equity of the Company. As shares are committed to be released, Chromcraft Revington includes in ESOP compensation expense the current market price of the shares, and the shares become outstanding for earnings per share computations. ESOP compensation expense for the three and nine months ended October 3, 2009 was \$6,000 and \$86,000, respectively, compared to \$49,000 and \$199,000, respectively, for the prior year periods.

ESOP shares at October 3, 2009 and December 31, 2008, respectively, consisted of the following:

	<i>(In thousands)</i>	
	October 3, 2009	December 31, 2008
Allocated shares	302	255
Unearned ESOP shares	1,485	1,536
Total ESOP shares	1,787	1,791
Unearned ESOP shares, at cost	\$ 14,848	\$ 15,356
Fair value of unearned ESOP shares	\$ 2,346	\$ 599

For the year ended December 31, 2008, shares released from the ESOP Trust were not sufficient to satisfy the Company's matching contribution obligation under its 401(k) plan. The Company satisfied this liability with a cash contribution of \$256,000 on October 15, 2009.



**Table of Contents**

**Note 9. Income Taxes**

At October 3, 2009 and December 31, 2008, the Company maintained a full valuation allowance against the entire net deferred income tax balance after considering relevant factors, including recent operating losses, the likelihood of the utilization of net operating loss tax carryforwards, and the ability to generate future taxable income. The Company expects to maintain a full valuation allowance on the entire net deferred tax assets in 2009, resulting in an effective tax rate of zero for the nine months ended October 3, 2009.

**Note 10. Loss per Share of Common Stock**

Due to the net loss in the nine months ended October 3, 2009 and September 27, 2008, loss per share, basic and diluted, are the same, as the effect of potential common stock equivalents would be antidilutive.

**Note 11. Recently Issued Accounting Standards**

In June 2009, the Financial Accounting Standards Board ( FASB ) issued the FASB Accounting Standards Codification (the ASC ). The ASC has become the single source of non-governmental accounting principles generally accepted in the United States ( GAAP ) recognized by the FASB in the preparation of financial statements. The ASC does not supersede the rules or regulations of the Securities and Exchange Commission ( SEC ), therefore, the rules and interpretive releases of the SEC continue to be additional sources of GAAP for the Company. The Company adopted the ASC as of July 5, 2009. The ASC does not change GAAP and did not have an effect on the Company's financial position, results of operations or cash flows.

On January 1, 2009, the Company adopted a new accounting standard issued by the FASB that establishes accounting and reporting standards for noncontrolling interests in a subsidiary in consolidated financial statements. This standard requires entities to record the acquisition of noncontrolling interests in subsidiaries initially at fair value. The adoption of this standard did not have an effect on the Company's financial position, results of operations or cash flows.

On January 1, 2009, the Company adopted a new accounting standard issued by the FASB related to accounting for business combinations using the acquisition method of accounting (previously referred to as the purchase method). This standard applies to business combinations for which the acquisition date is on or after the beginning of the first annual reporting period beginning on or after December 15, 2008. The adoption of this standard did not have an effect on the Company's financial position, results of operations or cash flows.

In September 2006, the FASB issued a new accounting standard which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles and expands disclosures about fair value measurements. This standard was effective for fiscal years beginning after November 15, 2007 for financial assets and liabilities, as well as for any other assets and liabilities that are carried at fair value on a recurring basis in the financial statements. In November 2007, the FASB provided a one year deferral for the implementation of this standard for other nonfinancial assets and liabilities. The Company adopted this standard for financial assets and liabilities effective January 1, 2008 and for non-financial assets and liabilities effective January 1, 2009. The adoption of this standard did not have an effect on the Company's financial position, results of operations or cash flows for either period.

**Table of Contents**

**Note 12. Subsequent Events**

Effective July 4, 2009, the Company adopted a newly issued accounting standard related to accounting for and disclosure of subsequent events in its consolidated financial statements. This standard provides the authoritative guidance for subsequent events that was previously addressed only in United States auditing standards. This standard establishes general accounting for and disclosure of events that occur after the balance sheet date but before financial statements are issued or are available to be issued and requires the Company to disclose the date through which it has evaluated subsequent events and whether that was the date the financial statements were issued or available to be issued. This standard does not apply to subsequent events or transactions that are within the scope of other applicable GAAP that provide different guidance on the accounting treatment for subsequent events or transactions. The adoption of this standard did not have an effect on the Company's financial position, results of operations or cash flows. The Company has evaluated subsequent events through November 17, 2009, the date of this filing and determined that the following warrants disclosure.

On November 6, 2009, a new Federal law was enacted that significantly expands the five-year Net Operating Loss (NOL) carryback opportunity enacted earlier this year as part of the Federal stimulus bill. The new legislation allows U.S. companies of all sizes to carry back NOLs incurred in 2008 or 2009 to the previous five years. This carryback can offset all of a taxpayer's taxable income in the first four taxable years, and 50 percent of the taxable income in the fifth carryback year. As a result of this legislation, the Company expects to receive a significant refund in 2010 of previously paid federal income taxes based on the amount of such taxes paid for its 2003 and 2004 tax years. Because the legislation is new and the U.S. Treasury has not yet issued any regulations, the Company currently is unable to determine the amount of the refund.

**Table of Contents****Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations****Overview**

The Company is experiencing reduced demand for furniture as a result of weak consumer confidence and housing activity and the effects of the economic recession. Additionally, sales were lower in 2009 due to the discontinuation of certain low margin products and the globalization of the furniture industry. Operating results for 2009 have been negatively impacted by the reduced sales level and restructuring activities, as well as competition, primarily from China and other Asian countries. The Company expects that the current economic environment for consumers will continue to be challenging into 2010.

The Company is repositioning its residential furniture product line in an effort to improve profitability by introducing better value imports, utilizing a product licensing arrangement for marketing support, and replacing unprofitable and slow moving items offered in its line with higher velocity items to improve customer service. The weak retail business conditions have slowed the Company's restructuring efforts to reposition its product line. The Company is also moving away from a high cost-manufacturing model to global sourcing with lower costs. Management continues to review and cut operating costs to be in line with its current revenue base as the Company completes its business transition. The Company's new business model is expected to result in a more variable cost structure and provide greater flexibility in competing in the furniture industry.

The Company expects that sales and margins will be negatively impacted as slow moving and unprofitable products are eliminated and new products are introduced. Additional costs, including asset impairments, inventory write-downs, severance costs and other restructuring charges, may occur as the Company continues its business model transition. A prolonged economic recession could cause outcomes to differ materially from those expected above.

**Results of Operations**

The following table sets forth the Condensed Consolidated Statements of Operations of Chromcraft Revington for the three and nine months ended October 3, 2009 and September 27, 2008 expressed as a percentage of sales.

	Three Months Ended		Nine Months Ended	
	October 3, 2009	September 27, 2008	October 3, 2009	September 27, 2008
Sales	100.0%	100.0%	100.0%	100.0%
Cost of sales	82.1	115.7	88.1	96.2
Gross margin (expense)	17.9	(15.7)	11.9	3.8
Selling, general and administrative expenses	23.5	27.0	25.4	27.4
Operating loss	(5.6)	(42.7)	(13.5)	(23.6)
Interest expense	(0.5)	(0.5)	(0.5)	(0.4)
Loss before income tax expense	(6.1)	(43.2)	(14.0)	(24.0)
Income tax expense		(0.9)		(0.2)
Net loss	(6.1)%	(44.1)%	(14.0)%	(24.2)%

**Table of Contents**

Consolidated sales for the three and nine months ended October 3, 2009 of \$16,030,000 and \$47,281,000, respectively, represented a decrease of 30.5% and 37.9%, respectively, from the same periods last year. Residential furniture shipments in 2009 were lower than the year ago periods mainly due to weak consumer confidence and housing activity reflecting the effects of the economic recession, restructuring activities including the elimination of slow moving and unprofitable products and reduction of customer accounts, and import competition. Commercial furniture shipments for the three and nine months ended October 3, 2009 were lower as compared to the prior year periods primarily due to industry-wide reduced spending on contract and institutional projects attributable to the recessionary environment. For the third quarter of 2009, furniture shipments were up 9.8% as compared to the second quarter of 2009. The consolidated sales decrease for 2009 was primarily due to lower unit volume.

Gross margin (expense) for the three and nine months ended October 3, 2009 was \$2,875,000 and \$5,632,000, respectively, compared to \$(3,612,000) and \$2,884,000, respectively, for the prior year periods. For 2009, the lower sales volume, the disposition of slow moving and unprofitable products, competitive price pressures, unabsorbed fixed costs and manufacturing inefficiencies negatively impacted gross margin. The lower gross margin in 2008 was primarily due to asset impairments, restructuring costs and inventory write-downs. Restructuring and asset impairment costs, excluding inventory write-downs, charged to gross margin for the three and nine months ended October 3, 2009 were \$0 and \$330,000, respectively, compared to \$4,025,000 and \$4,605,000, respectively, for the same periods in 2008. Restructuring and impairment costs were incurred for the closure of two manufacturing facilities and the consolidation of distribution facilities. Total inventory write-downs for the three and nine months ended October 3, 2009 were \$122,000 and \$698,000, respectively, compared to \$2,522,000 and \$4,880,000, respectively, for the corresponding periods in 2008. Inventory write-downs were recorded to reflect anticipated net realizable value on disposition. The inventory write-downs were primarily due to slow moving and unprofitable products and excess inventory levels.

Selling, general and administrative expenses decreased \$2,449,000 and \$8,835,000 in the three and nine months ended October 3, 2009, respectively, compared to the same periods last year. Selling, general and administrative expenses were lower in 2009 primarily due to a decrease in compensation related expenses, severance costs, sales commissions and other selling related costs. Compensation and selling related expenses decreased in 2009 primarily due to restructuring activities. In 2009, severance arrangements with the former chief executive officer and another officer of the Company were modified resulting in a \$334,000 decrease to severance expense for the nine months ended October 3, 2009. Selling, general and administrative expenses for the three and nine months ended September 27, 2008 included \$271,000 and \$1,248,000, respectively, for severance expenses, primarily related to a separation agreement with the former chief executive officer and severance agreements with two other officers. Selling, general and administrative expenses for the three months ended September 27, 2008 include an asset impairment charge of \$434,000 for certain information technology assets.

Interest expense, which includes Bank Facility fees, was \$78,000 and \$233,000, respectively, for the three and nine months ended October 3, 2009 compared to \$128,000 and \$303,000, respectively, in the prior year periods.

At December 31, 2008 and 2007, the Company maintained a full valuation allowance against the entire net deferred income tax asset balances. The Company expects to maintain a full valuation allowance on the entire net deferred tax assets at December 31, 2009, resulting in an effective tax rate of zero for the quarter and nine months ended October 3, 2009 and the prior year periods.

**Table of Contents**

**Liquidity and Capital Resources**

Operating activities of the Company generated \$1,978,000 of cash for the nine months ended October 3, 2009 as compared to \$11,255,000 of cash used in the prior year period. The increase in cash in 2009 was primarily due to a reduction in working capital investment. Working capital, excluding cash, decreased \$8,373,000 during the first nine months of 2009 to \$16,404,000 from \$24,777,000 at December 31, 2008. Inventory reductions provided \$6,811,000 in cash in the first nine months of 2009 primarily attributable to a reduction of slow moving and unprofitable products.

Investing activities generated cash of \$314,000 for the nine months ended October 3, 2009 as compared to \$170,000 of cash used in the prior year period. Investing activities include cash received from the sale of assets from restructuring activities of \$487,000 in the first nine months of 2009 compared to \$1,120,000 for the prior year period. The Company used cash of \$173,000 for capital expenditures during the first nine months of 2009, as compared to \$1,290,000 spent in the prior year period. In 2009, the Company expects to spend less than \$300,000 for capital expenditures.

At October 3, 2009, the Company had cash and cash equivalents of \$3,171,000 and approximately \$9,300,000 in availability under a Bank Facility based on eligible accounts receivable and inventories. There were no borrowings outstanding under the Bank Facility at the end of the third quarter of 2009. The Bank Facility expires in 2012 and is secured by substantially all of the assets of the Company. Certain covenants and restrictions, including a fixed charge coverage ratio as defined in the loan agreement, will become effective if availability under the Bank Facility is less than \$5,000,000. The Company did not comply with the fixed charge coverage ratio at October 3, 2009; however, the Company's availability under the Bank Facility exceeded \$5,000,000 at October 3, 2009 and, accordingly, the covenant regarding this ratio did not apply at the end of the third quarter of 2009. The Company expects to have availability under the Bank Facility in excess of \$5,000,000 during the remainder of 2009.

The Company's ability to borrow under the Bank Facility is dependent upon a borrowing base calculation consisting of eligible accounts receivable and inventories, as well as compliance with the terms of the Bank Facility. While the Company expects to comply with the Bank Facility, in the event that it is in default, the bank could declare all obligations then outstanding to be immediately due, terminate the Bank Facility extended to the Company and take certain other actions as a secured creditor, which could adversely affect the Company's liquidity and business. Among the provisions of the Bank Facility that the bank may consider in determining if the Company is in default is whether any change in the Company's condition could reasonably be expected to have a material adverse effect on the business, operations, condition (financial or otherwise) or prospects of the Company or the value of any material collateral, or whether any event or circumstance impairs the ability of the Company to repay any obligations owed under the Bank Facility. If a default occurs, the Company could attempt to obtain a waiver from the bank, but there is no assurance that the bank would grant such a waiver.

On November 6, 2009, a new Federal law was enacted that significantly expands the five-year Net Operating Loss (NOL) carryback opportunity enacted earlier this year as part of the Federal stimulus bill. The new legislation allows U.S. companies of all sizes to carry back NOLs incurred in 2008 or 2009 to the previous five years. This carryback can offset all of a taxpayer's taxable income in the first four taxable years, and 50 percent of the taxable income in the fifth carryback year. As a result of this legislation, the Company expects to receive a significant refund in 2010 of previously paid federal income taxes based on the amount of such taxes paid for its 2003 and 2004 tax years. Because the legislation is new and the U.S. Treasury has not yet issued any regulations, the Company currently is unable to determine the amount of the refund.

**Table of Contents**

The Company believes that its cash and availability under its Bank Facility will be adequate to meet its short term liquidity requirements. The Company has implemented expense controls and limitations on capital expenditures to conserve cash during the current economic recession. The Company will need to generate cash flow from operations in future periods in order to meet its long term liquidity needs. In the absence of adequate cash flow from operations in the future, the Company may need to further restrict expenditures, sell assets, or seek additional business funding.

**Recently Issued Accounting Standards**

For a discussion of recently issued accounting standards, refer to Note 11 to the Condensed Consolidated Financial Statements.

**Forward-Looking Statements**

Certain information and statements contained in this report, including, without limitation, in the section captioned Management's Discussion and Analysis of Financial Condition and Results of Operations, are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. These forward-looking statements can be generally identified as such because they include future tense or dates, or are not historical or current facts, or include words such as believes, may, expects, intends, plans, anticipates, or words of similar import. Forward-looking statements are not guarantees of performance or outcomes and are subject to certain risks and uncertainties that could cause actual results or outcomes to differ materially from those reported, expected, or anticipated as of the date of this report.

Among the risks and uncertainties that could cause actual results or outcomes to differ materially from those reported, expected or anticipated are general economic conditions, including the impact of the current global recession; import and domestic competition in the furniture industry; ability of the Company to execute its business strategies, implement its new business model and successfully complete its business transition; ability to grow sales and reduce expenses to eliminate its operating loss; supply disruptions with products manufactured in China and other Asian countries; continued availability under the Company's Bank Facility; market interest rates; consumer confidence levels; cyclical nature of the furniture industry; consumer and business spending; changes in relationships with customers; customer acceptance of existing and new products; new home and existing home sales; financial viability of the Company's customers and their ability to continue or increase product orders; loss of key management; the actual amount and the receipt by the Company of the refund of previously paid federal income taxes; other factors that generally affect business; and the risks set forth in the Company's annual report on Form 10-K for the year ended December 31, 2008 and Form 10-Q for the quarter ended October 3, 2009.

The Company does not undertake any obligation to update or revise publicly any forward-looking statements to reflect information, events or circumstances after the date of such statements or to reflect the occurrence of anticipated or unanticipated events or circumstances.

**Table of Contents**

**Item 4T. Controls and Procedures**

Chromcraft Revington's principal executive officer and principal financial officer have concluded, based upon their evaluation, that the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) under the Securities Exchange Act of 1934, as amended), were effective as of the end of the period covered by this Form 10-Q.

There were no changes in Chromcraft Revington's internal control over financial reporting that occurred during the third quarter of 2009 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II.

**Item 6. Exhibits**

- 3.1 Certificate of Incorporation of the Registrant, as amended, filed as Exhibit 3.1 to Form S-1, registration number 33-45902, as filed with the Securities and Exchange Commission on February 21, 1992, is incorporated herein by reference.
- 3.2 By-laws of the Registrant, as amended, filed as Exhibit 3.2 to Form 8-K, as filed with the Securities and Exchange Commission on October 16, 2009, is incorporated herein by reference.
- 31.1 Certification of Chief Executive Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of Vice President – Finance and Principal Financial Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certifications of Chief Executive Officer and Vice President – Finance and Principal Financial Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

**Table of Contents**

**SIGNATURES**

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

Chromcraft Revington, Inc.  
(Registrant)

Date: November 17, 2009

By: /s/ Ronald H. Butler  
Ronald H. Butler,  
Chairman and Chief Executive Officer

Date: November 17, 2009

By: /s/ Myron D. Hamas  
Myron D. Hamas,  
Vice President Finance and  
Principal Financial Officer