

CHROMCRAFT REVINGTON INC

Form 10-Q

November 13, 2007

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

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

**For the quarterly period ended September 29, 2007**

**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 is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer

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 6,173,476 shares as of November 2, 2007

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## 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 |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | Sept. 29,<br>2007  | Sept. 30,<br>2006 | Sept. 29,<br>2007 | Sept. 30,<br>2006 |
| Sales  | \$ 28,412          | \$ 35,348         | \$ 95,028         | \$ 121,589        |
| Cost of sales                                | 24,661             | 34,798            | 83,498            | 103,912           |
| Gross margin                                 | 3,751              | 550               | 11,530            | 17,677            |
| Selling, general and administrative expenses | 7,128              | 6,885             | 22,160            | 20,933            |
| Operating loss                               | (3,377)            | (6,335)           | (10,630)          | (3,256)           |
| Interest income (expense), net               | 10                 | (63)              | 50                | (193)             |
| Loss before income tax benefit               | (3,367)            | (6,398)           | (10,580)          | (3,449)           |
| Income tax benefit                           | 1,286              | 1,941             | 4,020             | 797               |
| Net loss                                     | \$ (2,081)         | \$ (4,457)        | \$ (6,560)        | \$ (2,652)        |
| Loss per share of common stock               |                    |                   |                   |                   |
| Basic  | \$ (.46)           | \$ (1.01)         | \$ (1.46)         | \$ (.60)          |
| Diluted                                      | \$ (.46)           | \$ (1.01)         | \$ (1.46)         | \$ (.60)          |
| Shares used in computing loss per share      |                    |                   |                   |                   |
| Basic  | 4,510              | 4,423             | 4,493             | 4,406             |
| Diluted                                      | 4,510              | 4,423             | 4,493             | 4,406             |

*See accompanying notes to condensed consolidated financial statements.*

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

|   | Sept. 29,<br>2007 | Sept. 30,<br>2006 | Dec. 31,<br>2006 |
|---|-------------------|-------------------|------------------|
| <b>Assets</b>                               |                   |                   |                  |
| Cash and cash equivalents                   | \$ 7,747          | \$ 2,384          | \$ 8,418         |
| Accounts receivable                         | 15,371            | 18,949            | 19,072           |
| Refundable income taxes                     | 4,323             |                   |                  |
| Inventories                                 | 27,022            | 34,700            | 28,667           |
| Assets held for sale                        | 686               |                   | 5,068            |
| Deferred income taxes and prepaid expenses  | 2,787             | 2,840             | 3,104            |
| <br>  |                   |                   |                  |
| Current assets                              | 57,936            | 58,873            | 64,329           |
| <br>  |                   |                   |                  |
| Property, plant and equipment, net          | 17,477            | 26,115            | 19,212           |
| Deferred income taxes and other assets      | 2,685             | 1,672             | 2,277            |
| <br>  |                   |                   |                  |
| Total assets                                | \$ 78,098         | \$ 86,660         | \$ 85,818        |
| <br>  |                   |                   |                  |
| <b>Liabilities and Stockholders' Equity</b> |                   |                   |                  |
| Accounts payable                            | \$ 4,545          | \$ 4,554          | \$ 5,144         |
| Accrued liabilities                         | 6,774             | 8,058             | 7,534            |
| <br>  |                   |                   |                  |
| Current liabilities                         | 11,319            | 12,612            | 12,678           |
| <br>  |                   |                   |                  |
| Deferred compensation                       | 1,297             | 2,010             | 1,918            |
| Other long-term liabilities                 | 998               | 1,037             | 804              |
| <br>  |                   |                   |                  |
| Total liabilities                           | 13,614            | 15,659            | 15,400           |
| <br>  |                   |                   |                  |
| Stockholders' equity                        | 64,484            | 71,001            | 70,418           |
| <br>  |                   |                   |                  |
| Total liabilities and stockholders' equity  | \$ 78,098         | \$ 86,660         | \$ 85,818        |

*See accompanying notes to condensed consolidated financial statements.*

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

|  | Nine Months Ended |                   |
|--|-------------------|-------------------|
|  | Sept. 29,<br>2007 | Sept. 30,<br>2006 |
| Operating Activities   |                   |                   |
| Net loss   | \$ (6,560)        | \$ (2,652)        |
| Adjustments to reconcile net loss to net cash provided by (used in) operating activities |                   |                   |
| Depreciation and amortization expense  | 1,407             | 2,502             |
| Deferred income taxes  | 451               | (1,131)           |
| Non-cash asset impairment charges  | 1,100             | 2,867             |
| Non-cash ESOP compensation expense   | 425               | 620               |
| Non-cash stock compensation expense  | 237               | 371               |
| Non-cash inventory write-downs   | 3,113             | 3,378             |
| Provision for doubtful accounts  | 245               | 250               |
| (Gain) loss on disposal of assets  | (341)             | 19                |
| Changes in operating assets and liabilities  |                   |                   |
| Accounts receivable  | 3,456             | (464)             |
| Refundable income taxes  | (4,323)           |                   |
| Inventories  | (1,468)           | (1,069)           |
| Prepaid expenses   | (7)               | (484)             |
| Accounts payable   | (599)             | (894)             |
| Accrued liabilities  | (775)             | 730               |
| Deferred compensation  | (621)             | (477)             |
| Other long-term liabilities and assets   | (326)             | 47                |
| <br>   |                   |                   |
| Cash provided by (used in) operating activities  | (4,586)           | 3,613             |
| <br>   |                   |                   |
| Investing Activities   |                   |                   |
| Capital expenditures   | (538)             | (1,239)           |
| Proceeds on disposal of assets   | 4,489             | 10                |
| <br>   |                   |                   |
| Cash provided by (used in) investing activities  | 3,951             | (1,229)           |
| <br>   |                   |                   |
| Financing Activities   |                   |                   |
| Purchase of common stock by ESOP trust   | (36)              |                   |
| <br>   |                   |                   |
| Cash used in financing activities  | (36)              |                   |
| <br>   |                   |                   |
| Change in cash and cash equivalents  | (671)             | 2,384             |

|  |          |    |       |
|--|----------|----|-------|
| Cash and cash equivalents at beginning of the period | 8,418    |    |       |
| Cash and cash equivalents at end of the period       | \$ 7,747 | \$ | 2,384 |

*See accompanying notes to condensed consolidated financial statements.*

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Condensed Consolidated Statement of Stockholders Equity (unaudited)  
 For the Nine Months Ended September 29, 2007  
 Chromcraft Revington, Inc.  
 (In thousands, except share data)

|  | Common Stock |        | Capital<br>in<br>Excess<br>of<br>Par<br>Value | Unearned<br>ESOP<br>Shares | Retained<br>Earnings | Treasury Stock |             | Total<br>Stockholders<br>Equity |
|--|--------------|--------|---|----------------------------|----------------------|----------------|-------------|---------------------------------|
|  | Shares       | Amount |   |                            |                      | Shares         | Amount      |                                 |
| Balance at January 1, 2007                                       | 7,944,163    | \$ 80  | \$ 18,075                                     | \$ (16,708)                | \$ 89,971            | (1,776,287)    | \$ (21,000) | \$ 70,418                       |
| Net loss   |              |        |   |                            | (6,560)              |                |             | (6,560)                         |
| ESOP compensation expense  |              |        | (118)   | 543                        |                      |                |             | 425                             |
| Purchase of common stock by ESOP Trust                           |              |        |   | (36)                       |                      |                |             | (36)                            |
| Issuance of restricted stock awards                              | 13,100       |        |   |                            |                      |                |             |                                 |
| Cancellation of restricted stock award                           | (7,500)      |        |   |                            |                      |                |             |                                 |
| Amortization of unearned compensation of restricted stock awards |              |        | 216   |                            |                      |                |             | 216                             |
| Stock option compensation expense                                |              |        | 21  |                            |                      |                |             | 21                              |
| Balance at September 29, 2007                                    | 7,949,763    | \$ 80  | \$ 18,194                                     | \$ (16,201)                | \$ 83,411            | (1,776,287)    | \$ (21,000) | \$ 64,484                       |

*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 Article 10 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 three and nine months ended September 29, 2007 are not necessarily indicative of the results that may be expected for the year ending December 31, 2007.

The balance sheet at December 31, 2006 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 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, 2006.

**Note 2. Inventories**

Inventories consisted of the following:

|                 | <i>(In thousands)</i> |                   |                  |
|-----------------|-----------------------|-------------------|------------------|
|                 | Sept. 29,<br>2007     | Sept. 30,<br>2006 | Dec. 31,<br>2006 |
| Raw materials   | \$ 8,227              | \$ 11,249         | \$ 10,876        |
| Work-in-process | 3,314                 | 4,725             | 3,488            |
| Finished goods  | 19,109                | 22,033            | 17,726           |
|                 | 30,650                | 38,007            | 32,090           |
| LIFO reserve    | (3,628)               | (3,307)           | (3,423)          |
|                 | \$ 27,022             | \$ 34,700         | \$ 28,667        |

**Table of Contents****Note 3. Restructuring and Asset Impairment Charges**

In 2006, the board of directors of the Company approved the restructuring of certain of the Company's operations. The restructuring program includes the shut down, relocation, consolidation, and outsourcing of certain furniture manufacturing and distribution operations, and is expected to be completed during 2007. The purposes of the restructuring program are to reduce fixed costs, to improve the utilization of a global supply chain, and to increase asset utilization.

Restructuring charges recorded for the three and nine months ended September 29, 2007 and September 30, 2006 were as follows:

|   | <i>(In thousands)</i> |                   |                   |                   |
|---|-----------------------|-------------------|-------------------|-------------------|
|   | Three Months Ended    |                   | Nine Months Ended |                   |
|   | Sept. 29,<br>2007     | Sept. 30,<br>2006 | Sept. 29,<br>2007 | Sept. 30,<br>2006 |
| Restructuring charges:                          |                       |                   |                   |                   |
| Costs to shut down, vacate and prepare for sale | \$ 14                 | \$ 36             | \$ 343            | \$ 36             |
| One-time termination benefits                   |                       | 122               | 78                | 122               |
| Inventory write-downs                           |                       | 2,748             |                   | 2,748             |
| Asset impairment charges                        | 14                    | 2,906             | 421               | 2,906             |
|   | (67)                  | 2,867             | 978               | 2,867             |
|   | \$ (53)               | \$ 5,773          | \$ 1,399          | \$ 5,773          |
| Statements of Operations classification:        |                       |                   |                   |                   |
| Gross margin                                    | \$ (66)               | \$ 5,633          | \$ 1,171          | \$ 5,633          |
| Selling general and administrative expenses     | 13                    | 140               | 228               | 140               |
|   | \$ (53)               | \$ 5,773          | \$ 1,399          | \$ 5,773          |

The Company expects to incur total restructuring costs of \$1,378,000 for one-time termination benefits and costs to shut down, vacate and prepare the facilities for sale as follows:

|   | <i>(In thousands)</i>   |                                      |          |
|---|---|--------------------------------------|----------|
|   | Cumulative<br>Costs<br>Incurred to<br>Date<br>Sept. 29,<br>2007 | Remaining<br>Three<br>Months<br>2007 | Total    |
| Costs to shut down, vacate and prepare for sale | \$ 822  | \$ 15                                | \$ 837   |
| One-time termination benefits                   | 541   |                                      | 541      |
|   | \$ 1,363  | \$ 15                                | \$ 1,378 |



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Charges to expense, cash payments or asset write-downs for the nine months ended September 29, 2007 and the restructuring liabilities at September 29, 2007 and December 31, 2006 were as follows:

|  | <i>(In thousands)</i> |                          |                  |                              |                   |
|--|-----------------------|--------------------------|------------------|------------------------------|-------------------|
|  | Dec. 31,<br>2006      | Charges<br>to<br>Expense | Cash<br>Payments | Asset<br>Impairments,<br>Net | Sept. 29,<br>2007 |
| Costs to shut down, vacate and<br>prepare for sale | \$ 29                 | \$ 343                   | \$ (372)         | \$                           | \$                |
| One time termination benefits                      | 260                   | 78                       | (338)            |                              |                   |
| Asset impairment charges                           |                       | 978                      |                  | (978)                        |                   |
|  | \$ 289                | \$ 1,399                 | \$ (710)         | \$ (978)                     | \$                |

For the nine months ended September 29, 2007, the Company recorded a pre-tax gain of \$341,000 primarily due to the disposition of assets held for sale as part of the 2006 restructuring program.

**Note 4. Assets Held for Sale**

Assets held for sale consisted of the following:

|                         | <i>(In thousands)</i> |                   |                  |
|-------------------------|-----------------------|-------------------|------------------|
|                         | Sept. 29,<br>2007     | Sept. 30,<br>2006 | Dec. 31,<br>2006 |
| Land and buildings      | \$ 686                | \$                | \$ 4,690         |
| Machinery and equipment |                       |                   | 378              |
|                         | \$ 686                | \$                | \$ 5,068         |

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

Property, plant and equipment consisted of the following:

|  | <i>(In thousands)</i> |                   |                  |
|--|-----------------------|-------------------|------------------|
|  | Sept. 29,<br>2007     | Sept. 30,<br>2006 | Dec. 31,<br>2006 |
| Land   | \$ 925                | \$ 2,231          | \$ 925           |
| Buildings and improvements                     | 26,096                | 31,342            | 25,989           |
| Machinery and equipment                        | 39,423                | 46,539            | 41,059           |
| Leasehold improvements                         | 626                   | 1,041             | 1,059            |
| Construction in progress                       | 94                    | 194               | 116              |
|  | 67,164                | 81,347            | 69,148           |
| Less accumulated depreciation and amortization | (49,687)              | (55,232)          | (49,936)         |
|  | \$ 17,477             | \$ 26,115         | \$ 19,212        |

**Note 6. Accrued Liabilities**

Accrued liabilities consisted of the following:

|                           | <i>(In thousands)</i> |                   |                  |
|---------------------------|-----------------------|-------------------|------------------|
|                           | Sept. 29,<br>2007     | Sept. 30,<br>2006 | Dec. 31,<br>2006 |
| Employee-related benefits | \$ 1,716              | \$ 2,625          | \$ 1,945         |
| Compensation related      | 1,000                 | 519               | 408              |
| Deferred compensation     | 741                   | 799               | 1,071            |
| Sales commissions         | 592                   | 778               | 708              |
| Property taxes            | 471                   | 731               | 560              |
| Other accrued liabilities | 2,254                 | 2,606             | 2,842            |
|                           | \$ 6,774              | \$ 8,058          | \$ 7,534         |

**Table of Contents****Note 7. 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 makes annual contributions to the ESOP Trust equal to the ESOP Trust's repayment of its loan from the Company. As the ESOP loan is repaid, shares are released and allocated to ESOP accounts of active employees based on the proportion of debt service paid in the year. Chromcraft Revington accounts for its ESOP in accordance with AICPA Statement of Position 93-6, *Accounting for Employee Stock Ownership Plans*. Accordingly, unearned ESOP shares are reported as a reduction of stockholders equity as reflected in the Condensed Consolidated Statement of Stockholders' Equity of the Company. As shares are committed to be released, Chromcraft Revington reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings (loss) per share computations. ESOP compensation expense, a non-cash charge, for the three and nine months ended September 29, 2007 was \$139,000 and \$425,000, respectively, compared to \$182,000 and \$620,000, respectively, for the prior year periods. ESOP shares consisted of the following:

|                                    | <i>(In thousands)</i> |                   |                  |
|------------------------------------|-----------------------|-------------------|------------------|
|                                    | Sept. 29,<br>2007     | Sept. 30,<br>2006 | Dec. 31,<br>2006 |
| Allocated shares                   | 263                   | 244               | 296              |
| Committed to be released shares    | 51                    | 51                |                  |
| Unearned ESOP shares               | 1,620                 | 1,688             | 1,671            |
| <b>Total ESOP shares</b>           | <b>1,934</b>          | <b>1,983</b>      | <b>1,967</b>     |
| <br>                               |                       |                   |                  |
| Unearned ESOP shares, at cost      | \$ 16,201             | \$ 16,878         | \$ 16,708        |
| Fair value of unearned ESOP shares | \$ 7,631              | \$ 16,675         | \$ 14,353        |

**Note 8. Earnings per Share of Common Stock**

Due to the net loss in the three and nine months ended September 29, 2007, and September 30, 2006, loss per share, basic and diluted, are the same, as the effect of potential common shares would be antidilutive.

**Note 9. Income Taxes**

The Company adopted the provisions of Financial Accounting Standards Board ( FASB ) Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ( FIN 48 ), on January 1, 2007. The implementation of FIN 48 did not result in recognition of previously unrecognized tax benefits. At January 1, 2007 and September 29, 2007, the Company had \$270,000 of unrecognized tax benefits, all of which would affect the effective tax rate if recognized.

The Company or its subsidiaries file federal and various state income tax returns. The Internal Revenue Service concluded an examination of the Company's U.S. income tax return for the year ended December 31, 2002, with no proposed adjustments. With few exceptions, the Company is no longer subject to state or local income tax examinations by tax authorities for years before 2003.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense in the consolidated financial statements. For the nine months ended September 29, 2007, the Company recognized approximately \$4,000 in interest and penalties.

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

**Overview**

In recent years, the furniture industry has rapidly shifted to a global supply chain. Foreign manufacturers, primarily located in China and other Asian countries, have used substantially lower labor costs and somewhat lower material costs to achieve a competitive advantage over U.S. based manufacturers. The Company is adapting to these competitive conditions by shifting its business toward use of the global supply chain and transitioning its U.S. based operations to build-to-order customization and distribution activities. As part of this transition, the Company has consolidated and shutdown facilities, reduced employment levels, expanded its Asian sourcing and supply chain operations and is progressively outsourcing existing furniture lines and developing new products utilizing the global supply chain.

The Company is also changing its organization structure from autonomous operating divisions to a unified functional organization and transitioning its management and staffing to support the new business model. In 2007, the Company consolidated its residential sales, product development and marketing functions, combined its product showrooms and launched new products under a CR Home banner using extensive consumer research. Supply chain, operations and other administrative areas are also transitioning to a centralized management structure.

As part of its transformation, the Company has incurred asset impairment charges, inventory write-downs, plant shutdown costs, employee severance costs and other restructuring related costs and reported operating losses in 2007 and 2006. Additional transition costs, reduced revenue, increased operating expenses, restructuring charges and asset impairments will likely occur as the Company continues its transformation. The Company believes that the shift in its business model will provide a more competitive business model of import and U.S. customization capabilities. Also, the new business model is expected to have a more variable cost structure, which the Company anticipates will provide greater flexibility in competing in the furniture industry.

For the first nine months of 2007, the Company used \$4.6 million in cash in operating activities, which was partially offset by cash of \$4.5 million provided by asset dispositions from the restructuring activities in 2006. At September 29, 2007, the Company had cash of \$7.7 million and no bank indebtedness. The Company anticipates a tax operating loss for 2007 and plans to carry back its tax loss to taxable income years for a refund of taxes paid in 2006 and 2005. At September 29, 2007 the Company recorded refundable income taxes of \$4.3 million. Most of these tax refunds are expected to be received in 2008.

The Company has a revolving loan facility ( Bank Facility ) with a bank that allows the Company to borrow up to \$35 million based on eligible accounts receivable and inventories. The Bank Facility is secured by substantially all of the assets of the Company and its subsidiaries. At September 29, 2007, the Company had approximately \$18.7 million in availability under the Bank Facility. The Bank Facility's only restrictive financial covenant is applicable when availability under the Bank Facility is below \$5 million. The Bank Facility expires in 2012.

**Table of Contents****Results of Operations**

The following table sets forth the Condensed Consolidated Statements of Operations of Chromcraft Revington for the three and nine months ended September 29, 2007 and September 30, 2006 expressed as a percentage of sales.

|  | Three Months Ended |                   | Nine Months Ended |                   |
|--|--------------------|-------------------|-------------------|-------------------|
|  | Sept. 29,<br>2007  | Sept. 30,<br>2006 | Sept. 29,<br>2007 | Sept. 30,<br>2006 |
| Sales  | 100.0%             | 100.0%            | 100.0%            | 100.0%            |
| Cost of sales                                | 86.8               | 98.4              | 87.9              | 85.5              |
| Gross margin                                 | 13.2               | 1.6               | 12.1              | 14.5              |
| Selling, general and administrative expenses | 25.1               | 19.5              | 23.3              | 17.2              |
| Operating loss                               | (11.9)             | (17.9)            | (11.2)            | (2.7)             |
| Interest income (expense), net               |                    | (0.2)             | 0.1               | (0.2)             |
| Loss before income tax benefit               | (11.9)             | (18.1)            | (11.1)            | (2.9)             |
| Income tax benefit                           | 4.6                | 5.5               | 4.2               | 0.7               |
| Net loss                                     | (7.3)%             | (12.6)%           | (6.9)%            | (2.2)%            |

Sales for the three and nine months ended September 29, 2007 of \$28.4 million and \$95.0 million, respectively, represented a decrease of 20% and 22%, respectively, from the same periods last year. Residential furniture shipments in 2007 were lower due to a weak retail environment, competitive pressure from imports, and the impact of restructuring the Company. Commercial furniture shipments rose in 2007 as compared to the prior year primarily due to higher shipments of seating products. The consolidated sales decrease for 2007 was primarily due to lower unit volume.

Gross margin for the three and nine months ended September 29, 2007 was \$3.8 million and \$11.5 million, respectively, as compared to \$.6 million and \$17.7 million, respectively, for the prior year periods. Gross margin in 2007 was negatively impacted by the lower sales volume, product sales mix, price discounting, and non-cash charges for inventory write-downs. The lower sales volume resulted in a reduced domestic production level, which unfavorably impacted fixed cost absorption and manufacturing operations. For the three and nine months ended September 29, 2007, the Company recorded non-cash inventory write-downs of \$.7 million pre-tax and \$3.1 million pre-tax, respectively, compared to \$3.1 million pre-tax and \$3.4 million pre-tax, respectively, in the prior year periods to reflect anticipated net realizable value on disposition. The Company also recorded non-cash asset impairment charges of \$1.1 million pre-tax in the first nine months of 2007 as compared to \$2.9 million pre-tax in the prior year period to reduce the carrying value of long term assets to expected disposition value. The asset impairment charge in 2006 was recorded in the third quarter of 2006.



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Selling, general and administrative expenses as a percentage of sales were 25.1% and 23.3%, respectively, for the three and nine months ended September 29, 2007, compared to 19.5% and 17.2%, respectively, for the same periods last year. The higher percentage in the 2007 periods was primarily due to fixed selling and administrative costs spread over a lower sales volume. The Company also incurred higher product development, marketing and selling costs in 2007 primarily to support its new focus on consumer research based products. In addition, compensation related expenses, including employee severance costs, were higher in the three and nine months ended September 29, 2007 compared to the same periods in the prior year.

Net interest income for the three and nine months ended September 29, 2007 was \$10,000 and \$50,000, respectively, as compared to net interest expense of \$63,000 and \$193,000, respectively, for the same periods in 2006. Net interest income for the three and nine months ended September 29, 2007 was due to an increase in available funds for investment as compared to the year earlier periods.

Chromcraft Revington's effective income tax benefit rate for the three and nine months ended September 29, 2007 was 38.2% and 38.0%, respectively, as compared to 30.3% and 23.1%, respectively, for the same periods in 2006. The lower tax benefit in 2006 was primarily due to the establishment of a valuation allowance for a state net operating loss carryforward.

**Liquidity and Capital Resources**

Operating activities of the Company used \$4.6 million of cash for the first nine months of 2007 as compared to \$3.6 million of cash generated in the prior year period. The decrease in cash from operating activities in 2007 as compared to the prior year period was primarily due to an increase in the operating loss in 2007. The Company expects a tax operating loss for 2007 and plans to carry back its tax loss to taxable income years for a refund of taxes paid in 2006 and 2005. At September 29, 2007, the Company recorded refundable income taxes of \$4.3 million. Most of these tax refunds are expected to be received in 2008.

Investing activities generated cash of \$4.0 million for the nine months ended September 29, 2007 as compared to \$1.2 million of cash used in the prior year period. During the first nine months of 2007, the Company received cash proceeds of \$4.5 million on asset dispositions. The Company used cash of \$.5 million for capital expenditures during the first nine months of 2007, as compared to \$1.2 million spent during the same period last year. The Company expects to spend approximately \$1.1 million in 2007 on capital expenditures.

At September 29, 2007, the Company had \$18.7 million in availability under a revolving loan facility with a bank ( Bank Facility ), which reflects a \$1.3 million reduction for a letter of credit outstanding in connection with a self-insured workers compensation program. Interest rates under the Bank Facility are determined at the time of borrowing, at the Company's option, at either the bank's prime rate or the London Interbank Offered Rate (LIBOR). The Bank Facility contains one restrictive financial covenant, which is applicable when availability under the Bank Facility is below \$5 million. The Bank Facility is secured by substantially all of the assets of Chromcraft Revington and its subsidiaries. The Bank Facility expires in 2012 and there were no borrowings outstanding at September 29, 2007.

The Company's primary sources of liquidity are cash on hand, tax refund receivables and availability under the Bank Facility. Management believes that these cash resources are adequate to meet its short and long term liquidity requirements.

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### Recently Issued Accounting Standards

In September 2006, FASB issued Statement of Financial Accounting Standards No. 157, *Fair Value Measurements* ( FAS 157 ), which is effective prospectively for the fiscal year beginning after November 15, 2007. FAS 157 provides a single authoritative definition of fair value, a framework for measuring fair value, and requires additional disclosure about fair value measurements. Although the Company has not completed its analysis of FAS 157, it is not expected to have a material impact.

In February 2007, FASB issued Statement of Financial Accounting Standards No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities including an amendment of FASB No. 115* ( FAS 159 ), which is effective prospectively for the fiscal year beginning after November 15, 2007. FAS 159 permits entities to measure many financial instruments and certain other items at fair value, expanding the use of fair value measurement consistent with FAS No. 157. Although the Company has not completed its analysis of FAS 159, it is not expected to have a material impact.

### 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 meaning. 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; 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 transformation; 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; other factors that generally affect business; and the risk factors set forth in this Form 10-Q and the Company's annual report on Form 10-K for the year ended December 31, 2006.

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.

### Item 3. Quantitative and Qualitative Disclosures About Market Risk

The Company had no bank indebtedness in 2007 and, therefore, no interest rate risk.

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The Company sources certain raw materials and finished furniture, primarily from China. These purchases are fixed price contracts payable in U.S. dollars and, therefore, the Company has no material foreign exchange rate risk exposure.

During the first nine months of 2007, certain inventories were written down to anticipated net realizable value, and assets held for sale were recorded at fair value. These assets are subject to market changes, which may require the Company to make further write-downs or may result in further impairments.

**Item 4. 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 have been no significant changes in Chromcraft Revington's internal control over financial reporting that occurred during the third quarter of 2007 that may have materially affected, or are reasonably likely to materially affect, Chromcraft Revington's internal control over financial reporting.

PART II.

**Item 1A. Risk Factors**

**We may have difficulty returning to profitability.**

The Company incurred an operating loss for the three and nine months ended September 29, 2007. The Company will need to increase sales, reduce expenses, and/or improve manufacturing processes and procurement in order to return to profitability in future periods.

**We may not be able to effectively source our products competitively.**

The continued transformation of our business model will require enhanced global sourcing capabilities. To respond to competitive pressures and customer requirements, the Company will need to develop new and better products and source effectively in lower labor cost areas, such as China. Without an improvement in these capabilities, sales and operating results can be negatively impacted.

**Table of Contents****Item 2. Unregistered Sales of Equity Securities and Use of Proceeds**

The following table represents information with respect to shares of Chromcraft Revington common stock repurchased by the Company during the quarter ended September 29, 2007.

**Purchase of Equity Securities**

| Period                                | Total<br>number<br>of shares<br>purchased | Average<br>price<br>paid<br>per share | Total number<br>of shares<br>purchased as<br>part of<br>publicly<br>announced<br>plans or<br>programs | Maximum number<br>(or approximate<br>dollar value) of<br>shares that may<br>yet<br>be purchased<br>under the plans or<br>programs (1) |
|---------------------------------------|---|---------------------------------------|---|---|
| July 1, 2007 to July 28, 2007         |   |                                       |   | 702,965   |
| July 29, 2007 to August 25, 2007      |   |                                       |   | 702,965   |
| August 26, 2007 to September 29, 2007 |   |                                       |   | 702,965   |

Total

- (1) The Company has maintained a share repurchase program since 1997, which has no expiration date.

**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 December 12, 2005, 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 Chief 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 Chief Financial Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

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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 12, 2007

By: /s/ Frank T. Kane  
Frank T. Kane  
Sr. Vice President-Finance and  
Chief Financial Officer  
(duly authorized officer and principal  
accounting and financial officer)

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EXHIBIT INDEX

| Exhibit No. | Description   |
|-------------|---|
| 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 Chief 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 Chief Financial Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (filed herewith). |