Cooper-Standard Holdings Inc.
Form 10-K
March 31, 2009
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-K

(Mark one)

x **ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**
For the fiscal year ended December 31, 2008

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 333-123708

COOPER-STANDARD HOLDINGS INC.

(Exact name of registrant as specified in its charter)

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

39550 Orchard Hill Place Drive

Novi, Michigan 48375

(Address of principal executive offices) (Zip Code)

Registrant s telephone number, including area code:

(248) 596-5900

Securities registered pursuant to Section 12(b) of the Act: None.

Securities registered pursuant to Section 12(g) of the Act: None.

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ¨ No x

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes x No ¨

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

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant s knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. x

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

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

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

The number of the registrant s shares of common stock, $0.01 par value per share, outstanding as of March 24, 2009 was 3,479,100 shares.

The registrant s common stock is not publicly traded.

Table of Contents

TABLE OF CONTENTS

		Page
	PART I	
Item 1.	Business	3
Item 1A.	Risk Factors	15
Item 1B.	Unresolved Staff Comments	22
Item 2.	Properties	23
Item 3.	Legal Proceedings	24
Item 4.	Submission of Matters to a Vote of Security Holders	24
	PART II	
Item 5.	Market for Registrant s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities	25
Item 6.	Selected Financial Data	25
Item 7.	Management s Discussion and Analysis of Financial Condition and Results of Operations	27
Item 7A.	Quantitative and Qualitative Disclosures About Market Risk	48
Item 8.	Financial Statements and Supplementary Data	51
Item 9.	Changes in and Disagreements with Accountants on Accounting and Financial Disclosure	101
Item 9A(T).	Controls and Procedures	102
Item 9B.	Other Information	102
	PART III	
Item 10.	Directors, Executive Officers and Corporate Governance	103
Item 11.	Executive Compensation	107
Item 12.	Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters	138
Item 13.	Certain Relationships and Related Transactions and Director Independence	139
Item 14.	Principal Accountant Fees and Services	139
	PART IV	
Item 15.	Exhibits and Financial Statement Schedules	140
Signatures		146
Supplemental Information		147

PART I

Item 1. Business

The terms the Company, Cooper-Standard, we, us, and our in this Form 10-K refer to Cooper-Standard Holdings Inc. and its consolidated subsidiaries, unless the context requires otherwise.

General:

Cooper-Standard is a leading manufacturer of fluid handling, body sealing, and noise, vibration and harshness control (NVH) components, systems, subsystems, and modules, primarily for use in passenger vehicles and light trucks for global original equipment manufacturers (OEMs) and replacement markets. The Company conducts substantially all of its activities through its subsidiaries. The Company s principal executive offices are located at 39550 Orchard Hill Place Drive, Novi, Michigan 48375, and its telephone number is (248) 596-5900. Additional information is available at our website at www.cooperstandard.com, which is not a part of this Form 10-K.

We believe that we are the largest global producer of body sealing systems, one of the two largest North American producers in the NVH control business, and the second largest global producer of the types of fluid handling products that we manufacture. We design and manufacture our products in each major region of the world through a disciplined and consistent approach to engineering and production. The Company operates in 68 manufacturing locations and ten design, engineering, and administrative locations in 18 countries around the world.

The Company s principal shareholders are affiliates of The Cypress Group L.L.C. and GS Capital Partners 2000, L.P., whom we refer to as our Sponsors. Each of the Sponsors, including their respective affiliates, currently owns approximately 49.3% of the equity of Cooper-Standard Holdings Inc. See Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters .

Approximately 76% of our sales in 2008 were to automotive original equipment manufacturers (OEMs), including Ford, General Motors, Chrysler (collectively, the Detroit 3), Audi, BMW, Fiat, Honda, Mercedes Benz, Porsche, PSA Peugeot Citroën, Renault/Nissan, Toyota, and Volkswagen. The remaining 24% of our 2008 sales were primarily to Tier I and Tier II automotive suppliers. In 2008, our products were found in 22 of the 25 top-selling models in North America and in 24 of the 25 top-selling models in Europe.

Some market data and other statistical information used throughout this Form 10-K is based on data available from CSM Worldwide, an independent market research firm. Other data are based on our good faith estimates, which are derived from our review of internal surveys, as well as third party sources. Although we believe all of these third party sources are reliable, we have not independently verified the information and cannot guarantee its accuracy and completeness. To the extent that we have been unable to obtain information from third party sources, we have expressed our belief on the basis of our own internal analyses and estimates of our and our competitors products and capabilities.

Acquisition History

On December 23, 2004, Cooper-Standard Holdings Inc. acquired the automotive segment of Cooper Tire & Rubber Company (the 2004 Acquisition) and began operating the business on a stand-alone basis primarily through its principal operating subsidiary, Cooper-Standard Automotive Inc. See Item 8. Financial Statements and Supplementary Data (especially Notes 8 and 17, respectively) for further information concerning financing and equity contributions relating to the 2004 Acquisition.

In July 2005, the Company acquired Gates Corporation s Enfriamientos de Automoviles manufacturing operations in Atlacomulco, Mexico (the Atlacomulco business). The Atlacomulco business manufactures low pressure heating and cooling hose, principally for the OEM automotive market.

In February 2006, the Company acquired the automotive fluid handling systems business of ITT Industries, Inc. (FHS or the FHS business). See Item 8. Financial Statements and Supplementary Data (especially Note 3).

In March 2007, the Company acquired Automotive Components Holdings El Jarudo manufacturing operations located in Juarez, Mexico (the El Jarudo business). The El Jarudo business manufactures automotive fuel rails.

In August 2007, the Company completed the acquisition of nine Metzeler Automotive Profile Systems sealing systems operations in Germany, Italy, Poland, Belarus, and Belgium, and a joint venture interest in China (MAPS or the MAPS business) from Automotive Sealing Systems S.A. (ASSSA). See Item 8. Financial Statements and Supplementary Data (especially Note 3).

In December 2007, the Company acquired the 74% joint venture interest of ASSSA in Metzeler Automotive Profiles India Private Limited (MAP India), a leading manufacturer of automotive sealing products in India. See Item 8. Financial Statements and Supplementary Data (especially Note 3).

Business Environment and Industry Trends:

During 2008, our revenues were adversely affected by a significant decline in worldwide automotive production levels, particularly during the second half of the year. Production volumes during the first half of the year were relatively stable. During the second half of 2008, however, overall negative macroeconomic conditions, including disruptions in the financial markets, led to severe declines in consumer confidence which significantly impacted the demand for, and production of, passenger cars and light trucks.

A number of key industry developments and trends have coincided with, or resulted in whole or in part from, these negative macroeconomic conditions. These developments and trends include:

- A deterioration in the financial condition of certain of our customers which has caused them to implement restructuring initiatives, including in some cases significant capacity reductions and/or reorganization under bankruptcy laws. In certain cases, our customers have asked for and received financial assistance from government sources. Their ability to obtain further assistance to the extent necessary is unknown and creates additional uncertainty.

- A decline in market share, significant production cuts and permanent capacity reductions by some of our largest customers, including the Detroit 3.

- Continuing pricing pressures from OEMs.

- Growing concerns over the economic viability of certain of our suppliers whose financial stability, access to credit and liquidity is uncertain due to negative macroeconomic conditions and industry conditions.

- A shift in consumer preference and vehicle production mix, particularly in North America, from sport utility vehicles and light trucks to more fuel efficient vehicles, cross-over utility vehicles and passenger cars; and a shift in consumer preference and vehicle production mix, particularly in Europe, from large and mid-size passenger cars to smaller cars.

- Changes in foreign currency exchange rates that affect the relative competitiveness of manufacturing operations in different geographic markets.

Strategy:

We have undertaken a number of initiatives, and will be implementing additional measures, to reduce our cost and operating structures in order to position the Company to operate successfully under the difficult macroeconomic and industry conditions that adversely impacted us during the second half of 2008 and are likely to persist to a degree, and over a period of time, that is difficult to predict. At the same time, we intend to solidify our position as one of the world s leading automotive suppliers of body sealing, noise, vibration and harshness (NVH) control, and fluid handling components and systems. Our focus is on the following key areas:

Table of Contents

Reconfiguring our Business and Cost Structure as Appropriate in the Changing Industry Environment

In the second half of 2008, we announced the closure of two manufacturing facilities, one located in Australia and the other in Germany. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations (especially the Restructuring subsection beginning on page 41) for additional information concerning these and other restructuring actions undertaken by the Company since the 2004 Acquisition. We plan to continue to identify and implement restructuring opportunities so that the Company is appropriately configured in the rapidly changing industry environment.

We have also taken a number of other actions reducing the size of the Company s salaried and hourly workforce and adjusting work hours, wages, salaries and benefits at all levels of the Company, including the following actions:

- Implementation of across-the-board 10% reductions in the base salaries of the Company s salaried employees in the United States and Canada effective January 2009 through the first half of the year.
- Implementation of workforce reductions, reduced workweeks and mandatory time-off in many of the Company s locations.
- Implementation of short work weeks, voluntary salary reduction programs and other actions in Europe to effectuate cost-savings in accordance with applicable laws.
- The freezing of benefit accruals in certain defined benefit retirement plans, and the suspension of matching contributions under the Company s defined contribution plans for 2009.
- Reduction and delay of capital spending by raising return on investment hurdles.

On March 26, 2009, the Company announced the implementation of a comprehensive plan involving the discontinuation of its global product line operating divisions, formerly called the Body & Chassis Systems division and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. The Company will now operate from two divisions, North America and International (covering Europe, South America and Asia). Under the plan, the Company s reporting segments, as well as its operating structure, have changed. This new operating structure allows the Company to maintain its full portfolio of global products and provide unified customer contact points, while better managing its operating costs and resources in severe industry conditions. It will result in a reduction in the Company s worldwide salaried workforce of approximately 20 percent.

Solidifying global leadership position with emphasis on high growth vehicles around the world

We plan to maintain our leading positions with the Detroit 3, with particular emphasis on the vehicles they produce globally, and to continue to strengthen our relationships with European and Asian manufacturers as their market share increases. Many conquest business opportunities are becoming available worldwide as a result of significant automotive supply base consolidations. China and India will continue to be regions of emphasis as the light vehicle market is projected to grow in those regions as their economies continue to develop.

Further Developing Technologies and Customer Service

To further strengthen our customer relationships, we plan to continue to focus on innovative product development, program management, engineering excellence, and customer service, all of which enhance the value we offer our customers. We will continue to seek customer feedback with respect to quality, manufacturing, design and engineering, delivery, and after-sales support in an effort to provide the highest level of customer service and responsiveness. We believe our efforts have been successful to date and we continue to be awarded content on our customer s new programs. We have also achieved several recent

Table of Contents

successes with other OEMs, such as Nissan, Toyota, Honda, Audi, and Volkswagen. Further, our acquisition of MAPS diversified our customer base with new key customers such as Fiat, Audi, BMW, Daimler and Volkswagen Group. In Asia, and particularly in China, we have been successful in entering new markets and are developing a substantial manufacturing and marketing presence to serve local OEMs and to follow our customers as they target these markets. We operate eight manufacturing locations in China, which provide products and services to both Chinese OEMs and our traditional customers.

Targeting fuel efficient vehicles, global platforms and certain high volume vehicles

With the recent shift in customer preferences, we intend to target small car, hybrid and alternative powertrains and increase the amount of content we provide to each of these segments. Given our many innovations in products which help conserve fuel and reduce emissions, many customers are looking to us to assist them in providing lighter, more fuel efficient vehicles that meet consumer demand, as well as more stringent emissions standards.

Further expanding into the small car and hybrid market will allow us to gain market share, create greater economies of scale, and provide more opportunities to partner with customers on future generation designs of small cars, hybrids and alternative powertrains, as we can assist with newly introduced lightweight high- performance plastic materials for use in our hose and body sealing products and fuel rail assemblies, improve fuel flow and help reduce fuel consumption. Our engineering teams have also partnered with customers to deliver state-of-the-art thermal management solutions to enhance cooling effectiveness for the electric motors and batteries of their new hybrid vehicle platforms.

Global platforms which feature the same vehicle design produced in multiple regions of the world is a growing trend as it enables OEMs to reduce cost by leveraging global engineering, purchasing and supply base synergies. These types of programs allow us to showcase our production capabilities in all major regions of the world which has been a key element in winning business on these platforms. The combination of our global footprint, experience in global program management and worldwide customer service puts us in a leadership position as a proven supplier for future global programs.

While smaller cars and crossover vehicles have grown in popularity, certain large car and truck platforms (pick-up trucks) continue to be in demand and remain important as we look to maximize content and utilize our lean manufacturing program to continuously improve processes and increase productivity on these platforms. An example of this: The Ford F-150 continues to be a popular selling truck. Our overall content on the F-150 consists of the following products: engine mounts, transmission mounts, engine and transmission brackets (NVH products), appliqué, inner belts, outer belts, below belt brackets, body seals, door seals, glass runs, cutline seals, roof rail secondary seals, hood to radiator seals (sealing products), fuel tank bundle, fuel rails, chassis fuel bundle, brake line assemblies (fuel and brake products), radiator hose assemblies, heater hose assemblies, transmission oil cooler line assemblies (thermal management products) and engine emission tubes.

Through our extensive product portfolio, innovative solutions for emerging technology trends and broad global capabilities, we expect to continue winning new business across all major regions and with all major automakers in the global market.

Developing new modular solutions and other value-added products

In addition to products for fuel efficiency and lower emissions, we also believe that significant opportunities exist to grow by providing complete sub-systems, modules, and assemblies. As a leader in design, engineering, and technical capabilities, we are able to focus on improving products, developing new technologies, and implementing more efficient processes in each of our product lines. Our body sealing products, which are part of our body & chassis product portfolio, are visible to vehicle passengers and can enhance the vehicle s aesthetic appeal, in addition to creating a barrier to wind, precipitation, dust, and noise. Our noise, vibration and harshness control products (NVH), which are also part of our body & chassis products, are a fundamental part of the driving experience and can be important to the vehicle quality and can significantly improve ride and handling. Our fluid handling modules and sub-systems are designed to increase functionality and decrease cost to the OEM, which can be the deciding factor in winning new business.

To remain a leader in new product innovation, we will continue to invest in research and development and to focus on new technologies, materials, and designs. We believe that extensive use of Design for Six Sigma and other development strategies and techniques has led to some of our most successful recent product innovations, including our ESP Thermoplastic Glassruns (Body & Chassis), a proprietary plastics-to-aluminum overmolding process (Fluid Handling), and our hydromounts (Body & Chassis). Examples of successful modular innovations include engine cooling systems, fuel and brake systems, and exhaust gas recirculation modules in our fluid handling product category, and Daylight Opening Modules in our body & chassis category.

Selectively pursuing complementary acquisitions and alliances

We intend to continue to selectively pursue acquisitions and joint ventures to enhance our customer base, geographic penetration, market diversity, scale, and technology. Consolidation is an industry trend and is encouraged by OEMs desire for fewer supplier relationships. We believe joint ventures allow us to penetrate new markets with less relative risk and capital investment. We believe we have a strong platform for growth through acquisitions based on our past integration successes, experienced management team, global presence, and operational excellence. We also operate through several successful joint ventures, including those with Nishikawa Rubber Company, Zhejiang Saiyang Seal Products Co., Ltd. (Saiyang Sealing), Guyoung Technology Co. Ltd. (Guyoung), Hubei Jingda Precision Steel Tube Industry Co., Ltd. (Jingda), Shanghai Automotive Industry Corporation (SAIC) and Toyoda Gosei Co., Ltd. (Toyoda Gosei).

Expanding our footprint in Asia

While we have, through new facilities, acquisitions, and joint ventures, significantly expanded our presence in Asia, particularly China and India, we believe that significant opportunities for growth exist in this fast-growing market. We will continue to evaluate opportunities that enable us to establish or expand our design, technology and commercial support operations in that region and enhance our ability to serve current and future customers.

Focusing on operational excellence and cost structure

We will continue to intensely focus on the efficiency of our manufacturing operations and on opportunities to reduce our cost structure. Although the automotive supply sector is highly competitive, we believe that we have been able to maintain strong operating margins due in part to our ability to constantly improve our manufacturing processes and to selectively relocate or close facilities. Our primary areas of focus are:

- Identifying and implementing Lean initiatives throughout the Company. Our Lean initiatives are focused on optimizing manufacturing by eliminating waste, controlling cost, and enhancing productivity. Lean initiatives have been implemented at each of our manufacturing and design facilities and continue to be an important element in our disciplined approach to operational excellence.

- Evaluating opportunities to relocate operations to lower-cost countries. We are supplementing our Western European operation s higher labor content to more closely match our customers footprints for more efficient transport of parts. In addition, some components have been moved to China and India while also expanding in Mexico.

- Consolidating facilities to reduce our cost structure. Our restructuring efforts were primarily undertaken to streamline our global operations. We will continue to take a disciplined approach to evaluating opportunities that would improve our efficiency, profitability, and cost structure.

- Maintaining flexibility in all areas of our operations. Our operational capital needs are generally lower compared to many in the automotive industry. Our manufacturing machinery is re-programmable and many times movable from job-to-job providing us flexibility in adapting to market changes and serving customers.

Table of Contents

Developing business in non-automotive markets

While the automotive industry will continue to be our core business, we supply other industries with products using our expertise and material compounding capabilities. As a result of the MAPS acquisition, we acquired the technical rubber business which develops and produces rubber products for a variety of industry applications ranging from aircraft flooring, commercial flooring, insulating sheets for power stations, non-slip step coverings, rubber for appliances and construction applications. The technical rubber business has several thousand elastomer compounds to draw from and can custom fit almost any application.

Products:

We supply a diverse range of products on a global basis to a broad group of customers. For the year ended December 31, 2008, body & chassis and fluid handling products accounted for 61% and 39%, of net sales, respectively. For the year ended December 31, 2007, body & chassis and fluid handling products accounted for 55% and 45% of net sales, respectively. Our top ten platforms by sales accounted for nearly 28% of net sales in 2008, with the remainder derived from a multitude of platforms, composed of a diversity of sport-utility, light truck, and various classes of sedans and other vehicles. For information related to our reportable segments, please refer to Note 18 to the Consolidated Financial Statements.

Our principal product lines are described below:

Body & Chassis Products

We are a leading global supplier of body and chassis products. Body products consist of components that protect vehicle interiors from weather, dust and noise intrusion. Chassis products, also referred to as Noise Vibration and Harshness products (NVH), isolate and reduce noise and vibration to improve ride and handling. Both Body and Chassis products lead to a better driving experience for all occupants. For the years ended December 31, 2008 and 2007, we generated approximately 61% and 55%, respectively of total revenue before corporate eliminations from the sale of body and chassis products.

Body Sealing

Based on third party analysis we are the leading global supplier of body sealing products to the automotive industry with approximately 21% of global market share. We are known throughout the industry to be a leader in providing innovative design and manufacturing solutions for complex automotive designs.

Our body sealing products are comprised of ethylene propylene diene M-class rubber (EPDM) (synthetic rubber) and thermoplastic elastomers (TPE). The typical production process involves: mixing of rubber/plastic compounds, extrusion (supported with metal and woven wire carriers or unsupported), cutting, notching, forming, injection molding, and assembly.

Below is a description of our primary sealing product by segments:

Product Category	Description
Door Seals	Sectional seal design that fits the door structure and body cabin to seal rain, dust, and noise from the occupants of vehicles.
Body Seals	Secondary seal used to provide further noise and aesthetic coverage of weld flanges on the vehicle body.
Hood Seals	A seal located on the body flanges in the engine compartment offering protection against water, and dust penetration while also reducing engine and road noise in the vehicles interior during high speed travel.

Table of Contents

Product Category	Description
Belt Line Seals	A seal offering protection against water, dust and noise for driver and passenger door moveable glass.
Lower Door Seals	A seal that offers protection in the rocker area against water and dust penetration. Reduces loud road noise entering the cabin and maintains quietness during high speed driving.
Glass Run Channel Assembly	Enables the movable door glass and door to form one surface, improving glass movement and sealing the vehicles interior from the exterior environment.
Trunk Lid and Lift gate Seals	A seal located on the body flanges in the truck or lift gate compartment offering protection against water, and dust penetration.
Roof Seal	Convertible Roof Sealing: sealing materials that combine compressibility with superior design for use on soft top weather sealing applications.
Sunroof Seals	A seal required to create a narrow sealing space and minimize resistance for the sunroof.
Obstacle Detection Sensors	An extruded sensor that will reverse windows and doors. There are two types; 1) Proximity (P-ODS) and 2) Tactile (T-ODS). P-ODS sense the capacitance of an animate object and reverses the window/door systems with zero pinch force. T-ODS is a redundant feature that reverses window/door systems with a minimal pinch force. Both T and P ODS meet current global safety standards (e.g.FMVSS-118).

As a result of our global presence and reputation for innovation we are in the fortunate position to work with many of our OEM partners early in the development of their next generation vehicles. As a result of this up-front involvement, we have been able to develop innovative product and modular designs to meet these customers complex next generation vehicle designs.

Chassis

Based on third party analysis, we are one of the leading suppliers of Chassis (NVH) products in North America with approximately 14% of North American market share. We are known in North America for utilizing our advanced development and testing of NVH products and subsystems to provide innovative solutions.

Our chassis products include components manufactured with various types of rubber: natural rubber, butyl or EPDM in combination with stamped steel, aluminum or cast iron sub-components. Additionally we supply brackets that are manufactured from stamped steel, aluminum or cast iron as individual final products. The typical production process for a rubber and metal product involves; mixing of rubber compounds, metal preparation (cleaning and primer application), injection molding of the rubber and metals, final assembly, and testing as required based on specific products.

Table of Contents

Below is a description of our primary chassis product by segments:

Product Category	Description
Body/Cradle Mounts	Enable isolation of the interior cabin from the vehicle body reducing noise, vibration, and harshness.
Engine Mounts	Secure and isolate vehicle powertrain noise, vibration, and harshness from the uni-body or frame.
Transmission Mounts	Enable mounting of transmission to vehicle body and reducing vibration and harshness from the powertrain.
Torque Link	Control the fore and aft movement of transverse mounted engines within their compartment while isolating engine noise and vibration from the body.
Strut Mounts	Isolates vibration from the suspension and dampens vibration from the suspension into the interior cabin.
Spring Seats/ Bumpers	Work in conjunction with NVH systems to prevent offensive noise generation.
Suspension Bushing	Allows flexibility in suspension components and eliminates NVH from entering into interior cabin.
Mass Damper	Developed to counteract a specific resonance at a specific frequency to eliminate vibration.
Hydromounts/ Hydrobushings	An engine mount or suspension bushing filled with fluid. A hydromount provides spring rate and damping performance that varies according to frequency and displacement of vibration. Conventional (non hydro) mounts provide fixed response. Hydromounts can provide a more comfortable ride in a vehicle whether idling or traveling. Similar benefits are provided by hydrobushings.

As a result of our reputation for working with our customers on advanced development projects we are able to work with our OEM partners in North America to provide innovative solutions. One recent example of Cooper-Standard providing advanced development activities to enhance vehicle performance is on a new generation pick-up truck in the U.S. After extensive evaluation and cooperation with the customer, a new NVH product evolved, the *Body Hydro Mount*. This new hydromount is currently on the next generation truck enhancing the ride and comfort of the vehicle.

The B, C and D (small, compact and mid-size, respectively) global vehicle segments represent a growing percentage of worldwide vehicle production. To capitalize on this global growth of smaller car segments, CSA will utilize our global network of innovative manufacturing and design teams to provide consistent and continual support to our OEM partners global platform design and manufacturing initiatives. In the past year we have won new contracts from Toyota, Honda, Nissan/Renault, GM, Ford, Tata, BMW, VW, Fiat, PSA, Mahindra, and Maruti. Through our disciplined approach to business we have outperformed many of our competitors. Adherence to this disciplined approach will allow for additional conquest opportunities. We are the only supplier in the industry that is able to ensure interior cabin comfort by designing and manufacturing body and chassis products that work in concert to reduce NVH and control environment extremes. We will continue to focus on profitable global platforms, utilizing our global design and manufacturing footprint to win new business.

Fluid Handling Products

We are one of the leading global integrators of fluid subsystems and components that control, sense, and deliver fluids. We believe we are the second largest global provider of fluid handling system products manufactured in our industry. We offer an extensive product portfolio and are positioned to serve our diverse customer base around the world. Utilizing our core competencies in thermal management, emissions

Table of Contents

management, and fuel delivery systems we create the highest value for our global customers by engineering unique solutions that anticipate and exceed their needs through design for six sigma (DFSS), seamless launches, lean enterprise principles and key strategic alliances.

We support the green technology trend as our customers expand towards hybrids and alternative powertrains required to meet future fuel efficiency demands. We provide thermal management solutions that enhance hybrid powertrain cooling systems and offer bio-fuel compatible materials for alternative fuel vehicles. Our products support improved fuel economy initiatives with lightweight, high performance plastic and aluminum materials that reduce weight and offer an improved value equation. We specialize in complete fuel system integration encompassing products from the fuel rail to the fuel tank lines. Our low permeation fuel lines meet and exceed LEV II (low emission vehicle) and PZEV (partial zero emission vehicle) emission standards. We support reduced emissions through the control of flow and temperature of exhaust gas.

Our products are principally found in four major vehicle systems: thermal management; fuel and brake; emissions management; and power management.

Product Category	Description	
Thermal Management	*Direct, control and transport oil, coolant, water, and other fluids throughout the vehicle*	
	Engine oil cooling subsystems with over molded connections	Transmission oil cooling subsystems
	Engine oil cooler tube and hose assemblies	Transmission oil cooler tube and hose assemblies
	Engine oil cooling quick connects	Engine oil level indicator tube assemblies
	Electro/mechanical water valves and pumps	Integrated thermostats and plastic housings
	Coolant subsystems	Bypass valves
	Radiator and heater hoses	Auxiliary oil coolers
Fuel & Brake	*Direct, control, and transport fuel, brake fluid, and vapors throughout the vehicle*	
	Fuel supply and return lines	Flexible brake lines
	Fuel/Vapor quick connects	Vacuum brake hoses
	Fuel/Vapor lines	
Emissions Management	*Direct, control, and transmit emission vapors and fluids throughout the vehicle*	
	Fully integrated exhaust gas recirculation modules	Exhaust gas recirculation valves
	EGR coolers and bypass coolers	DPF lines
	Exhaust gas recirculation tube assemblies	Secondary air tubes
Power Management	*Direct, control, and transmit power management fluids throughout the vehicle*	
	High pressure roof lines	Power steering pressure and return lines
	Hydraulic clutch lines	Air bag tubes

To increase sales of fluid handling products, we intend to continue to capitalize on recent brake, fuel, and thermal management successes in Europe and North America; develop new complete module and assembly solutions, aimed at building a reputation as a tube and hose integrator; and create product improvements that provide greater functionality at an improved value to the customer. We plan to continue to invest in research and development to support these efforts and focus on advanced materials, and innovative processes. We will continue to leverage our green technologies to support growth in hybrid, electric and fuel cell powertrains, advanced fuel delivery systems, and future emissions regulations requiring critical components in regions where environmental regulations are stringent, such as in Europe.

For products such as rubber hose, steel tubing, and nylon tubing, innovations in advanced materials have led to the development of superior components. We have in-house tube manufacturing and coating capabilities in North America, Europe and Asia, allowing us to maintain a competitive edge over smaller fabricators. We believe these engineering and design capabilities, combined with intense focus on quality and customer service, have led to strong customer relationships and a growing customer base. We are targeting on increasing market share with European and Asian customers and continue to foster strategic business relations with large Tier I suppliers while staying in touch with all OEMs.

Supplies and Raw Materials

Raw material prices have fluctuated greatly in recent years. We have implemented strategies with both our suppliers and our customers to help manage extreme spikes in raw material prices. These actions include material substitutions, increased use of hedging for market based commodities and leveraging our global buy. 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, and natural rubber.

Patents and Trademarks

We believe one of our competitive advantages is our track record of technological innovation. We hold over 600 patents in key product technologies, such as Daylight Opening Modules, Engineered Stretched Plastics, Low Fuel Permeation Nylon Tubing, Quick Connect Fluid Couplings, as well as core process methods, such as molding, joining, and coating. We consider these patents to be of value and seek to protect our rights throughout the world against infringement. While in the aggregate these patents are important to our business, we do not believe that the loss or termination of any one of them would materially affect our company. We continue to seek patent protection for our new products. Our patents will continue to be amortized over the next five to twelve years.

We also have license and technology sharing agreements with Nishikawa Rubber Company for sales, marketing, and engineering services on certain body sealing products we sell. Under those agreements, each party pays for services provided by the other and royalties on certain products for which the other party provides design or development services.

We own or have licensed several trademarks that are registered in many countries, enabling us to protect and market our products worldwide. During 2006, we purchased the right to use our current name from Cooper Tire.

Seasonality

Historically sales to automotive customers are lowest during the months prior to model changeovers and during assembly plant shutdowns. However, economic conditions and consumer demand may change the traditional seasonality of the industry as lower production may prevail without the impact of seasonality. In previous years, changeover periods have typically resulted in lower sales volumes during July, August, and December. During these periods of lower sales volumes, profit performance is lower, but working capital improves due to continuing collection of accounts receivable.

Table of Contents

Competition

We believe that the principal competitive factors in our industry are price, quality, service, performance, design and engineering capabilities, innovation, and timely delivery. We believe that our capabilities in these core competencies are integral to our position as a market leader in each of our product lines. In Body & Chassis products we compete with Toyoda Gosei, Trelleborg,Tokai, Vibracoustic, Paulstra, Hutchinson, Henniges, Meteor, SaarGummi, and Standard Profil, among others. In Fluid Handling products, we compete with TI Automotive, Martinrea, Hutchinson, Conti-Tech, Pierburg Gustav Wahler along with numerous smaller companies in this competitive market.

Industry Structure

The automotive industry has historically been one of the world s largest and most competitive. Recent economic conditions have changed the traditional structure of the industry. The industry is mature in North America and Europe and now undergoing broad sales reductions as consumers are holding onto their vehicles longer. Vehicle production in Asia, particularly in China and India, is expected to account for a relatively larger share of worldwide vehicle production as these economies expand.

The ability for consumers to obtain financing is an important factor in the sale of new vehicles. Recently, the tightening of credit has put significant pressure on the industry prompting a consolidation among OEMs, and major shifts in product offerings and market share positions.

These developments have also led to a more challenging environment for automotive suppliers. The automotive supply industry is generally characterized by high barriers to entry, significant start-up costs, and long-standing customer relationships. Suppliers that have not diversified relative to customer and geographic mix may be unable to compete in the future global industry as these structural changes take hold. Based on this, it is believed that industry consolidations will provide ample opportunities for well positioned global suppliers.

Customers

We are a leading supplier to the U.S. Automakers (Detroit 3) in each of our product categories and are increasing our presence with European and Asian OEMs. During the year ended December 31, 2008, approximately 25%, 16%, and 7% of our sales were to Ford, General Motors, and Chrysler, respectively as compared to, 27%, 20% and 8% for the year ended December 31, 2007, respectively. Our other major customers include Fiat, Renault/Nissan, PSA Peugeot Citroën, and Volkswagen. We also sell products to Visteon/ACH, Toyota, Porsche, and through NISCO, Honda. Our business with any given customer is typically split among several contracts for different parts on a number of platforms. Our MAPS acquisitions have added significant volume with Fiat, BMW, Daimler, Volkswagen/Audi and various Indian and Chinese OEMs.

Research and Development

We operate ten design, engineering, and administration facilities throughout the world and employ 605 research and development personnel, some of whom reside at our customers facilities. We utilize Design for Six Sigma and other methodologies that emphasize manufacturability and quality. We are aggressively pursuing innovations which assist in resource conservation with particular attention to developing materials that are lighter weight and made of materials that can be recycled. Our development teams are also working closely with our customers to design and deliver thermal management solutions for cooling electric motors and batteries for new hybrids. We spend significantly each year to maintain and enhance our technical centers, enabling us to quickly and effectively respond to customer demands. We spent $74.8 million, $77.2 million, and $81.9 million in 2006, 2007, and 2008, respectively, on research and development.

Joint Ventures and Strategic Alliances

Joint ventures represent an important part of our business, both operationally and strategically. We have used joint ventures to enter into new geographic markets such as China, Korea, and India, to acquire new customers, and to develop new technologies. In entering new geographic markets, teaming with a local

partner can reduce capital investment by leveraging pre-existing infrastructure. In addition, local partners in these markets can provide knowledge and insight into local practices and access to local suppliers of raw materials and components. In North America, joint ventures have proven valuable in establishing new relationships with NAMs. For example, we have business with Honda through our NISCO joint venture. In 2005, we acquired a 20% equity interest in and expanded our technical alliance with Guyoung, a Korean supplier of metal stampings, which built a manufacturing facility in Alabama that services Hyundai. In 2006, we finalized two joint venture agreements with Jingda, one of the largest tube manufacturers in China to expand our presence in that country. As part of the acquisition of the MAPS business in 2007, we acquired a 47.5% equity interest in Shanghai SAIC-Metzeler Sealing Systems Co. Ltd., a joint venture with SAIC, which also owns a 47.5% equity interest, and Shanghai Qinpu Zhaotun Collective Asset Management Company, which owns the remaining 5% equity interest. This joint venture business is the leading manufacturer of automotive sealing products in China. Also in 2007, we acquired a 74% equity interest in MAP India, a joint venture with Toyoda Gosei Co., Ltd., which owns the remaining 26% equity interest. MAP India is a leading manufacturer of automotive sealing products in India.

Geographic Information

In 2008, we generated approximately 48% of net sales in North America, 42% in Europe, 5% in South America, and 5% in Asia/Pacific. Approximately 17% and 12% of our revenues were generated from our German and Canadian operations, respectively.

In 2007, we generated approximately 61% of net sales in North America, 31% in Europe, 5% in South America, and 3% in Asia/Pacific. Approximately 15% and 13% of our revenues were generated from our Canadian and German operations, respectively.

Employees

We maintain good relations with both our union and non-union employees and, in the past ten years, have not experienced any major work stoppages. We have negotiated some of our domestic and international union agreements in 2008 and have several contracts set to expire in the next twelve months. As of December 31, 2008, approximately 46% of our employees were represented by unions, and approximately 10% of our employees were union represented employees located in the United States.

As of December 31, 2008, we had 18,046 full-time and temporary employees.

Environmental

We are subject to a broad range of federal, state, and local environmental and occupational safety and health laws and regulations in the United States and other countries, including those governing emissions to air; discharges to water; noise, and odor emissions; the generation, handling, storage, transportation, treatment, and disposal of waste materials; the cleanup of contaminated properties; and human health and safety. For example, as an owner and operator of real property or a generator of hazardous substances, we may be subject to environmental cleanup liability, regardless of fault, pursuant to the Comprehensive Environmental Response, Compensation and Liability Act or analogous laws, as well as to claims for harm to health or property or for natural resource damages arising out of contamination or exposure to hazardous substances. Several of our properties have been the subject of remediation activities to address historic contamination. In general, we believe we are in substantial compliance with the requirements under such laws and regulations and our continued compliance is not expected to have a material adverse effect on our financial condition or the results of our operations. We expect that additional requirements with respect to environmental matters will be imposed in the future. Our expense and capital expenditures for environmental matters at our facilities have not been material in the past, nor are expected to be in the future.

Forward-Looking Statements

This Form 10-K includes forward-looking statements within the meaning of Section 27A of the Securities Act and Section 21E of the Exchange Act. We make forward-looking statements in this Annual Report on Form 10-K and may make such statements in future filings with the SEC. We may also make forward-looking statements in our press releases or other public or stockholder communications. These

Table of Contents

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 and, in particular, appear under Management s Discussion and Analysis of Financial Condition and Results of Operations , Risk Factors and Business. When used in this report, the words estimates, expects, anticipates, projects, plans, intends, believes, forec conditional verbs, such as will, should, could, or may, and variations of such words or similar expressions are 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.

There are a number of risks and uncertainties that could cause our actual results to differ materially from the forward-looking statements contained in this Form 10-K. Important factors that could cause our actual results to differ materially from the forward-looking statements we make in this report are set forth in this Form 10-K, including under Item 1A. Risk Factors .

As stated elsewhere in this Form 10-K, such risks, uncertainties, and other important factors include, among others: our substantial leverage; limitations on flexibility in operating our business contained in our debt agreements; our dependence on the automotive industry; the prospect of continued reduced worldwide automotive production levels; a deterioration in the financial condition of certain of our customers and suppliers; availability and cost of raw materials; our dependence on certain major customers; competition in our industry; our conducting operations outside the United States; the uncertainty of our ability to achieve expected Lean savings; our exposure to product liability and warranty claims; labor conditions; our vulnerability to rising interest rates; our ability to meet our customers needs for new and improved products in a timely manner; our ability to attract and retain key personnel; the possibility that our owners interests will conflict those of investors; our status as a stand-alone company; our legal rights to our intellectual property portfolio; our underfunded pension plans; environmental and other regulation; and the possibility that our acquisition strategy will not be successful. There may be other factors that may cause our actual results to differ materially from the forward-looking statements.

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.

We do not undertake, and we specifically disclaim, any obligation to update any forward-looking statements to reflect the occurrence of unanticipated events or circumstances after the date of such statements.

Item 1A. Risk Factors

Our business and financial condition can be impacted by a number of factors, including the risks described below and elsewhere in this Annual Report on Form 10-K. Any of these risks could cause our actual results to vary materially from recent or anticipated results and could materially and adversely affect our business and financial condition.

We are highly dependent on the automotive industry, and a prolonged contraction in automotive sales and production volumes could have a material adverse affect on our results of operations and liquidity.

The great majority of our customers are OEMs and their suppliers. Automotive sales and production declined substantially in the second half of 2008 and are not expected to recover significantly in the near future. This will have a continuing negative impact on our sales, liquidity and results of operations, as the demand for our products decreases as the volume of automotive production decreases.

The negative impact on our financial condition and results of operations could have negative effects on us under our credit facilities by affecting our ability to comply with the financial ratio covenants contained in our credit facilities. An inability to comply would require us to seek waivers or amendments of such covenants. There is no guarantee that such waivers or amendments would be obtained and, even if they were obtained, we would likely incur additional costs. An inability to obtain any such waiver or

amendment could result in a breach and a possible event of default under our credit facilities, which could allow the lenders to discontinue lending, terminate any commitments they have to provide us with additional funds and/or declare amounts outstanding to be due and payable. There is no assurance that we would have sufficient funds to repay such obligations or that we could obtain alternative funding on terms acceptable to us.

Our liquidity could also be adversely impacted if our suppliers reduced their normal trade credit terms as the result of any decline in our financial condition or if our customers extended their normal payment terms. If either of these situations occurred, we would need to rely on other sources of funding to cover the additional gap between the time we pay our suppliers and the time we receive corresponding payments from our customers.

The financial conditions of OEMs, particularly the Detroit 3, may adversely affect our results of operations and financial condition.

The deteriorating financial condition of the OEMs, particularly the Detroit 3, could have adverse impacts on our financial condition in addition to those resulting directly from lower productions volumes (as described in the preceding risk factor). The Detroit 3 are undertaking, or may undertake, various forms of restructuring initiatives which may ultimately include, in certain cases, reorganization under bankruptcy laws. Chrysler and General Motors have sought funding and Ford has sought a line of credit from the U.S. government due to the significant financial difficulties they face. There is no assurance that the Detroit 3 will be able to meet the conditions imposed on them in connection with any such government assistance or that any such assistance will enable them to remain viable. The filing of bankruptcy proceedings by any of the Detroit 3, in addition to potentially impacting the ability of the filing company to continue to sell their products at sustainable levels and remain viable customers, could impact the collectability of our accounts receivable owing from the filing company.

A prolonged contraction in automotive sales and production volumes and the financial conditions of OEMs could adversely affect the viability of our supply base.

Our suppliers are subject to many of the same consequences that would impact us as a result of a prolonged contraction in automotive sales and production volumes. In addition, many of our suppliers also directly supply the Detroit 3, and the financial condition of the Detroit 3, particularly any bankruptcy filing, could impact the collectability of their accounts receivable. Depending on each supplier s financial condition and access to capital, its viability could be threatened by such conditions or events which could impact its ability to meet its contractual commitments to us and consequently impact our ability to meet our own commitments to our customers. There is no assurance that we would be able to establish alternative sources of supply in time to meet such commitments and avoid potential penalties and damages that could result from such failure.

Disruptions in the financial markets are adversely impacting the availability and cost of credit which could continue to negatively affect our business.

Disruptions in the financial markets, including the bankruptcy, insolvency or restructuring of certain financial institutions, have adversely impacted the availability and cost of credit for many companies and consumers and had a negative impact on the global economy, consumer confidence, and the demand for automotive products. There is no assurance that government efforts to respond to these disruptions, or other circumstances, will restore consumer confidence, improve the liquidity of the financial markets or otherwise improve conditions in the automotive industry.

Our substantial leverage could harm our business by limiting our available cash and our access to additional capital and, to the extent of our variable rate indebtedness, exposes us to interest rate risk.

We are highly leveraged. As of December 31, 2008, our total consolidated indebtedness was $1,144.1 million. Our leverage increased upon the closing of our acquisition of MAPS, because we financed part of the acquisition with an incremental term loan under the Second Amendment to the Credit Agreement.

Table of Contents

Our high degree of leverage could have important consequences, including:

- It may limit our ability to obtain additional financing for working capital, capital expenditures, product development, debt service requirements, acquisitions, and general corporate or other purposes on favorable terms or at all;
- A substantial portion of our cash flows from operations must be dedicated to the payment of principal and interest on our indebtedness and thus will not be available for other purposes, including our operations, capital expenditures, and future business opportunities;
- The debt service requirements of our other indebtedness could make it more difficult for us to make payments on the Senior Notes and Senior Subordinated Notes issued by Cooper-Standard Automotive Inc. in connection with the 2004 Acquisition (the Notes);
- It may place us at a competitive disadvantage compared to those of our competitors that are less highly leveraged;
- It may restrict our ability to make strategic acquisitions or cause us to make non-strategic divestitures; and
- We may be more vulnerable than a less highly-leveraged company to a downturn in general economic conditions or in our business, or we may be unable to carry out the desired amount of capital spending to support our growth.

Our cash paid for interest for the year ended December 31, 2008 was $95.4 million, which excludes the amortization of $5.0 million of debt issuance costs. At December 31, 2008, we had $597.2 million of debt with floating interest rates, including $174.8 million managed by the use of interest rate swap contracts to convert the variable rate characteristic to fixed rate. If interest rates increase, assuming no principal repayments or use of financial derivatives, our debt service obligations on the variable rate indebtedness would increase even though the amount borrowed remained the same, and our net income and cash available for servicing our indebtedness, including the Notes, would decrease. After considering the effects of certain interest rate swap contracts we entered into during 2008, a 1% increase in the average interest rate of our variable rate indebtedness would increase future interest expense by approximately $4.2 million per year.

Our debt agreements contain restrictions that limit our flexibility in operating our business.

The senior credit agreement and the indentures under which the Notes were issued contain a number of significant covenants that, among other things, restrict our ability to:

- incur additional indebtedness or issue redeemable preferred stock;
- pay dividends and repurchase our capital stock;
- issue stock of subsidiaries;
- make certain investments;

enter into agreements that restrict dividends from subsidiaries;

transfer or sell assets;

enter into transactions with our affiliates;

incur liens;

engage in mergers, amalgamations, or consolidations; and

make capital expenditures.

Table of Contents

In addition, under the senior credit agreement, we are required to satisfy specified financial ratios and tests. Our ability to comply with those provisions may be affected by events beyond our control, and may limit our ability to comply with those required ratios and tests.

We may be unable to comply with the financial covenants in our senior credit agreement.

The financial covenants in our senior credit agreement require us to achieve certain financial ratios based on levels of earnings before interest, taxes, depreciation, amortization and certain adjustments (EBITDA), as defined in the senior credit agreement. A failure to comply with these or other covenants in the senior credit facility could, if we were unable to obtain a waiver or another amendment of the covenant terms, cause an event of default that could cause our loans under the senior credit facility to become immediately due and payable. In addition, additional waivers or amendments could substantially increase the cost of borrowing.

Increasing costs for or reduced availability of manufactured components and raw materials may adversely affect our profitability.

The principal raw materials we purchase include fabricated metal-based components, synthetic rubber, carbon black, and natural rubber. Raw materials comprise the largest component of our costs, representing approximately 47% of our total costs during the year ended December 31, 2008. A significant increase in the price of these items could materially increase our operating costs and materially and adversely affect our profit margins because it is generally difficult to pass through these increased costs to our customers. For example, we have experienced significant price increases in our raw steel and steel-related components purchases as a result of increased global demand. While these increases fell off in the second half of 2008, continued volatility in the global market presents risk in forecasting cost.

Because we purchase various types of raw materials and manufactured components, we may be materially and adversely affected by the failure of our suppliers of those materials to perform as expected. This non-performance may consist of delivery delays or failures caused by production issues or delivery of non-conforming products. The risk of non-performance may also result from the insolvency or bankruptcy of one or more of our suppliers. Our suppliers ability to supply products to us is also subject to a number of risks, including availability of raw materials, such as steel and natural rubber, destruction of their facilities, or work stoppages. In addition, our failure to promptly pay, or order sufficient quantities of inventory from our suppliers may increase the cost of products we purchase or may lead to suppliers refusing to sell products to us at all. Our efforts to protect against and to minimize these risks may not always be effective.

We could be adversely affected if we are unable to continue to compete successfully in the highly competitive automotive parts industry.

The automotive parts industry is highly competitive. We face numerous competitors in each of the product lines we serve. In general, there are three or more significant competitors for most of the products offered by our company and numerous smaller competitors. We also face increased competition for certain of our products from suppliers producing in lower-cost countries such as Korea and China, especially for certain lower-technology noise, vibration and harshness control products that have physical characteristics that make long-distance shipping more feasible and economical. We may not be able to continue to compete favorably and increased competition in our markets may have a material adverse effect on our business.

We are subject to other risks associated with our non-U.S. operations.

We have significant manufacturing operations outside the United States, including joint ventures and other alliances. Our operations are located in 18 countries and we export to several other countries. In 2008, approximately 74% of our net sales originated outside the United States. Risks are inherent in international operations, including:

- exchange controls and currency restrictions;
- currency fluctuations and devaluations;
- changes in local economic conditions;

- changes in laws and regulations, including the imposition of embargos;
- exposure to possible expropriation or other government actions; and
- unsettled political conditions and possible terrorist attacks against American interests.

These and other factors may have a material adverse effect on our international operations or on our business, results of operations, and financial condition. For example, we are faced with potential difficulties in staffing and managing local operations and we have to design local solutions to manage credit risks of local customers and distributors. Also, the cost and complexity of streamlining operations in certain European countries is greater than would be the case in the United States, due primarily to labor laws in those countries that can make reducing employment levels more time-consuming and expensive than in the United States. Our flexibility in our foreign operations can also be somewhat limited by agreements we have entered into with our foreign joint venture partners.

Our overall success as a global business depends, in part, upon our ability to succeed in differing economic, social, and political conditions. We may not continue to succeed in developing and implementing policies and strategies that are effective in each location where we do business, and failure to do so could harm our business, results of operations, and financial condition.

Our sales outside the United States expose us to currency risks. During times of a strengthening U.S. dollar, at a constant level of business, our reported international sales and earnings will be reduced because the local currency will translate into fewer U.S. dollars. In addition to currency translation risks, we incur a currency transaction risk whenever one of our operating subsidiaries enters into either a purchase or a sales transaction using a different currency from the currency in which it receives revenues. Given the volatility of exchange rates, we may not be able to manage our currency transaction and/or translation risks effectively, or volatility in currency exchange rates may have a material adverse effect on our financial condition or results of operations.

Our lean manufacturing and other cost savings plans may not be effective.

Our operations strategy includes cutting costs by reducing product errors, inventory levels, operator motion, overproduction, and waiting while fostering the increased flow of material, information, and communication. The cost savings that we anticipate from these initiatives may not be achieved on schedule or at the level anticipated by management. If we are unable to realize these anticipated savings, our operating results and financial condition may be adversely affected. Moreover, the implementation of cost saving plans and facilities integration may disrupt our operations and performance.

We may incur material losses and costs as a result of product liability and warranty and recall claims that may be brought against us.

We may be exposed to product liability and warranty claims in the event that our products actually or allegedly fail to perform as expected or the use of our products results, or is alleged to result, in bodily injury and/or property damage. Accordingly, we could experience material warranty or product liability losses in the future and incur significant costs to defend these claims.

In addition, if any of our products are, or are alleged to be, defective, we may be required to participate in a recall of that product if the defect or the alleged defect relates to automotive safety. Our costs associated with providing product warranties could be material. Product liability, warranty, and recall costs may have a material adverse effect on our business, results of operations, and financial condition.

Work stoppages or similar difficulties could disrupt our operations.

As of December 31, 2008, approximately 46% of our employees were represented by unions, and approximately 10% of our employees were union represented employees located in the United States. It is possible that our workforce will become more unionized in the future. A work stoppage at one or more of our plants may have a material adverse effect on our business. Collective bargaining agreements at six of our North American facilities are due to expire in 2009, and we will be engaged in negotiations with unions at these facilities with respect to new contracts. Unionization activities could also increase our costs, which

could have an adverse effect on our profitability. We may be subject to work stoppages and may be, affected by other labor disputes. Additionally, a work stoppage at one or more of our customers or our customers suppliers could adversely affect our operations if an alternative source of supply were not readily available. Stoppages by employees of our customers also could result in reduced demand for our products and have material adverse effect on our business.

Our success depends in part on our development of improved products, and our efforts may fail to meet the needs of customers on a timely or cost-effective basis.

Our continued success depends on our ability to maintain advanced technological capabilities, machinery, and knowledge necessary to adapt to changing market demands as well as to develop and commercialize innovative products. We may not be able to develop new products as successfully as in the past or be able to keep pace with technological developments by our competitors and the industry generally. In addition, we may develop specific technologies and capabilities in anticipation of customers demands for new innovations and technologies. If such demand does not materialize, we may be unable to recover the costs incurred in such programs. If we are unable to recover these costs or if any such programs do not progress as expected, our business, financial condition, or results of operations could be materially adversely affected.

Our ability to operate our company effectively could be impaired if we fail to attract and retain key personnel.

Our ability to operate our business and implement our strategies depends, in part, on the efforts of our key employees. The severe down turn in the auto industry may add additional pressure to our ability to retain key employees. In addition, our future success will depend on, among other factors, our ability to attract and retain other qualified personnel. The loss of the services of any of our key employees or the failure to attract or retain other qualified personnel could have a material adverse effect on our business or business prospects.

Our Sponsors may have conflicts of interest with us in the future.

Our Sponsors beneficially own approximately 98.6% of the outstanding shares of our common stock. Additionally, we have entered into a stockholders agreement with the Sponsors that grants them certain preemptive rights to purchase additional equity and rights to designate members of our Board of Directors. As a result, our Sponsors have control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of stockholders regardless of whether or not other stockholders or noteholders believe that any such transactions are in their own best interests.

Additionally, our Sponsors are in the business of making investments in companies and may from time to time acquire and hold interests in businesses that compete directly or indirectly with us. Our Sponsors may also pursue acquisition opportunities that may be complementary to our business, and as a result, those acquisition opportunities may not be available to us. So long as our Sponsors continue to own a significant amount of the outstanding shares of our common stock, even if such amount is less than 50%, they will continue to be able to strongly influence or effectively control our decisions.

Our intellectual property portfolio is subject to legal challenges.

We have developed and actively pursue developing proprietary technology in the automotive industry and rely on intellectual property laws and a number of patents in many jurisdictions to protect such technology. However, we may be unable to prevent third parties from using our intellectual property without authorization. If we had to litigate to protect these rights, any proceedings could be costly, and we may not prevail. We also face increasing exposure to the claims of others for infringement of intellectual property rights. We may have material intellectual property claims asserted against us in the future and could incur significant costs or losses related to such claims.

Our pension plans are currently underfunded and we may have to make cash payments to the plans, reducing the cash available for our business.

We sponsor various pension plans worldwide that are underfunded and will require cash payments. Additionally, if the performance of the assets in our pension plans does not meet our expectations, or if other actuarial assumptions are modified, our required contributions may be higher than we expect. If our cash flow from operations is insufficient to fund our worldwide pension liability, we may be forced to reduce or delay capital expenditures, seek additional capital, or seek to restructure or refinance our indebtedness.

As of December 31, 2008, our $251.8 million projected benefit obligation (PBO) for U.S. pension benefit obligations exceeded the fair value of the relevant plans assets, which totaled $162.6 million, by $89.2 million. Additionally, the international employees plans PBO exceeded plan assets by approximately $72.4 million at December 31, 2008. The PBO for other postretirement benefits (OPEB) was $68.5 million at December 31, 2008. Our estimated funding requirement for pensions and OPEB during 2009 is approximately $19.4 million. Net periodic pension costs for U.S. and international plans, including pension benefits and OPEB, were $19.1 million and $18.9 million for the years ended December 31, 2007 and 2008, respectively. See Item 8. Financial Statements and Supplementary Data (especially Notes 9 and 10).

We are subject to a broad range of environmental, health, and safety laws and regulations, which could adversely affect our business and results of operations.

We are subject to a broad range of federal, state, and local environmental and occupational safety and health laws and regulations in the United States and other countries, including those governing emissions to air, discharges to water, noise and odor emissions; the generation, handling, storage, transportation, treatment, and disposal of waste materials; the cleanup of contaminated properties; and human health and safety. We may incur substantial costs associated with hazardous substance contamination or exposure, including cleanup costs, fines, and civil or criminal sanctions, third party property or natural resource damage, or personal injury claims, or costs to upgrade or replace existing equipment, as a result of violations of or liabilities under environmental laws or non-compliance with environmental permits required at our locations. In addition, many of our current and former facilities are located on properties with long histories of industrial or commercial operations and some of these properties have been subject to certain environmental investigations and remediation activities. Because some environmental laws (such as the Comprehensive Environmental Response, Compensation and Liability Act) can impose liability for the entire cost of cleanup upon any of the current or former owners or operators, retroactively and regardless of fault, we could become liable for investigating or remediating contamination at these or other properties (including offsite locations). We may not always be in complete compliance with all applicable requirements of environmental law or regulation, and we may incur material costs or liabilities in connection with such requirements. In addition, new environmental requirements or changes to existing requirements, or in their enforcement, could have a material adverse effect on our business, results of operations, and financial condition. We have made and will continue to make expenditures to comply with environmental requirements. While our costs to defend and settle claims arising under environmental laws in the past have not been material, such costs may be material in the future. For more information about our environmental compliance and potential environmental liabilities, see Item 1. Business Environmental.

If our acquisition strategy is not successful, we may not achieve our growth and profit objectives.

We may selectively pursue complementary acquisitions in the future as part of our growth strategy. While we will evaluate business opportunities on a regular basis, we may not be successful in identifying any attractive acquisitions. We may not have, or be able to raise on acceptable terms, sufficient financial resources to make acquisitions. In addition, any acquisitions we make will be subject to all of the risks inherent in an acquisition strategy, including integrating financial and operational reporting systems; establishing satisfactory budgetary and other financial controls; funding increased capital needs and overhead expenses; obtaining management personnel required for expanded operations; and funding cash flow shortages that may occur if anticipated sales and revenues are not realized or are delayed, whether by general economic or market conditions or unforeseen internal difficulties.

Our amount of leverage creates significant risk.

Our ability to make scheduled payments or to refinance our debt obligations depends on our financial and operating performance, which is subject to prevailing economic and competitive conditions and to certain financial, business, and other factors beyond our control. We may not be able to maintain a level of cash flows from operating activities sufficient to permit us to pay the principal, premium, if any, and interest on our indebtedness. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.

If our cash flows and capital resources are insufficient to fund our debt service obligations, we may be forced to reduce or delay capital expenditures, seek additional capital, or seek to restructure or refinance our indebtedness. These alternative measures may not be successful and may not permit us to meet our scheduled debt service obligations. In the absence of such operating results and resources, we could face substantial liquidity problems and might be required to sell material assets or operations to attempt to meet our debt service and other obligations. The Senior Credit Facilities and the indentures under which the Senior Notes and the Senior Subordinated Notes were issued restrict our ability to use the proceeds from asset sales. We may not be able to consummate those asset sales to raise capital or sell assets at prices that we believe are fair and proceeds that we do receive may not be adequate to meet any debt service obligations then due.

Despite our current leverage, we may still be able to incur substantially more debt, which could further exacerbate the risks that we and our subsidiaries face.

We and our subsidiaries may be able to incur substantial additional indebtedness in the future. Our revolving credit facilities provide commitments of up to $115.0 million, of which $30.1 million was available for future borrowings as of December 31, 2008. During the first quarter of 2009, we have drawn substantially all of the revolving credit facilities balance that was available as of December 31, 2008.

Available Information

The Company makes available free of charge on or through its Internet website its annual report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after it electronically files such material with, or furnishes it to, the U.S. Securities and Exchange Commission (SEC).

Item 1B. Unresolved Staff Comments.

Not applicable.

Table of Contents

Item 2. Properties

As of December 31, 2008, our operations were conducted through 78 facilities in 18 countries, of which 68 are manufacturing facilities and ten are used for multiple purposes. Our corporate headquarters is located in Novi, Michigan. Our manufacturing facilities are located in North America, Europe, Asia, South America, and Australia. We believe that substantially all of our properties are in good condition and that we have sufficient capacity to meet our current and projected manufacturing and design needs. The following table summarizes our property holdings:

Region	Division	Total Facilities	Owned Facilities
North America	Body & Chassis	12	12
	Fluid	16	12
	Other**	5	
Asia	Asia Pacific*	15	7
	Other	3	
Europe	Body & Chassis	13	10
	Fluid	7	6
	Other	3	1
South America	Body & Chassis	1	1
	Fluid	1	
	Other	1	
Australia	Fluid	1	1

* Includes Asia Pacific properties that are included in Body & Chassis and Fluid for segment reporting.

** Includes Nishikawa Standard Company (NISCO) joint venture operations.

The Company s global locations, and the number of facilities in each country with more than one facility, are as follows:

Americas

Brazil
Camaçari
Varginha
Sao Paulo*

Canada
Georgetown, ON
Glencoe, ON
Mitchell, ON
Stratford, ON (3)

Mexico
Aguascalientes
Atlacomulco
Guaymas
Juarez
Saltillo
Torreon (2)

USA
Archbold, OH
Auburn, IN

Europe

Belgium
Gent

Czech Republic
Zdar

France
Argenteuil*
Baclair
Creutzwald
Lillebonne
Vitré

Germany
Grünberg
Hockenheim
Lindau
Mannheim
Marsberg
Schelklingen

Netherlands

Asia Pacific

Australia
Adelaide

China
Changchun ¿
Chongqing
Huai-an ¿
Jingzhou ¿
Kunshan
Panyu ¿
Shanghai ¿
Wuhu

India
Chennai
Dharuhera
Ghaziabad ¿
Gurgaon ¿
Pune

Japan
Hiroshima*¿

Table of Contents

Americas
Auburn Hills, MI*
Bowling Green, OH (2)
Bremen, IN ¿
East Tawas, MI
Fairview, MI
Farmington Hills, MI*
Gaylord, MI
Goldsboro, NC (2)
Leonard, MI
Mt. Sterling, KY
New Lexington, OH
Novi, MI*
Oscoda, MI
Spartanburg, SC
Surgoinsville, TN
Topeka, IN ¿

Europe
Amsterdam*

Italy
Battipaglia
Ciriè

Poland
Bielsko-Biala
Dzierzoniow (2)
Myslenice
Piotrkow

Spain
Getafe

United Kingdom
Coventry*

Asia Pacific
Nagoya*

Korea
Cheong-Ju
Incheon*
Seo-Cheon

* Denotes non-manufacturing locations.
¿ Denotes joint venture facility.
Denotes locations being closed in 2009.

Item 3. Legal Proceedings

We are involved in various legal actions and claims arising in the ordinary course of business, including without limitation intellectual property matters, product related claims, tax claims, and employment matters. Although the outcome of legal matters cannot be predicted with certainty, we do not believe that any matters with which we are currently involved, either individually or in the aggregate, will have a material adverse effect on our liquidity, financial condition, or results of operations. See Item 8. Financial Statements and Supplementary Data (especially Note 14).

Item 4. Submission of Matters to a Vote of Security Holders

No matters were submitted to a vote of the Company s stockholders during the fourth quarter of 2008.

Table of Contents

PART II

Item 5. Market for Registrant s Common Equity, Related Stockholder Matters, and Issuer Purchases of Equity Securities

Equity interests in Cooper-Standard Holdings Inc. consist of shares of its common stock, $0.01 par value per share. Cooper-Standard Holdings Inc. has been a privately held entity since its formation and no trading market exists for its common stock. At December 31, 2008, 3,479,100 shares of its common stock were issued and outstanding. As of that date, there were 21 holders of record of Cooper-Standard Holdings Inc. common stock.

Cooper-Standard Holdings Inc. has never paid or declared a dividend. The declaration of any prospective dividends is at the discretion of the Board of Directors and would be dependent upon sufficient earnings, capital requirements, financial position, general economic conditions, state law requirements, and other relevant factors. Additionally, our agreement with our lenders prohibits payment of dividends, except stock dividends, without the lenders prior consent.

The following table presents all stock-based compensation plans of the Company at December 31, 2008:

Compensation Plan	(a) Number of Securities to be Issued Upon Exercise of Outstanding Options and Warrants	(b) Weighted-Average Exercise Price of Options and Warrants	(c) Number of securities remaining available for future issuance under equity compensation plans (excluding securities reflected in column (a)
Equity compensation plans approved by security holders	219,615	$ 102.46	204,000
Equity compensation plans not approved by security holders			
Total	219,615	$ 102.46	204,000

Item 6. Selected Financial Data

The selected financial data referred to as the Successor data as of and for the years ended December 31, 2008, 2007, 2006 and 2005, and as of December 31, 2004 and for the period from December 24, 2004 to December 31, 2004, have been derived from the consolidated audited financial statements of Cooper-Standard Holdings Inc. and its subsidiaries which have been audited by Ernst & Young LLP, independent registered public accountants.

The selected financial data referred to as the Predecessor financial data as of the period from January 1, 2004 to December 23, 2004 have been derived from the combined audited financial statements of the automotive segment of Cooper Tire, which have been audited by Ernst & Young LLP, independent registered public accountants. The information reflects our business as it historically operated within Cooper Tire, and includes certain assets and liabilities that we did not acquire or assume as part of the 2004 Acquisition. Also, on December 23, 2004, Cooper-Standard Holdings Inc., which prior to the 2004 Acquisition never had any independent operations, purchased the automotive business represented in the historical Predecessor financial statements. As a result of applying the required purchase accounting rules to the 2004 Acquisition and accounting for the assets and liabilities that were not assumed in the 2004 Acquisition, our financial statements for the period following the acquisition were significantly affected. The application of purchase accounting rules required us to revalue our assets and liabilities, which resulted in different accounting bases being applied in different periods. As a result, historical combined financial data included in this Form 10-K in Predecessor statements may not reflect what our actual financial position, results of operations, and cash flows would have been had we operated as a separate, stand-alone company as of and for those periods presented.

25

Table of Contents

The audited consolidated financial statements as of December 31, 2006, 2007 and 2008 are included elsewhere in this Form 10-K. See Item 8. Financial Statements and Supplementary Data.

You should read the following data in conjunction with Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements of Cooper-Standard Holdings Inc. included elsewhere in this Form 10-K (Information presented in millions).

	Predecessor		Successor			
	January 1, 2004 to December 23, 2004	December 24, 2004 to December 31, 2004	Year Ended December 31, 2005	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008
Statement of operations						
Net sales	$ 1,858.9	$ 4.7	$ 1,827.4	$ 2,164.3	$ 2,511.2	$ 2,594.6
Cost of products sold	1,539.1	4.7	1,550.2	1,832.1	2,114.1	2,260.1
Gross profit	319.8		277.2	332.2	397.1	334.5
Selling, administration, & engineering expenses	177.5	5.2	169.7	199.8	222.1	231.7
Amortization of intangibles	0.7		28.2	31.0	31.9	31.0
Impairment charges				13.2	146.4	33.4
Restructuring	21.2		3.0	23.9	26.4	38.3
Operating profit	120.4	(5.2)	76.3	64.3	(29.7)	0.1
Interest expense, net of interest income	(1.8)	(5.7)	(66.6)	(87.2)	(89.5)	(92.9)
Equity earnings	1.0		2.8	0.2	2.2	0.9
Other income (expense)	(2.1)	4.6	(1.3)	7.0	(1.1)	(0.3)
Income (loss) before income taxes	117.5	(6.3)	11.2	(15.7)	(118.1)	(92.2)
Provision for income taxes (benefit)	34.2	(1.8)	2.4	(7.3)	32.9	29.3
Net income (loss)	$ 83.3	$ (4.5)	$ 8.8	$ (8.4)	$ (151.0)	$ (121.5)
Statement of cash flows data						
Net cash provided (used) by:						
Operating activities	$ 132.2	$ 29.3	$ 113.0	$ 135.9	$ 185.4	$ 136.5
Investment activities	(53.5)	(1,132.9)	(133.0)	(281.8)	(260.0)	(73.9)
Financing activities	(109.6)	1,189.3	(7.2)	147.6	55.0	14.1
Other financial data						
Capital expenditures	$ 62.7	$ 0.3	$ 54.5	$ 82.9	$ 107.3	$ 92.1
Balance sheet data						
Cash and cash equivalents		$ 83.7	$ 62.2	$ 56.3	$ 40.9	$ 111.5
Net working capital (1)		123.1	162.9	212.1	249.8	154.5
Total assets		1,812.3	1,734.2	1,911.4	2,162.3	1,818.3
Total non-current liabilities		1,165.0	1,117.9	1,259.4	1,359.8	1,351.4
Total debt (2)		912.7	902.5	1,055.5	1,140.2	1,144.1
Net parent investment / Stockholders equity		318.2	312.2	320.7	268.6	15.2

(1) Net working capital is defined as current assets (excluding cash and cash equivalents) less current liabilities (excluding debt payable within one year).

(2)

Includes term loans, bonds, $1.5 million in capital leases, $60.9 million of revolving credit, and $28.4 million of other third-party debt at December 31, 2008.

Table of Contents

Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations

The following discussion and analysis should be read in conjunction with the consolidated financial statements and the notes thereto included elsewhere in this Form 10-K. The following discussion of the financial condition and results of operations of the Company contains certain forward-looking statements relating to anticipated future financial conditions 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 Item 1. Business Forward Looking Statements and Item 1A. Risk Factors.

Basis of Presentation

Prior to the 2004 Acquisition, the automotive segment of Cooper Tire & Rubber Company (referred to as the Predecessor) did not operate as a stand-alone business, but as a reportable business segment of Cooper Tire & Rubber Company (Cooper Tire). The financial information of the Predecessor represents the combined results of operations and cash flows of the automotive business segment of Cooper Tire and reflects the historical basis of accounting without any application of purchase accounting for the 2004 Acquisition. The financial information of the Company following the 2004 Acquisition (referred to as the Successor) included in this Form 10-K represents our consolidated financial position as of December 31, 2007 and 2008 and our consolidated results of operations and cash flows for the years ended December 31, 2006, 2007 and 2008 and reflects the application of purchase accounting.

Company Overview

We design, manufacture, and sell body sealing, NVH control and fluid handling components, systems, subsystems, and modules for use in passenger vehicles and light trucks manufactured by global OEMs. In 2008, approximately 76% of our sales consisted of original equipment sold directly to the OEMs for installation on new vehicles. The remaining 24% of our sales were primarily to Tier I and Tier II suppliers. Accordingly, sales of our products are directly affected by the annual vehicle production of OEMs, and in particular the production levels of the vehicles for which we provide specific parts. In most cases, our products are custom designed and engineered for a specific vehicle platform. Our sales and product development personnel frequently work directly with the OEMs engineering departments in the design and development of our various products.

Although each OEM may emphasize different requirements as the primary criteria for judging its suppliers, we believe success as an automotive supplier generally requires outstanding performance with respect to price, quality, service, performance, design and engineering capabilities, innovation, and timely delivery. As such, we believe our continued commitment to investment in our engineering and design capability, including enhanced computerized software design capabilities, is important to future success, and many of our present initiatives are designed to enhance these capabilities. To remain competitive we must also consistently achieve cost savings; we believe we will continue to be successful in our efforts to improve our engineering, design and manufacturing processes, and implement our Lean initiatives.

Our OEM sales are generally based upon purchase orders issued by the OEMs and as such we do not have a backlog of orders at any point in time. Once selected to supply products for a particular platform, we typically supply those products for the platform life, which is normally six to eight years, although there is no guarantee that this will occur. In addition, when we are the incumbent supplier to a given platform, we believe we have an advantage in winning the redesign or replacement platform.

We provide parts to virtually every major global OEM for use on a multitude of different platforms. However, we generate a significant portion of our sales from the Detroit 3-Ford, General Motors and Chrysler. For the year ended December 31, 2008, our sales to the global operations of Ford, General Motors, and Chrysler comprised approximately 25%, 16%, and 7% of our net sales, respectively. Significant reduction of our sales to or the loss of any one of these customers or any significant reduction in these customers market shares could have a material adverse effect on the financial results of our company.

While approximately 48% of sales are generated in North America, our considerable market share throughout the world provides some additional risks. Historically, our operations in Canada and Western Europe have not presented materially different risks or problems from those we have encountered in the United States, although the cost and complexity of streamlining operations in certain European countries is greater than would be the case in the United States. This is due primarily to labor laws in those countries

that can make reducing employment levels more time-consuming and expensive than in the United States. We believe the risks of conducting business in less developed markets, including Brazil, Mexico, Poland, Czech Republic, China, Korea and India are sometimes greater than in the U.S., Canadian, and Western European markets. This is due to the potential for currency volatility, high interest, inflation rates, and the general political and economic instability that are associated with these markets.

Business Environment and Outlook

Our business is greatly affected by the automotive build rates in North America and Europe. New vehicle demand is driven by macro-economic and other factors such as interest rates, manufacturer and dealer sales incentives, fuel prices, consumer confidence, and employment and income growth trends. The severe global financial crisis that started in the second half of 2008 has reduced vehicle demand to historic lows putting severe financial stress on the entire automotive industry.

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. However, the financial crisis and difficult industry environment is expected to result in significant consolidation among suppliers which will provide conquest opportunities for larger global suppliers.

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 value added solutions under more stringent time frames.

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. The market shares of the Detroit 3 has declined in recent years and may continue to decline in the future. This pricing pressure along with the current financial crisis will continue to drive our focus on reducing our overall cost structure through lean initiatives, capital redeployment, restructuring and other cost management processes.

In addition to the cost-reduction actions taken through the end of the year ended December 31, 2008 which are described under Restructuring beginning on page 41, on March 26, 2009, the Company announced the implementation of a comprehensive plan involving the discontinuation of its global product line operating divisions, formerly called the Body & Chassis Systems division and the Fluid Systems division, and the establishment of a new operating structure organized on the basis of geographic regions. The Company will now operate from two divisions, North America and International (covering Europe, South America and Asia). This new operating structure allows the Company to maintain its full portfolio of global products and provide unified customer contact points, while better managing its operating costs and resources in severe industry conditions. It will result in a reduction in the Company s worldwide salaried workforce of approximately 20 percent.

In the year ended December 31, 2008, our business was negatively impacted by reduced OEM production volumes as a result of several factors, including a prolonged strike at a major Tier One supplier and high oil prices in the first half of the year, but most significantly due to overall negative macroeconomic conditions in the second half of the year. These included disruptions in the financial markets which limited access to credit, a significant decline in the demand for and production of passenger cars and light trucks and a deterioration in the financial condition of certain of our customers. According to CSM Worldwide, actual North America and Europe light vehicle production volumes for the year ended December 31, 2008 were 12.6 million and 20.5 million units, respectively, as compared to 15.1 million and 21.7 million units, respectively, for the year ended December 31, 2007. Additionally, we continued to experience significant pricing pressure from our customers despite volume declines. These negative impacts were partially offset

by favorable foreign currency translation in the first half of 2008. Our performance in 2008 has been, and will continue to be, impacted by changes in light vehicle production volumes, platform mix, customer pricing pressures, and the cost of raw materials.

Results of Operations

	For the Year Ended December 31,		
	2006	**2007**	**2008**
(Dollar amounts in thousands)			
Sales	$ 2,164,262	$ 2,511,153	$ 2,594,577
Cost of products sold	1,832,027	2,114,039	2,260,063
Gross profit	332,235	397,114	334,514
Selling, administration, & engineering expenses	199,739	222,134	231,709
Amortization of intangibles	31,025	31,850	30,996
Impairment charges	13,247	146,366	33,369
Restructuring	23,905	26,386	38,300
Operating profit (loss)	64,319	(29,622)	140
Interest expense, net of interest income	(87,147)	(89,577)	(92,894)
Equity earnings	179	2,207	897
Other income (expense)	6,985	(1,055)	(299)
Loss before income taxes	(15,664)	(118,047)	(92,156)
Provision for income tax expense (benefit)	(7,244)	32,946	29,295
Net loss	$ (8,420)	$ (150,993)	$ (121,451)

Year ended December 31, 2008 Compared to Year Ended December 31, 2007

Net Sales: Our net sales increased from $2,511.2 million in 2007 to $2,594.6 million in 2008, an increase of $83.4 million, or 3.3%. The increase resulted primarily from the full twelve months impact of the MAPS, El Jarudo and MAP India acquisitions and favorable foreign exchange rates ($70.6 million) partially offset by lower volume. In North America, our sales decreased by $282.0 million primarily due to lower unit sales volume partially offset by $5.8 million of favorable foreign currency translation. In our international operations, a sales increase of $365.4 million was attributable to a combination of factors including the acquisition of MAPS and MAP India, $64.8 million of favorable impact of foreign currency translation and higher unit sales volumes partially offset by customer price concessions.

Gross Profit: Gross profit decreased $62.6 million to 12.9% of sales in 2008, as compared to 15.8% of sales in 2007. This decrease resulted primarily from reduced North America volume, and unfavorable mix.

Operating Profit (Loss): Operating profit in 2008 was $0.1 million compared to an operating loss reported in 2007, of $29.6 million. This increase is primarily due to the impairment charges of $146.4 million in 2007 compared to $33.4 million in 2008 partially offset by reduced volumes, increased material costs and unfavorable foreign exchange.

Impairment Charges: In 2008, the Company recorded an impairment charge of $21.9 million in the International Fluid reporting unit of our Global Fluid segment and an impairment charge of $1.2 million in the International Body & Chassis reporting unit of our Global Body & Chassis segment. These charges are a result of a weakening global economy, a global decline in vehicle production volumes and changes in product mix. Also, in 2008 the Company recorded intangible impairment charges of $2.3 million and $1.6 million related to Fluid and Body & Chassis technology, respectively. Based on a discounted cash flow analysis it was determined that the historical cost of these intangible assets exceeded their fair value and impairment charges were recorded. Also, in 2008 the Company recorded fixed asset impairment charges of $6.4 million.

In 2007 we recorded a goodwill impairment charge of $142.9 million and charges of $3.5 million related to the impairment of certain intangible assets within the North America Fluid reporting unit of our Fluid segment. These charges resulted from projected declines in anticipated production volumes and a change in the production mix for certain key platforms in North America since the 2004 acquisition as well as the impact of increases in material costs and customer price concessions in North America.

Interest Expense, net: Interest expense increased by $3.3 million in 2008, primarily due to increased indebtedness resulting from the acquisition of MAPS and increased short-term borrowings.

Other Expense: Other expense was $0.3 million in 2008 as a result of foreign currency losses of $0.9 million and loss on sale of receivables of $2.2 million, partially offset by minority interest income of $1.1 million and gain on debt repurchase of $1.7 million. Other expense of $1.1 million in 2007 was primarily a result of foreign currency losses of $0.5 million and minority interest expense of $0.6 million.

Provision for Income Tax Expense (Benefit): Income taxes in 2007 included an expense of $32.9 million for an effective rate of (27.9%) as compared to income tax expense of $29.3 million for an effective rate of (31.8%) in 2008. Tax expense in 2008 is primarily a result of the nondeductible nature of the goodwill impairment charge; valuation allowances recorded on tax losses and credits generated in the U.S. and certain foreign jurisdictions; the write-off of deferred tax assets in the U.K.; the distribution of income between the U.S. and foreign sources; and other non-recurring discrete items.

Year ended December 31, 2007 Compared to Year Ended December 31, 2006

Net Sales: Our net sales increased from $2,164.3 million in 2006 to $2,511.2 million in 2007, an increase of $346.9 million, or 16.0%. The increase resulted primarily from the acquisition of MAPS and El Jarudo, favorable foreign exchange rates ($86.9 million) and higher unit sales volume partially offset by customer price concessions. In North America, our sales increased by $67.0 million primarily due to the acquisition of El Jarudo and $20.2 million of favorable foreign currency translation, partially offset by lower unit sales volumes and customer price concessions. In our international operations, a sales increase of $279.9 million was attributable to a combination of factors including the acquisition of MAPS, $66.7 million favorable impact of foreign currency translation and higher unit sales volumes partially offset by customer price concessions.

Gross Profit: Gross profit increased $64.9 million to 15.8% of sales in 2007, as compared to 15.4% of sales in 2006. This increase resulted primarily from the acquisition of MAPS and El Jarudo combined with the favorable impact of various cost saving initiatives and favorable foreign exchange rates, partially offset by customer price concessions and increased material costs.

Operating Profit (Loss): Operating loss in 2007 was $29.6 million compared to an operating profit reported in 2006, of $64.3 million. This decrease is primarily due to the impairment charges of $146.4 million and an increase in selling, administration and engineering expenses primarily due to the acquisitions of MAPS and El Jarudo, partially offset by gross profit increase of $64.9 million.

Impairment Charges: In 2007 we recorded a goodwill impairment charge of $142.9 million and write off charges of $3.5 million related to certain intangible assets within the North America Fluid reporting unit of our Fluid segment. These charges result from a recent and projected decline in anticipated production volumes and a change in the production mix for certain key platforms in North America since the 2004 acquisition as well as the impact of recent increases in material costs and customer price concessions in North America. In 2006, as a result of operating results in the Body & Chassis reportable segment, we recorded a goodwill impairment charge of $7.5 million and impairment charges of $5.8 million related to certain developed technology intangible assets. The impairment was recognized in our NVH segment in 2006. During 2007 we revised our segments and the NVH segment was combined with the Sealing segment to create the Body & Chassis segment.

Table of Contents

Interest Expense, net: Interest expense increased by $2.4 million in 2007, primarily due to increased indebtedness resulting from the acquisition of MAPS and amortization of issuance costs associated with such borrowings.

Other Income (Expense): Other expense was $1.1 million in 2007 as a result of foreign currency losses of $0.5 million and minority interest expense of $0.6 million. Other income of $7.0 million in 2006 was primarily a result of a $4.1 million net gain related to the purchase of Senior Subordinated Notes, foreign exchange gains of $3.8 million, offset by a minority interest loss of $0.9 million.

Provision for Income Tax Expense (Benefit): Income taxes changed from a benefit of $7.2 million for an effective rate 46.2% in 2006 to an income tax expense of $32.9 million for an effective rate of (27.9%) in 2007. Tax expense in 2007 is primarily a result of the nondeductible nature of the goodwill impairment charge; valuation allowances recorded on tax losses and credits generated in the U.S.; tax rate changes enacted during 2007 in the Czech Republic, Canada, Germany, Spain and the United Kingdom resulting in additional expense related to the impact of deferred taxes recorded in those jurisdictions; the distribution of income between the U.S. and foreign sources; and other non-recurring discrete items. In 2006, the Company provided a benefit for net operating losses in the U.S. until that point when deferred tax assets exceeded the related liabilities and the recoverability was no longer assured beyond a reasonable doubt.

Segment Results of Operations

	For the Year Ended December 31,		
	2006	**2007**	**2008**
Sales			
Body & Chassis	$ 1,100,390	$ 1,317,621	$ 1,523,314
Fluid	971,122	1,096,944	979,601
Asia Pacific (1)	92,750	96,588	91,662
	$ 2,164,262	$ 2,511,153	$ 2,594,577
Segment profit (loss)			
Body & Chassis	$ (26,108)	$ 33,993	$ (16,919)
Fluid	19,173	(137,913)	(49,556)
Asia Pacific (1)	(8,729)	(14,127)	(25,681)
	$ (15,664)	$ (118,047)	$ (92,156)

(1) The Asia Pacific segment consists of both Body & Chassis and Fluid products in that region with the exception of the joint venture with Shanghai SAIC, which was purchased as part of the MAPS acquisition and the MAP India joint venture. These joint ventures are included in the Body & Chassis segment which is in line with the internal management structure.

Year Ended December 31, 2008 Compared to Year Ended December 31, 2007

Body & Chassis: Sales increased $205.7 million, or 15.6%, primarily due to the MAPS and MAP India acquisitions, favorable foreign exchange ($39.5 million), partially offset by lower sales volume. Segment profit decreased by $50.9 million as the result of lower sales volume, unfavorable sales mix, higher raw material costs and impairment charges of $5.2 million, partially offset by the acquisition of MAPS and MAP India.

Fluid: Sales decreased $117.3 million, or 10.7%, primarily due to lower sales volume, partially offset by favorable foreign exchange ($34.1 million). Segment profit increased by $88.4 million as the result of impairment charges related to goodwill ($21.9 million), intangible assets ($2.3 million) and fixed assets

($4.1 million), compared to 2007 impairment charges of ($146.4 million) and the favorable impact of various cost saving initiatives. These favorable items were partially offset by reduced volumes, unfavorable sales mix, increased material costs and unfavorable foreign exchange.

Asia Pacific: Sales decreased $4.9 million, or 5.1%, primarily due to unfavorable foreign exchange ($3.0 million) and lower sales volume. Segment loss increased by $11.6 million as a result of increased restructuring costs related to the previously announced restructuring initiative in Australia and as a result of start-up related costs for operations in this region.

Year Ended December 31, 2007 Compared to Year Ended December 31, 2006

Body & Chassis: Sales increased $217.2 million, or 19.7%, primarily due to the acquisition of MAPS, higher sales volumes and favorable foreign exchange ($47.6 million), partially offset by customer price concessions. Segment profit increased by $60.1 million as the result of favorable impact of various cost savings initiatives and the acquisition of MAPS, partially offset by higher raw material costs and customer price concessions.

Fluid: Sales increased $125.8 million, or 13.0%, primarily due to the acquisition of El Jarudo, the full year impact of the FHS acquisition, higher sales volumes, and favorable foreign exchange ($37.5 million), partially offset by customer price concessions. Segment profit decreased by $157.1 million as the result of impairment charges related to goodwill in the North America reporting unit ($142.9 million), and intangible assets ($3.5 million), customer price concessions, higher raw material costs, and increased restructuring costs ($4.3 million). Such items were partially offset by the inclusion of El Jarudo, favorable foreign exchange, and the favorable impact of various cost savings initiatives.

Asia Pacific: Sales increased $3.8 million, or 4.1%, primarily due to favorable foreign exchange ($1.8 million) and higher sales volume, partially offset by customer price concessions. Segment loss increased by $5.4 million as a result of start up related costs for operations in this region, partially offset by the favorable impact of various cost savings initiatives.

Off-Balance Sheet Arrangements

We have provided a guarantee of a portion of the bank loans made to NISCO, our joint venture with Nishikawa Rubber Company. This debt guarantee is required of the partners by the joint-venture agreement and serves to support the credit-worthiness of NISCO. On July 1, 2003, NISCO entered into an additional bank loan with the joint venture partners each guaranteeing an equal portion of the amount borrowed. In accordance with FASB Interpretation No. 45, Guarantor s Accounting and Disclosure Requirements for Guarantees, Including Indirect Guarantees of Indebtedness of Others, guarantees meeting the characteristics described in the Interpretation are required to be recorded at fair value. We did not have any exposure under the guarantee arrangements at December 31, 2008.

As a part of its working capital management, the Company sells certain foreign 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 December 31, 2008, the Company had $43.5 million of receivable outstanding under receivables transfer agreements entered into by various foreign locations. The Company incurred losses on the sale of the receivables for the year ended December 31, 2008 of $2.2 million and is recorded in other income (expense) in the consolidated statements of operations. The Company is continuing to service 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.

As of December 31, 2008 we had no other material off-balance sheet arrangements.

Table of Contents

Liquidity and Capital Resources

Operating Activities: Cash flow provided by operations was $136.5 million in 2008, which included $55.6 million of changes in operating assets and liabilities. Cash flow provided by operations was $185.4 million in 2007, which included $9.9 million of changes in operating assets and liabilities.

Investing Activities: Cash used in investing activities was $73.9 million in 2008, which primarily consisted of $92.1 million of capital spending partially offset by gross proceeds of $8.6 million from a sale-leaseback transaction and $4.8 million of proceeds from the sale of fixed assets. This compared to $260.0 million in 2007, which primarily consisted of acquisition cost of $158.7 million related to the acquisition of El Jarudo, MAPS, and MAP India, capital spending of $107.3 million, less $4.8 million received from a sale-leaseback transaction. We anticipate that we will spend approximately $60.0 million to $70.0 million on capital expenditures in 2009.

Financing Activities: Net cash provided by financing activities totaled $14.1 million in 2008, which consisted primarily of net increase of short-term debt, partially offset by, normal debt payments and repurchase of bonds as compared to net cash provided by financing activities of $55.0 million in 2007. The 2007 cash provided by financing activities was primarily comprised of proceeds from issuance of acquisition-related debt of $60.0 million, proceeds from issuance of stock of $30.0 million and a net increase of short term debt of $6.2 million, partially offset by normal debt repayments and voluntary prepayments on our term loans of $37.6 million and $3.1 million of debt issuance costs.

Since the consummation of the 2004 Acquisition, we have been significantly leveraged. As of December 31, 2008, we have $1,144.1 million outstanding in aggregate indebtedness, with an additional $30.1 million of borrowing capacity available under our revolving credit facilities (after giving effect to outstanding borrowings of $60.9 million and $24.0 million of standby letters of credit). During the first quarter of 2009, we have drawn substantially all of the revolving credit facilities balance that was available as of December 31, 2008. Our future liquidity requirements will likely be significant, primarily due to debt service obligations. Future debt service obligations may include required prepayments from annual excess cash flows, as defined, under our senior credit agreement commencing with the year ended December 31, 2009, which would be due 5 days after the filing of the Form 10-K, or in connection with specific transactions, such as certain asset sales and the incurrence of debt not permitted under the senior credit agreement.

On December 24, 2008, the Company unwound one of the interest rate swaps which resulted in a cash settlement on January 2, 2009 of $9.9 million including accrued interest of $0.4 million to the counterparty that required, per the ISDA (International Swap Dealers Association, Inc.) that covered the swap contract, to terminate the swap upon the Company s credit rating falling below B3.

Senior Credit Facilities. In connection with the 2004 Acquisition, Cooper-Standard Holdings Inc., Cooper-Standard Automotive Inc. and Cooper-Standard Automotive Canada Limited entered into a Credit Agreement with various lending institutions, Deutsche Bank Trust Company Americas, as administrative agent, Lehman Commercial Paper Inc., as syndication agent, and Goldman Sachs Credit Partners, L.P., UBS Securities LLC and The Bank of Nova Scotia, as co- documentation agents (with subsequent amendments thereto, and with related agreements, the Senior Credit Facilities). The Senior Credit Facilities consist of revolving credit facilities and term loan facilities.

Our revolving credit facilities provide for loans in a total principal amount of up to $125.0 million with a maturity of 2010. Lehman Commercial Paper, Inc. (LCPI) had a $10.0 million commitment to the Company as part of our $125.0 million revolving credit facility. Recently LCPI filed for bankruptcy protection and the revolver availability was effectively reduced by their position, therefore the revolving credit facility currently provides for borrowing up to $115.0 million. The Company is seeking to have this commitment replaced by another financial institution.

The Senior Credit Facilities include a Term Loan A facility of the Canadian dollar equivalent of $51.3 million with a maturity of 2010, a Term Loan B facility of $115.0 million with a maturity of December 2011 and a Term Loan C facility of $185.0 million with a maturity of December 2011. The term loans were used to fund the 2004 Acquisition. As described below the Company also has a Term Loan D and Term Loan E as part of its Senior Credit Facilities.

Table of Contents

The borrowings under the Senior Credit Facilities denominated in US dollars bear interest at a rate equal to an applicable margin plus, at our or the Canadian Borrower s option, as applicable, either (a) a base rate determined by reference to the higher of (1) the prime rate of Deutsche Bank Trust Company Americas (or another bank of recognized standing reasonably selected by Deutsche Bank Trust Company Americas) and (2) the federal funds rate plus 0.5% or (b) LIBOR rate determined by reference to the costs of funds for deposits in US dollars for the interest period relevant to such borrowing adjusted for certain additional costs. Borrowings under the Senior Credit Facilities denominated in Canadian dollars bear interest at a rate equal to an applicable margin plus, at the Canadian Borrower s option, either (a) an adjusted Canadian prime rate determined by reference to the higher of (1) the prime rate of Deutsche Bank AG, Canada Branch for commercial loans made in Canada in Canadian dollars and (2) the average rate per annum for Canadian dollar bankers acceptances having a term of 30 days that appears of Reuters Screen CDOR Page plus 0.75% or (b) bankers acceptances rate determined by reference to the average discount rate on bankers acceptances as quoted on Reuters Screen CDOR Page or as quoted by certain Canadian reference lenders.

In addition to paying interest on outstanding principal under the Senior Credit Facilities, we are required to pay a commitment fee to the lenders under the revolving credit facilities in respect of the unutilized commitments thereunder at a rate equal to 0.50% per annum. We also pay customary letter of credit fees.

The Term Loan B facility and the Term Loan C facility amortize each year in an amount equal to 1% per annum in equal quarterly installments for the first six years and nine months, with the remaining amount payable on the date that is seven years from the date of the closing of the Senior Credit Facilities. During 2007 we made voluntary prepayments totaling $15.0 million on the Term Loan B facility and $7.0 million on the Term Loan C facility. The Term Loan A facility amortizes in equal quarterly installments of C$1.538 million in 2005 and 2006, C$2.308 million in 2007 and 2008, and C$3.846 million in 2009 and 2010.

On February 6, 2006, in conjunction with the closing of the FHS acquisition, we amended our Senior Credit Facilities and closed on Term Loan D with a notional amount of $215.0 million. The amount of the additional term loan was based on the purchase price of the acquisition and anticipated transaction costs. Term Loan D matures on December 23, 2011 and carries terms and conditions similar to those found in the remainder of our Term B and C Facilities. Term Loan D was structured as two tranches, $190.0 million borrowed in U.S. dollars, and 20.7 million borrowed in Euros. The financing was split between currencies to take into consideration the value of the European assets acquired in the FHS transaction.

On July 26, 2007, the Company entered into the Second Amendment to the Credit Agreement (the Second Amendment). The Second Amendment permitted the MAPS acquisition and allows the Company to borrow up to 65.0 million through an incremental term loan under the Credit Agreement (as amended) to provide a portion of the funding necessary for the MAPS Acquisition and to pay related fees and expenses. The Second Amendment also expands the dual currency borrowing sub limit under the Revolving Credit Agreement to $35.0 million and adds Cooper-Standard International Holdings BV as a permitted borrower under this sub limit. The Second Amendment includes other changes which increase the Company s financial and operating flexibility, including amended financial covenants, expanded debt and investment baskets, and the ability to include the results of our non-consolidated joint ventures in the covenant calculations, among other things.

To finance part of the MAPS acquisition the Company borrowed 44.0 million under the Second Amendment discussed above. This borrowing was combined with the Euro tranche of the Term Loan D to create Term Loan E and as of December 31, 2007 had an outstanding balance of 64.1 million. The Company also borrowed $10.0 million under the Primary Revolving Credit Agreement, which was repaid in its entirety by September 30, 2007. In addition the Company borrowed 15.0 million under the dual-currency sub limit of the revolver, which was repaid in its entirety as of December 31, 2007.

On December 18, 2008, the Company entered into a Third Amendment to the Credit Agreement (the Third Amendment). The Third Amendment provides that the Company and/or its Canadian subsidiary may

Table of Contents

voluntarily prepay up to a maximum of $150.0 million of one or more tranches of its term loan debt under the Credit Agreement held by participating lenders at a discount price to par to be determined pursuant to certain auction procedures. The prepayments may be financed with cash of the Company and its Subsidiaries if they meet, on a consolidated basis, certain conditions set forth in the Third Amendment including a $125.0 million minimum liquidity requirement (which amount includes cash and cash equivalents and any amounts available to be drawn under the Credit Agreement s revolving credit facility). Such prepayments may not be made from the proceeds of loans drawn under the Credit Agreement s revolving credit facility. The prepayments may also be financed with the proceeds of certain equity contributions from holders of equity of the Company. Under the terms of the Third Amendment, any such prepayments will reduce the amount of term loans outstanding and payable in indirect order of maturity.

The Senior Credit Facilities contain a number of covenants that, among other things, restrict, subject to certain exceptions, our ability, and the ability of our subsidiaries, to sell assets; incur additional indebtedness or issue preferred stock; repay other indebtedness (including the notes); pay certain dividends and distributions or repurchase our capital stock; create liens on assets; make investments, loans, or advances; make certain acquisitions; engage in mergers or consolidations; enter into sale and leaseback transactions; engage in certain transactions with affiliates; amend certain material agreements governing our indebtedness, including the exchange notes; and change the business conducted by us and our subsidiaries

Senior Notes and Senior Subordinated Notes

Our outstanding 7% Senior Notes due 2012 (the Senior Notes) were issued under an Indenture, dated December 23, 2004 (the Senior Indenture). Our 8 $^{3}/8$% Senior Subordinated Notes (the Senior Subordinated Notes) were also issued under an Indenture, dated December 23, 2004 (the Subordinated Indenture and, together with the Senior Indenture, the Indentures). During 2006 we repurchased $19.5 million notional amount of our Senior Subordinated Notes for $14.9 million. During 2008 we repurchased $7.2 million notional amount of our Senior Subordinated notes for $5.3 million.

Interest on the Senior Notes accrues at the rate of 7% per annum and is payable semiannually in arrears on June 15 and December 15, commencing on June 15, 2005. The Company makes each interest payment to the holders of record of the Senior Notes on the immediately preceding June 1 and December 1.

Interest on the Senior Subordinated Notes accrues at the rate of 8 $^{3}/8$% per annum and is payable semiannually in arrears on June 15 and December 15, commencing on June 15, 2005. The Company makes each interest payment to the holders of record of the Senior Subordinated Notes on the immediately preceding June 1 and December 1.

The indebtedness evidenced by the Senior Notes (a) is unsecured senior indebtedness of the Company, (b) ranks *pari passu* in right of payment with all existing and future senior indebtedness of the Company, and (c) is senior in right of payment to all existing and future Subordinated Obligations (as used in respect of the Senior Notes) of the Company. The Senior Notes are also effectively subordinated to all secured indebtedness and other liabilities (including trade payables) of the Company to the extent of the value of the assets securing such indebtedness, and to all indebtedness of its Subsidiaries (other than the subsidiaries that guarantee the Senior Notes).

The Indebtedness evidenced by the Senior Subordinated Notes is unsecured senior subordinated indebtedness of the Company, is subordinated in right of payment, as set forth in the Subordinated Indenture, to the prior payment in full in cash or temporary cash investments when due of all existing and future senior indebtedness of the Company, including the Company s obligations under the Senior Notes and the Credit Agreement, ranks *pari passu* in right of payment with all existing and future senior subordinated indebtedness of the Company, and is senior in right of payment to all existing and future Subordinated Obligations (as used in respect of the Senior Subordinated Notes) of the Company. The Senior Subordinated Notes are also effectively subordinated to any secured indebtedness of the Company to the extent of the value of the assets securing such indebtedness, and to all indebtedness and other liabilities (including trade payables) of the Company s subsidiaries (other than the subsidiaries that guarantee the Senior Subordinated Notes).

Table of Contents

Under each Indenture, upon the occurrence of any change of control (as defined in each Indenture), unless the Company has exercised its right to redeem all of the outstanding Notes of each holder of Notes of the applicable series shall have the right to require that the Company repurchase such noteholder s Notes of such series at a purchase price in cash equal to 101% of the principal amount thereof on the date of purchase plus accrued and unpaid interest, if any, to the date of purchase (subject to the right of the applicable Noteholders of record on the relevant record date to receive interest due on the relevant interest payment date). The change of control purchase feature of the Notes may in certain circumstances make more difficult or discourage a sale or takeover of the Company and, thus, the removal of incumbent management.

The Credit Agreement provides that the occurrence of certain change of control events with respect to us would constitute a default thereunder. The Company, its directors, officers, employees or affiliates may, from time-to-time, purchase or sell Senior Notes or Senior Subordinated Notes on the open market, subject to limits as specified in the Credit Agreement and, with respect to purchases of Senior Subordinated Notes, limits in the Senior Indenture.

The Indentures limit our (and most or all of our subsidiaries) ability to:

- incur additional indebtedness;
- pay dividends on or make other distributions or repurchase our capital stock;
- make certain investments;
- enter into certain types of transactions with affiliates;
- use assets as security in other transactions; and
- sell certain assets or merge with or into other companies.

Subject to certain exceptions, the Indentures permit us and our restricted subsidiaries to incur additional indebtedness, including secured indebtedness.

Our compliance with certain of the covenants contained in the Indentures and in our Credit Agreement is determined based on financial ratios that are derived using our reported EBITDA, as adjusted for certain items described in those agreements. We refer to EBITDA as adjusted under the Credit Agreement as Consolidated EBITDA . The Credit Agreement provides, among other covenants, for a maximum Senior Secured Leverage Ratio as of specified dates, which means the ratio of the Company s total senior secured indebtedness on such date, as defined in the agreement, to the Company s Consolidated EBITDA for the period of four consecutive fiscal quarters ended on such date. The breach of such covenants in our Credit Agreement could result in a default thereunder and the lenders could elect to declare all amounts borrowed due and payable. Any such acceleration would also result in a default under the Indentures. Additionally, under our Credit Agreement and Indentures, our ability to engage in activities such as incurring additional indebtedness, making investments, and paying dividends is limited, with exceptions that are either partially tied to similar financial ratios (in the case of the Indentures) or are based on negotiated carveouts and baskets (in the case of the Credit Agreement).

We believe that the inclusion of supplementary adjustments to EBITDA applied in presenting Consolidated EBITDA is appropriate to provide additional information to investors to demonstrate compliance with our financing covenants. However, EBITDA and Consolidated EBITDA are not recognized terms under GAAP and do not purport to be alternatives to net income as a measure of operating performance. Additionally, EBITDA and Consolidated EBITDA are not intended to be measures of free cash flow for management s discretionary use, as they do not consider certain cash requirements such as interest payments, tax payments, debt service requirements, and capital expenditures. Because not all companies use identical calculations, these presentations of EBITDA and Consolidated EBITDA may not be comparable to similarly titled measures of other companies.

The following table reconciles net income to EBITDA and pro forma Consolidated EBITDA under the Credit Agreement (dollars in millions):

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008
Net loss	$ (8.4)	$ (151.0)	$ (121.5)
Provision for income tax expense (benefit)	(7.2)	32.9	29.3
Interest expense, net of interest income	87.1	89.6	92.9
Depreciation and amortization	138.4	136.0	140.1
EBITDA	$ 209.9	$ 107.5	$ 140.8
Restructuring [1]	23.9	26.4	30.6
Foreign exchange (gain) loss [2]	(2.9)	(0.1)	0.1
Inventory write-up[3]	2.1	2.5	
Transition and integration costs[4]	1.4	1.5	0.5
Product remediation[5]	2.9		
Net gain on bond repurchase[6]	(4.1)		(1.7)
Canadian voluntary retirement			1.8
Claim reserve[7]	1.8		(0.6)
Impairment charges[8]	13.2	146.4	36.0
Other		1.5	2.7
	248.2	285.7	210.2
Pro forma adjustments related to FHS [9]	4.4		
Pro forma adjustments related to El Jarudo [10]		1.7	
Pro forma adjustments related to MAPS [11]		34.2	
Pro forma adjustments related to MAP India [12]		2.7	
EBITDA adjustment related to other joint ventures [13]		8.0	11.1
Pro forma adjustments related to product line organization discontinuance [14]			19.4
Consolidated EBITDA	$ 252.6	$ 332.3	$ 240.7

(1) Includes non-cash restructuring charges.
(2) Unrealized foreign exchange (gain) loss on acquisition-related indebtedness.
(3) Write-ups of inventory to fair value at the dates of the 2004 Acquisition, acquisition of FHS, and acquisition of MAPS.
(4) Transition and integration costs related to the acquisition of FHS in 2006 and MAPS & El Jarudo in 2007 and MAPS and MAP India in 2008.
(5) Product rework and associated costs.
(6) Net gain on purchase of Senior Subordinated Notes in 2006 and 2008 of $19.5 million and $7.2 million, respectively.
(7) 2006 Reserve reflecting the Company s best estimate of probable liability in connection with U.S. Bankruptcy Court claim filed by a customer to recover payments made by the customer to the Company allegedly constituting recoverable preference payments. 2008 reflects reduction in estimated liability to settlement amount.
(8) 2006-Impairment charges related to NVH goodwill ($7.5 million) and developed technology ($5.8 million). 2007-Impairment charges related to Fluid goodwill ($142.9) and certain intangibles ($3.5). 2008-Impairment charges related to Fluid goodwill ($21.9 million), certain intangibles ($2.3 million) and fixed assets ($4.1 million), related to Body & Chassis goodwill ($1.2 million), certain intangibles ($1.6 million) and fixed assets ($2.3 million) and Guyoung impairment ($2.6 million).

Table of Contents

(9) Pro forma adjustments to FHS s reported EBITDA for the period from January 1, 2006 to February 6, 2006. Our credit agreement provides for Pro Forma retroactive adjustments for permitted acquisitions in this calculation.
(10) Pro forma adjustments to El Jarudo s reported EBITDA for the period from January 1, 2007 to March 31, 2007.
(11) Pro forma adjustments to MAPS reported EBITDA for the period from January 1, 2007 to August 31, 2007.
(12) Pro forma adjustments to MAP India reported EBITDA for the period from January 1, 2007 to December 27, 2007.
(13) The Company s share of EBITDA in its joint ventures, net of equity earnings.
(14) Pro forma adjustments to the Company s EBITDA for the initial phase of the Company s discontinuance of its global product line operating divisions and the establishment of a new operating structure organized on the basis of geographic regions.

Our Senior Secured Leverage Ratio for the four quarters ended December 31, 2008 as compared to the minimum Senior Secured Leverage Ratio provided for in the Credit Agreement, was as follows:

	Leverage Ratio at December 31, 2008	Covenant Thresholds
Senior Credit Facilities		
Senior Secured Debt to Consolidated EBITDA ratio	2.13 to 1.0	≤ 3.0 to 1.0

In addition, under the terms of our Credit Agreement, we are required to repay a portion of our indebtedness under our Senior Credit Facilities by a certain percentage, based on our leverage ratio, of our excess cash flow commencing with the year ended December 31, 2008. As of December 31, 2008, we did not have to make any additional mandatory repayment.

As discussed in part 1, Item 1A Risk Factors , there are several risks and uncertainties related to the global economy and our industry that could materially impact our liquidity. Among potential outcomes, these risks and uncertainties could result in decreased operating results, limited access to credit and failure to comply with debt covenants.

During the second half of 2008, production volumes decreased significantly resulting in a decline in sales, operating income and EBITDA. This decline in operating results reduced cushion that existed within our restrictive financial covenants and increased the risk of a future debt covenant violation. As previously noted the future compliance of debt covenants will be dependent upon, amongst other matters, future vehicle production and our ability to implement the costs savings initiatives announced during the second half of 2008 and the first quarter of 2009.

Our current revenue forecast for 2009 is determined from specific platform volume projections consistent with a North American and European light vehicle production estimate of 9.3 million units and 16.7 million units, respectively. Changes to the total level of light vehicle production levels could have a negative impact on our future sales, liquidity, results of operations and ability to comply with debt covenants. We have taken significant actions during the second half of 2008 and first quarter of 2009 to reduce our cost base and improve profitability. Based on our current 2009 operating forecast and the impact of our cost reductions on our 2009 forecasted debt covenant calculation, we expect to comply with all debt covenants during 2009. While we believe the vehicle production and other assumptions within our forecast are reasonable, we have also considered the possibility of even weaker demand based primarily on a further decline in North American light vehicle production (to approximately 8 million units). In addition to the potential impact of

light vehicle production changes on our sales, achieving our EBITDA forecast and 2009 debt covenant thresholds are dependent upon a number of other external and internal factors such as changes in raw material costs, changes in foreign currency rates, our ability to execute our cost savings initiatives, and our ability to implement and achieve the savings expected by the change in our operating structure.

We have also considered the potential consequences of a bankruptcy filing of one of our major North American customers and believe that a bankruptcy filing would not materially impact our 2009 forecast and our ability to meet 2009 debt covenants. In the event of a bankruptcy filing, we believe it is likely that most of our programs would be continued and any reduction in program volume of a bankrupt customer would be replaced with volume from other existing customers. As such, we expect the adverse effects of these bankruptcies would be limited principally to recovering less than the full amount of the outstanding receivables. We believe that a loss or expenses incurred as a result of a customer bankruptcy would be treated as an adjustment for our 2009 debt covenants and do not believe the trade receivable exposure would have a significant impact on our 2009 liquidity.

While we are confident of our ability to achieve the plan, there can be no assurance we will be successful. There are a number of factors that could potentially arise that could result in a violation of our debt covenants. Non-compliance with covenants would provide our lenders the ability to demand immediate repayment of all outstanding borrowings under the Term Facility and the Revolving Facility. We would not have sufficient cash on hand to satisfy this demand. Accordingly, the inability to comply with covenants, obtain waivers for non-compliance, cure a potential violation with the support of our shareholders, or obtain alternative financing would have a material adverse effect on our financial position, results of operations and cash flows. In the event we were unable to meet our debt requirements, however, we believe we would be able to cure the violation utilizing the equity cure right provision of our primary credit facility, obtain a waiver or amend the covenants. Executing the equity cure right provision is contingent upon our shareholders. Obtaining waivers or amendments would likely result in a significant incremental cost. Although we cannot provide assurance that we would be successful in obtaining the necessary waivers or in amending the covenants, we were able to do so in previous years and are confident that we would be able to do so in 2009, if necessary.

Based on our current forecast and our assessment of reasonably possible scenarios, including the more pessimistic scenarios related to production volumes described above, we do not believe that there is substantial doubt about our ability to continue as a going concern in 2009.

Working capital

Historically we have not generally experienced difficulties in collecting our accounts receivable, but the dynamics associated with the recent economic downturn has impacted both the amount of our receivables and the stressed ability for our customers to pay within normal terms. Certain government sponsored programs may ease the constraints, but pressure on accounts receivable will continue until vehicle sales and production volumes stabilize. As of December 31, 2008, we have net cash of $111.5 million. Our additional borrowing capacity through use of our senior credit facilities with our bank group and other bank lines is $30.1 million (after giving effect to outstanding borrowings of $60.9 million and $24.0 million of standby letters of credit), of which the majority was drawn during the first quarter of 2009.

Available cash and contractual commitments

The following table summarizes our contractual cash obligations at December 31, 2008. Our contractual cash obligations consist of legal commitments requiring us to make fixed or determinable cash payments, regardless of the contractual requirements of the vendor to provide future goods or services. Except as disclosed, this table does not include information on our recurring purchase of materials for use in production, as our raw materials purchase contracts typically do not meet this definition because they do not require fixed or minimum quantities.

Table of Contents

Contractual Obligations	Total	Payment due by period Less than 1 year	1-3 Years	3-5 years	More than 5 Years
		(dollars in millions)			
Debt obligations	$ 1,114.3	$ 78.6	$ 512.3	$ 200.0	$ 323.4
Interest on debt obligations(1)	313.1	75.0	142.8	68.2	27.1
Capital lease obligations	1.5	1.1	0.4		
Operating lease obligations	83.3	18.0	22.6	15.8	26.9
Other obligations(2)	41.0	27.1	13.9		
Total	$ 1,553.2	$ 199.8	$ 692.0	$ 284.0	$ 377.4

(1) Interest on $590.9 million of variable rate debt is calculated based on LIBOR rate and Canadian Dollar Bankers Acceptance Rate as of December 31, 2008.

(2) Noncancellable purchase order commitments for capital expenditures & other borrowings.

In addition to our contractual obligations and commitments set forth in the table above, the Company has employment arrangements with certain key executives that provide for continuity of management. These arrangements include payments of multiples of annual salary, certain incentives, and continuation of benefits upon the occurrence of specified events in a manner that is believed to be consistent with comparable companies.

We also have minimum funding requirements with respect to our pension obligations. We expect to make cash contributions of approximately $16.0 million to our domestic and foreign pension plan asset portfolios in 2009. Our minimum funding requirements after 2009 will depend on several factors, including the investment performance of our retirement plans and prevailing interest rates. Our funding obligations may also be affected by changes in applicable legal requirements. We also have payments due with respect to our postretirement benefit obligations. We do not prefund our postretirement benefit obligations. Rather, payments are made as costs are incurred by covered retirees. We expect other postretirement benefit net payments to be approximately $3.5 million in 2009.

We may be required to make significant cash outlays to our unrecognized tax benefits. However, due to the uncertainty of the timing of future cash flows associated with our unrecognized tax benefits, we are unable to make reasonably reliable estimates of the period of cash settlement, if any, with the respective taxing authorities. Accordingly, unrecognized tax benefits of $5.2 million as of December 31, 2008, have been excluded from the contractual obligations table above. For further information related to unrecognized tax benefits, see Note 11, Income taxes , to the consolidated financial statements.

Excluded from the contractual obligation table are open purchase orders at December 31, 2008 for raw materials and supplies used in the normal course of business, supply contracts with customers, distribution agreements, joint venture agreements, and other contracts without express funding requirements.

Raw Materials and Manufactured Components

The principal raw materials for our business include fabricated metal-based components, oil based components, synthetic rubber, carbon black, and natural rubber. We manage the procurement of our raw materials to assure supply and to obtain the most favorable pricing. For natural rubber, procurement is managed by buying in advance of production requirements and by buying in the spot market. For other principal materials, procurement arrangements include short-term supply agreements that may contain formula-based pricing based on commodity indices. These arrangements provide quantities needed to satisfy normal manufacturing demands. We believe we have adequate sources for the supply of raw materials and components for our products with suppliers located around the world. We often use offshore suppliers for machined components, metal stampings, castings, and other labor-intensive, economically freighted products.

Table of Contents

Extreme fluctuations in material pricing have occurred in recent years adding challenges in forecasting. The inability to recover higher than anticipated prices from our customers may impact profitability.

Seasonal Trends

Sales to automotive customers are lowest during the months prior to model changeovers and during assembly plant shutdowns. These typically result in lower sales volumes during July, August, and December. However, economic conditions can change normal seasonality trends causing lower demand throughout the year. The impact of model changeovers and plant shutdowns is considerably less in years of lower demand overall.

Restructuring

2005 Initiatives

In 2005, the Company implemented a restructuring strategy and announced the closure of two manufacturing facilities in the United States and the decision to exit certain businesses within and outside the U.S. Both of the closures are substantially complete as of December 31, 2008, but the Company will continue to incur costs until the facilities are sold.

During the year ended December 31, 2008, the Company recorded total costs of $3.8 million related to the previously announced U.S. closures and workforce reductions in Europe. These costs consisted of severance, asset impairment, and other exit costs of $0.3 million, $2.1 million and $1.4 million, respectively. In addition the Company received $0.2 million for assets that were previously written off. The initiative is substantially complete as of December 31, 2008 at an estimated total cost of approximately $27.0 million. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 775	$ 542	$	$ 1,317
Expense incurred	295	1,437	2,063	3,795
Cash payments	(997)	(1,729)	165	(2,561)
Utilization of reserve			(2,228)	(2,228)
Balance at December 31, 2008	$ 73	$ 250	$	$ 323

2006 Initiatives

In May 2006, the Company implemented a restructuring action and announced the closure of a manufacturing facility located in Canada and the transfer of related production to other facilities in North America. The closure was completed during 2008 at a total cost of $3.8 million. During the year ended December 31, 2008, the Company reversed $9 thousand of severance costs.

European Initiatives

In 2006, the Company implemented a European restructuring initiative, which addressed the operations of our non-strategic facilities. The initiative includes the closure of a manufacturing facility, terminations, and the transfer of production to other facilities in Europe and North America. The initiative is substantially complete as of December 31, 2008 at an estimated total cost of approximately $22.0 million ($20.1 million incurred in 2006 and 2007). The Company recorded severance, other exit costs and asset impairments of $1.1 million, $0.6 million and $0.1 million, respectively, during the year ended December 31, 2008. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total

Balance at January 1, 2008	$ 1,442	$	$	$ 1,442
Expense incurred	1,076	619	127	1,822
Cash payments	(1,776)	(619)		(2,395)
Utilization of reserve			(127)	(127)
Balance at December 31, 2008	$ 742	$	$	$ 742

FHS Acquisition Initiatives

In connection with the acquisition of the automotive fluid handling systems business of ITT Industries, Inc. (FHS), the Company formalized a restructuring plan to address the redundant positions created by the consolidation of the businesses. In connection with this restructuring plan, the Company announced the closure of several manufacturing facilities located in North America, Europe, and Asia and the transfer of related production to other facilities. The closures are substantially complete as of December 31, 2008 at an estimated total cost of approximately $20.2 million, including costs recorded through purchase accounting. As a result of this initiative, the Company recorded certain severance and other exit costs of $11.8 million and $0.7 million, respectively, through purchase accounting in 2006. The Company recorded severance, other exit costs and asset impairments of $0.8 million, $2.3 million and $0.6 million, respectively. The Company also reversed $2.1 million of severance costs that were recorded through purchase accounting in 2006. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 6,450	$ 4,210	$	$ 10,660
Expense incurred	843	2,258	613	3,714
Cash payments and accrual reversals	(5,998)	(5,978)		(11,976)
Utilization of reserve			(613)	(613)
Balance at December 31, 2008	$ 1,295	$ 490	$	$ 1,785

2007 Initiatives

In May 2007, the Company implemented a restructuring action and announced the closure of a manufacturing facility located in Mexico and the transfer of related production to other facilities in North America. The closure was substantially completed in 2007. The estimated total cost of this closure is approximately $3.4 million. The Company will continue to incur costs until the facility is sold. During the year ended December 31, 2008 the Company recognized other exit costs and asset impairments of $0.5 million and $1.9 million, respectively, related to this initiative. During the year ended December 31, 2008, the Company reversed $5 thousand of severance costs.

Table of Contents

2008 Initiatives

In July 2008, the Company implemented a restructuring action and announced the closure of two manufacturing facilities, one located in Australia and the other in Germany. Both closures are a result of changes in market demands and volume reductions and are expected to be completed in 2009. The estimated total cost of this initiative is approximately $18.5 million. The Company recorded severance, other exit costs and asset impairments of $14.5 million, $0.1 million and $3.3 million, respectively, during the year ended December 31, 2008. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$	$	$	$
Expense incurred	14,455	149	3,282	17,886
Cash payments	(995)	(149)		(1,144)
Utilization of reserve			(3,282)	(3,282)
Balance at December 31, 2008	$ 13,460	$	$	$ 13,460

Initial Global Reorganization Initiative

During 2008, the Company commenced the initial phase of a global reorganization in North America and Europe. In connection with this phase, the Company reduced its workforce. The estimated total cost of this initial phase is approximately $7.7 million. During the year ended December 31, 2008, the Company recorded severance costs of $7.7 million associated with this initiative. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$	$	$	$
Expense incurred	7,670			7,670
Cash payments	(3,741)			(3,741)
Utilization of reserve				
Balance at December 31, 2008	$ 3,929	$	$	$ 3,929

In 2008, the Company initiated the closing of a European facility and the idling of a Canadian facility. During the year ended December 31, 2008, the Company recorded other exit costs and asset impairments of $0.2 million and $0.9 million, respectively.

Purchase Accounting

Acquisition of MAPS

The acquisition of MAPS was accounted for under the purchase method of accounting, in accordance with Financial Accounting Standards Board (FASB) Statement of Financial Accounting Standards No. 141, Business Combinations (SFAS 141). Accordingly, the assets purchased and liabilities assumed were included in the Company s consolidated balance sheet as of December 31, 2008. The operating results of the MAPS entities were included in the consolidated results of operations from the date of acquisition. The following summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Cash and cash equivalents	$ 10,237
Accounts receivable, net	118,216
Inventories, net	33,415
Prepaid expenses	7,995
Property, plant, and equipment, net	126,058
Investments	16,531
Other assets	32,874
Total assets acquired	345,326
Accounts payable	66,211
Short-term notes payable	22,039
Payroll liabilities	28,806
Accrued liabilities	14,821
Long-term debt	14,556
Pension benefits	37,839
Other long-term liabilities	16,676
Total liabilities assumed	200,948
Net assets acquired	$ 144,378

Cash and cash equivalents, accounts receivable, other current assets, accounts payable, and other current liabilities were stated at historical carrying values which management believes approximates fair value given the short-term nature of these assets and liabilities. Inventories were recorded at fair value which is estimated for finished goods and work-in-process based upon the expected selling price less costs to complete, selling, and disposal costs, and a normal profit to the buyer. Raw material inventory was recorded at carrying value as such value approximates the replacement cost. Tooling in process, which is included in other assets, was recorded at fair value which is based upon expected selling price less costs to complete. The Company s pension obligations have been recorded in the allocation of purchase price at the projected benefit obligation. Deferred income taxes have been provided in the consolidated balance sheet based on the Company s estimates of the tax versus book basis of the assets acquired and liabilities assumed, adjusted to estimated fair values. Management has estimated the fair value of property, plant, and equipment, intangibles and other long-lived assets based upon financial estimates and projections prepared in conjunction with the transaction. The value assigned to all assets and liabilities assumed exceeded the acquisition price. Accordingly, an adjustment to reduce the value of long-lived assets was recorded in accordance with SFAS No. 141 and no goodwill was recorded related to this transaction as of December 31, 2008.

Critical Accounting Policies and Estimates

Our accounting policies are more fully described in Note 2, Significant Accounting Policies, to the combined financial statements. Application of these accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities, and the reported amounts of revenues and expenses during the reporting period. Management bases its estimates and judgments on historical experience and on other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions. We believe that of our significant accounting policies, the following may involve a higher degree of judgment or estimation than other accounting policies.

Pre-Production Costs Related to Long Term Supply Arrangements. Costs for molds, dies, and other tools owned by us to produce products under long-term supply arrangements are recorded at cost in property,

plant, and equipment and amortized over the lesser of three years or the term of the related supply agreement. The amount capitalized was $8.8 million and $10.9 million at December 31, 2007 and 2008, respectively. Costs incurred during the engineering and design phase of customer-owned tooling projects are expensed as incurred unless a contractual arrangement for reimbursement by the customer exists. Reimbursable tooling costs included in other assets was $8.9 million and $3.8 million at December 31, 2007 and 2008, respectively. Development costs for tools owned by the customer that meet EITF 99-5 requirement are recorded in accounts receivable in the accompanying combined balance sheets if considered a receivable in the next twelve months. At December 31, 2007 and 2008, $73.6 million and $77.8 million, respectively, was included in accounts receivable for customer-owned tooling of which $39.0 million and $32.8 million, respectively, was not yet invoiced to the customer.

Goodwill. In connection with the 2004 Acquisition and other acquisitions since 2004 as described in Note 3, we have applied the provisions of SFAS No. 141, *Business Combination*. Goodwill, which represents the excess of cost over the fair value of the net assets of the businesses acquired, was approximately $290.6 million and $245.0 million as of December 31, 2007 and 2008, respectively.

Goodwill is not amortized but is tested annually for impairment. The Company evaluates each reporting unit s fair value versus its carrying value annually or more frequently if events or changes in circumstances indicate that the carrying value may exceed the fair value of the reporting unit. Estimated fair values are based on the cash flows projected in the reporting units strategic plans and long-range planning forecasts discounted at a risk-adjusted rate of return. While we believe our estimates of fair value are reasonable based upon current information and assumptions about future results, changes in our businesses, the markets for our products, the economic environment and numerous other factors could significantly alter our fair value estimates and result in future impairment of recorded goodwill. We are subject to financial statement risk in the event that goodwill becomes impaired. If the carrying value exceeds the fair value, an impairment loss is measured and recognized. The Company conducts its annual impairment testing as of October 1st of each year.

During 2008, our International Fluid and Body & Chassis reporting units experienced operating results that were below our previous expectations, primarily as a result of a recent and projected decline in vehicle production volumes, a change in the production mix for certain key platforms, the tightening credit market, price concessions to customers and the general overall health of the economy. Due to these factors, the calculated fair values of our International Fluid and Body & Chassis reporting units were less than their book values. As a result we recorded goodwill impairment charges of $21.9 million and $1.2 million, respectively, to these reporting units. If the weighted average cost of capital utilized in the estimate of fair value was increased by 100 basis points there would still not be impairment for any other reporting units.

Long-lived assets We monitor our long-lived assets for impairment indicators on an ongoing basis in accordance with SFAS No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets. If impairment indicators exist, we perform the required analysis by comparing the undiscounted cash flows expected to be generated from the long-lived assets to the related net book values. If the net book value exceeds the undiscounted cash flows, an impairment loss is measured and recognized. An impairment loss is measured as the difference between the net book value and the fair value of the long-lived assets. Fair value is estimated based upon either discounted cash flow analyses or estimated salvage values. Cash flows are estimated using internal budgets based on recent sales data, independent automotive production volume estimates and customer commitments, as well as assumptions related to discount rates. Change in economic or operating conditions impacting these estimates and assumptions could result in the impairment of long-lived assets.

As a result of our testing performed in accordance with SFAS No. 144 we recorded asset and definite lived intangible asset impairment charges of $6.4 million and $3.9 million, respectively. Of the $6.4 million of asset impairment charges, $4.1 million was recorded in our North America Fluid reporting unit and $2.3 million was recorded in our Body & Chassis International reporting unit. Of the $3.9 million of definite lived intangible asset impairment charges, $2.3 million was recorded in our North America Fluid reporting unit and $1.6 million was recorded in our Body & Chassis Americas reporting unit.

Restructuring-Related Reserves. Specific accruals have been recorded in connection with restructuring our businesses, as well as the integration of acquired businesses. These accruals include estimates principally related to employee separation costs, the closure and/or consolidation of facilities, contractual obligations, and the valuation of certain assets. Actual amounts recognized could differ from the original estimates.

Restructuring-related reserves are reviewed on a quarterly basis and changes to plans are appropriately recognized when identified. Changes to plans associated with the restructuring of existing businesses are generally recognized as employee separation and plant phaseout costs in the period the change occurs. Under EITF 95-3, Recognition of Liabilities in Connection with a Purchase Business Combination, changes to plans associated with the integration of an acquired business are recognized as an adjustment to the acquired business original purchase price (goodwill) if recorded within one year of the acquisition. After one year, a reduction of goodwill is recorded if the actual costs incurred are less than the original reserve. More than one year subsequent to an acquisition, if the actual costs incurred exceed the original reserve, the excess is recognized in current year operations as an employee separation and plant phaseout cost. For additional discussion, please refer to Note 4 to the Consolidated Financial Statements.

Revenue Recognition and Sales Commitments. We generally enter into agreements with our customers to produce products at the beginning of a vehicle s life. Although such agreements do not generally provide for minimum quantities, once we enter into such agreements, fulfillment of our customers purchasing requirements can be our obligation for an extended period or the entire production life of the vehicle. These agreements generally may be terminated by our customer at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, we may be committed under existing agreements to supply products to our customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, we recognize losses as they are incurred.

We receive blanket purchase orders from many of our customers on an annual basis. Generally, such purchase orders and related documents set forth the annual terms, including pricing, related to a particular vehicle model. Such purchase orders generally do not specify quantities. We recognize revenue based on the pricing terms included in our annual purchase orders as our products are shipped to our customers. As part of certain agreements, we are asked to provide our customers with annual cost reductions. We accrue for such amounts as a reduction of revenue as our products are shipped to our customers. In addition, we generally have ongoing adjustments to our pricing arrangements with our customers based on the related content and cost of our products. Such pricing accruals are adjusted as they are settled with our customers.

Amounts billed to customers related to shipping and handling are included in net sales in our consolidated statements of operations. Shipping and handling costs are included in cost of sales in our consolidated statements of operations.

Income Taxes. In determining the provision for income taxes for financial statement purposes, we make estimates and judgments which affect our evaluation of the carrying value of our deferred tax assets as well as our calculation of certain tax liabilities. In accordance with SFAS No. 109, *Accounting for Income Taxes*, we evaluate the carrying value of our deferred tax assets on a quarterly basis. In completing this evaluation, we consider all available positive and negative evidence. Such evidence includes historical operating results, the existence of cumulative losses in the most recent fiscal years, expectations for future pretax operating income, the time period over which our temporary differences will reverse, and the implementation of feasible and prudent tax planning strategies. Deferred tax assets are reduced by a valuation allowance if, based on the weight of this evidence, it is more likely than not that all or a portion of the recorded deferred tax assets will not be realized in future periods.

During 2008, due to our recent operating performance in the United States and current industry conditions, we continued to assess, based upon all available evidence, that it was more likely than not that we would not realize our U.S. deferred tax assets. During 2008, our U.S. valuation allowance increased by $66.9 million, primarily related to operating losses incurred in the United States and adjustments to the minimum pension liability recorded through other comprehensive income.

At December 31, 2008, deferred tax assets for net operating loss and tax credit carry-forwards of $179.9 million were reduced by a valuation allowance of $175.2 million. These deferred tax assets relate principally to net operating loss carry-forwards in the U.S and our subsidiaries in France, Brazil, Australia, Germany, China and Spain. They also relate to Special Economic Zone Credits in Poland, U.S foreign tax credits, research and development tax credits, state net operating losses, and state tax credits. Some of these can be utilized indefinitely, while others expire from 2009 through 2028. We intend to maintain these allowances until it is more likely than not that the deferred tax assets will be realized. Effective January 1, 2009, with the adoption of SFAS No. 141 (R) the benefit of the reversal of the valuation allowances on pre-acquisition contingencies will be included as a component of income tax expense. Adjustments in post-acquisition valuation allowances will be offset to future tax provision.

In addition, the calculation of our tax benefits and liabilities includes uncertainties in the application of complex tax regulations in a multitude of jurisdictions across our global operations. We recognize tax benefits and liabilities based on our estimate of whether, and the extent to which additional taxes will be due. We adjust these liabilities based on changing facts and circumstances; however, due to the complexity of some of these uncertainties and the impact of any tax audits, the ultimate resolutions may be materially different from our estimated liabilities. For further information, related to income taxes, see Note 11 to the consolidated financial statements.

Pensions and postretirement benefits other than pensions. Included in our results of operations are significant pension and post-retirement benefit costs, which are measured using actuarial valuations. Inherent in these valuations are key assumptions, including assumptions about discount rates and expected returns on plan assets. These assumptions are updated at the beginning of each fiscal year. We are required to consider current market conditions, including changes in interest rates, in making these assumptions. Changes in pension and post-retirement benefit costs may occur in the future due to changes in these assumptions. Our net pension and post-retirement benefit costs were approximately $15.2 million and $3.7 million, respectively, during 2008.

To develop the discount rate for each plan, the expected cash flows underlying the plan s benefit obligations were discounted using the December 31, 2008 Citigroup Pension Discount Curve to determine a single equivalent rate. To develop our expected return on plan assets, we considered historical long-term asset return experience, the expected investment portfolio mix of plan assets and an estimate of long-term investment returns. To develop our expected portfolio mix of plan assets, we considered the duration of the plan liabilities and gave more weight to equity positions, including both public and private equity investments, than to fixed-income securities. Holding all other assumptions constant, a 1% increase or decrease in the discount rate would have decreased or increased the fiscal 2009 net pension expense by approximately $2.9 million and $2.5 million, respectively. Likewise, a 1% increase or decrease in the expected return on plan assets would have decreased or increased the fiscal 2009 net pension cost by approximately $2.1 million. Decreasing or increasing the discount rate by 1% would have increased or decreased the projected benefit obligations by approximately $47.7 million and $39.9 million, respectively.

The rate of increase in medical costs assumed for the next five years was held constant with prior years to reflect both actual experience and projected expectations. The health care cost trend rate assumption has a significant effect on the amounts reported. Only certain employees hired are eligible to participate in our company s subsidized post-retirement plan. A 1% change in the assumed health care cost trend rate would have increased or decreased the fiscal 2009 service and interest cost components by $0.4 million and $0.1 million, respectively, and the projected benefit obligations would have increased or decreased by $2.5 million and $2.1 million, respectively.

The general funding policy is to contribute amounts deductible for U.S. federal income tax purposes or amounts required by local statute.

Derivative financial instruments. Derivative financial instruments are utilized by the Company to reduce foreign currency exchange, interest rate and commodity price risks. The Company has established policies

and procedures for risk assessment including the assessment of counterparty credit risk and the approval, reporting, and monitoring of derivative financial instrument activities. On the date the derivative is established, the Company designates the derivative as either a fair value hedge, a cash flow hedge, or a net investment hedge in accordance with its established policy. The Company does not enter into financial instruments for trading or speculative purposes.

By using derivative instruments to hedge exposures to changes in commodity prices and interest rates, the Company exposes itself to credit risk. Credit risk is the failure of the counterparty to perform under the terms of the derivative contract. When the fair value of a derivative contract is positive, the counterparty owes the Company, which creates credit risk for the Company. When the fair value of a derivative contract is negative, the Company owes the counterparty and the Company does not possess credit risk. To mitigate credit risk, it is the Company s policy to execute such instruments with creditworthy banks and not enter into derivatives for speculative purposes.

Use of Estimates. The preparation of the consolidated financial statements in conformity with the accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities as of the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. During 2008, there were no material changes in the methods or policies used to establish estimates and assumptions. Generally, matters subject to estimation and judgment include amounts related to accounts receivable realization, inventory obsolescence, asset impairments, useful lives of intangible and fixed assets, unsettled pricing discussions with customers and suppliers, restructuring accruals, deferred tax asset valuation allowances and income taxes, pension and other post retirement benefit plan assumptions, accruals related to litigation, warranty and environmental remediation costs and self-insurance accruals. Actual results may differ from estimates provided.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to fluctuations in interest rates and currency exchange rates. We actively monitor our exposure to risk from changes in foreign currency exchange rates and interest rates through the use of derivative financial instruments in accordance with management s guidelines. We do not enter into derivative instruments for trading purposes. See Item 7. Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Policies Derivative financial instruments and Item 8. Financial Statements and Supplementary Data (especially Note 19).

As of December 31, 2008, we had $597.2 million of variable rate debt. A 1% increase in the average interest rate would increase future interest expense by approximately $4.2 million per year, after considering the effects of the interest rate swap contracts, which were used to manage cash flow fluctuations of certain variable rate debt due to changes in market interest rates. Interest rate swap contracts which fix the interest payments of certain variable rate debt instruments or fix the market rate component of anticipated fixed rate debt instruments are accounted for as cash flow hedges.

As of December 31, 2008, interest rate swap contracts representing $309.1 million of notional amount were outstanding with maturity dates of December, 2010 through September, 2013. The above amount includes $161.6 million of notional amount pertaining to the swap of USD denominated debt fixed at 5.764% and $59.9 of notional fixed at 3.19%, $14.7 million pertaining to the Canadian dollar denominated debt fixed at 4.91% and $11.6 million of notional amount pertaining to EURO denominated debt fixed at 4.14%. The above notional amount also includes $61.3 million of a USD denominated swap with a counterparty that no longer qualifies for cash flow hedge accounting due to the counterparty filing for bankruptcy protection. These contracts modify the variable rate characteristics of the Company s variable rate debt instruments, which are generally set at three-month USD LIBOR rates, Canadian Dollar Bankers Acceptance Rates or six-month Euribor rates The remaining $61.3 million of notional is a pay float, receive 3.67% fixed swap to offset the effects of the swap that no longer qualifies for cash flow hedge accounting.

Table of Contents

On September 15, 2008, a counterparty on one of the Company s USD swaps filed for bankruptcy protection. The swap was de-designated as a cash flow hedge for accounting purposes. The de-designation of this hedge relationship resulted in the following actions:

As the underlying cash flow risk this swap was designed to hedge remains highly probable of occurring, the amount of net losses of $(4.4) million that were recorded in accumulated other comprehensive income (loss) pertaining to this will be amortized to interest expense over the remaining life of the anticipated hedge relationship which was to have terminated in December 2011.

Recognizing the change in fair market value of the swap from the last date the hedge was effective to September 30, 2008. This change in market value was a decrease in swap liability from $(4.4) million to $(3.9) million or a gain of $0.5 million.

On September 30, 2008 the Company executed a new off-setting swap to neutralize the future impact of changes in market value of the de-designated swap. The off-setting swap covers an identical notional amount of $61.3 million and uses the same 3-month LIBOR, and pays a fixed coupon of 3.67% until its maturity in December 2011. This swap will not be designated as a cash flow hedge under SFAS No. 133, Accounting for Derivative Instruments and Hedging Activities , and as a result will be marked to market similarly to the de-designated swap. This will serve to offset the earnings impact of the future changes in market value of the de-designated swap.

On November 12, 2008, the Company executed a new interest rate swap. This swap is designed to modify the variable rate characteristics of the debt instruments and is designated as a cash flow hedge for accounting purposes. This new swap with a pay fixed at 3.19% was put in place to cover the lost interest-rate-fluctuation shield caused by the de-designation discussed above.

On December 24, 2008, the Company unwound one of the interest rate swaps and made cash settlements of $9.9 million including accrued interest of $0.4 million to the counterparty that required, per the ISDA, that covered the swap contract, to terminate the swap upon the Company s credit rating falling below B3.

Upon termination the swap was de-designated as a cash flow hedge for accounting purposes. The de-designation of this hedge relationship resulted in the following actions:

As the underlying cash flow risk this swap was designed to hedge remains highly probable of occurring, the amount of net losses of $(9.5) million that were recorded in accumulated other comprehensive income (loss) pertaining to this will be amortized to interest expense over the remaining life of the anticipated hedge relationship which was to have terminated in December 2011.

As of December 31, 2008, the $(21.0) million fair market value of the swaps was recorded in accrued liabilities $(15.4) million, and other long-term liabilities $(5.6) million. An amount $(20.3) million, net of taxes, was recorded as net losses in the accumulated other comprehensive income (loss). This amount includes $(13.3) million for the de-designated/terminated swaps as the balance remaining on the OCI pertaining to these swaps is to be amortized over the remaining life of the underlying debt until December 2011. The fair market value of all outstanding interest rate swap contracts is subject to change in value due to change in interest rates. During 2008 losses of $5.5 million were reclassified from accumulated other comprehensive income (loss) into earnings. The Company expects approximately $10.6 million of losses to be reclassified in 2009.

We also use forward foreign exchange contracts to reduce the effect of fluctuations in foreign exchange rates on Term Loan B, a U.S. dollar denominated obligation of our Canadian subsidiary, the portion of our Euro Term Loan E and short-term, foreign currency denominated intercompany transactions. Gains and

losses on the derivative instruments are intended to offset gains and losses on the hedged transaction in an effort to reduce the earnings volatility resulting from fluctuations in foreign exchange rates. The currencies hedged by the Company under these arrangements are the Canadian Dollar, Euro and the Brazilian Real. As of December 31, 2008 the fair market value of these contracts was approximately $8.0 million.

We also use forward foreign exchange contracts to hedge the Mexican peso to reduce the effect of fluctuations in foreign exchange rates on a portion of the forecasted operating expenses of our Mexican facilities. As of December 31, 2008, forward foreign exchange contracts representing $45.7 million of notional amount were outstanding with maturities of less than twelve months. The fair market value of these contracts was approximately $(7.0) million. A 10% strengthening of the U.S. dollar relative to the Mexican peso would result in a decrease of $2.8 million in the fair market value of these contracts. A 10% weakening of the U.S. dollar relative to the Mexican peso would result in an increase of $3.6 million in the fair market value of these contracts.

We also use forward foreign exchange contracts to hedge the U.S. dollar to reduce the effect of fluctuations in foreign exchange rates on a portion of the forecasted material purchases of our Canadian facilities. As of December 31, 2008, forward foreign exchange contracts representing $26.8 million of notional amount were outstanding with maturities of less than twelve months. The fair market value of these contracts was approximately $3.4 million. A 10% strengthening of the U.S. dollar relative to the Canadian dollar would result in an increase of $2.6 million in the fair market value of these contracts. A 10% weakening of the U.S. dollar relative to the Canadian dollar would result in a decrease of $2.6 million in the fair market value of these contracts.

We also use forward foreign exchange contracts to hedge the U.S. dollar to reduce the effect of fluctuations in foreign exchange rates on a portion of the forecasted material purchases of our European facilities. As of December 31, 2008, forward foreign exchange contracts representing $14.7 million of notional amount were outstanding with maturities of less than twelve months. The fair market value of these contracts was approximately $0.3 million. A 10% strengthening of the U.S. dollar relative to the Euro would result in an increase of $1.6 million in the fair market value of these contracts. A 10% weakening of the U.S. dollar relative to the Euro would result in a decrease of $1.3 million in the fair market value of these contracts.

We also use forward foreign exchange contracts to hedge the Czech Koruna (CZK) to reduce the effect of fluctuations in foreign exchange rates on a portion of the forecasted operating expenses of our European facilities. As of December 31, 2008, forward foreign exchange contracts representing $14.8 million of notional amount were outstanding with maturities of less than three months. The fair market value of these contracts was approximately $(1.0) million. A 10% strengthening of the Euro relative to the CZK would result in a decrease of $1.2 million in the fair market value of these contracts. A 10% weakening of the Euro relative to the CZK would result in an increase of $1.5 million in the fair market value of these contracts.

During 2008 gains of $2.2 million related to the Mexican, Canadian, Czech Republic and European forward foreign exchange contracts were reclassified from accumulated other comprehensive income (loss) into earnings. The amount to be reclassified in 2009 is expected to be approximately $(4.4) million.

We also have exposure to the prices of commodities in the procurement of certain raw materials. The primary purpose of our commodity price hedging activities is to manage the volatility associated with these forecasted purchases. The Company primarily utilizes forward contracts with maturities of less than 24 months. These instruments are intended to offset the effect of changes in commodity prices on forecasted inventory purchases. As of December 31, 2008, commodity contracts for natural gas and carbon black representing $11.7 million of notional amount were outstanding with a fair market value of approximately $(5.0) million. A 10% change in the equivalent commodity price would result in a change of $0.5 million in the fair market value of these contracts. During 2008 losses of $1.4 million were reclassified from accumulated other comprehensive income (loss) into earnings. The Company expects approximately $5.0 million of losses recorded in accumulated other comprehensive income (loss) to be reclassified into earnings during the year ended December 31, 2009.

Table of Contents

Item 8. Financial Statements and Supplementary Data

INDEX TO CONSOLIDATED FINANCIAL STATEMENTS

Annual Financial Statements

Report of Ernst & Young LLP, independent registered public accountants	52
Consolidated statements of operations for the years ended December 31, 2008, 2007 and 2006	53
Consolidated balance sheets as of December 31, 2008 and December 31, 2007	54
Consolidated statement of changes in stockholders equity for the years ended December 31, 2008, 2007 and 2006	55
Consolidated statements of cash flows for the years ended December 31, 2008, 2007 and 2006	56
Notes to Consolidated financial statements	57
Schedule II Valuation and Qualifying Accounts	101

Table of Contents

Report of Independent Registered Public Accounting Firm

The Board of Directors and Management

Cooper-Standard Holdings Inc.

We have audited the accompanying consolidated balance sheets of Cooper-Standard Holdings Inc. and subsidiaries as of December 31, 2008 and 2007, and the related consolidated statements of operations, changes in stockholders equity and cash flows for each of the three years in the period ended December 31, 2008. Our audits also included the financial statement schedule for the three years in the period ended December 31, 2008 included in Item 8. These financial statements and schedule are the responsibility of the Company s management. Our responsibility is to express an opinion on these financial statements and schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of misstatement. We were not engaged to perform an audit of the Company s internal control over financial reporting. Our audits included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company s internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, and evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Cooper-Standard Holdings Inc. and subsidiaries at December 31, 2008 and 2007 and the consolidated results of their operations and their cash flows for each of the three years in the period ended December 31, 2008, in conformity with U.S. generally accepted accounting principles. Also, in our opinion, the related financial statement schedule for the three years in the period ended December 31, 2008, when considered in relation to the basic financial statements taken as a whole, presents fairly in all material respects the information set forth therein.

As discussed in Notes 9 and 10, respectively, to the consolidated financial statements in 2008 and in 2007, the Company changed its method of accounting for pension and other postretirement benefit plans.

As discussed in Note 11, in 2007 the Company changed its method of accounting for income taxes.

/s/ Ernst & Young LLP

Detroit, Michigan

March 27, 2009

Table of Contents

CONSOLIDATED STATEMENTS OF OPERATIONS

(Dollar amounts in thousands)

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008
Sales	$ 2,164,262	$ 2,511,153	$ 2,594,577
Cost of products sold	1,832,027	2,114,039	2,260,063
Gross profit	332,235	397,114	334,514
Selling, administration, & engineering expenses	199,739	222,134	231,709
Amortization of intangibles	31,025	31,850	30,996
Impairment charges	13,247	146,366	33,369
Restructuring	23,905	26,386	38,300
Operating profit (loss)	64,319	(29,622)	140
Interest expense, net of interest income	(87,147)	(89,577)	(92,894)
Equity earnings	179	2,207	897
Other income (expense)	6,985	(1,055)	(299)
Loss before income taxes	(15,664)	(118,047)	(92,156)
Provision for income tax expense (benefit)	(7,244)	32,946	29,295
Net loss	$ (8,420)	$ (150,993)	$ (121,451)

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

Table of Contents

CONSOLIDATED BALANCE SHEETS

December 31, 2007 and 2008

(Dollar amounts in thousands)

	December 31, 2007	December 31, 2008
Assets		
Current assets:		
Cash and cash equivalents	$ 40,877	$ 111,521
Accounts receivable, net	546,794	352,052
Inventories, net	155,321	116,952
Prepaid expenses	19,603	19,162
Other	9,940	23,867
Total current assets	772,535	623,554
Property, plant, and equipment, net	722,373	623,987
Goodwill	290,588	244,961
Intangibles, net	256,258	227,453
Other assets	120,501	98,296
	$ 2,162,255	$ 1,818,251
Liabilities and Stockholders Equity		
Current liabilities:		
Debt payable within one year	$ 51,999	$ 94,136
Accounts payable	295,638	192,948
Payroll liabilities	103,161	69,601
Accrued liabilities	83,080	94,980
Total current liabilities	533,878	451,665
Long-term debt	1,088,162	1,049,959
Pension benefits	109,101	161,625
Postretirement benefits other than pensions	91,017	76,822
Deferred tax liabilities	28,331	28,265
Other long-term liabilities	43,208	34,738
Stockholders equity:		
Common stock, $0.01 par value, 4,000,000 shares authorized at December 31, 2007 and December 31, 2008, 3,483,600 and 3,479,100 shares issued and outstanding at December 31, 2007 and December 31, 2008, respectively	35	35
Additional paid-in capital	354,874	354,894
Accumulated deficit	(155,339)	(280,216)
Accumulated other comprehensive income (loss)	68,988	(59,536)
Total stockholders equity	268,558	15,177
	$ 2,162,255	$ 1,818,251

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

Table of Contents

CONSOLIDATED STATEMENT OF CHANGES IN STOCKHOLDERS EQUITY

(Dollar amounts in thousands)

	Common Shares	Common Stock	Additional Paid-In Capital	Retained Earnings (Deficit)	Accumulated Other Comprehensive Income (Loss)	Total
Balance at December 31, 2005	3,235,100	$ 32	$ 323,478	$ 4,269	$ (15,549)	$ 312,230
Issuance of common stock	3,000		300			300
Net loss for 2006				(8,420)		(8,420)
Other comprehensive income (loss):						
Minimum pension liability, net of $3,870 tax effect					(3,202)	(3,202)
Currency translation adjustment					25,263	25,263
Fair value change of derivatives, net of $3,319 tax effect					(5,462)	(5,462)
Comprehensive income						8,179
Balance at December 31, 2006	3,238,100	32	323,778	(4,151)	1,050	320,709
Adoption of Fin 48				(195)		(195)
Issuance of common stock	250,000	3	29,997			30,000
Repurchase of common stock	(4,500)		(450)			(450)
Stock-based compensation			1,549			1,549
Adoption of SFAS No. 158, net of ($1,020) tax effect					25,846	25,846
Net loss for 2007				(150,993)		(150,993)
Other comprehensive income (loss):						
Benefit plan liability, net of ($1,934) tax effect					6,794	6,794
Currency translation adjustment					43,246	43,246
Fair value change of derivatives, net of $19 tax effect					(7,948)	(7,948)
Comprehensive loss						(108,901)
Balance at December 31, 2007	3,483,600	35	354,874	(155,339)	68,988	268,558
Adoption of SFAS No. 158, measurement change				(3,426)		(3,426)
Repurchase of common stock	(4,500)		(540)			(540)
Stock-based compensation			560			560
Net loss for 2008				(121,451)		(121,451)
Other comprehensive loss:						
Benefit plan liability, net of ($1,097) tax effect					(53,614)	(53,614)
Currency translation adjustment					(58,929)	(58,929)
Fair value change of derivatives, net of ($44) tax effect					(15,981)	(15,981)
Comprehensive loss						(249,975)
Balance at December 31, 2008	3,479,100	$ 35	$ 354,894	$ (280,216)	$ (59,536)	$ 15,177

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

Table of Contents

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollar amounts in thousands)

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008
Operating Activities:			
Net loss	$ (8,420)	$ (150,993)	$ (121,451)
Adjustments to reconcile net loss to net cash provided by operating activities:			
Depreciation	107,408	104,199	109,109
Amortization	31,025	31,850	30,996
Impairment charges	13,247	146,366	33,369
Gain on bond repurchase	(4,071)		(1,696)
Non-cash restructuring charges	8,975	626	9,029
Amortization of debt issuance cost	5,057	4,883	4,866
Deferred income taxes	(32,513)	(1,296)	14,045
Changes in operating assets and liabilities, net of effects of businesses acquired:			
Accounts receivable	12,170	(31,750)	144,920
Inventories	16,897	14,836	28,062
Prepaid expenses	9,532	3,440	(2,880)
Accounts payable	(30,629)	39,945	(86,316)
Accrued liabilities	(5,536)	(16,567)	(28,148)
Other	12,740	39,834	2,588
Net cash provided by operating activities	135,882	185,373	136,493
Investing activities:			
Property, plant, and equipment	(82,874)	(107,255)	(92,125)
Acquisition of businesses, net of cash acquired	(201,621)	(158,671)	4,937
Return on equity investments	7,746		
Cost of other acquisitions and equity investments	(4,116)		
Proceeds from sale -leaseback transaction		4,806	8,556
Proceeds from sale of fixed assets	111	1,096	4,775
Other	(1,000)	7	
Net cash used in investing activities	(281,754)	(260,017)	(73,857)
Financing activities:			
Proceeds from issuance of long-term debt	214,858	59,968	
Net change in short term debt	949	6,189	37,004
Repurchase of bonds	(14,929)		(5,306)
Principal payments on long-term debt	(46,786)	(37,557)	(16,528)
Proceeds from issuance of stock	300	30,000	
Repurchase of common stock			(540)
Debt issuance cost	(4,317)	(3,104)	(561)
Other	(2,442)	(450)	
Net cash provided by financing activities	147,633	55,046	14,069
Effects of exchange rate changes on cash	(7,643)	4,153	(6,061)
Changes in cash and cash equivalents	(5,882)	(15,445)	70,644
Cash and cash equivalents at beginning of year	62,204	56,322	40,877
Cash and cash equivalents at end of year	$ 56,322	$ 40,877	$ 111,521

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollar amounts in thousands except per share amounts)

1. Description of Business

Description of business

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

The Company is one of the largest global producers of body sealing systems, one of the two largest North American producers in the noise, vibration and harshness control (NVH) business, and the second largest global producer of the types of fluid handling products that we manufacture. We design and manufacture our products in each major region of the world through a disciplined and consistent approach to engineering and production. The Company operates in 68 manufacturing locations and ten design, engineering, and administrative locations in 18 countries around the world.

2. Significant Accounting Policies

Principles of combination and consolidation The consolidated financial statements include the accounts of the Company and the wholly owned and less than wholly owned subsidiaries controlled by the Company. All material intercompany accounts and transactions have been eliminated. Acquired businesses are included in the consolidated financial statements from the dates of acquisition.

The equity method of accounting is followed for investments in which the Company does not have control, but does have the ability to exercise significant influence over operating and financial policies. Generally this occurs when ownership is between 20 to 50 percent. The cost method is followed in those situations where the Company s ownership is less than 20 percent and the Company does not have the ability to exercise significant influence.

The Company s investment in Nishikawa Standard Company (NISCO), a 50 percent owned joint venture in the United States, is accounted for under the equity method. This investment totaled $13,472 and $11,905 at December 31, 2007 and 2008, respectively, and is included in other assets in the accompanying consolidated balance sheets.

The Company s investment in Guyoung Technology Co. Ltd (Guyoung), a 20 percent owned joint venture in Korea, is accounted for under the equity method. This investment totaled $5,632 and $1,179 at December 31, 2007 and 2008, respectively, and is included in other assets in the accompanying consolidated balance sheets. The fair value of Guyoung s stock has declined since the Company s 2006 acquisition and during 2008, the Company determined that the decline in fair value was other than temporary and an impairment of $2,669 was recorded in equity earnings in our consolidated statement of operations.

The Company s investment in Shanghai SAIC-Metzler Sealing Systems Co. Ltd., a 47.5 percent owned joint venture in China, is accounted for under the equity method. This investment totaled $17,240 and $20,166 at December 31, 2007 and 2008, respectively, and is included in other assets in the accompanying consolidated balance sheets.

Foreign currency The financial statements of foreign subsidiaries are translated to U.S. dollars at the end-of-period exchange rates for assets and liabilities and a weighted average exchange rate for each period for revenues and expenses. Translation adjustments for those subsidiaries whose local currency is their functional currency are recorded as a component of accumulated other comprehensive income (loss) in stockholders equity. Transaction related gains and losses arising from fluctuations in currency exchange rates on transactions denominated in currencies other that the functional currency are recognized in earnings as incurred, except for those intercompany balances which are designated as long-term.

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

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Accounts receivable The Company records trade accounts receivable when revenue is recorded in accordance with its revenue recognition policy and relieves accounts receivable when payments are received from customers. Generally the Company does not require collateral for its accounts receivable.

Allowance for doubtful accounts The allowance for doubtful accounts is established through charges to the provision for bad debts. The Company evaluates the adequacy of the allowance for doubtful accounts on a periodic basis. The evaluation includes historical trends in collections and write-offs, management s judgment of the probability of collecting accounts, and management s evaluation of business risk. This evaluation is inherently subjective, as it requires estimates that are susceptible to revision as more information becomes available. The allowance for doubtful accounts was $10,232 and $4,040 at December 31, 2007 and 2008, respectively.

Advertising expense Expenses incurred for advertising are generally expensed when incurred. Advertising expense was $825 for 2006, $842 for 2007, and $1,080 for 2008.

Inventories Inventories are valued at lower of cost or market. Cost is determined using the first-in, first-out method. Finished goods and work-in-process inventories include material, labor and manufacturing overhead costs. The Company records inventory reserves for inventory in excess of production and/or forecasted requirements and for obsolete inventory in production. As of December 31, 2007 and 2008, inventories are reflected net of reserves of $14,823 and $10,896, respectively.

Derivative financial instruments Derivative financial instruments are utilized by the Company to reduce foreign currency exchange, interest rate, and commodity price risks. The Company has established policies and procedures for risk assessment and the approval, reporting, and monitoring of derivative financial instrument activities. On the date the derivative is established, the Company designates the derivative as either a fair value hedge, a cash flow hedge, or a net investment hedge in accordance with its established policy. The Company does not enter into financial instruments for trading or speculative purposes.

Income taxes Income tax expense in the consolidated and combined statements of operations is calculated in accordance with SFAS No. 109, *Accounting for Income Taxes*, which requires the recognition of deferred income taxes using the liability method.

Deferred tax assets or liabilities are determined based on differences between financial reporting and tax bases of assets and liabilities and are measured using enacted tax laws and rates. A valuation allowance is provided on deferred tax assets if we determine that it is more likely than not that the asset will not be realized.

Long-lived assets Property, plant, and equipment are recorded at cost and depreciated using primarily the straight-line method over their estimated useful lives. Leasehold improvements are amortized over the expected life of the asset or term of the lease, whichever is shorter. Intangibles with definite lives, which include technology, customer contracts, and customer relationships, are amortized over their estimated useful lives. The Company evaluates the recoverability of long-lived assets when events and circumstances indicate that the assets may be impaired and the undiscounted net cash flows estimated to be generated by those assets are less than their carrying value. If the net carrying value exceeds the fair value, an impairment loss exists and is calculated based on a discounted cash flow analysis or estimated salvage value. Discounted cash flows are estimated using internal budgets and assumptions regarding discount rates and other factors.

Pre-Production Costs Related to Long Term Supply Arrangements Costs for molds, dies, and other tools owned by us to produce products under long-term supply arrangements are recorded at cost in property, plant, and equipment and amortized over the lesser of three years or the term of the related supply agreement. The amount capitalized was $8,796 and $10,896 at December 31, 2007 and 2008, respectively. Costs incurred during the engineering and design phase of customer-owned tooling projects are expensed as incurred unless a contractual arrangement for reimbursement by the customer exists. Reimbursable tooling costs included in other assets was $8,851 and $3,822 at December 31, 2007 and 2008, respectively. Development costs for tools owned by the customer that meet Emerging Issues Task Force (EITF) EITF 99-5

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

requirement are recorded in accounts receivable in the accompanying combined balance sheets if considered a receivable in the next twelve months. At December 31, 2007 and 2008, $73,584 and $77,769, respectively, was included in accounts receivable for customer-owned tooling of which $38,960 and $32,768, respectively, was not yet invoiced to the customer.

Goodwill Goodwill is not amortized but is tested annually for impairment by reporting unit which are determined in accordance with SFAS No. 142 Goodwill and Other Intangible Assets . The Company utilizes an income approach to estimate the fair value of each of its reporting units. The income approach is based on projected debt-free cash flow which is discounted to the present value using discount factors that consider the timing and risk of cash flows. The Company believes that this approach is appropriate because it provides a fair value estimate based upon the reporting unit s expected long-term operating cash flow performance. This approach also mitigates the impact of cyclical trends that occur in the industry. Fair value is estimated using recent automotive industry and specific platform production volume projections, which are based on both third-party and internally-developed forecasts, as well as commercial, wage and benefit, inflation and discount rate assumptions. Other significant assumptions include the weighted average cost of capital, terminal value growth rate, terminal value margin rates, future capital expenditures and changes in future working capital requirements. While there are inherent uncertainties related to the assumptions used and to management s application of these assumptions to this analysis, the Company believes that the income approach provides a reasonable estimate of the fair value of its reporting units. The Company conducts its annual goodwill impairment analysis as of October 1st of each fiscal year.

Revenue Recognition and Sales Commitments We generally enter into agreements with our customers to produce products at the beginning of a vehicle s life. Although such agreements do not generally provide for minimum quantities, once we enter into such agreements, fulfillment of our customers purchasing requirements can be our obligation for an extended period or the entire production life of the vehicle. These agreements generally may be terminated by our customer at any time. Historically, terminations of these agreements have been minimal. In certain limited instances, we may be committed under existing agreements to supply products to our customers at selling prices which are not sufficient to cover the direct cost to produce such products. In such situations, we recognize losses as they are incurred.

We receive blanket purchase orders from many of our customers on an annual basis. Generally, such purchase orders and related documents set forth the annual terms, including pricing, related to a particular vehicle model. Such purchase orders generally do not specify quantities. We recognize revenue based on the pricing terms included in our annual purchase orders as our products are shipped to our customers. As part of certain agreements, we are asked to provide our customers with annual cost reductions. We accrue for such amounts as a reduction of revenue as our products are shipped to our customers. In addition, we generally have ongoing adjustments to our pricing arrangements with our customers based on the related content and cost of our products. Such pricing accruals are adjusted as they are settled with our customers.

Amounts billed to customers related to shipping and handling are included in net sales in our consolidated statements of operations. Shipping and handling costs are included in cost of sales in our consolidated statements of operations.

Research and development Costs are charged to selling, administration and engineering expense as incurred and totaled, $74,791 for 2006, $77,183 for 2007, and $81,942 for 2008.

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

Use of estimates The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect reported amounts of (1) revenues and expenses during the reporting period and (2) assets and liabilities, as well as disclosure of contingent assets and liabilities, at the date of the financial statements. Actual results could differ from those estimates.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

Reclassifications Certain prior period amounts have been reclassified to conform to the current year presentation.

Recent accounting pronouncements

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

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

The FASB issued SFAS No. 160, Noncontrolling Interests in Consolidated Financial Statements an amendment of ARB No. 51. SFAS No. 160 establishes accounting and reporting standards for noncontrolling interests in subsidiaries. This statement requires the reporting of all noncontrolling interests as a separate component of stockholders equity, the reporting of consolidated net income (loss) as the amount attributable to both the parent and the noncontrolling interests and the separate disclosure of net income (loss) attributable to the parent and to the noncontrolling interests. In addition, this statement provides accounting and reporting guidance related to changes in noncontrolling ownership interests. Other than the reporting requirements described above which require retrospective application, the provisions of SFAS No. 160 are to be applied prospectively by the Company beginning January 1, 2009. The Company is currently evaluating the impact this statement will have on its consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159 The Fair Value Option for Financial Assets and Financial Liabilities, including an amendment to FASB Statement 115 This statement permits entities to choose to measure many financial instruments and certain other items at fair value that are not currently required to be measured at fair value. This statement also establishes presentation and disclosure requirements designed to facilitate comparisons between entities that choose different measurement attributes for similar types of assets and liabilities. SFAS No. 159 is effective for fiscal years beginning after November 15, 2007. The Company adopted this statement as of January 1, 2008, but it had no impact on its financial condition or results of operations as the Company did not elect to apply the fair value option.

In September 2006, the FASB issued SFAS No. 158, Employers Accounting for Defined Benefit Pension and Other Postretirement Plans, an amendment of FASB Statements No. 87, 88, 106, and 132(R) . This statement requires recognition of the funded status of a company s defined benefit pension and postretirement benefit plans as an asset or liability on the balance sheet. Previously, under the provisions of SFAS No. 87, Employers Accounting for Pensions, and SFAS No. 106, Employers Accounting for Postretirement Benefits Other Than Pensions, the asset or liability recorded on the balance sheet reflected the funded status of the plan, net of certain unrecognized items that qualified for delayed income statement recognition. Under SFAS No. 158, these previously unrecognized items are to be recorded in accumulated other comprehensive income (loss) when the recognition provisions are adopted. The Company adopted the recognition provisions as of December 31, 2007, and the funded status of its defined benefit plans is reflected in its consolidated balance sheets as of December 31, 2007 and December 31, 2008.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

This statement also requires the measurement of defined benefit plan assets and liabilities as of the annual balance sheet date. Prior to adoption of this statement, the Company measured its plan assets and liabilities using an early measurement date of October 1st for the majority of its plans, as allowed by the original provisions of SFAS No. 87, Employers Accounting for Pensions, and SFAS No. 106 Employers Accounting for Postretirement Benefits Other Than Pensions, The measurement date provisions of SFAS No. 158 are effective for fiscal years ending after December 15, 2008. The Company adopted the measurement date provisions of SFAS No. 158 in 2008 using the fifteen month measurement approach, under which the Company recorded an adjustment to beginning retained earnings as of January 1, 2008 to recognize the net periodic benefit cost for the period October 1, 2007 through December 31, 2007. This adjustment represented a pro rata portion of the net periodic benefit cost determined for the period beginning October 1, 2007 and ending December 31, 2008.

In September 2006, the FASB issued SFAS No. 157, Fair Value Measurements. SFAS No. 157 defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles, and expands disclosures about fair value measurement. This statement applies under other accounting pronouncements that require or permit fair value measurements and does not require any new fair value measurements. SFAS No. 157 is effective for the fiscal year beginning after November 15, 2007. The Company adopted SFAS No. 157 as of January 1, 2008 except for non-financial assets and liabilities recognized or disclosed at fair value on a non-recurring basis, for which the effective date is fiscal years beginning after November 15, 2008. See Note 19, Fair Value of Financial Instruments for additional discussion of SFAS No. 157.

3. Acquisitions

On February 6, 2006, the Company completed the acquisition of the automotive fluid handling systems business of ITT Industries, Inc. (FHS). FHS, based in Auburn Hills, Michigan, was a leading manufacturer of steel and plastic tubing for fuel and brake lines and quick-connects, and operated 15 facilities in seven countries. FHS was acquired for $205,000, subject to an adjustment based on the difference between targeted working capital and working capital at the closing date, which was settled in September 2006. Additionally, the Company incurred direct acquisition costs, principally for investment banking, legal, and other professional services. After adjusting for working capital and additional acquisition costs, the total acquisition value under purchase accounting was $201,638. This acquisition was accounted for under the purchase method of accounting and the results of operations are included in our consolidated financial statements from the date of acquisition.

The acquisition of FHS was funded pursuant to an amendment to the Company s Senior Credit Facilities which established a Term Loan D facility, with a notional amount of $215,000. The Term Loan D facility was structured in two tranches, with $190,000 borrowed in US dollars and 20,725 borrowed in Euros, to take into consideration the value of the European assets acquired in the transaction. The Company incurred approximately $4,800 of issuance costs associated with these borrowings, primarily for loan arrangement and syndication services, which are included in other assets on the consolidated balance sheet. The amendment to the Senior Credit Facilities provides for interest on Term Loan D borrowings at a rate equal to an applicable margin plus a base rate established by reference to various market-based rates and amends the interest rate margins previously applicable to Term Loan B and Term Loan C borrowings to mirror those applicable to Term Loan D borrowings, which were market levels at the time the facility closed. The amendment also includes modifications to certain covenants under the Senior Credit Facilities, although the covenant threshold levels remain unchanged.

In November 2006, the Company increased its ownership position in Cooper-Standard Automotive Korea Inc. from 90% to 100 % for $1,516 in cash.

In December 2006, the Company acquired additional ownership interest in Cooper Saiyang Wuhu Automotive Co., Ltd., a joint venture with Saiyang Sealing in Wuhu, China, for $2,200 in cash, increasing its ownership interest from 74.2% to 88.7%.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

On August 31, 2007 the Company completed the acquisition of nine Metzeler Automotive Profile Systems sealing systems operations in Germany, Italy, Poland, Belarus, Belgium, and a joint venture interest in China (MAPS or the MAPS businesses), from Automotive Sealing Systems S.A. The MAPS businesses were acquired for $143,063 subject to an adjustment based on the difference between targeted working capital and working capital at the closing date, which was settled in June 2008. After adjusting for working capital and direct acquisition costs, the total acquisition value under purchase accounting was $144,378.

The condensed consolidated financial statements of the Company reflect the acquisition under the purchase method of accounting, in accordance with SFAS No. 141.

The acquisition of the MAPS businesses was funded in part by borrowings under the Company s Credit Agreement, which was amended to provide for such borrowings as discussed in Note 8, Debt. The Company borrowed 44,000 and combined this borrowing with EUR amounts outstanding under Term Loan D to create a new Term Loan E. In addition, the Company borrowed USD $10,000 under the primary Revolving Credit Agreement and 15,000 under the dual-currency sub limit of the Revolver, borrowed directly by Cooper-Standard International Holdings BV. The Company also received an aggregate of $30,000 in equity contributions from its principal shareholders, affiliates of GS Capital Partners 2000, L.P., which contributed a total of $15,000, and affiliates of The Cypress Group L.L.C., which also contributed a total of $15,000. The remainder of the funding necessary for the acquisition came from available cash on hand.

The acquisition of the MAPS businesses were accounted for as a purchase business combination and accordingly, the assets purchased and liabilities assumed were included in the Company s consolidated balance sheet as of December 31, 2008. The operating results of the MAPS businesses were included in the consolidated results of operations from the date of acquisition. The following summarizes the allocation of the purchase price to the estimated fair values of the assets acquired and liabilities assumed at the date of acquisition.

Cash and cash equivalents	$ 10,237
Accounts receivable, net	118,216
Inventories, net	33,415
Prepaid expenses	7,995
Property, plant, and equipment, net	126,058
Investments	16,531
Other assets	32,874
Total assets acquired	345,326
Accounts payable	66,211
Short-term notes payable	22,039
Payroll liabilities	28,806
Accrued liabilities	14,821
Long-term debt	14,556
Pension benefits	37,839
Other long-term liabilities	16,676
Total liabilities assumed	200,948
Net assets acquired	$ 144,378

Cash and cash equivalents, accounts receivable, other current assets, accounts payable, and other current liabilities were stated at historical carrying values which management believes approximates fair value given the short-term nature of these assets and liabilities. Inventories were recorded at fair value which is

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

estimated for finished goods and work-in-process based upon the expected selling price less costs to complete, selling and disposal costs, and a normal profit to the buyer. Raw material inventory was recorded at carrying value as such value approximates the replacement cost. Tooling in process, which is included in other assets, was recorded at fair value which is based upon expected selling price less costs to complete. The Company s pension obligations have been recorded in the allocation of purchase price at the projected benefit obligation. Deferred income taxes have been provided in the consolidated balance sheet based on the Company s estimates of the tax versus book basis of the assets acquired and liabilities assumed, adjusted to estimated fair values. Management has estimated the fair value of property, plant, and equipment, intangibles and other long-lived assets based upon financial estimates and projections prepared in conjunction with the transaction. The value assigned to all assets and liabilities assumed exceeded the acquisition price. Accordingly, an adjustment to reduce the value of long-lived assets was recorded in accordance with SFAS No. 141 and no goodwill was recorded related to this transaction as of December 31, 2008.

The following unaudited pro forma financial data summarizes the results of operations for the year ended December 31, 2007, as if the MAPS acquisition had occurred as of January 1, 2007. Pro forma adjustments include liquidation of inventory fair value write-up as it had occurred during the reporting periods, depreciation and amortization to reflect the fair value of property, plant, and equipment and identified finite-lived intangible assets, the elimination of the amortization of unrecognized pension benefit losses, additional interest expense to reflect the Company s new capital structure, and certain corresponding adjustments to income tax expense. These unaudited pro forma amounts are not necessarily indicative of the results that would have been attained if the acquisition had occurred at January 1, 2007, or that may be attained in the future and do not include other effects of the acquisition.

	2006	2007
Sales	$ 2,578,636	$ 2,807,972
Operating profit (loss)	80,809	(6,709)
Net loss	(9,757)	(142,325)

In March of 2007, the Company completed the acquisition of the El Jarudo fuel rail manufacturing business of Automotive Components Holdings, LLC (El Jarudo or the El Jarudo business). The business is located in Juarez, Mexico and is a producer of automotive fuel rails. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

In December of 2007, the Company completed the acquisition of the 74% joint venture interest of Automotive Sealing Systems, S.A. (ASSSA) in Metzeler Automotive Profiles India Private Limited (MAP India). The remaining 26 percent in the joint venture is owned by Toyoda Gosei Co., Ltd. This acquisition does not meet the thresholds for a significant acquisition and therefore no pro forma financial information is presented.

4. Restructuring

2005 Initiatives

In 2005, the Company implemented a restructuring strategy and announced the closure of two manufacturing facilities in the United States and the decision to exit certain businesses within and outside the U.S. Both of the closures are substantially complete as of December 31, 2008, but the Company will continue to incur costs until the facilities are sold.

During the year ended December 31, 2008, the Company recorded total costs of $3,795 related to the previously announced U.S. closures and workforce reductions in Europe. These costs consisted of severance, asset impairment, and other exit costs of $295, $2,063 and $1,437, respectively. In addition the Company received $165 for assets that were previously written off. The initiative is substantially complete as of December 31, 2008 at an estimated total cost of approximately $27,000. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

Total

	Employee Separation Costs	Other Exit Costs	Asset Impairments	
Balance at January 1, 2008	$ 775	$ 542	$	$ 1,317
Expense incurred	295	1,437	2,063	3,795
Cash payments	(997)	(1,729)	165	(2,561)
Utilization of reserve			(2,228)	(2,228)
Balance at December 31, 2008	$ 73	$ 250	$	$ 323

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

2006 Initiatives

In May 2006, the Company implemented a restructuring action and announced the closure of a manufacturing facility located in Canada and the transfer of related production to other facilities in North America. The closure was completed as of December 31, 2008 at a total cost of $3,809. During the year ended December 31, 2008, the Company reversed $9 of severance costs.

European Initiatives

In 2006, the Company implemented a European restructuring initiative, which addressed the operations of our non-strategic facilities. The initiative includes the closure of a manufacturing facility, terminations, and the transfer of production to other facilities in Europe and North America. The initiative is substantially complete as of December 31, 2008 at an estimated total cost of approximately $22,000 ($20,085 incurred in 2006 and 2007). The Company recorded severance, other exit costs and asset impairments of $1,076, $619 and $127, respectively, during the year ended December 31, 2008. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 1,442	$	$	$ 1,442
Expense incurred	1,076	619	127	1,822
Cash payments	(1,776)	(619)		(2,395)
Utilization of reserve			(127)	(127)
Balance at December 31, 2008	$ 742	$	$	$ 742

FHS Acquisition Initiatives

In connection with the acquisition of the automotive fluid handling systems business of ITT Industries, Inc. (FHS), the Company formalized a restructuring plan to address the redundant positions created by the consolidation of the businesses. In connection with this restructuring plan, the Company announced the closure of several manufacturing facilities located in North America, Europe, and Asia and the transfer of related production to other facilities. The closures are substantially complete as of December 31, 2008 at an estimated total cost of approximately $20,200, including costs recorded through purchase accounting. As a result of this initiative, the Company recorded certain severance and other exit costs of $11,833 and $720, respectively, through purchase accounting in 2006. The Company recorded severance, other exit costs and asset impairments of $843, $2,258, and $613, respectively during the year ended December 31, 2008. The Company also reversed $2,117 of severance costs that were recorded through purchase accounting in 2006. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$ 6,450	$ 4,210	$	$ 10,660
Expense incurred	843	2,258	613	3,714
Cash payments and accrual reversals	(5,998)	(5,978)		(11,976)
Utilization of reserve			(613)	(613)
Balance at December 31, 2008	$ 1,295	$ 490	$	$ 1,785

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

2007 Initiatives

In May 2007, the Company implemented a restructuring action and announced the closure of a manufacturing facility located in Mexico and the transfer of related production to other facilities in North America. The closure was substantially completed in 2007. The estimated total cost of this closure is approximately $3,400. The Company will continue to incur costs until the facility is sold. During the year ended December 31, 2008 the Company recognized other exit costs and asset impairments of $466 and $1,883, respectively, related to this initiative. During the year ended December 31, 2008, the Company reversed $5 of severance costs.

2008 Initiatives

In July 2008, the Company implemented a restructuring action and announced the closure of two manufacturing facilities, one located in Australia and the other located in Germany. Both closures are a result of changes in market demands and volume reductions and are expected to be completed in 2009. The estimated total cost of this initiative is approximately $18,500. The Company recorded severance, other exit costs and asset impairments of $14,455, $149 and $3,282, respectively, during the year ended December 31, 2008. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$	$	$	$
Expense incurred	14,455	149	3,282	17,886
Cash payments	(995)	(149)		(1,144)
Utilization of reserve			(3,282)	(3,282)
Balance at December 31, 2008	$ 13,460	$	$	$ 13,460

Initial Global Reorganization Initiative

During 2008, the Company commenced the initial phase of a global reorganization in North America and Europe. In connection with this phase, the Company reduced its work force. The estimated total cost of this initial phase is approximately $7,670. During the year ended December 31, 2008, the Company recorded severance costs of $7,670 associated with this initiative. The following table summarizes the activity for this initiative during the year ended December 31, 2008:

	Employee Separation Costs	Other Exit Costs	Asset Impairments	Total
Balance at January 1, 2008	$	$	$	$
Expense incurred	7,670			7,670
Cash payments	(3,741)			(3,741)
Utilization of reserve				
Balance at December 31, 2008	$ 3,929	$	$	$ 3,929

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

In 2008, the Company initiated the closing of a European facility and the idling of a Canadian facility. During the year ended December 31, 2008, the Company recorded other exit costs and asset impairments of $182 and $896, respectively.

5. Inventories

Inventories are comprised of the following:

	December 31, 2007	December 31, 2008
Finished goods	$ 50,679	$ 35,069
Work in process	32,665	26,520
Raw materials and supplies	71,977	55,363
	$ 155,321	$ 116,952

In connection with the MAPS acquisition, a $2,455 fair value write-up was recorded to inventory at the date of the acquisition. Such inventory was liquidated as of December 31, 2007 and recorded as an increase to cost of products sold.

In connection with the acquisition of FHS a $2,136 fair value write-up was recorded to inventory at the date of the acquisition. Such inventory was liquidated as of March 31, 2006 and recorded as an increase to cost of products sold.

6. Property, Plant, and Equipment

Property, plant, and equipment is comprised of the following:

	December 31,		Estimated Useful Lives
	2007	2008	
Land and improvements	$ 93,928	$ 78,548	
Buildings and improvements	252,026	229,384	15 to 40 years
Machinery and equipment	631,555	640,350	5 to 14 years
Construction in Progress	60,279	48,123	
	1,037,788	996,405	
Accumulated depreciation	(315,415)	(372,418)	
Property, plant and equipment, net	$ 722,373	$ 623,987	

66

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

During 2008 it was determined that fixed assets at two of the Company s locations were impaired. As a result of this impairment, Property, Plant and Equipment was reduced by $6,408 during 2008.

Depreciation expense totaled $107,408 for 2006, $104,199 for 2007, and $109,109 for 2008, respectively.

7. Goodwill and Intangibles

The changes in the carrying amount of goodwill by reportable operating segment for the years ended December 31, 2007 and 2008 are summarized as follows:

	Body & Chassis	Fluid	Asia Pacific	Total
Balance at January 1, 2007	$ 152,324	$ 281,891	$ 1,421	$ 435,636
Adjustments to the Acquisition of FHS		(670)		(670)
Acquisition of El Jarudo		457		457
Impairment charge		(142,925)		(142,925)
Other	1,512	(3,422)		(1,910)
Balance at December 31, 2007	$ 153,836	$ 135,331	$ 1,421	$ 290,588
Adjustments to the Acquisition of El Jarudo		(379)		(379)
Purchase price adjustments pre-acquisition	(15,170)	(6,937)		(22,107)
Impairment charge	(1,251)	(21,890)		(23,141)
Balance at December 31, 2008	$ 137,415	$ 106,125	$ 1,421	$ 244,961

The pre-acquisition purchase price adjustments for the period ended December 31, 2008 represent adjustments related to various tax matters and were recorded in accordance with EITF Issue No. 93-7 Uncertainties Related to Income taxes in a Purchase Business Combination and restructuring accrual reversals related to the FHS acquisition.

During the fourth quarter of 2008, the Company recorded an impairment charge of $21,890 in our International Fluid reporting unit of our Global Fluid segment and an impairment charge of $1,251 in our Body & Chassis International reporting unit of our Global Body & Chassis segment. These charges are a result of a weakening global economy, a global decline in vehicle production volumes and changes in product mix.

During the fourth quarter of 2007, the Company recorded an impairment charge of $142,925 in our North America Fluid reporting unit of our Global Fluid segment. This charge was a result of lower production volumes in key North America platforms, changes in the production mix, higher raw material costs and customer price concessions.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

The following table presents intangible assets, which are amortized on a straight line basis, and accumulated amortization balances of the Company as of December 31, 2007 and 2008, respectively:

	Gross Carrying Amount	Accumulated Amortization	Net Carrying Amount	Amortization Period
Customer contracts	$ 157,897	$ (59,100)	$ 98,797	7 to 9 years
Customer relationships	171,291	(25,484)	145,807	15 to 20 years
Developed technology	14,466	(4,603)	9,863	5 to 12 years
Trademarks and tradenames	1,700	(199)	1,501	12 to 20 years
Other	2,755	(2,465)	290	
Balance at December 31, 2007	$ 348,109	$ (91,851)	$ 256,258	
Customer contracts	$ 156,039	$ (78,100)	$ 77,939	7 to 9 years
Customer relationships	169,105	(33,669)	135,436	15 to 20 years
Developed technology	6,421	(2,204)	4,217	5 to 12 years
Trademarks and tradenames	1,700	(306)	1,394	12 to 20 years
Other	11,358	(2,891)	8,467	
Balance at December 31, 2008	$ 344,623	$ (117,170)	$ 227,453	

During the fourth quarter of 2008 the Company recorded intangible impairment charges of $2,253 and $1,567 related to Fluid and Body & Chassis technology, respectively. Based on a discounted cash flow analysis it was determined that these intangible assets exceeded their fair value and impairment charges were recorded.

During the fourth quarter of 2007 the Company recorded intangible impairment charges of $3,441 related to Fluid Developed technology and Tradenames. Based on a discounted cash flow analysis it was determined that these intangible assets exceeded their fair value and an impairment charge was recorded.

Amortization expense totaled $31,025 for 2006, $31,850 for 2007, and $30,996 for 2008. Estimated amortization expense will total approximately $31,000 over each of the next five years.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

8. Debt

Outstanding debt consisted of the following at December 31, 2007 and 2008:

	December 31, 2007	December 31, 2008
Senior Notes	$ 200,000	$ 200,000
Senior Subordinated Notes	330,500	323,350
Term Loan A	40,062	25,036
Term Loan B	67,033	66,365
Term Loan C	167,531	165,805
Term Loan D	186,200	184,300
Term Loan E	93,508	88,458
Revolving Credit Facility		60,933
Capital leases and other borrowings	55,327	29,848
Total debt	1,140,161	1,144,095
Less: debt payable within one year	(51,999)	(94,136)
Total long-term debt	$ 1,088,162	$ 1,049,959

In connection with the 2004 Acquisition, Cooper-Standard Automotive Inc. issued Senior Notes and Senior Subordinated Notes in a private offering and entered into new Senior Credit Facilities. The Senior Notes and Senior Subordinated Notes bear interest at rates of 7.0% and 8.375%, respectively, and mature on December 15, 2012 and 2014, respectively. Interest is payable semi-annually on June 15 and December 15. Cooper-Standard Holdings Inc. has fully and unconditionally guaranteed the Senior Notes and Senior Subordinated Notes. The Senior Notes are guaranteed on a senior unsecured basis and the Senior Subordinated Notes are guaranteed on a senior subordinated basis, by substantially all existing and future wholly-owned domestic subsidiaries. From and after December 15, 2008, the Company has the option to redeem some or all of the Senior Notes at premiums beginning at 103.5% and declining each year to face value for redemptions taking place after December 15, 2010. Prior to December 15, 2009, the Company has the option to redeem some or all of the Senior Subordinated Notes subject to a formula as defined in the applicable agreements. After December 15, 2009, the Company has the option to redeem some or all of the Senior Subordinated Notes at premiums that begin at 104.2% and decline each year to face value for redemptions taking place after December 15, 2012.

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

The Senior Credit Facilities consist of a revolving credit facility and various senior term loan facilities with maturities in 2010 and 2011, including Term Loan B, which is a U.S. dollar-denominated obligation of our Canadian subsidiary. The revolving credit facility provides for borrowings up to $125,000 including the availability of letters of credit, a portion of which is also available in Canadian dollars and bears interest at a rate equal to an applicable margin plus, at the Company s option, either (a) a base rate determined by reference to the higher of (1) the prime rate or (2) the federal funds rate plus 0.5% or (b) LIBOR rate determined by reference to the costs of funds for deposits in the applicable currency for the interest period relevant to such borrowing adjusted for certain additional costs. Interest is generally due quarterly in arrears and is also due upon the expiration of any particular loan. Interest rates under the Senior Credit Facilities averaged 7.5% during 2008. We are also required to pay a commitment fee in respect of the undrawn portion of the revolving commitments at a rate equal to 0.5% per annum and customary letter of credit fees.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

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

The Company had $60,933 of outstanding borrowings and $24,003 of standby letters of credit outstanding under the Revolving Credit Facility as of December 31, 2008, leaving $30,064 of undrawn availability, the majority of which was drawn during the first quarter of 2009. If the Company is successful in replacing the LCPI commitment the undrawn availability would increase by $10,000.

The term loans amortize quarterly subject to certain formulae contained in the agreements. The Senior Credit Facilities are unconditionally guaranteed on a senior secured basis by the Company and, subject to certain exceptions, substantially all existing and future domestic subsidiaries of the Company and the Company s Canadian subsidiaries in the case of Term Loans A and B and Canadian dollar borrowings under the revolving credit facility. In addition, all obligations under the Senior Credit Facilities and the guarantees of those obligations are secured by substantially all the assets of the Company, subject to certain exceptions.

The Senior Credit Facilities and Senior Notes and Senior Subordinated Notes contain covenants that, among other things, restrict, subject to certain exceptions, the ability to sell assets, incur additional indebtedness, repay other indebtedness (including the Senior Notes and Senior Subordinated Notes), pay certain dividends and distributions or repurchase capital stock, create liens on assets, make investments, loans or advances, make certain acquisitions, engage in mergers or consolidations, enter into sale and leaseback transactions, or engage in certain transactions with affiliates. In addition, the Senior Credit Facilities contain the following financial covenants: a maximum senior secured leverage ratio, and a maximum capital expenditures limitation and require certain prepayments from excess cash flows, as defined and in connection with certain asset sales and the incurrence of debt not permitted under the Senior Credit Facilities for periods commencing December 31, 2008. As of December 31, 2007 and 2008, the Company was in compliance with all of its financial covenants.

As discussed in part 1, Item 1A Risk Factors , there are several risks and uncertainties related to the global economy and our industry that could materially impact our liquidity. Among potential outcomes, these risks and uncertainties could result in decreased operating results, limited access to credit and failure to comply with debt covenants.

During the second half of 2008, vehicle production volumes decreased significantly resulting in a decline in sales, operating income and EBITDA. This decline in operating results reduced cushion that existed within our restrictive financial covenants and increased the risk of a future debt covenant violation. As previously noted the future compliance of debt covenants will be dependent upon, amongst other matters, future vehicle production and our ability to implement the costs savings initiatives announced during the second half of 2008 and the first quarter of 2009.

Our current revenue forecast for 2009 is determined from specific platform volume projections consistent with a North American and European light vehicle production estimate of 9,275 units and 16,700 units, respectively. Changes to the total level of light vehicle production levels could have a negative impact on our future sales, liquidity, results of operations and ability to comply with debt covenants. We have taken significant actions during the second half of 2008 and first quarter of 2009 to reduce our cost base and improve profitability. Based on our current 2009 operating forecast and the impact of our cost reductions on our 2009 forecasted debt covenant calculation, we expect to comply with all debt covenants during 2009. While we believe the vehicle production and other assumptions within our forecast are reasonable, we have also considered the possibility of even weaker demand based primarily on a further decline in North

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

American light vehicle production (to approximately 8 million units). In addition to the potential impact of light vehicle production changes on our sales, achieving our EBITDA forecast and 2009 debt covenant thresholds are dependent upon a number of other external and internal factors such as changes in raw material costs, changes in foreign currency rates, our ability to execute our cost savings initiatives, and our ability to implement and achieve the savings expected by the change in operating structure.

We have also considered the potential consequences of a bankruptcy filing of one of our major North American customers and believe that a bankruptcy filing would not materially impact our 2009 forecast and our ability to meet 2009 debt covenants. In the event of a bankruptcy filing, we believe it is likely that most of our programs would be continued and any reduction in program volume of a bankrupt customer would be replaced with volume from other existing customers. As such, we expect the adverse effects of these bankruptcies would be limited principally to recovering less than the full amount of the outstanding receivables. We believe that a loss or expenses incurred as a result of a customer bankruptcy would be treated as an adjustment for our 2009 debt covenants and do not believe the trade receivable exposure would have a significant impact on our 2009 liquidity.

While we are confident of our ability to achieve the plan, there can be no assurance we will be successful. There are a number of factors that could potentially arise that could result in a violation of our debt covenants. Non-compliance with covenants would provide our lenders the ability to demand immediate repayment of all outstanding borrowings under the Term Facility and the Revolving Facility. We would not have sufficient cash on hand to satisfy this demand. Accordingly, the inability to comply with covenants, obtain waivers for non-compliance, cure a potential violation with the support of our shareholders, or obtain alternative financing would have a material adverse effect on our financial position, results of operations and cash flows. In the event we were unable to meet our debt requirements, however, we believe we would be able to cure the violation utilizing the equity cure right provision of our primary credit facility, obtain a waiver or amend the covenants. Executing the equity cure right provision is contingent upon our shareholders. Obtaining waivers or amendments would likely result in a significant incremental cost. Although we cannot provide assurance that we would be successful in obtaining the necessary waivers or in amending the covenants, we were able to do so in previous years and are confident that we would be able to do so in 2009, if necessary.

Based on our current forecast and our assessment of reasonably possible scenarios, including the more pessimistic scenarios related to production volumes described above, we do not believe that there is substantial doubt about our ability to continue as a going concern in 2009.

The Company along with its joint venture partner, Nishikawa Rubber Company, has provided a guarantee of a portion of the bank loans of its NISCO joint venture. On July 1, 2003, the joint venture entered into an additional bank loan with the joint venture partners each guaranteeing an equal portion of the amount borrowed. Proceeds from the loan were used primarily to make distributions to the joint venture partners. As of December 31, 2007 and 2008, the Company has no liability related to the guarantee of this debt. The Company s maximum exposure under the two guarantee arrangements at both December 31, 2007 and 2008 was approximately $500 and $0, respectively.

The Company uses a global cash management vehicle to pool excess cash from domestic and foreign subsidiaries and present on a net basis as cash on the balance sheets of such subsidiaries. At December 31, 2007 and 2008, the Company s net cash balances under this arrangement were $235 and $1,813, respectively. Other borrowings at December 31, 2007 and 2008 reflect borrowings under capital leases and local bank lines, including $35,513 and $11,809 of short-term notes payable, respectively, classified in debt payable within one year on the consolidated balance sheet.

On July 26, 2007, the Company entered into a Second Amendment to the Credit Agreement (the Second Amendment). The Second Amendment permitted the MAPS acquisition and allowed the Company to borrow up to 65,000 through an incremental term loan under the Credit Agreement (as amended) to provide a portion of the funding necessary for the MAPS acquisition and to pay related fees and expenses.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

The Second Amendment also expanded the dual currency borrowing sub limit under the Revolving Credit Agreement to $35,000 and added Cooper-Standard International Holdings BV as a permitted borrower under this sub limit. The Second Amendment includes other changes which increase the Company s financial and operating flexibility, including amended financial covenants, expanded debt and investment baskets, and the ability to include the results of our non-consolidated joint ventures in the covenant calculations, among other things.

To finance part of the MAPS acquisition the Company borrowed 44,000 under the Second Amendment. This borrowing was combined with the Euro tranche of the Term Loan D to create Term Loan E and as of December 31, 2008 had an outstanding balance of 63,443. The Company also borrowed $10,000 under the Primary Revolving Credit Agreement, which was repaid in its entirety by September 30, 2007. In addition the Company borrowed 15,000 under the dual-currency sub limit of the revolver, all of which was repaid in its entirety by December 31, 2007.

During the year ended December 31, 2007, the Company made voluntary prepayments totaling $15,000 on the Term Loan B facility and $7,000 on the Term Loan C facility.

On April 17, 2008, the Company finalized an amendment to a factoring agreement existing between MAPS Italy and an Italian factoring company. The amendment changed certain terms and conditions within the agreement, which allows certain factored receivables to be treated as true sales. Receivables factored under this arrangement are not included in the Company s consolidated accounts receivable and debt totals. At December 31, 2007, prior to the amendment of the factoring arrangement, MAPS Italy had outstanding factored receivables of approximately $23,500 equivalent included in capital leases and other borrowings in the table above.

The maturities of debt at December 31, 2008 are as follows and include the estimated amortization of the term loans:

2009	$ 94,136
2010	32,073
2011	494,536
2012	200,000
2013	
Thereafter	323,350
	$ 1,144,095

Interest paid on third party debt was $89,694, $91,764 and $95,419 for 2006, 2007, and 2008, respectively.

On December 18, 2008, the Company entered into a Third Amendment to the Credit Agreement (the Third Amendment). The Third Amendment provides that the Company and/or its Canadian subsidiary may voluntarily prepay up to a maximum of $150,000 of one or more tranches of its term loan debt under the Credit Agreement held by participating lenders at a discount price to par to be determined pursuant to certain auction procedures. The prepayments may be financed with cash of the Company and its Subsidiaries if they meet, on a consolidated basis, certain conditions set forth in the Third Amendment including a $125,000 minimum liquidity requirement (which amount includes cash and cash equivalents and any amounts available to be drawn under the Credit Agreement s revolving credit facility). Such prepayments may not be made from the proceeds of loans drawn under the Credit Agreement s revolving credit facility. The prepayments may also be financed with the proceeds of certain equity contributions from holders of equity of the Company. Under the terms of the Third Amendment, any such prepayments will reduce the amount of term loans outstanding and payable in indirect order of maturity.

9. Pensions

The Company maintains defined benefit pension plans covering substantially all employees located in the United States. Benefits generally are based on compensation, length of service and age for salaried employees and on length of service for hourly employees. The Company s policy is to fund pension plans such that sufficient assets will be available to meet future benefit requirements. Independent actuaries are

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

engaged by the Company to assist in the determination of pension costs for each subsidiary of the Company. The Company also sponsors defined benefit pension plans for employees in some of its international locations.

The Company also sponsors defined contribution pension plans for certain salaried and hourly U.S. employees of the Company. Participation is voluntary. The Company matches contributions of participants, up to various limits based on its profitability, in substantially all plans. Matching contributions under these plans totaled $2,151 in 2006, $3,872 in 2007, and $2,549 in 2008.

The following tables disclose information related to the Company s defined benefit pension plans.

	2007		2008	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Change in projected benefit obligation:				
Projected benefit obligations at beginning of period	$ 256,945	$ 100,586	$ 255,959	$ 142,742
Measurement change service and interest cost			6,393	1,046
Service cost - employer	12,029	5,500	10,131	3,439
Participant contributions		39		35
Interest cost	14,390	5,778	15,516	7,634
Actuarial (gain) loss	(8,651)	(11,910)	3,965	(18,968)
Amendments			66	
Benefits paid	(19,412)	(6,679)	(19,767)	(9,384)
Foreign currency exchange rate effect		13,489		(14,144)
Curtailment/Settlements		(5,209)	(20,472)	(305)
Acquisitions of MAPS & El Jarudo		41,313		410
Other	658	(165)		979
Projected benefit obligations at end of period	$ 255,959	$ 142,742	$ 251,791	$ 113,484
Change in plans assets:				
Fair value of plans assets at beginning of period	$ 202,407	$ 48,760	$ 225,006	$ 62,318
Actual return on plans assets	25,894	4,669	(59,701)	(10,552)
Employer contributions	16,117	7,997	17,107	9,340
Participant contributions		39		35
Benefits paid	(19,412)	(6,679)	(19,767)	(9,384)
Foreign currency exchange rate effect		7,377		(11,208)
Other		155		573
Fair value of plans assets at end of period	$ 225,006	$ 62,318	$ 162,645	$ 41,122
Funded status of the plans	$ (30,954)	$ (80,424)	$ (89,146)	$ (72,362)
Amounts recognized in the balance sheets:				
Accrued liabilities (current)	$ (260)	$ (5,436)	$ (210)	$ (4,897)
Pension benefits (long term)	(30,694)	(78,407)	(88,936)	(72,689)
Other assets		3,419		5,224
Net amount recognized at December 31	$ (30,954)	$ (80,424)	$ (89,146)	$ (72,362)

Included in cumulative other comprehensive loss at December 31, 2008 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service costs of $2,116 ($1,969 net of taxes), unrecognized actuarial losses of $65,489 ($63,366 net of tax) and net transition obligation of $240 ($173 net of tax). The amounts included in cumulative other comprehensive loss and expected to be recognized in net periodic benefit cost during the fiscal year-ended December 31, 2009 are $317, $3,621 and $15, respectively.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

The accumulated benefit obligation for all domestic and international defined benefit pension plans was $232,773 and $137,127 at December 31, 2007 and $249,478 and $108,251 at December 31, 2008, respectively. As of December 31, 2007, the fair value of plan assets for two of the Company s defined benefit plans exceeded the projected benefit obligation of $46,882 by $3,419. As of December 31, 2008, the fair value of plan assets for two of the Company s defined benefit plans exceeded the projected benefit obligation of $27,588 by $5,224.

During 2007, the Company froze the defined benefits for two international plans which resulted in a curtailment gain that reduced the projected benefit obligation and net periodic benefit cost for 2007.

During 2008, the Company froze the defined benefits for the US Salaried Plan which resulted in a curtailment gain that reduced the projected benefit obligation for 2008.

Weighted average assumptions used to determine benefit obligations at December 31:

	2007		2008	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	6.25%	5.20% to 8.00%	5.85% to 6.35%	5.00% to 8.00%
Rate of compensation increase	3.25%	2.50% to 5.00%	3.25%	2.90% to 5.00%

The following table provides the components of net pension expense for the plans:

	2006		2007		2008	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Service cost	$ 11,922	$ 4,930	$ 12,030	$ 5,500	$ 10,131	$ 3,439
Interest cost	13,469	4,383	14,390	5,778	15,516	7,634
Expected return on plan assets	(15,951)	(3,540)	(16,940)	(3,712)	(18,151)	(4,144)
Amortization of prior service cost and recognized actuarial loss	282	221	240	503	191	453
Curtailment gain				(5,231)		
Other	60	136			140	(56)
Net periodic benefit cost	$ 9,782	$ 6,130	$ 9,720	$ 2,838	$ 7,827	$ 7,326

Weighted-average assumptions used to determine net periodic benefit costs for the years ended December 31 were:

	2006		2007		2008	
	U.S.	Non-U.S.	U.S.	Non-U.S.	U.S.	Non-U.S.
Discount rate	5.75%	3.90% to 6.50%	5.75%	4.25% to 6.50%	6.25%	5.20% to 8.00%
Expected return on plan assets	8.50% to 8.80%	7.50% to 8.00%	8.50%	7.50% to 8.00%	8.00%	7.00% to 7.75%
Rate of compensation increase	3.25%	2.50% to 7.50%	3.25%	2.50% to 5.00%	3.25%	2.62% to 5.00%

To develop the expected return on assets assumption, the Company considered the historical returns and the future expectations for returns for each asset class, as well as the target asset allocation of the pension portfolio.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

The weighted average asset allocations for the Company s pension plans at December 31, 2007 and 2008 by asset category are approximately as follows:

	2007		2008	
	U.S.	Non-U.S.	U.S.	Non-U.S.
Equity securities	59%	67%	37%	45%
Debt securities	33%	32%	28%	54%
Real Estate	8%	0%	5%	0%
Balanced funds[(1)]	0%	0%	29%	0%
Cash and cash equivalents	0%	1%	1%	1%
	100%	100%	100%	100%

(1) Invested primarily in equity, fixed income and cash instruments.

Equity security investments are structured to achieve an equal balance between growth and value stocks. The Company determines the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. This computed rate of return is reviewed by the Company s investment advisors and actuaries. Industry comparables and other outside guidance is also considered in the annual selection of the expected rates of return on pension assets.

The Company estimates its benefit payments for its domestic and foreign pension plans during the next ten years to be as follows:

	U.S.	Non-U.S.	Total
2009	15,313	8,046	23,359
2010	14,025	6,759	20,784
2011	14,743	6,636	21,379
2012	16,112	6,718	22,830
2013	15,969	6,899	22,868
2014-2018	90,712	38,647	129,359

The Company estimates it will make cash contributions of approximately $16,000 to its pension plans in 2009.

10. Postretirement Benefits Other Than Pensions

The Company provides certain retiree health care and life insurance benefits covering substantially all U.S. salaried and certain hourly employees and employees in Canada. Employees are generally eligible for benefits upon retirement and completion of a specified number of years of creditable service. Independent actuaries determine postretirement benefit costs for each applicable subsidiary of the Company. The Company s policy is to fund the cost of these postretirement benefits as these benefits become payable.

The following tables disclose information related to the Company s postretirement benefit plans.

Table of Contents

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

	2007		2008	
	U.S.	**Non-U.S.**	**U.S.**	**Non-U.S.**
Change in benefit obligation:				
Benefit obligations at beginning of year	$ 92,105	$ 11,666	$ 66,787	$ 14,084
Measurement change service and interest cost			1,293	354
Service cost	1,855	654	1,471	654
Interest cost	4,206	695	3,751	760
Actuarial loss (gain)	(19,897)	(628)	(5,516)	(3,463)
Benefits paid	(1,133)	(286)	(2,610)	(475)
Administrative expenses paid	(220)			
Curtailment gain	(1,243)			
Plan change	(8,886)		(6,271)	
Foreign currency exchange rate effect		1,983		(2,345)
Benefit obligation at end of year	$ 66,787	$ 14,084	$ 58,905	$ 9,569
Funded status of the plans	$ (66,787)	$ (14,084)	$ (58,905)	$ (9,569)
Contributions between October 1 and December 31	505	106		
Net amount recognized at December 31	$ (66,282)	$ (13,978)	$ (58,905)	$ (9,569)

Included in cumulative other comprehensive loss at December 31, 2008 are the following amounts that have not yet been recognized in net periodic benefit cost: unrecognized prior service credits of $13,438 ($12,833 net of tax) and unrecognized actuarial gains of $25,867 ($23,954 net of tax). The amounts included in cumulative other comprehensive loss and expected to be recognized in net periodic benefit cost during the fiscal year-ended December 31, 2009 are ($1,873) and ($1,408), respectively.

During 2007 plan changes were made to two of the plans. These changes resulted in a decrease of $8,886 in the projected benefit obligation at December 31, 2007. During 2008 plan changes were made to four of the plans. These changes resulted in a decrease of $6,271 in projected benefit obligation at December 31, 2008.

During 2007 the Company experienced an actuarial gain of $19,897, which primarily was the result of changes in participant census data and a change in the discount rate.

The following table provides the components of net periodic expense for the plans:

	2006	**2007**	**2008**
Service cost	$ 3,438	$ 2,509	$ 2,125
Interest cost	5,538	4,901	4,511
Amortization of prior service cost and recognized actuarial loss	(88)	(908)	(2,895)
Net periodic benefit cost	$ 8,888	$ 6,502	$ 3,741

The weighted average assumed discount rate used to determine domestic benefit obligations was 6.25% and 6.10% at December 31, 2007 and 2008, respectively. The weighted-average assumed discount rate used to determine domestic net periodic expense was 5.75%, 5.75%, and 6.25% for 2006, 2007, and 2008, respectively.

At December 31, 2008, the weighted average assumed annual rate of increase in the cost of health care benefits (health care cost trend rate) was 9.3% for 2009 for the U.S. and 10% for Non-U.S. with both grading down over time to 5.0% in 2018. A one-percentage point change in the assumed health care cost trend rate would have had the following effects:

	Increase	Decrease
Effect on service and interest cost components	$ 442	$ (70)
Effect on projected benefit obligations	2,502	(2,052)

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(Dollar amounts in thousands except per share amounts)

The Company estimates its benefit payments for its postretirement benefit plans during the next ten years to be as follows:

	U.S.	Non-U.S.	Total
2009	$ 3,119	$ 349	$ 3,468
2010	3,278	380	3,658
2011	3,458	414	3,872
2012	3,584	452	4,036
2013	3,708	488	4,196
2014-2018	20,897	3,091	23,988

Other post retirement benefits recorded in our consolidated balance sheets include $14.5 million and $11.7 million as of December 31, 2007 and 2008, respectively, for termination indemnity plans for two of our European locations. The December 31, 2007 amount was previously recorded in other long-term liabilities.

11. Income Taxes

Components of the Company s income (loss) before income taxes are as follows:

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008
Domestic	$ (78,987)	$ (182,579)	$ (124,515)
Foreign	63,323	64,532	32,359
	$ (15,664)	$ (118,047)	$ (92,156)

The Company s provision (benefit) for income taxes consists of the following:

	Year Ended December 31, 2006	Year Ended December 31, 2007	Year Ended December 31, 2008
Current			
Federal	$ &nbs		