

CHROMCRAFT REVINGTON INC

Form 10-K/A

November 02, 2007

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-K/A
(Amendment No. 2)**

**ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
FOR THE FISCAL YEAR ENDED DECEMBER 31, 2006
or**

**TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _____ to _____
Commission file number 1-13970
CHROMCRAFT REVINGTON, INC.
(Exact name of registrant as specified in its charter)**

Delaware

35-1848094

(State or other jurisdiction of incorporation or organization)

(IRS Employer Identification No.)

1330 Win Hentschel Blvd., Suite 250, West Lafayette, Indiana 47906
(Address, including zip code, of registrant's principal executive offices)
(765) 807-2640

(Registrant's telephone number, including area code)
Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Name of each exchange on which registered
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Common Stock, \$.01 par value	American Stock Exchange
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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

Indicate by check mark if the registrant is not required to file reports pursuant to Section 15(d) of the Act. Yes 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

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 the 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.

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

Large accelerated filer Accelerated filer Non-accelerated filer

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

As of March 1, 2007, there were 6,167,876 shares of the registrant's common stock (\$.01 par value) outstanding. The aggregate market value of the voting stock held by nonaffiliates of the registrant as of June 30, 2006 was \$50.4 million (based upon the closing price of the registrant's common stock, as reported by the American Stock Exchange).

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the annual meeting of stockholders to be held May 9, 2007 are incorporated by reference into Part III of this Form 10-K.

EXPLANATORY NOTE

This Amendment No. 2 on Form 10-K/A (the Amendment) amends our Annual Report on Form 10-K for the fiscal year ended December 31, 2006, as originally filed with the Securities and Exchange Commission on March 26, 2007 (the Original Filing), and amends our Amendment No. 1 to the Original Filing filed with the Securities and Exchange Commission on August 17, 2007 (Amendment No. 1). This Amendment amends Part IV, Item 15 of the Original Filing to revise our Notes to Consolidated Financial Statements as follows:

Note 1 clarification and expansion of our revenue recognition policy.

Note 10 deletion of the reference to the usage of an environmental consultant to estimate certain environmental remediation costs.

This Amendment amends and supersedes Amendment No. 1 by including Part IV, Item 15 as amended in its entirety. Except for the revisions described above, this Amendment does not amend, modify or update the Original Filing in any respect. Any information not affected by this Amendment is unchanged and reflects the disclosures made at the time we filed our Original Filing. This Amendment does not reflect events that have occurred subsequent to the filing of the Original Filing and, accordingly, this Amendment should be read in conjunction with our filings made with the Securities and Exchange Commission subsequent to the date of the Original Filing.

Item 15. Exhibits and Financial Statement Schedules

(a) 1.

The following Consolidated Financial Statements of Chromcraft Revington are included in this report on Form 10-K/A:

	Page Reference
<u>Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004</u>	F-1
<u>Consolidated Balance Sheets at December 31, 2006 and 2005</u>	F-2
<u>Consolidated Statements of Cash Flows for the years ended December 31, 2006, 2005 and 2004</u>	F-3
<u>Consolidated Statements of Stockholders' Equity for the years ended December 31, 2006, 2005 and 2004</u>	F-4
<u>Notes to Consolidated Financial Statements</u>	F-5
<u>Report of Independent Registered Public Accounting Firm</u>	F-20
<u>Quarterly Financial Information (unaudited)</u>	F-21

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(a) 2.

The following consolidated financial statement schedule of Chromcraft Revington is included in this report on Form 10-K/A:

Schedule II Valuation and Qualifying Accounts

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All other schedules for which provision is made in the applicable accounting regulation of the Securities and Exchange Commission are not required under the related instructions or are inapplicable and, therefore, have been omitted.

(a) 3. The following exhibits are filed with this Amendment:

- (23.1) Consent of Independent Registered Public Accounting Firm (filed herewith).
- (31.1) Certification of Chief Executive Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- (31.2) Certification of Chief Financial Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- (32.1) Certifications of Chief Executive Officer and Chief Financial Officer required pursuant to 18 U.S.C. § 1350, as adopted pursuant to § 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).

SIGNATURE

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

Date: November 2, 2007

CHROMCRAFT REVINGTON, INC.

By: /s/ Frank T. Kane
Frank T. Kane
Senior Vice President Finance
and Chief Financial Officer

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Chromcraft Revington, Inc.

(In thousands, except per share data)

	Year Ended December 31,		
	2006	2005	2004
Sales	\$ 160,478	\$ 169,565	\$ 172,393
Cost of sales	136,842	131,924	132,979
Gross margin	23,636	37,641	39,414
Selling, general and administrative expenses	27,952	26,531	26,279
Operating income (loss)	(4,316)	11,110	13,135
Interest expense	232	753	788
Earnings (loss) before income tax expense (benefit)	(4,548)	10,357	12,347
Income tax expense (benefit)	(1,155)	3,112	4,679
Net earnings (loss)	\$ (3,393)	\$ 7,245	\$ 7,668
Earnings (loss) per share of common stock			
Basic	\$ (.77)	\$ 1.69	\$ 1.85
Diluted	\$ (.77)	\$ 1.66	\$ 1.82
Shares used in computing earnings (loss) per share			
Basic	4,415	4,277	4,143
Diluted	4,415	4,357	4,215
<i>See accompanying notes to the consolidated financial statements</i>			

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Consolidated Balance Sheets
Chromcraft Revington, Inc.
(In thousands, except share data)

	December 31,	
	2006	2005
Assets		
Cash and cash equivalents	\$ 8,418	\$
Accounts receivable, less allowance of \$650 in 2006 and \$1,045 in 2005	19,072	18,735
Inventories	28,667	37,009
Assets held for sale	5,068	
Deferred income taxes and prepaid expenses	3,104	1,922
Current assets	64,329	57,666
Property, plant and equipment, at cost, less accumulated depreciation	19,212	30,274
Deferred income taxes and other assets	2,277	1,319
Total assets	\$ 85,818	\$ 89,259
Liabilities and Stockholders' Equity		
Accounts payable	\$ 5,144	\$ 5,448
Accrued liabilities	7,534	7,340
Current liabilities	12,678	12,788
Deferred compensation	1,918	2,486
Other long-term liabilities	804	1,323
Total liabilities	15,400	16,597
Stockholders' equity		
Preferred stock, \$1.00 par value, 100,000 shares authorized, none issued or outstanding		
Common stock, \$.01 par value, 20,000,000 shares authorized, 7,944,163 shares issued in 2006 and 7,923,563 shares issued in 2005	80	79
Capital in excess of par value	18,075	17,604
Unearned ESOP shares	(16,708)	(17,385)
Retained earnings	89,971	93,364
	91,418	93,662
Less cost of common stock in treasury, 1,776,287 shares in 2006 and 2005	(21,000)	(21,000)
Total stockholders' equity	70,418	72,662

Total liabilities and stockholders' equity	\$ 85,818	\$ 89,259
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See accompanying notes to the consolidated financial statements

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

	Year Ended December 31,		
	2006	2005	2004
Operating Activities			
Net earnings (loss)	\$ (3,393)	\$ 7,245	\$ 7,668
Adjustments to reconcile net earnings (loss) to net cash provided by operating activities			
Depreciation and amortization expense	3,086	3,491	3,721
Non-cash asset impairment charges	3,419		
Deferred income taxes	(3,167)	(103)	(989)
Non-cash ESOP compensation expense	771	895	967
Non-cash stock compensation expense	404	294	198
Non-cash inventory write-downs	3,859	352	1,342
Provision for doubtful accounts	(15)	649	287
(Gain) loss on disposal of property, plant and equipment	(19)	230	29
Changes in operating assets and liabilities			
Accounts receivable	(322)	(1,251)	(652)
Inventories	4,483	(3,695)	(4,140)
Prepaid expenses	722	(591)	(290)
Accounts payable	(304)	355	451
Accrued liabilities	206	(1,295)	(1,689)
Deferred compensation and other long-term liabilities and assets	(820)	(603)	290
Cash provided by operating activities	8,910	5,973	7,193
Investing Activities			
Capital expenditures	(1,649)	(1,521)	(1,086)
Proceeds on disposal of property, plant and equipment	1,157	16	12
Cash used in investing activities	(492)	(1,505)	(1,074)
Financing Activities			
Net repayment under a secured bank revolving credit line		(1,450)	(1,350)
Principal payments on bank term loan		(4,250)	(5,000)
Stock repurchase		(754)	
Exercise of stock options		1,986	231
Cash used in financing activities		(4,468)	(6,119)
Change in cash and cash equivalents	8,418		
Cash and cash equivalents at beginning of period			
Cash and cash equivalents at end of period	\$ 8,418	\$	\$

See accompanying notes to the consolidated financial statements

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Table of Contents**Consolidated Statements of Stockholders' Equity**

Chromcraft Revington, Inc.
(In thousands, except share data)

	Common Stock		Capital in Excess of Par Value	Unearned ESOP Shares	Retained Earnings	Treasury Stock		Total Stockholders' Equity
	Shares	Amount				Shares	Amount	
Balance at January 1, 2004	7,676,190	\$ 77	\$ 14,414	\$ (18,798)	\$ 78,451	(1,710,300)	\$ (20,346)	\$ 53,798
Exercise of stock options	25,312		278					278
ESOP compensation expense			231	736				967
Stock option compensation expense			198					198
Net earnings					7,668			7,668
Balance at December 31, 2004	7,701,502	77	15,121	(18,062)	86,119	(1,710,300)	(20,346)	62,909
Purchase of treasury stock			(100)			(65,987)	(654)	(754)
Exercise of stock options	180,061	2	2,071					2,073
ESOP compensation expense			218	677				895
Issuance of restricted stock award	42,000							
Amortization of unearned compensation - restricted stock grant			189					189
Stock option compensation expense			105					105
Net earnings					7,245			7,245

Balance at December 31, 2005	7,923,563	79	17,604	(17,385)	93,364	(1,776,287)	(21,000)	72,662
ESOP compensation expense			94	677				771
Issuance of restricted stock awards	20,600	1						1
Amortization of unearned compensation - restricted stock grants			212					212
Stock option compensation expense			165					165
Net loss					(3,393)			(3,393)
Balance at December 31, 2006	7,944,163	\$ 80	\$ 18,075	\$ (16,708)	\$ 89,971	(1,776,287)	\$ (21,000)	\$ 70,418

See accompanying notes to the consolidated financial statements

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Notes to Consolidated Financial Statements

Chromcraft Revington, Inc.

Note 1. Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of Chromcraft Revington, Inc. and its wholly-owned subsidiaries (together, the Company). All significant intercompany accounts and transactions have been eliminated. Chromcraft Revington manufactures and sells residential and commercial furniture. Products are sold primarily through furniture dealers throughout the U.S. and Canada. Chromcraft Revington has several operating segments which are aggregated into one reportable segment in accordance with Financial Accounting Standards Board (FASB) Statement No. 131, Disclosures about Segments of an Enterprise and Related Information.

Revenue Recognition

The Company recognizes revenue when products are shipped and the customer takes ownership and assumes risk of loss, collection of the related receivable is probable, persuasive evidence of an arrangement exists, and the sales price is fixed or determinable.

Cash Equivalents

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

Accounts Receivable

Accounts receivable are recorded at the invoiced amount and do not bear interest. The Company provides for an allowance for doubtful accounts based on expected collectability of trade receivables. The allowance for doubtful accounts is determined based on the Company's analysis of customer credit-worthiness, historical loss experience and general economic conditions and trends. The Company reviews past due balances and its allowance for doubtful accounts periodically. Any accounts receivable balances that are determined to be uncollectible are included in the overall allowance for doubtful accounts. After all attempts to collect a receivable have been exhausted, the receivable is written off against the allowance. The Company does not have any off-balance-sheet credit exposure related to its customers.

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Inventories

All inventories (materials, labor and overhead) are valued at the lower of cost or market. Inventories valued using the last-in, first-out (LIFO) basis represent approximately 57% of total inventories at both December 31, 2006 and 2005. Remaining inventories are valued using the first-in, first-out (FIFO) basis.

Property, Plant and Equipment

Property, plant and equipment is stated on the basis of cost. Depreciation is computed principally by the straight-line method for financial reporting purposes and by accelerated methods for tax purposes. The following estimated useful lives are used for financial reporting purposes: buildings and improvements, 15 to 45 years; machinery and equipment, 3 to 12 years; and leasehold improvements, 3 to 5 years.

Impairment of Long-Lived Assets

When changes in circumstances indicate the carrying amount of certain long-lived assets may not be recoverable, the assets will be evaluated for impairment. If the forecast of undiscounted future cash flows is less than the carrying amount of the assets, an impairment charge would be recognized to reduce the carrying value of the assets to fair value.

Assets Held for Sale

Assets held for sale are long-lived assets which are carried at the lower of their net book value or fair value less cost to sell and no longer depreciated. Fair value for buildings was determined from purchase offers or information obtained from real estate brokers. Fair value for machinery and equipment was based on auction sales, which were completed in 2007.

Restructuring Expenses

Restructuring expenses include costs to shut down, vacate and prepare facilities for sale and one-time termination benefits. Costs to shut down, vacate and prepare facilities for sale are recorded when incurred. One-time termination benefits are amortized over the related service period. These costs are included in either cost of sales or selling, general and administrative expenses consistent with the classification of the costs before the restructuring.

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Deferred Income Taxes

Deferred income taxes are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases. Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled.

Earnings per Share

Basic earnings per share is calculated based on the average number of common shares outstanding. Diluted earnings per share includes potentially dilutive common shares.

Due to the net loss for the year ended December 31, 2006, loss per share, basic and diluted, are the same, as the effect of potential common shares would be antidilutive.

Financial Instruments

The carrying amounts reported in the balance sheets for accounts receivable, accounts payable and deferred compensation approximate their fair values. Concentration of credit risk with respect to trade accounts receivable is limited due to the large number of entities comprising Chromcraft Revington's customer base and no single customer accounting for more than 10% of trade accounts receivable.

Stock-Based Compensation

The Company has two stock-based compensation plans, which are described more fully in Note 13, Stock-Based Compensation. Effective January 1, 2006, the Company adopted FASB Statement of Financial Accounting Standards No. 123 (revised 2004), Share-Based Payment, (FAS 123 (R)) using the modified prospective application method for transition for its two stock-based compensation plans. Accordingly, prior year amounts have not been restated.

Use of Estimates

The preparation of the financial statements in accordance with U.S. generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

Table of Contents**Note 2. Restructuring and Asset Impairment Charges**

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

Restructuring charges include inventory write-downs to reflect anticipated net realizable value, one-time termination benefits, and costs to shut down, vacate and prepare the facilities for sale. Asset impairment charges were recorded to reduce the carrying values of buildings, machinery and equipment to fair value. Fair value was determined by actual sales, purchase offers or estimates from real estate brokers.

Restructuring and asset impairment charges recorded for the year ended December 31, 2006 were as follows:

	<i>(In thousands)</i>
Restructuring charges:	
Costs to shut down, vacate and prepare for sale	\$ 479
One-time termination benefits	463
Inventory write-downs	3,011
	3,953
Asset impairment charges	3,419
	\$ 7,372
Statements of Operations classification:	
Gross margin	\$ 7,083
Selling, general and administrative expenses	289
	\$ 7,372

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The Company expects to incur total restructuring costs of \$1,441,000 for one-time termination benefits and costs to shut down, vacate and prepare the facilities for sale as follows:

	<i>(In thousands)</i>		
	Year Ended December 31, 2006	Estimate 2007	Total
Costs to shut down, vacate and prepare for sale	\$ 479	\$ 421	\$ 900
One-time termination benefits	463	78	541
	\$ 942	\$ 499	\$ 1,441

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

	<i>(In thousands)</i>			
	Year ended December 31, 2006			December 31, 2006
	Charges to Expense	Cash Payments	Asset Write- Downs	
Costs to shut down, vacate and prepare for sale	\$ 479	\$ (450)	\$	\$ 29
One time termination benefits	463	(203)		260
Inventory write-downs	3,011		(3,011)	
Asset impairment charges	3,419		(3,419)	
	\$ 7,372	\$ (653)	\$ (6,430)	\$ 289

Note 3. Inventories

Inventories at December 31, 2006 and 2005 consisted of the following:

	<i>(In thousands)</i>	
	2006	2005
Raw materials	\$ 10,876	\$ 11,754
Work-in-process	3,488	5,619
Finished goods	17,726	22,627
	32,090	40,000
LIFO reserve	(3,423)	(2,991)
	\$ 28,667	\$ 37,009

Table of Contents**Note 4. Property, Plant and Equipment**

Property, plant and equipment at December 31, 2006 and 2005 consisted of the following:

	<i>(In thousands)</i>	
	2006	2005
Land	\$ 925	\$ 2,231
Buildings and improvements	25,989	34,740
Machinery and equipment	41,059	52,339
Leasehold improvements	1,059	1,017
Construction in progress	116	267
	69,148	90,594
Less accumulated depreciation and amortization	(49,936)	(60,320)
	\$ 19,212	\$ 30,274

Note 5. Assets Held for Sale

Assets held for sale at December 31, 2006 consisted of the following:

	<i>(In thousands)</i>	
Land and buildings	\$ 4,690	
Machinery and equipment		378
	\$ 5,068	

At December 31, 2005, these assets were reported in property, plant and equipment with a net book value of \$7,247,000.

Note 6. Accrued Liabilities

Accrued liabilities at December 31, 2006 and 2005 consisted of the following:

	<i>(In thousands)</i>	
	2006	2005
Employee-related benefits	\$ 1,945	\$ 1,825
Deferred compensation	1,071	1,055
Sales commissions	708	778
Compensation related	408	644
Other accrued liabilities	3,402	3,038
	\$ 7,534	\$ 7,340

Note 7. Bank Debt

On September 20, 2005, the Company entered into an unsecured revolving loan facility (Facility) with a bank that allows the Company to borrow up to \$35,000,000. The Facility replaced a secured multi-bank credit agreement. The interest rate under the Facility is determined at the time of borrowing, at the Company's option, at either the bank's prime rate, a rate based on the Federal Funds rate or the London Interbank Offered Rate. A commitment fee, of up to

.25% per annum, is payable on the unused portion of the credit line. No borrowings were outstanding under the Facility at December 31, 2006 and 2005. The Company had a \$1,745,000 standby letter of credit outstanding at December 31, 2006 and 2005 in connection with workers compensation programs. This letter of credit, which reduces credit availability under the Facility, expires on August 11, 2007 and is generally renewed annually.

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The Facility requires compliance with certain financial loan covenants related to net worth, interest coverage and debt leverage. At December 31, 2006 and 2005, the Company had approximately \$13,183,000 and \$29,247,000, respectively, in unused availability under the Facility. Availability under the Facility is determined based on a multiple of cash flow. The Facility expires September 20, 2008.

Note 8. Income Taxes

The tax effects of temporary differences that give rise to significant portions of net deferred tax assets (liabilities) at December 31, 2006 and 2005 are summarized below:

	<i>(In thousands)</i>	
	2006	2005
Deferred tax assets attributable to:		
Accounts receivable	\$ 249	\$ 401
Assets held for sale	19	
Employee benefit plans	655	931
ESOP compensation expense	645	519
Deferred compensation	2,372	2,734
Stock compensation expense	296	212
Goodwill	704	854
Other	864	773
Net operating loss carryforwards	725	1,208
	6,529	7,632
Valuation allowance	(62)	
Total gross deferred tax assets	6,467	7,632
Deferred tax liabilities attributable to:		
Inventories	105	(2,061)
Property, plant and equipment	(2,789)	(4,874)
Other	(150)	(205)
Total gross deferred tax liabilities	(2,834)	(7,140)
Net deferred tax asset	\$ 3,633	\$ 492

Balance sheet classifications of deferred taxes at December 31, 2006 and 2005 were as follows:

	<i>(In thousands)</i>	
	2006	2005
Deferred tax asset (liability), current	\$ 1,904	\$ (12)
Deferred tax asset, noncurrent	1,729	504
Net deferred tax asset	\$ 3,633	\$ 492

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Components of income tax expense (benefit) in the Consolidated Statements of Operations for the years ended December 31, 2006, 2005 and 2004 were as follows:

	<i>(In thousands)</i>		
	2006	2005	2004
Current:			
Federal	\$ 1,488	\$ 2,552	\$ 4,869
State	498	663	799
	1,986	3,215	5,668
Deferred:			
Federal	(3,288)	(133)	(902)
State	147	30	(87)
	(3,141)	(103)	(989)
Provision (benefit) for income taxes	\$ (1,155)	\$ 3,112	\$ 4,679

A reconciliation of the statutory federal income tax rate to the effective income tax rate for the years ended December 31, 2006, 2005 and 2004 is as follows:

	2006	2005	2004
Statutory federal income tax rate	(34.0)%	34.0%	34.0%
State taxes, net of federal benefit	2.2	4.4	3.8
Cancellation of intercompany indebtedness state taxes	5.8		
Employee stock ownership plan expense	0.7	0.7	0.6
Resolution of tax contingency, net		(6.9)	
Qualified production activities deduction	(0.9)	(0.8)	
Deferred tax asset valuation allowance	1.4		
Other, net	(0.6)	(1.4)	(0.5)
Effective income tax rate	(25.4)%	30.0%	37.9%

In 2006, the Company utilized a state net operating loss carryforward (NOL) to offset state taxable income generated on the cancellation of intercompany indebtedness and established a valuation allowance of \$62,000 for the remaining portion of this NOL. The Company determined, due to its restructuring activities, that it is unlikely that the remaining portion of this NOL will be utilized.

At December 31, 2006, the Company has deferred tax assets for federal net operating loss carryforwards of \$663,000. The federal net operating loss carryforwards have expiration dates through 2010. The Company expects that future operations will generate sufficient earnings to realize its net deferred tax assets.

Tax expense (benefit) relating to share-based plans of \$27,000, (\$87,000) and (\$47,000) in 2006, 2005 and 2004, respectively, has been recorded under Capital in Excess of Par Value in the accompanying Consolidated Statements of Stockholders' Equity.

For the year ended December 31, 2005, the Company recorded a non-recurring income tax benefit of \$710,000 primarily due to the favorable resolution of a tax contingency.

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Note 9. Earnings Per Share of Common Stock

Due to the net loss in 2006, loss per share, basic and diluted, are the same, as the effect of potential common shares would be antidilutive. For the years ended December 31, 2005 and 2004, weighted average shares used in the calculation of diluted earnings per share included dilutive potential common shares of approximately 80,000 and 72,000, respectively.

Certain options to purchase shares of common stock were outstanding during 2005 and 2004, but were not included in the computation of diluted earnings per share because the options' exercise prices were greater than the average market price of the common shares during those periods in 2005 and 2004 and, therefore, their effect would be antidilutive. Options excluded from the computation of diluted earnings per share and their weighted average exercise prices were 163,961 shares at \$15.14 at December 31, 2005 and 198,603 shares at \$15.75 at December 31, 2004.

Note 10. Other Long-Term Liabilities

Other long-term liabilities include \$570,000 and \$597,000 at December 31, 2006 and 2005, respectively, for estimated environmental remediation costs for land that was acquired as part of a previous acquisition by the Company.

Note 11. Employee Stock Ownership Plan

Chromcraft Revington sponsors a leveraged employee stock ownership plan (ESOP) that covers substantially all employees who have completed six months of service. Chromcraft Revington makes annual contributions to the ESOP Trust equal to the ESOP Trust's repayment of its loan to the Company. Chromcraft Revington loaned \$20,000,000 to the ESOP Trust to finance the ESOP Stock Transaction. The loan to the ESOP Trust provides for repayment to Chromcraft Revington over a 30-year term at a fixed rate of interest of 5.48% per annum. The shares of common stock owned by the ESOP Trust are pledged to the Company as collateral for the Company's loan to the ESOP Trust. As the ESOP loan is repaid, shares are released from collateral and allocated to ESOP accounts of active employees based on the proportion of debt service paid in the year. Chromcraft Revington accounts for its ESOP in accordance with AICPA Statement of Position 93-6, *Employers' Accounting for Employee Stock Ownership Plans*. Accordingly, unearned ESOP shares are reported as a reduction of stockholders' equity as reflected in the Consolidated Statements of Stockholders' Equity of the Company. As shares are committed to be released, Chromcraft Revington reports compensation expense equal to the current market price of the shares, and the shares become outstanding for earnings per share computations. ESOP compensation expense, a non-cash charge, was \$771,000 in 2006, \$895,000 in 2005 and \$967,000 in 2004.

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ESOP shares at December 31, 2006 and 2005, respectively, consisted of the following:

	<i>(In thousands)</i>	
	2006	2005
Allocated shares	296	244
Unearned ESOP shares	1,671	1,739
Total ESOP shares	1,967	1,983
Unearned ESOP shares, at cost	\$ 16,708	\$ 17,385
Fair value of unearned ESOP shares	\$ 14,353	\$ 22,775

At December 31, 2006, the ESOP Trust owned approximately 31.9% of the issued and outstanding shares of the Company's common stock.

Note 12. Other Benefit Plans

Chromcraft Revington sponsors a tax-qualified defined contribution plan under Internal Revenue Code Section 401(k). For the years ended December 31, 2006, 2005 and 2004, the Company matching contributions to the 401(k) plan for most employees were made to the ESOP.

Chromcraft Revington also provides supplemental retirement benefits to its key employees and executive officers. Expenses under these arrangements were \$101,000 in 2006, \$91,000 in 2005 and \$1,091,000 in 2004.

Note 13. Stock-Based Compensation

The Company has the following stock-based compensation plans:

1992 Stock Option Plan

The Company's 1992 Stock Option Plan, as amended (1992 Plan), provides for the granting of either incentive stock options (ISOs) or stock options which do not qualify as incentive stock options (non-ISOs). The total number of new shares of common stock, which may be issued under stock options granted pursuant to the 1992 Plan, is 1,800,000 shares. ISOs granted under the 1992 Plan are exercisable over no greater than a 10-year period, and are granted at exercise prices no less than the fair market value of Chromcraft Revington's common shares as of the date of grant. Options vest ratably ranging from immediately on the date of grant up to a five-year period. The Compensation Committee of the board of directors determines the vesting period and exercise prices of non-ISOs. At December 31, 2006 and 2005, there were 298,025 and 265,543 shares, respectively, available for future awards.

The purpose of the 1992 Plan is to attract and retain persons of ability as key employees and to motivate key employees to exert their best efforts on behalf of the Company.

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Directors' Stock Plan

The Company's Amended and Restated Directors' Stock Plan (Directors' Plan) provides for the granting of restricted stock or non-ISOs to members of the board of directors who are not employees of the Company. Under the Directors' Plan, eligible directors of the Company receive an award of either 800 shares of restricted common stock or an option to purchase 2,500 shares of common stock on the day following their re-election to the Board at each annual meeting of stockholders. Any new director who is elected or appointed for the first time to the board of directors receives an award of either 3,000 shares of restricted common stock or an option to purchase 10,000 shares of common stock. The Compensation Committee of the board of directors determines whether awards under the Directors' Plan are made in restricted stock or stock options. The total number of shares of common stock subject to the Directors' Plan is 150,000 shares. No restricted common stock or options will be granted under the Directors' Plan after December 1, 2016. Shares of restricted stock granted to directors under the Directors' Plan will vest on the day immediately preceding the next annual meeting of stockholders following the award date. Non-ISOs granted under the Directors' Plan are 100% vested on the date of the grant and are granted at exercise prices equal to the fair market value of the Company's common shares as of the date of the grant. The options are exercisable for a period of ten years. At December 31, 2006 and 2005, there were 54,400 and 60,000 shares, respectively, available for future stock option and restricted stock awards.

The Directors' Plan is designed to promote the interests of the Company and its stockholders through the granting of restricted common stock and options to the non-employee members of the Company's board of directors, thereby encouraging their focus on long-term stockholder value of the Company.

Accounting for the Plans

Effective January 1, 2006, the Company adopted FAS 123 (R) using the modified prospective application method for transition for its two stock-based compensation plans. Accordingly, prior year amounts have not been restated. Also effective January 1, 2006, the Company adopted FASB Staff Position 123R-3, *Transition Election Related to Accounting for the Tax Effects of Share-Based Payment Awards*, which provides a simplified alternative approach to calculate the initial pool of excess tax benefits.

The adoption of FAS 123 (R) increased the net loss by approximately \$111,000 (approximately \$.03 per share) for the year ended December 31, 2006, compared to amounts that would have been reported if the Company had continued to account for stock-based compensation under APB Opinion No. 25, *Accounting for Stock Issued to Employees*, and related Interpretations.

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The following table illustrates the effect on net earnings and earnings per share for the years ended December 31, 2005 and 2004, if the Company had applied the fair value recognition provisions of FAS 123 (R) to stock-based employee compensation for these periods. For purposes of pro forma disclosure, the value of the options is estimated using a Black-Scholes option-pricing model and is amortized to expense over the options vesting periods.

	<i>(In thousands, except per share data)</i>	
	2005	2004
Net earnings, as reported	\$ 7,245	\$ 7,668
Add: Stock-based employee compensation expense included in reported net earnings, net of related tax effects	186	122
Deduct: Total stock-based employee compensation expense determined under fair-value based method for all awards, net of related tax effects	(523)	(537)
Pro forma net earnings	\$ 6,908	\$ 7,253
Earnings per share		
Basic as reported	\$ 1.69	\$ 1.85
Basic pro forma	\$ 1.62	\$ 1.75
Diluted as reported	\$ 1.66	\$ 1.82
Diluted pro forma	\$ 1.59	\$ 1.73

The fair value of each option is amortized into compensation expense on a straight-line basis between the grant date for the option and each vesting date. The Company has estimated the fair value of all stock option awards as of the date of grant by applying the Black-Scholes pricing valuation model. The application of this valuation model involves assumptions that are judgmental and sensitive in the determination of compensation expense.

Historical information is the primary basis for the selection of the expected volatility and life of an option. The risk-free interest rate is selected based upon the yield of the U.S. Treasury issue with a term equal to the expected life of the option being valued.

Prior to the adoption of FAS 123 (R), the Company presented all tax benefits of deductions resulting from the exercise of stock options as operating cash flows in the Consolidated Statements of Cash Flows. FAS 123 (R) requires the cash flows resulting from the tax benefits from tax deductions in excess of the compensation cost recognized for those options (excess tax benefits) to be classified as financing cash flows. Although no stock options were exercised in 2006, any excess tax benefits would have been classified as a financing cash flow.

Restricted Stock Awards

The Company has granted to key employees under employment agreements and non-employee directors under the Directors Plan restricted shares of the Company's common stock. These shares are valued at fair value on the date of grant and reflected as part of stockholders' equity. Compensation expense is recognized ratably over the vesting period.

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During 2006, the Company granted 15,000 shares of restricted stock to employees in connection with their employment agreements with the Company. The awards provided that the shares will vest based on continued employment with 5,000 shares eligible to vest on each of December 31, 2007, 2008 and 2009. In 2005, the Company awarded 42,000 shares of restricted stock to its Chairman and Chief Executive Officer in connection with his employment with the Company. The award provided that 14,000 shares will vest based on continued employment on December 31, 2005, 2006, and 2007.

As part of the Directors' Plan, non-employee directors were granted a total of 5,600 shares of restricted stock. The awards provided that the 5,600 shares vest on the day immediately preceding the 2007 annual meeting of stockholders.

For the years ended December 31, 2006 and 2005, the Company granted a total of 20,600 and 42,000 shares, respectively, of restricted stock with aggregate fair values on the date of grant of \$195,000 and \$568,000, respectively. At December 31, 2006, total unearned compensation for restricted stock was \$335,000. The cost is expected to be recognized over a weighted average period of 1.7 years. Compensation expense recognized for restricted stock awards during the years ended December 31, 2006 and 2005 was \$239,000 and \$189,000, respectively. The related tax benefit for the compensation expense was \$78,000 and \$70,000 for the same periods, respectively.

A summary of all restricted stock activity for the year ended December 31, 2006 is as follows:

	Number of Shares	Weighted Average Grant Date Fair Value
Restricted stock outstanding at January 1, 2006	28,000	\$ 13.53
Granted	20,600	\$ 9.49
Vested	(14,000)	\$ 13.53
Restricted stock outstanding at December 31, 2006	34,600	\$ 11.12

Table of Contents**Stock Options**

A summary of all stock option activity for the year ended December 31, 2006 is as follows:

	Number of Shares	Weighted Average Exercise Price	Weighted Average Remaining Contractual Term (Years)	<i>(in thousands)</i> Aggregate Intrinsic Value	
Options outstanding at January 1, 2006	643,270	\$ 12.07	6.4		
Granted	2,518	\$ 13.30			
Exercised					
Cancelled	(35,000)	\$ 11.41			
Options outstanding at December 31, 2006	610,788	\$ 12.11	5.5	\$	3,548
Options exercisable at December 31, 2006	590,788	\$ 12.16	5.5	\$	3,424
Expected to vest	20,000	\$ 10.49	5.2	\$	124

The estimated per share weighted average fair value of stock options granted during 2006, 2005 and 2004 was \$5.88, \$5.12 and \$5.34, respectively, on the date of grant. The fair value of stock options on the date of grant was estimated using the Black-Scholes model with the following weighted average assumptions:

	2006	2005	2004
Expected life (years)	7	6	6
Interest rate	4.8%	4.2%	3.8%
Volatility	32.1%	32.2%	32.5%

There were no stock options exercised in 2006. New shares are issued by the Company upon the exercise of options. Cash proceeds, tax benefits and intrinsic value related to total stock options exercised during the years ended December 31, 2005 and 2004, respectively, were as follows:

	<i>(In thousands)</i>	
	2005	2004
Proceeds from stock options exercised	\$ 1,986	\$ 231
Tax benefits related to stock options exercised	87	47
Intrinsic value of stock options exercised	1,003	105

The intrinsic value of options that vested during the years ended December 31, 2006, 2005 and 2004 was \$262,000, \$954,000 and \$933,000, respectively. As of December 31, 2006, there were 20,000 unvested options and approximately \$21,000 of unrecognized compensation cost related to non-vested stock options. Since the options vest on March 15, 2007, the cost will be recognized by the end of the first quarter of 2007.

Compensation expense recognized for stock options was \$165,000, \$105,000 and \$198,000 for the years ended December 31, 2006, 2005 and 2004, respectively. The related tax benefit for the compensation expense was \$53,000, \$39,000 and \$75,000 for the same periods, respectively.

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Note 14. Supplemental Cash Flow Information

Interest paid during the years ended December 31, 2006, 2005 and 2004 was \$244,000, \$779,000 and \$798,000, respectively. Income taxes paid during the years ended December 31, 2006, 2005 and 2004 were \$1,119,000, \$4,336,000, and \$5,155,000, respectively.

Note 15. Rental Commitments

Chromcraft Revington leases office space, showroom facilities and transportation and other equipment under non-cancelable operating leases. The future minimum lease payments under non-cancelable leases for the years ending December 31, 2007, 2008, 2009, 2010, and 2011 are \$1,567,000, \$1,548,000, \$874,000, \$667,000, and \$473,000, respectively. It is expected that, in the normal course of business, leases that expire will be renewed or replaced.

Rental expense was \$1,616,000, \$1,509,000, and \$1,335,000 for the years ended December 31, 2006, 2005 and 2004, respectively.

Note 16. Recently Issued Accounting Standards

In July 2006, FASB issued Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* — an interpretation of *FASB Statement No. 109* (FIN 48), which clarifies what criteria must be met prior to recognition of the financial statement benefit of a position taken in a tax return. The Interpretation prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. Also, the Interpretation provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosure, and transition. The adoption of FIN 48 will be effective for years beginning after December 15, 2006, and the Company will be required to adopt this Interpretation in the first quarter of 2007. Based on the Company's evaluation as of December 31, 2006, FIN 48 is not expected to have a material impact.

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

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

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Report of Independent Registered Public Accounting Firm

The Board of Directors and Stockholders

Chromcraft Revington, Inc.:

We have audited the consolidated financial statements of Chromcraft Revington, Inc. and subsidiaries as listed in item 15(a) (1) and (2). In connection with our audits of the consolidated financial statements, we have also audited the consolidated financial statement schedule as listed in item 15(a) (1) and (2). These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement 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 material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of Chromcraft Revington, Inc. and subsidiaries as of December 31, 2006 and 2005, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2006, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related consolidated financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information therein.

As discussed in Note 13 to the consolidated financial statements, effective January 1, 2006, the Company adopted the fair value method of accounting for stock-based compensation as required by Statement of Financial Accounting Standards No. 123(R), *Share-Based Payment*.

/s/ KPMG LLP

Indianapolis, Indiana

March 20, 2007

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Quarterly Financial Information (unaudited)
Chromcraft Revington, Inc.

(In thousands, except per share data)

	First Quarter	Second Quarter	Third Quarter (a)	Fourth Quarter (a)	Total Year (a)
2006					
Sales	\$ 45,921	\$ 40,320	\$ 35,348	\$ 38,889	\$ 160,478
Gross margin	9,012	8,115	550	5,959	23,636
Operating income (loss)	1,886	1,193	(6,335)	(1,060)	(4,316)
Net earnings (loss)	1,129	676	(4,457)(b)	(741)	(3,393)(b)
Earnings (loss) per share of common stock					
Basic	.26	.15	(1.01)	(.17)	(.77)
Diluted	.25	.15	(1.01)	(.17)	(.77)
2005					
Sales	\$ 44,659	\$ 43,401	\$ 40,836	\$ 40,669	\$ 169,565
Gross margin	10,559	10,232	8,949	7,901	37,641
Operating income	3,730	3,480	2,229	1,671	11,110
Net earnings	2,256	2,093	1,191	1,705(c)	7,245(c)
Earnings per share of common stock					
Basic	.54	.49	.28	.39	1.69
Diluted	.53	.48	.27	.38	1.66
(a) Includes a restructuring and impairment charge of \$7,372,000 pre-tax for the year ended December 31, 2006, to shut down, relocate, consolidate and outsource certain of the Company's operations of which \$5,773,000 was recorded in the third quarter and \$1,599,000 in the fourth					

quarter. Gross margin in the third and fourth quarter was reduced by \$5,633,000 pre-tax and \$1,450,000 pre-tax, respectively, for the restructuring and impairment charge.

- (b) In connection with the Company's restructuring activities, a non-cash income tax charge of \$325,000 was recorded in the three months ended September 30, 2006 for the reduction of a deferred income tax asset.
- (c) Includes a non-recurring income tax benefit of \$710,000 primarily due to the favorable resolution of a tax contingency.

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Chromcraft Revington, Inc.

(In thousands)

Classification	Balance at Beginning of Period	Additions		Deductions	Balance at End of Period
		Charged to Costs and Expenses	Charged to Other Accounts		
Year ended December 31, 2006 Allowance for doubtful accounts	\$ 1,045	\$ (15)	\$	\$ (380)(a)	\$ 650
Year ended December 31, 2005 Allowance for doubtful accounts	\$ 1,280	\$ 649	\$	\$ (884)(a)	\$ 1,045
Year ended December 31, 2004 Allowance for doubtful accounts	\$ 1,356	\$ 287	\$	\$ (363)(a)	\$ 1,280

(a) Represents charge-offs, net of recoveries, to the allowance for doubtful accounts.

* * *

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EXHIBIT INDEX

- 23.1 Consent of Independent Registered Public Accounting Firm (filed herewith).
- 31.1 Certification of Chief Executive Officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 31.2 Certification of Chief Financial Officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
- 32.1 Certifications of Chief Executive Officer and Chief Financial Officer required pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (furnished herewith).