

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

CHROMCRAFT REVINGTON INC

Form 10-K405

April 01, 2002

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-K

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

For the fiscal year ended December 31, 2001

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.)

1100 North Washington Street, Delphi, IN 46923

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

(765) 564-3500

(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 -----
Common Stock, \$.01 par value	New York Stock Exchange

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

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.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

As of March 18, 2002, there were 5,951,710 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 March 18, 2002 was \$47.5 million.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the Proxy Statement for the annual shareholders meeting to be held June 5, 2002 are incorporated by reference into Part III.

INDEX

	Page Number
PART I	
Item 1. Business.....	2
Item 2. Properties.....	6
Item 3. Legal Proceedings.....	6
Item 4. Submission of Matters to a Vote of Security Holders.....	6
Executive Officers of the Registrant.....	7
PART II	
Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters.....	7
Item 6. Selected Financial Data.....	8
Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations.....	9
Item 7A. Quantitative and Qualitative Disclosures About Market Risk....	12
Item 8. Financial Statements and Supplementary Data.....	12
Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure.....	12
PART III	
Item 10. Directors and Executive Officers of the Registrant.....	13
Item 11. Executive Compensation.....	13
Item 12. Security Ownership of Certain Beneficial Owners and Management.....	13
Item 13. Certain Relationships and Related Transactions.....	13
PART IV	
Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K.....	13
Signatures.....	17

PART I

Item 1. Business

General

Chromcraft Revington, Inc. ("Chromcraft Revington"), incorporated in 1992 under the laws of Delaware, is engaged in the design, manufacture and sale of residential and commercial furniture through its wholly-owned subsidiaries, Chromcraft Corporation ("Chromcraft"), Peters-Revington Corporation ("Peters-Revington"), Silver Furniture Co., Inc. ("Silver Furniture"), Cochrane Furniture Company, Inc. ("Cochrane Furniture") and Korn Industries, Incorporated ("Korn Industries"). Chromcraft Revington is headquartered in Delphi, Indiana.

In 1992, Chromcraft Revington acquired all of the outstanding common stock of Chromcraft and Peters-Revington from Consolidated Furniture Corporation (formerly Mohasco Corporation) pursuant to merger agreements. Concurrently, Chromcraft Revington completed its initial public offering and restructured its long-term debt. Chromcraft Revington had no operations prior to 1992. Chromcraft, located in Senatobia, Mississippi, manufactures casual dining and commercial furniture. Peters-Revington, located in Delphi, Indiana, manufactures occasional furniture. Chromcraft and Peters-Revington were both founded in 1946.

In April 1995, Chromcraft Revington acquired Silver Furniture, a manufacturer and importer of occasional furniture. Silver Furniture has manufacturing and warehousing operations in Knoxville, Tennessee. In November 1996, Chromcraft Revington acquired Cochrane Furniture, a manufacturer of dining room, bedroom and upholstered furniture. Cochrane Furniture has manufacturing facilities in Lincolnton and Warrenton, North Carolina. In September 1999, Chromcraft Revington acquired Korn Industries, based in Sumter, South Carolina. Korn Industries manufactures and sells bedroom and dining room furniture through its Sumter Cabinet Company ("Sumter Cabinet") division.

Chromcraft Revington and its subsidiaries have several operating segments which are aggregated into one reportable segment, in accordance with Financial Accounting Standards Board Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information." No material amount of Chromcraft Revington's sales is dependent upon a single customer. Sales outside of the United States represent approximately 1% of total sales.

Recent Developments

On March 15, 2002, Court Square Capital Limited ("Court Square"), an affiliate of Citigroup Inc., completed its sale of 5,695,418 shares of common stock of Chromcraft Revington comprising approximately 59% of Chromcraft Revington's issued and outstanding shares of common stock on such date, to Chromcraft Revington and the Chromcraft Revington Employee Stock Ownership Trust (the "ESOP Trust"), which forms a part of the Chromcraft Revington Employee Stock Ownership Plan. With respect to the 5,695,418 shares of Chromcraft Revington's common stock sold by Court Square, 3,695,418 shares were repurchased by Chromcraft Revington (the "Company Stock Transaction") and 2,000,000 shares were purchased by the ESOP Trust (the "ESOP Stock Transaction" and together with the Company Stock Transaction being referred to herein as the "Transaction"). Chromcraft Revington and the ESOP Trust each paid \$10 per share for the shares acquired from Court Square for a total purchase price of \$56,954,180. In addition, Chromcraft Revington paid Court Square and its designee an aggregate transaction fee of \$2,800,000. Court Square's designee was Mr. M. Saleem Muqaddam, who received \$1,000,000 of the aggregate transaction fee. Mr. Muqaddam is a former officer of Court Square and resigned as a director of Chromcraft Revington concurrently with the consummation of the Company Stock Transaction.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

The funds required to pay the total consideration and certain related expenses of the Transaction were obtained using available cash and borrowings of approximately \$45,000,000 under Chromcraft Revington's new \$75,000,000 bank credit agreement. Of the debt incurred, \$25,000,000 was borrowed under a 5-year term loan and approximately \$20,000,000 was borrowed under Chromcraft Revington's \$50,000,000 revolving line of credit facility. 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. Immediately following consummation of the Transaction, the ESOP Trust held approximately 33.6% of the issued and outstanding shares of Chromcraft Revington's common stock.

Products and Distribution

Occasional Furniture

Medium-priced occasional furniture, including tables, bookcases, entertainment centers, library and modular wall units and curio cabinets in traditional, contemporary and country styles, are manufactured and sold under the Peters-Revington brand name. Occasional furniture is manufactured primarily from American hardwoods, such as oak, cherry and maple. Many Peters-Revington table collections include twelve or more pieces in matching styles. In addition, different pieces of occasional furniture incorporate the same design and styling themes, thereby enabling consumers to coordinate furniture for the same room. Peters-Revington's furniture is sold in the United States and Canada through independent sales representatives primarily to independent furniture retailers.

Entry level-to-medium priced occasional tables and entertainment centers are designed, manufactured, imported and sold under the Silver Furniture brand name. These products are generally designed with a contemporary appeal, utilizing special finishes and unique styling. Silver Furniture tables are constructed using a variety of materials, including wood, medium-density fiber board, glass and metal. Internally designed imported occasional tables and parts are sourced mainly from factories located in the Far East and Mexico. Imported products are purchased in U.S. dollars and, as a result, Chromcraft Revington is not subject to foreign exchange risk. Silver Furniture occasional furniture is sold primarily in the United States and Canada through company sales personnel to national and regional furniture retailers and through independent sales representatives to independent furniture retailers.

Bedroom Furniture

Solid wood bedroom furniture, primarily in oak, cherry, ash or maple, is manufactured and sold at medium price points under the Cochrane Furniture brand name and at mid-to-higher price points under the Sumter Cabinet brand name. Bedroom furniture includes beds, dressers, night stands, entertainment armoires and mirrors primarily in traditional styling. Cochrane Furniture and Sumter Cabinet bedroom furniture is sold through independent sales representatives to regional and independent furniture retail stores.

Dining Room Furniture

Casual dining furniture is manufactured and sold under the Chromcraft brand name. Casual dining furniture is designed for use in dining rooms, family rooms, recreation rooms, kitchens and apartments without formal dining areas. The product line consists primarily of coordinated dining suites in a contemporary or traditional style that include tables with laminated, wood or glass table tops, stationary and tilt-swivel chairs, pedestal chairs and barstools. Chairs are upholstered in a variety of fabrics and vinyls, while tables are manufactured from metal, wood, glass, faux marble and other materials, and come in a variety of shapes. Chromcraft competes at the medium-to-higher price points in casual dining. Chromcraft's casual dining furniture is sold in the United

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

States through company sales personnel and independent sales representatives to national, regional, independent and specialty dining retail furniture stores.

3

Dining room furniture, primarily in oak, cherry, ash or maple, is manufactured and sold at medium price points under the Cochrane Furniture brand name and at mid-to-higher price points under the Sumter Cabinet brand name. Dining room furniture includes a broad line of tables, armed and side chairs, buffets, chinas and serving pieces, mainly in traditional or country styling. Cochrane Furniture dining room tables are offered in solid wood or a high pressure laminate table top. Sumter Cabinet dining room tables feature solid wood tops, leaves, and legs. Dining room furniture is sold primarily in the United States through independent sales representatives to regional and independent furniture retail stores.

Upholstered Furniture

Upholstered sofas, chairs and ottomans are manufactured and sold under the Cochrane Furniture brand name. Upholstered furniture is styled in traditional or contemporary patterns in a wide selection of fabrics using a heat tempered coil seat construction to evenly distribute body weight. Cochrane Furniture uses primarily hardwoods in the construction of its furniture frames. Seat cushions are made with high-density, high-resilience polyurethane foam, wrapped in polyester fiber for consistent comfort. Cochrane Furniture's upholstered furniture is sold primarily at medium price points. Upholstered furniture is sold through independent sales representatives primarily to independent furniture retail stores.

Commercial Furniture

Commercial furniture, sold under the Chromcraft brand name, includes stationary and tilt-swivel office chairs, conference and meeting room tables and lounge-area seating products for airports and other public waiting areas. Chairs are offered in both contemporary and transitional styles and are upholstered in various grades and colors of fabric or leather. They include executive models with high backs, management models, ergonomic computer task chairs and secretarial models with no arm rests. Products are sold through company sales personnel and independent sales representatives to office product dealers, wholesalers/distributors and various contract customers.

Manufacturing

Manufacturing operations include cutting, shaping, sanding, finishing and final assembly of wood furniture, metal fabricating, plating, powder-coat painting, chair foam production for casual dining furniture and cutting and sewing of upholstery fabric. Cochrane Furniture and Sumter Cabinet also have rough mill operations and woodworking plants which process green lumber into parts for internal use.

Raw Materials

Major raw materials are wood, steel, fabrics, glass, medium-density fiber board, wood finishing materials, cartons, foam for cushions and paddings and mechanisms. Suppliers are selected for their ability to deliver high quality products on a timely basis and at competitive prices. Chromcraft Revington believes that supplies of raw materials are available in sufficient quantities from an adequate number of suppliers. No significant shortages of raw materials were experienced during 2001.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Inventory and Seasonal Requirements

Chromcraft Revington maintains a finished goods inventory for occasional, dining room and bedroom furniture in order to respond quickly to customer delivery needs. Most casual dining, upholstered and commercial furniture is made to customer specifications and, therefore, not carried in stock. A limited number of casual dining, upholstered and commercial furniture items are maintained for quick delivery programs. Sales have historically not been subject to material seasonal fluctuations.

4

Competition

Chromcraft Revington encounters domestic and import competition in the sale of all its products. Many of Chromcraft Revington's competitors, some of which are larger and have greater financial resources, produce a number of products which are not competitive with Chromcraft Revington's products. In many cases, such companies do not disclose the portion of their sales attributable to products similar to those manufactured by Chromcraft Revington. It is, therefore, impractical to state with any certainty Chromcraft Revington's relative position in a particular product line. Competition in Chromcraft Revington's products is in the form of the quality of its products, service and selling prices.

Backlog

Chromcraft Revington's backlog of sales orders was approximately \$18.7 million at December 31, 2001, as compared to approximately \$22.1 million at December 31, 2000. Order backlog at any particular time is not necessarily indicative of the level of future shipments.

Environment

Chromcraft Revington believes it is in compliance in all material respects with all federal, state and local environmental laws and regulations which impose limitations on the discharge of pollutants into the air and water, and establish standards for the treatment of hazardous wastes.

Employees

Chromcraft Revington employs a total of approximately 2,000 people. Production employees at Silver Furniture's Knoxville, Tennessee location are represented by a labor union under a collective bargaining agreement. Chromcraft Revington considers its relations with its employees to be good.

5

Item 2. Properties

The following table summarizes Chromcraft Revington's facilities as of December 31, 2001.

Square

Type of

Owned/

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Location	Feet	Operations	Furniture	Leased
Delphi, IN	519,000	Manufacturing/ warehousing	Occasional	Owned
Knoxville, TN	160,000	Manufacturing/ warehousing	Occasional	Owned
Knoxville, TN	77,000	Warehousing	Occasional	Leased (expires 2002)
Lincolnton, NC	368,000	Manufacturing/ warehousing	Dining room/ bedroom	Owned
Lincolnton, NC	152,000	Manufacturing	Upholstery	Owned
Lincolnton, NC	159,000	Manufacturing/ warehousing	Upholstery	Owned
Senatobia, MS	560,000	Manufacturing/ warehousing	Casual dining/ commercial	Leased (expires 2061)
Sumter, SC	521,000	Manufacturing/ warehousing	Dining room/ bedroom	Owned
Warrenton, NC	166,000	Manufacturing	Dining room/ bedroom	Owned

Chromcraft Revington also leases trucks, trailers and other transportation equipment and showroom facilities in High Point, North Carolina and Chicago, Illinois. Management believes the properties and equipment of its subsidiaries are well maintained, in good operating condition and adequate to support present operations. All of the owned properties and equipment are pledged as collateral under Chromcraft Revington's financing agreements.

Item 3. Legal Proceedings

Not applicable.

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

Not applicable.

Executive Officers of Chromcraft Revington, Inc.

Michael E. Thomas (age 60)	President, Chief Executive Officer and Director since Chromcraft Revington's organization in 1992 and Chairman since March 15, 2002.
Frank T. Kane (age 48)	Vice President-Finance, Chief Financial Officer and Secretary since Chromcraft Revington's organization in

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

1992.

PART II

Item 5. Market for the Registrant's Common Stock and Related Stockholder Matters

Chromcraft Revington's common stock is traded on the New York Stock Exchange. The following table sets forth the high and low sales prices of Chromcraft Revington's common stock, as reported on the New York Stock Exchange.

	2001		2000	
	High	Low	High	Low
First quarter	10.30	9.95	10.50	7.50
Second quarter	10.15	9.35	13.50	7.50
Third quarter	9.70	8.00	11.56	8.00
Fourth quarter	10.90	8.01	10.06	6.81

As of March 1, 2002, there were approximately 54 security holders of record of Chromcraft Revington's common stock. Under financing agreements, Chromcraft Revington is not permitted to pay cash dividends.

7

Item 6. Selected Financial Data

(Dollars in thousands, except per share data)	Year Ended December 31,		
	2001	2000	1999
Operating Results			
Sales	\$ 217,787	\$ 259,402	\$ 245,385
Cost of sales	170,271	197,165	188,411
Gross margin	47,516	62,237	56,974
Selling, general and administrative expenses	29,545	34,901	34,340
Operating income	17,971	27,336	22,634
Interest expense	687	2,008	988
Earnings before income tax expense	17,284	25,328	21,646
Income tax expense	6,741	9,878	8,572
Net earnings	\$ 10,543	\$ 15,450	\$ 13,074
Earnings per share of common stock			
Basic	\$ 1.10	\$ 1.59	\$ 1.25
Diluted	\$ 1.09	\$ 1.57	\$ 1.22

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

	=====	=====	=====	=====
Shares used in computing earnings per share				
Basic	9,577	9,727	10,448	
Diluted	9,685	9,847	10,720	
Financial Position (December 31,)				
Total assets	\$ 149,068	\$ 160,092	\$ 159,135	\$
Total debt	-	19,200	26,700	
Stockholders' equity	120,744	110,245	99,770	
Other Data				
Depreciation and amortization	\$ 6,109	\$ 5,855	\$ 4,947	\$
Capital expenditures	2,191	4,953	3,630	

Korn Industries is included in Chromcraft Revington's consolidated financial results from its acquisition date of September 2, 1999.

Per share data has been adjusted, where applicable, for the two-for-one common stock split distributed June 10, 1998.

8

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

General

Chromcraft Revington designs, manufactures and sells residential and commercial furniture through its wholly-owned subsidiaries, Chromcraft, Peters-Revington, Silver Furniture, Cochrane Furniture and Korn Industries. Chromcraft Revington's operating results include the operations of Korn Industries, acquired September 2, 1999, from the date of its acquisition (see Note 2 to the consolidated financial statements). Korn Industries manufactures and sells bedroom and dining room furniture.

The following table sets forth the results of operations of Chromcraft Revington for the years ended December 31, 2001, 2000 and 1999 expressed as a percentage of sales.

	Year Ended December 31,		
	2001	2000	1999
Sales	100.0%	100.0%	100.0%
Cost of sales	78.2	76.0	76.0
Gross margin	21.8	24.0	23.9
Selling, general and administrative expenses	13.5	13.5	14.0
Operating income	8.3	10.5	9.9
Interest expense	.4	.7	.7

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Earnings before income tax expense	7.9	9.8	8.
Income tax expense	3.1	3.8	3.
Net earnings	4.8%	6.0%	5.

2001 Compared to 2000

Consolidated sales for the year ended December 31, 2001 were \$217,787,000, a 16.0% decrease from sales of \$259,402,000 for the year ended December 31, 2000. Shipments of occasional, dining room, bedroom, upholstered and commercial furniture were lower during 2001 as compared to 2000. The decline in sales from 2000 primarily reflected the continued sluggish retail sales environment due to the economic recession. The consolidated sales order backlog at December 31, 2001 was about 15% lower as compared to December 31, 2000. In general, selling prices during 2001 were slightly higher as compared to the prior year.

Gross margin was \$47,516,000, or 21.8% of sales, in 2001, as compared to \$62,237,000, or 24.0% in 2000. The decline in the gross margin percentage for 2001, as compared to 2000, was primarily due to unabsorbed fixed overhead resulting from the lower sales volume. Lower raw material costs in 2001 partially offset the gross margin decline.

Selling, general and administrative expenses decreased \$5,356,000 to \$29,545,000 in 2001 from \$34,901,000 in 2000. As a percentage of sales, selling, general and administrative expenses were 13.5% for both 2001 and 2000. Bad debt expense decreased \$1,310,000 in 2001 as compared to 2000. The higher bad debt expense in 2000 was primarily due to the bankruptcy of a major furniture retailer. The decrease in selling, general and administrative expenses as a percentage of sales due to the lower bad debt expense was offset by the spreading of certain fixed selling and administrative costs over a lower sales volume in 2001.

Interest expense decreased to \$687,000 in 2001 from \$2,008,000 in 2000. The lower interest expense for 2001 was due to lower average bank borrowings during the year and interest rate reductions.

Chromcraft Revington's effective income tax rate was 39.0% for the years ended December 31, 2001 and 2000.

9

Diluted earnings per share were \$1.09 in 2001 as compared to \$1.57 in 2000. For the year ended December 31, 2001, shares used in computing diluted earnings per share decreased to 9,685,000 from 9,847,000 for 2000. The reduction in the number of shares in 2001 was primarily due to purchases of common stock under Chromcraft Revington's share repurchase program.

2000 compared to 1999

Consolidated sales for the year ended December 31, 2000 increased 5.7% to \$259,402,000 from \$245,385,000 reported in 1999. The sales increase was due to higher shipments of bedroom and commercial furniture, partially offset by lower occasional, dining room and upholstered furniture sales. Bedroom furniture shipments were boosted in 2000 from the Korn Industries acquisition. Sales in 2000 were negatively impacted by the U.S. economic slowdown. Chromcraft Revington's consolidated sales orders began to slow at the end of the second quarter of 2000 as compared to 1999. Weak retail conditions continued for the

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

remainder of 2000. Occasional and dining room furniture shipments were also lower due to several major retailer bankruptcies and increased import and domestic competition. Higher commercial furniture shipments in 2000 were due, in part, to increased airport gate lounge seating and an improved office furniture market. Selling prices for 2000 were slightly higher as compared to the prior year.

Gross margin increased to \$62,237,000, or 24.0% of sales, in 2000, from \$56,974,000, or 23.2% of sales, in 1999. The higher gross margin percentage in 2000 was primarily due to lower material costs and improved manufacturing efficiencies. The lower material costs were due, in part, to sourcing of furniture components from low-cost suppliers in the Far East. The inclusion of Korn Industries' operating results for the full year 2000 partially offset the gross margin percentage increase.

Selling, general and administrative expenses increased \$561,000 to \$34,901,000, or 13.5% of sales, in 2000 from \$34,340,000, or 14.0%, in 1999. Bad debt expense increased \$1,322,000 in 2000 as compared to 1999 primarily due to the bankruptcy of a major furniture retailer. The inclusion of Korn Industries' operating results in 2000 partially offset the selling, general and administrative expense percentage increase due to higher bad debt expense.

Operating income for 2000 increased \$4,702,000 to \$27,336,000 from \$22,634,000 in 1999. The increase in operating income was primarily due to the Cochrane and Korn Industries subsidiaries.

Interest expense for the year ended December 31, 2000 was \$2,008,000 as compared to \$988,000 for the prior year period. The increase in interest expense for 2000 was primarily attributable to higher average bank borrowings due to the Korn Industries acquisition and purchases of common stock under Chromcraft Revington's share repurchase program.

Chromcraft Revington's effective income tax rate was 39.0% for 2000 as compared to 39.6% for 1999. The decrease in the effective tax rate for 2000 was due to lower state income taxes.

Diluted earnings per share increased to \$1.57 in 2000 from \$1.22 in 1999. For the year ended December 31, 2000, shares used in computing diluted earnings per share decreased 8.1% to 9,847,000 from 10,720,000 for 1999. The share reduction in 2000 was primarily due to purchases of common stock under Chromcraft Revington's share repurchase program.

Critical Accounting Policies

In the preparation of the financial statements in accordance with generally accepted accounting principles, management must often make estimates and assumptions that affect the amounts reported in the financial

10

statements and accompanying disclosures. Some of these estimates and assumptions can be subjective and complex and, consequently, actual results could differ from those estimates. Such estimates and assumptions affect Chromcraft Revington's most critical accounting policies: the valuation of receivables and inventory obsolescence.

In determining the valuation of accounts receivable, management specifically analyzes customer credit-worthiness, historic bad debts and changes in economic conditions and records allowances for doubtful accounts as appropriate. Inventories are valued at lower of cost or market. When, in management's

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

judgment, circumstances indicate the cost of certain inventories exceed their recoverable value, reserves for inventory obsolescence are recorded.

Liquidity and Capital Resources

Operating activities provided \$29,177,000 of cash during the year ended December 31, 2001, an increase of \$12,530,000 from the amount provided during 2000. The increase in cash flow from operating activities for 2001 was primarily due to a reduction in working capital investment, offset, in part, by lower net earnings. Inventories decreased \$11,784,000 during 2001 as compared to an increase of \$4,929,000 during 2000, reflecting the reduced operating activity.

Investing activities used \$2,167,000 of cash during the year ended December 31, 2001 as compared to \$4,879,000 during 2000. Capital expenditures, primarily for equipment purchases, were \$2,191,000 and \$4,953,000 during 2001 and 2000, respectively. Chromcraft Revington expects capital expenditures in 2002 to be less than \$3,500,000.

Financing activities used \$19,244,000 of cash during 2001, primarily to reduce bank indebtedness. At December 31, 2001, Chromcraft Revington had no bank debt outstanding. In addition, during 2001, Chromcraft Revington acquired 165,800 shares of its common stock for \$1,570,000 under a share repurchase plan.

Cash used in financing activities during 2000 totaled \$12,475,000, primarily to reduce bank indebtedness and to acquire shares of Chromcraft Revington's common stock. During 2000, Chromcraft Revington acquired 568,900 shares of its common stock for \$5,086,000.

On March 15, 2002, Court Square, an affiliate of Citigroup Inc., completed its sale of 5,695,418 shares of common stock of Chromcraft Revington, comprising approximately 59% of Chromcraft Revington's issued and outstanding shares of common stock on such date, to Chromcraft Revington and the ESOP Trust. The funds required to pay the total consideration and certain related expenses of the Transaction were obtained using available cash and borrowings of approximately \$45,000,000 under Chromcraft Revington's new \$75,000,000 bank credit agreement. Of the debt incurred, \$25,000,000 was borrowed under a 5-year term loan and approximately \$20,000,000 was borrowed under Chromcraft Revington's \$50,000,000 revolving line of credit facility. The term loan is payable in quarterly installments of \$1,250,000 and the revolving line of credit expires on March 13, 2007. Interest rates under the agreement are determined at the time of borrowing at either the prime rate or LIBOR plus a spread based on a leverage ratio. Chromcraft Revington has granted a security interest in all of its assets to the banks under the credit agreement. 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.

As a result of this Transaction, Chromcraft Revington's bank debt and interest expense will be higher in 2002 as compared to 2001 and there will be fewer shares of Chromcraft Revington's common stock outstanding. Management expects that cash flow from operations and availability under financing agreements will continue to be sufficient to meet future needs.

See discussion of the Transaction under Part I, Item 1, "Recent Developments."

Recently Issued Accounting Standards

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Information on recently issued Financial Accounting Standards Board Statements is included in Note 16, "Recently Issued Accounting Standards," to the consolidated financial statements which are incorporated by reference in Part II, Item 8.

Safe Harbor Statement Under the Private Litigation Reform Act of 1995

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

Among the risks and uncertainties that could cause actual results or outcomes to differ materially from those reported, expected or anticipated are general economic conditions, declining conditions in the furniture industry, new home construction, cyclical nature of the furniture industry, competition in the furniture industry, changes from anticipated levels of sales, future domestic or international economic and competitive conditions, changes in relationships with customers, customer acceptance of existing and new products, changes in tax rates, increased bank debt, changes of interest rates, delays and disruptions in the shipment of Chromcraft Revington's products and other factors that generally affect business.

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

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

Borrowings under Chromcraft Revington's bank revolving credit facility bear interest at a variable rate and, therefore, are subject to changes in interest rates. There were no borrowings under the bank credit facility at December 31, 2001. Purchases of inventory from the Far East and Mexico are payable in U.S. dollars and, therefore, Chromcraft Revington has no foreign exchange rate risk exposure.

Item 8. Financial Statements and Supplementary Data

The financial statements and schedule are listed in Part IV, Items 14(a) (1) and (2).

Item 9. Changes in and Disagreements with Accountants on Accounting and Financial Disclosure

None.

PART III

Items 10 Through 13.

In accordance with the provisions of General Instruction G to Form 10-K, the information required by Item 10 (Directors and Executive Officers of the Registrant), Item 11 (Executive Compensation), Item 12 (Security Ownership of Certain Beneficial Owners and Management) and Item 13 (Certain Relationships and Related Transactions) is not set forth herein because Chromcraft Revington intends to file with the Securities and Exchange Commission a definitive Proxy Statement pursuant to Regulation 14A not later than 120 days following the end of its 2001 fiscal year, which Proxy Statement will contain such information. The information required by Items 10, 11, 12 and 13 is incorporated herein by reference to such Proxy Statement, except that the information regarding executive officers required by Item 10 is submitted as a separate section of this Form 10-K. See Part I, "Executive Officers."

PART IV

Item 14. Exhibits, Financial Statement Schedules and Reports on Form 8-K

(a) 1. and 2. List of Financial Statements and Financial Statement Schedule:

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

	Page Reference

Consolidated Statements of Earnings for the years ended December 31, 2001, 2000 and 1999	F-1
Consolidated Balance Sheets at December 31, 2001 and 2000	F-2
Consolidated Statements of Stockholders' Equity for the years ended December 31, 2001, 2000 and 1999	F-3
Consolidated Statements of Cash Flows for the years ended December 31, 2001, 2000 and 1999	F-4
Notes to Consolidated Financial Statements	F-5
Independent Auditors' Report	F-14
Quarterly Financial Information (unaudited)	F-15

The following consolidated financial statement schedule of Chromcraft Revington is included in response to Item 14(d):

Schedule II - Valuation and Qualifying Accounts	S-1
---	-----

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.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

- (a) 3. Listing of Exhibits
- (2.1) Stock Purchase Agreement, dated as of February 19, 2002, by and between the Registrant and Court Square, filed as Exhibit 10.16 to Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2002, is incorporated herein by reference.
 - (2.2) Stock Purchase Agreement, dated as of February 19, 2002, by and between Court Square and GreatBanc Trust Company, not in its individual or corporate capacity, but solely as trustee of the Chromcraft Revington Employee Stock Ownership Trust, filed as Exhibit 10.17 to Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2002, is incorporated herein by reference.
 - (3) (i) Certificate of Incorporation of the Registrant, as amended, filed as Exhibit 3.1 to Form S-1, registration number 33-45902, as filed with the Securities and Exchange Commission on February 21, 1992, is incorporated herein by reference.
 - (3) (ii) By-laws of the Registrant, filed as Exhibit 3.2 to Form S-1, registration number 33-45902, as filed with the Securities and Exchange Commission on February 21, 1992, is incorporated herein by reference.
 - (4.7) Credit Agreement, dated December 20, 2000, among the Registrant, the Banks party thereto and National City Bank, as successor agent for the Banks (replaced by credit agreement set forth in Exhibit 4.8 hereto) filed as Exhibit 4.7 to Form 10-K for the year ended December 31, 2000, is incorporated herein by reference.
 - (4.8) Credit Agreement, dated March 12, 2002, among the Registrant, the Lenders party thereto and National City Bank of Indiana as agent for the Lenders filed as Exhibit 4.8 to Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2002, is incorporated herein by reference.
 - (10.1) Lease, dated February 15, 1962, between the Board of Supervisors of Tate County, Mississippi as Landlord and Chromcraft Corporation as Tenant, filed as Exhibit 10.1 to Form S-1, registration number 33-45902, as filed with the Securities and Exchange Commission on February 21, 1992, is incorporated herein by reference.
 - (10.12) Contract, dated April 3, 1961, between the City of Senatobia, Tate County, Mississippi, the Board of Supervisors of Tate County, Mississippi and Chromcraft Corporation, filed as Exhibit 10.12 to Form S-1, Pre-Effective Amendment No. 1, registration number 33-45902, as filed with the Securities and Exchange Commission on March 17, 1992, is incorporated herein by reference.
 - (10.13) Lease, dated September 9, 1966, between the Board of Supervisors of Tate County, Mississippi as Landlord and Chromcraft Corporation as Tenant, filed as Exhibit 10.13 to Form S-1, Pre-Effective Amendment No. 1, registration

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

number 33-45902, as filed with the Securities and Exchange Commission on March 17, 1992, is incorporated herein by reference.

- (10.14) Contract, dated May 5, 1969, between the Board of Supervisors of Tate County, Mississippi and Chromcraft Corporation, filed as Exhibit 10.14 to Form S-1, Pre-Effective Amendment No. 1, registration number 33-45902, as filed with the Securities and Exchange Commission on March 17, 1992, is incorporated herein by reference.

14

- (10.15) Contract and Lease Agreement, dated April 17, 1972, between Tate County, Mississippi as Landlord and Chromcraft Corporation as Tenant, filed as Exhibit 10.15 to Form S-1, Pre-Effective Amendment No. 1, registration number 33-45902, as filed with the Securities and Exchange Commission on March 17, 1992, is incorporated herein by reference.
- (10.19) Term Loan and Security Agreement, dated March 15, 2002, by and between the Registrant and GreatBanc Trust Company, not in its individual or corporate capacity, but solely as trustee of the Chromcraft Revington Employee Stock Ownership Trust filed as Exhibit 10.19, to Form 8-K, as filed with the Securities and Exchange Commission on March 20, 2002, is incorporated herein by reference.
- (10.3) Chromcraft Revington Employee Stock Ownership Trust, effective January 1, 2002, by and between the Registrant and GreatBanc Trust Company (filed herewith).
- (10.31) First Amendment to the Chromcraft Revington Employee Stock Ownership Trust, effective January 1, 2002, by and between the Registrant and GreatBanc Trust Company (filed herewith).

Executive Compensation Plans and Arrangements

- (10.4) Chromcraft Revington, Inc. 1992 Stock Option Plan, as amended and restated effective March 15, 2002 (filed herewith).
- (10.45) Directors' Stock Option Plan of Chromcraft Revington, Inc., effective January 1, 2002 (filed herewith).
- (10.51) Chromcraft Revington, Inc. Short Term Executive Incentive Plan, effective January 1, 1998, filed as Exhibit 10.51 to Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.
- (10.55) Chromcraft Revington, Inc. Long Term Executive Incentive Plan, effective January 1, 2000, filed as Exhibit 10.55 to Form 10-Q for the quarter ended July 1, 2000, is incorporated herein by reference.
- (10.6) Chromcraft Revington Directors Deferred Compensation Plan, effective January 1, 1999, filed as Exhibit 10.6 to Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

- (10.7) Chromcraft Revington, Inc. Supplemental Executive Retirement Plan, as amended and restated, effective December 3, 1998, filed as Exhibit 10.7 to Form 10-K for the year ended December 31, 1998, is incorporated herein by reference.
- (10.71) First Amendment of Chromcraft Revington, Inc. Supplemental Executive Retirement Plan, as amended and restated, dated March 15, 2002 (filed herewith).
- (10.75) Supplemental Executive Retirement Plan Trust Agreement, dated April 16, 1993, between the Registrant and Bank One, Indianapolis, National Association, filed as Exhibit 10.75 to Form 10-Q for the quarter ended July 3, 1993, is incorporated herein by reference.
- (10.8) Employment Agreement, dated March 31, 1992, between the Registrant and Michael E. Thomas, filed as Exhibit 10.8 to Form 10-K for the year ended December 31, 1992, is incorporated herein by reference.

15

- (10.81) Amendment No. 1 to Employment Agreement between the Registrant and Michael E. Thomas, dated March 15, 2002 (filed herewith).
- (10.85) Supplemental Retirement Benefits Agreement, dated August 21, 1992, between the Registrant and Michael E. Thomas, filed as Exhibit 10.85 to Form 10-K for the year ended December 31, 1992, is incorporated herein by reference.
- (10.86) First Amendment to the Supplemental Retirement Benefits Agreement between the Registrant and Michael E. Thomas, dated March 15, 2002 (filed herewith).
- (10.9) Employment Agreement, dated March 15, 2002, between the Registrant and Frank T. Kane (filed herewith).

- (21.1) Subsidiaries of the Registrant (filed herewith).
- (23.1) Consent of Independent Auditors (filed herewith).

(b) Reports on Form 8-K

On December 7, 2001, Chromcraft Revington filed a Current Report on Form 8-K reporting the dismissal of three virtually identical lawsuits that had been filed in connection with Court Square's proposal dated December 22, 2000 to acquire the issued and outstanding capital stock of Chromcraft Revington not owned by Court Square. The proposal was subsequently withdrawn by Court Square.

(c) Exhibits

The response to this portion of Item 14 is submitted as a separate section of this report.

(d) Financial Statement Schedules

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

The response to this portion of Item 14 is submitted as a separate section of this report.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, Chromcraft Revington, Inc. has duly caused this annual report on Form 10-K to be signed on its behalf by the undersigned, thereunto duly authorized.

Chromcraft Revington, Inc.

(Registrant)

Date: April 1, 2002

By: /s/ Frank T. Kane

Frank T. Kane, Vice President - Finance

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of Chromcraft Revington, Inc. and in the capacities and on the date indicated.

Signatures	Title	Date
-----	-----	-----
/s/ Michael E. Thomas ----- Michael E. Thomas	Chairman, President, Chief Executive Officer and Director	April 1, 2002 -----
/s/ Frank T. Kane ----- Frank T. Kane	Vice President - Finance (principal accounting and financial officer)	April 1, 2002 -----
/s/ David L. Kolb ----- David L. Kolb	Director	April 1, 2002 -----
/s/ Larry P. Kunz ----- Larry P. Kunz	Director	April 1, 2002 -----
/s/ Warren G. Wintrub ----- Warren G. Wintrub	Director	April 1, 2002 -----

[This page left intentionally blank]

Consolidated Statements of Earnings

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

	Year Ended December 31,	
	2001	2000
Sales	\$ 217,787	\$ 259,402
Cost of sales	170,271	197,165
Gross margin	47,516	62,237
Selling, general and administrative expenses	29,545	34,901
Operating income	17,971	27,336
Interest expense	687	2,008
Earnings before income tax expense	17,284	25,328
Income tax expense	6,741	9,878
Net earnings	\$ 10,543	\$ 15,450
Earnings per share of common stock		
Basic	\$ 1.10	\$ 1.59
Diluted	\$ 1.09	\$ 1.57
Shares used in computing earnings per share		
Basic	9,577	9,727
Diluted	9,685	9,847

See accompanying notes to the consolidated financial statements

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

(In thousands, except share data)

	December
	----- 2001 -----
Assets	
Cash and cash equivalents	\$ 8,207
Accounts receivable, less allowances of \$1,334 and \$1,253	21,025
Inventories	43,595
Other	5,112

Current assets	77,939
Property, plant and equipment, at cost, less accumulated depreciation	42,107
Goodwill, less accumulated amortization of \$10,485 and \$9,181	28,180
Other	842

Total assets	\$ 149,068 =====
Liabilities and Stockholders' Equity	
Accounts payable	\$ 5,600
Accrued liabilities	12,068

Current liabilities	17,668
Revolving credit facility	-
Deferred compensation	6,070
Other long term liabilities	4,586

Total liabilities	28,324 -----
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 11,178,728 and 10,949,048 shares issued	112
Capital in excess of par value	11,908
Retained earnings	126,844

138,864	
Less cost of common stock in treasury, 1,541,600 shares in 2001 and 1,375,800 shares in 2000	(18,120)

Total stockholders' equity	120,744 -----
Total liabilities and stockholders' equity	\$ 149,068 =====

See accompanying notes to the consolidated financial statements

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Consolidated Statements of Stockholders' Equity

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

	Common Stock	Capital in Excess of Par Value	Retained Earnings	T

Balance at January 1, 1999	\$ 108	\$ 9,232	\$ 87,777	\$
Repurchase and cancellation of stock (38,600 shares)	-	(615)		
Exercise of stock options (181,860 shares)	1	1,657		
Purchase of treasury stock (806,900 shares)				
Net earnings			13,074	
	-----	-----	-----	
Balance at December 31, 1999	109	10,274	100,851	
Exercise of stock options (10,000 shares)	-	111		
Purchase of treasury stock (568,900 shares)				
Net earnings			15,450	
	-----	-----	-----	
Balance at December 31, 2000	109	10,385	116,301	
Exercise of stock options (229,680 shares)	3	1,523		
Purchase of treasury stock (165,800 shares)				
Net earnings			10,543	
	-----	-----	-----	
Balance at December 31, 2001	\$ 112	\$ 11,908	\$ 126,844	\$
	=====	=====	=====	

See accompanying notes to the consolidated financial statements

F-3

Consolidated Statements of Cash Flows

Chromcraft Revington, Inc.
(In thousands)

Year Ended Dec

2001 2000

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Operating Activities		
Net earnings	\$ 10,543	\$ 15,45
Adjustments to reconcile net earnings to net cash provided by operating activities		
Depreciation and amortization	6,109	5,85
Deferred income taxes	(424)	34
Changes in assets and liabilities, net of effects of acquired company		
Accounts receivable	4,527	4,02
Inventories	11,784	(4,92
Accounts payable	(874)	(1,72
Accrued liabilities	(623)	(2,15
Other	(1,865)	(21
Cash provided by operating activities	29,177	16,64
Investing Activities		
Investment in acquired company	-	-
Capital expenditures	(2,191)	(4,95
Proceeds from disposals of property, plant and equipment	24	7
Cash used in investing activities	(2,167)	(4,87
Financing Activities		
Net borrowing (repayment) under revolving credit facility	(19,200)	(7,50
Refinance indebtedness of acquired company	-	-
Repurchase of common stock	(1,570)	(5,08
Proceeds from exercise of stock options	1,526	11
Cash used in financing activities	(19,244)	(12,47
Increase (decrease) in cash	7,766	(70
Cash and cash equivalents at beginning of the year	441	1,14
Cash and cash equivalents at end of the year	\$ 8,207	\$ 44

See accompanying notes to the consolidated financial statements

F-4

Notes to Consolidated Financial Statements

Chromcraft Revington, Inc.
December 31, 2001

Note 1. Summary of Significant Accounting Policies

The consolidated financial statements include the accounts of Chromcraft Revington, Inc. ("Chromcraft Revington") and its wholly-owned subsidiaries. All significant intercompany accounts and transactions have been eliminated.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Chromcraft Revington manufactures and sells residential and commercial furniture. Products are sold primarily through furniture dealers throughout the United States and Canada. Chromcraft Revington has several operating segments which are aggregated into one reportable segment, in accordance with Financial Accounting Standards Board Statement No. 131, "Disclosures about Segments of an Enterprise and Related Information."

Use of Estimates

The preparation of the financial statements in accordance with 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.

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 60% and 61% of total inventories at December 31, 2001 and 2000, respectively. Remaining inventories are valued using the first-in, first-out (FIFO) basis.

Marketable Securities

Marketable securities are recorded at current market value. Realized and unrealized gains and losses are reflected in earnings.

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, 5 to 10 years.

Revenue Recognition

Revenue from sales is recognized when the goods are shipped to the customer.

F-5

Intangibles

Intangible assets are stated on the basis of cost. The excess of purchase price over the fair value of net assets acquired (goodwill) is being amortized on a straight-line basis over periods ranging from 15 to 40 years. Chromcraft Revington reviews the carrying value of goodwill whenever changes in circumstances indicate that the carrying amount may not be recoverable. When factors indicate that the recoverability of goodwill should be evaluated, Chromcraft Revington uses an estimate of the undiscounted cash flows of the acquired businesses in determining whether an impairment loss is required. See Note 16, "Recently Issued Accounting Standards," regarding the accounting for goodwill and other intangible assets effective January 1, 2002.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

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 include dilutive potential common shares (stock options).

Stock Options

Chromcraft Revington applies Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees, and related Interpretations" in accounting for stock options and discloses the fair value of options granted as permitted by Statement of Financial Accounting Standards No. 123, "Accounting for Stock-Based Compensation."

Financial Instruments

The carrying amounts reported in the balance sheets for accounts receivable, accounts payable and borrowings under a bank revolving credit facility 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.

Note 2. Acquisition of Korn Industries, Incorporated

On September 2, 1999, CRI Corporation-Sumter, a wholly-owned subsidiary of Chromcraft Revington, acquired all of the outstanding common stock of Korn Industries, Incorporated ("Korn Industries") for \$8,525,000 in cash (including acquisition-related expenses) and the assumption of Korn Industries' liabilities. Korn Industries is headquartered in Sumter, South Carolina and manufactures and sells bedroom and dining room furniture through its Sumter Cabinet Company division.

F-6

The operations of Korn Industries are included in the Consolidated Statements of Earnings from the date of acquisition. The transaction was accounted for as a purchase and the purchase price has been allocated to assets acquired and liabilities assumed based on their fair market values at the date of acquisition.

The unaudited pro forma results of operations for the year ended December 31, 1999, assuming the purchase of Korn Industries had been consummated as of January 1, 1999, are sales of \$281,168,000, net earnings of \$11,280,000 and basic and diluted earnings per share of \$1.08 and \$1.05, respectively. The pro forma information is presented for comparative purposes only and is not necessarily indicative of the operating results that would have occurred had the acquisition been consummated as of the above date, nor is it necessarily indicative of future operating results.

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Note 3. Inventories

Inventories at December 31, 2001 and 2000 consisted of the following:

	(In thousands)	
	2001	2000
Raw materials	\$ 13,334	\$ 17,729
Work-in-process	8,194	9,083
Finished goods	24,110	30,870
Inventories at FIFO cost	45,638	57,682
LIFO reserve	(2,043)	(2,303)
	\$ 43,595	\$ 55,379

During 2001, LIFO inventory layers were reduced. This reduction resulted in charging lower inventory costs prevailing in previous years to cost of sales in 2001, thus reducing cost of sales by \$260,000 below the amount that would have resulted from liquidating inventory recorded at December 31, 2001 prices.

Note 4. Property, Plant and Equipment

Property, plant and equipment at December 31, 2001 and 2000 consisted of the following:

	(In thousands)	
	2001	2000
Land	\$ 2,231	\$ 2,231
Buildings and improvements	34,443	34,168
Machinery and equipment	51,747	50,257
Leasehold improvements	960	862
Construction in progress	296	391
	89,677	87,909
Less accumulated depreciation and amortization	(47,570)	(43,162)
	\$ 42,107	\$ 44,747

F-7

Note 5. Accrued Liabilities

Accrued liabilities at December 31, 2001 and 2000 consisted of the following:

	(In thousands)	
	2001	2000
Employee benefit plans	\$ 2,704	\$ 4,450
Salaries, wages and commissions	1,379	1,586
Vacation and holiday pay	1,005	1,035

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Workers' compensation plans	1,203	1,013
Deferred taxes	14	1,018
Other accrued liabilities	5,763	4,592
	-----	-----
	\$ 12,068	\$ 13,694
	=====	=====

Note 6. Income Taxes

Components of the provision for income taxes for the years ended December 31, 2001, 2000 and 1999 were as follows:

	(In thousands)		
	2001	2000	1999
	-----	-----	-----
Current:			
Federal	\$ 6,454	\$ 8,420	\$ 7,029
State	711	1,111	1,012
	-----	-----	-----
	7,165	9,531	8,041
	-----	-----	-----
Deferred:			
Federal	(342)	257	502
State	(82)	90	29
	-----	-----	-----
	(424)	347	531
	-----	-----	-----
Total provision for income taxes	\$ 6,741	\$ 9,878	\$ 8,572
	=====	=====	=====

A reconciliation of the provision for income taxes included in the Consolidated Statements of Earnings and the amount computed by applying the U.S. Federal income tax rate for the years ended December 31, 2001, 2000 and 1999 is summarized below:

	(In thousands)		
	2001	2000	1999
	-----	-----	-----
Tax expense, at U.S. statutory rate	\$ 6,050	\$ 8,865	\$ 7,577
State taxes, net of federal benefit	462	729	682
Non-deductible amortization of goodwill	341	321	253
Other, net	(112)	(37)	60
	-----	-----	-----
Total provision for income taxes	\$ 6,741	\$ 9,878	\$ 8,572
	=====	=====	=====

The tax effects of temporary differences that give rise to significant portions of net deferred tax assets (liabilities) at December 31, 2001 and 2000 are

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

summarized below:

	(In thousands)	
	2001	2000
Deferred tax assets attributable to:		
Accounts receivable	\$ 516	\$ 566
Accrued vacation and holiday pay	346	373
Deferred compensation	2,473	2,680
Net operating loss carryforwards	2,259	2,445
Other liabilities	3,291	3,181
	-----	-----
Total gross deferred tax assets	8,885	9,245
	-----	-----
Deferred tax liabilities attributable to:		
Inventories	(2,729)	(3,443)
Property, plant and equipment	(5,668)	(5,656)
Other	(1,190)	(1,272)
	-----	-----
Total gross deferred tax liabilities	(9,587)	(10,371)
	-----	-----
Net deferred tax liabilities	\$ (702)	\$ (1,126)
	=====	=====

Balance sheet classifications of deferred taxes at December 31, 2001 and 2000 were as follows:

	(In thousands)	
	2001	2000
Deferred tax liability, current	\$ (14)	\$ (1,018)
Deferred tax liability, noncurrent	(688)	(108)
	-----	-----
Net deferred tax liability	\$ (702)	\$ (1,126)
	=====	=====

Chromcraft Revington has federal and state net operating loss carryforwards ("NOL's") available of \$4,526,000 and \$7,182,000, respectively, with expiration dates through 2010 and 2018, respectively. The NOL's were acquired in connection with the acquisitions of Cochrane Furniture and Korn Industries. The use of the NOL's is limited to the future taxable earnings of the acquired companies. Based upon the level of historical taxable income and projections for future income over the periods which the deferred tax assets are deductible, management believes it is more likely than not that Chromcraft Revington will realize these tax benefits.

Note 7. Revolving Credit Facility

In December 2000, Chromcraft Revington entered into an unsecured revolving loan facility (the "Facility") with a group of banks that allows it to borrow up to \$47,500,000 for working capital requirements, capital expenditures and acquisitions. At December 31, 2001, Chromcraft Revington had \$45,503,000 in availability under the Facility. The interest rate under the Facility is determined at the time of borrowing, at Chromcraft Revington's option, at the higher of the bank prime lending rate or Fed Funds rate plus .5%, or a rate based on the Fed Funds rate or the London Interbank Offered Rate (LIBOR). There were no borrowings outstanding at December 31, 2001. The weighted average rate on borrowings outstanding as of December 31, 2000 was 7.42%. There is a

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

commitment fee ranging from .125% to .225% (depending on a leverage ratio) on the unused portion of the credit line. Chromcraft Revington had outstanding letters of credit under the Facility of \$1,997,000 and \$2,249,000 at December 31, 2001 and 2000, respectively. The Facility expires December 31, 2005.

F-9

The Facility requires compliance with certain financial loan covenants related to net worth, interest and fixed charge coverages and debt leverage.

Note 8. Earnings Per Share of Common Stock

Weighted average shares used in the calculation of diluted earnings per share included dilutive potential common shares (stock options) of approximately 108,000, 120,000 and 272,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Certain options to purchase shares of common stock were outstanding during 2001, 2000 and 1999, 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 and, therefore, their effect would be antidilutive. Options excluded from the computation of diluted earnings per share and their weighted average exercise prices were 376,060 shares at \$13.48 at both December 31, 2001 and 2000 and 138,426 shares at \$16.85 at December 31, 1999.

Note 9. Employee Benefit Plans

Chromcraft Revington sponsors a number of tax-qualified defined contribution retirement and savings plans. Employees may be eligible to participate in one or more of these plans. Company contributions to these plans are based on either a percentage of an employee's compensation or a matching portion of the employee's contributions. The cost of these plans was \$524,000 in 2001, \$1,235,000 in 2000 and \$1,299,000 in 1999.

Chromcraft Revington also provides supplemental retirement benefits and "make up" benefits to key executives of Chromcraft Revington whose benefits are reduced by Internal Revenue Code restrictions. Contributions and expenses under these arrangements were \$63,000 in 2001, \$198,000 in 2000 and \$390,000 in 1999.

Note 10. Stock Options

Chromcraft Revington's 1992 Stock Option Plan, as amended (the "Plan"), provides for the granting of either incentive stock options ("ISO's") or stock options which do not qualify as incentive stock options ("non-ISO's"). The total number of shares of common stock which may be issued under stock options granted pursuant to the Plan is 1,800,000 shares. ISO's granted under the Plan vest 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. Non-ISO's vest and are at exercise prices as determined by the compensation committee of the Board of Directors. There were 623,730 shares available for future grants at December 31, 2001 and 2000.

No stock options were granted during 2001. The estimated per share weighted average fair value of stock options granted during 2000 and 1999 was \$3.38 and \$6.02, 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:

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

	2000	1999
	-----	-----
Expected life (years)	6	6
Interest rate	6.8%	5.0%
Volatility	27.5%	27.2%

F-10

The following table summarizes the pro forma effects assuming compensation cost for such awards had been recorded based upon the estimated fair value:

	(In thousands, except per share data)					
	2001		2000		1999	
	As Reported	Pro Forma	As Reported	Pro Forma	As Reported	Pro Forma
	-----	-----	-----	-----	-----	-----
Net earnings	\$ 10,543	\$ 10,483	\$ 15,450	\$ 15,232	\$ 13,074	\$ 12,622
Earnings per share of common stock						
Basic	1.10	1.09	1.59	1.57	1.25	1.21
Diluted	1.09	1.08	1.57	1.55	1.22	1.18

A summary of Chromcraft Revington's stock option activity and related information for the three years ended December 31, 2001 follows:

	Number of Shares	Weighted Average Exercise Price
	-----	-----
1999		
Outstanding at beginning of year	999,742	\$ 9.35
Granted	47,064	\$ 16.00
Exercised	(181,860)	\$ 6.98
Canceled	(9,500)	\$ 18.32
Outstanding at end of year	855,446	\$ 10.12
Exercisable	791,228	\$ 9.74
2000		
Granted	54,202	\$ 8.08
Exercised	(10,000)	\$ 11.00
Canceled	(72,326)	\$ 13.15
Outstanding at end of year	827,322	\$ 9.71
Exercisable	795,322	\$ 9.56
2001		
Exercised	(229,680)	\$ 5.50
Outstanding at end of year	597,642	\$ 11.33
Exercisable	587,642	\$ 11.39

Significant option groups outstanding at December 31, 2001 and related weighted average price and remaining life information follows:

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Grant Date	Options Outstanding		Options Exercisable		Remaining Life (Years)
	Number of Shares	Exercise Price	Number of Shares	Exercise Price	
4-15-92	81,280	\$ 5.50	81,280	\$ 5.50	0.3
2-19-93	86,100	\$ 9.50	86,100	\$ 9.50	1.1
1-11-94	98,000	\$ 11.63	98,000	\$ 11.63	2.0
All other	332,262	\$ 13.14	322,262	\$ 13.30	5.5

F-11

Note 11. Supplemental Cash Flow Information

Interest paid during the years ended December 31, 2001, 2000 and 1999 was \$735,000, \$2,104,000 and \$873,000, respectively. Income taxes paid during the years ended December 31, 2001, 2000 and 1999 were \$6,871,000, \$8,247,000 and \$7,334,000, respectively.

Note 12. Rental Commitments

Chromcraft Revington leases certain showroom facilities and transportation equipment under non-cancelable operating leases. The future minimum lease payments under non-cancelable leases for the years ending December 31, 2002, 2003, 2004, 2005 and 2006 are \$1,366,000, \$1,173,000, \$917,000, \$156,000 and \$32,000, respectively. It is expected that, in the normal course of business, leases that expire will be renewed or replaced.

Rental expense was \$1,731,000, \$1,772,000 and \$1,825,000 for the years ended December 31, 2001, 2000 and 1999, respectively.

Note 13. Contingencies

At December 31, 2001, the Company or its subsidiaries were parties to various lawsuits arising in the ordinary course of business. The Company is defending these claims and believes that none of such matters will have a material adverse effect on the financial condition, results of operations or liquidity of Chromcraft Revington.

Note 14. Withdrawal of Purchase Offer from Court Square Capital Limited

On July 17, 2001, Court Square Capital Limited ("Court Square"), a unit of Citigroup Inc., notified Chromcraft Revington that it had decided to withdraw its proposal dated December 22, 2000 to acquire the issued and outstanding capital stock of Chromcraft Revington not owned by Court Square. Under the proposal, holders of Chromcraft Revington's publicly traded common stock would have received cash of \$10.30 per share in a transaction to take Chromcraft Revington private.

Note 15. Subsequent Event

On March 15, 2002, Court Square completed its sale of 5,695,418 shares of common stock of Chromcraft Revington comprising approximately 59% of Chromcraft Revington's issued and outstanding shares of common stock on such date, to

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

Chromcraft Revington and the Chromcraft Revington Employee Stock Ownership Trust (the "ESOP Trust"), which forms a part of the Chromcraft Revington Employee Stock Ownership Plan. With respect to the 5,695,418 shares of Chromcraft Revington's common stock sold by Court Square, 3,695,418 shares were repurchased by Chromcraft Revington (the "Company Stock Transaction") and 2,000,000 shares were purchased by the ESOP Trust (the "ESOP Stock Transaction" and together with the Company Stock Transaction being referred to herein as the "Transaction"). Chromcraft Revington and the ESOP Trust each paid \$10 per share for the shares acquired from Court Square for a total purchase price of \$56,954,180. In addition, Chromcraft Revington paid Court Square and its designee an aggregate transaction fee of \$2,800,000.

F-12

The funds required to pay the total consideration and certain related expenses of the Transaction were obtained using available cash and borrowings of approximately \$45,000,000 under Chromcraft Revington's new \$75,000,000 bank credit agreement. Of the debt incurred, \$25,000,000 was borrowed under a 5-year term loan and approximately \$20,000,000 was borrowed under Chromcraft Revington's \$50,000,000 revolving line of credit facility. The term loan is payable in quarterly installments of \$1,250,000 and the revolving line of credit expires on March 13, 2007. Interest rates under the agreement are determined at the time of borrowing at either the prime rate or LIBOR plus a spread based on a leverage ratio. Chromcraft Revington has granted a security interest in all of its assets to the banks under the credit agreement.

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. Immediately following consummation of the Transaction, the ESOP Trust held approximately 33.6% of the issued and outstanding shares of Chromcraft Revington's common stock.

Note 16. Recently Issued Accounting Standards

The Financial Accounting Standards Board (FASB) recently issued Statement No. 141, "Business Combinations" and Statement No. 142, "Goodwill and Other Intangible Assets." Statement No. 141 requires that the purchase method be used for all business combinations initiated after June 30, 2001. Statement No. 142 requires, among other things, that goodwill no longer be amortized to earnings, but instead be reviewed periodically for impairment. The amortization of goodwill ceases upon adoption of Statement No. 142 on January 1, 2002. As of the date of adoption, Chromcraft Revington had unamortized goodwill of \$28,180,000, which will be subject to the transition provisions of Statements 142. Amortization expense related to goodwill was approximately \$1,304,000, \$1,248,000 and \$964,000 for the years ended December 31, 2001, 2000 and 1999, respectively. Chromcraft Revington is currently evaluating the impact of these Statements on its financial statements.

The Financial Accounting Standards Board also recently issued Statement No. 143, "Accounting for Asset Retirement Obligations" and Statement 144, "Accounting for the Impairment or Disposal of Long-Lived Assets." Statement 143 establishes accounting standards for the recognition and measurement of obligations associated with the retirement of tangible assets. Statement 144 provides guidance on the recognition and measurement of impairment losses on long-lived assets held for use, establishes criteria for when a long-lived asset is held for sale, and prescribes the accounting for a long-lived asset that will be disposed of other than by sale. The effective dates of Statements 143 and 144 are January 1, 2003 and January 1, 2002, respectively. Chromcraft Revington does not expect the adoption of these Statements to have a significant effect on its

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

results of operations or its financial position.

F-13

Independent Auditors' Report

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 14(a) (1) and (2). In connection with our audits of the consolidated financial statements, we also have audited the consolidated financial statement schedule as listed in item 14(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 auditing standards generally accepted in the United States of America. 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, 2001 and 2000, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2001, in conformity with accounting principles generally accepted in the United States of America. 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 set forth therein.

KPMG LLP
Indianapolis, Indiana
February 1, 2002, except as
to Note 15 which is as of
March 15, 2002

F-14

Quarterly Financial Information (unaudited)

Chromcraft Revington, Inc.

(In thousands, except per share data)

Edgar Filing: CHROMCRAFT REVINGTON INC - Form 10-K405

	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	
2001					
Sales	\$ 62,901	\$ 51,369	\$ 52,282	\$ 51,235	\$
Gross margin	14,499	11,278	11,031	10,708	
Operating income	6,034	4,271	3,952	3,714	
Net earnings	3,492	2,486	2,334	2,231	
Earnings per share of common stock					
Basic	.36	.26	.24	.23	
Diluted	.36	.26	.24	.23	
2000					
Sales	\$ 73,740	\$ 65,667	\$ 62,062	\$ 57,933	\$
Gross margin	18,115	16,094	14,050	13,978	
Operating income	8,476	6,973	5,037	6,850	
Net earnings	4,859	3,924	2,732	3,935	
Earnings per share of common stock					
Basic	.49	.40	.28	.41	
Diluted	.49	.40	.28	.41	

F-15

SCHEDULE II - VALUATION AND QUALIFYING ACCOUNTS

Chromcraft Revington, Inc.
(In thousands)

Classification	Balance at Beginning of Period	Additions		Deductions
		Charged to Costs and Expenses	Charged to Other Accounts	
Year ended December 31, 2001				
Allowance for doubtful accounts	\$ 1,253	\$ 258	\$ -	\$ (177) (a)
Year ended December 31, 2000				
Allowance for doubtful accounts	\$ 1,266	\$ 1,568	\$ -	\$ (1,581) (a)
Year ended December 31, 1999				
Allowance for doubtful accounts	\$ 1,211	\$ 246	\$ 277 (b)	\$ (468) (a)

- (a) Represents charge-offs, net of recoveries, to the allowance for doubtful accounts.
- (b) Represents the allowance for doubtful accounts associated with the Korn Industries acquisition.

S-1