

SHILOH INDUSTRIES INC  
Form 10-K  
December 17, 2010  
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**UNITED STATES**  
**SECURITIES AND EXCHANGE COMMISSION**

Washington, DC 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 October 31, 2010

Commission file no. 0-21964

**Shiloh Industries, Inc.**

(Exact name of Registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction  
of incorporation or organization)

880 Steel Drive, Valley City, Ohio 44280

(Address of principal executive offices zip code)

(330) 558-2600

(Registrant's telephone number, including area code)

**51-0347683**  
(I.R.S. Employer

Identification No.)

**Securities registered pursuant to Section 12(b) of the Act:**

**Common Stock, Par Value \$0.01 Per Share**

**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 13 or 15(d) of the Exchange 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 whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.

Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller Reporting Company

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

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

Aggregate market value of Common Stock held by non-affiliates of the registrant as of April 30, 2010, the last business day of the registrant's most recently completed second fiscal quarter, at a closing price of \$8.13 per share as reported by the Nasdaq Global Market, was approximately \$42,234,610. Shares of Common Stock beneficially held by each executive officer and director and their respective spouses have been excluded since such persons may be deemed to be affiliates. This determination of affiliate status is not necessarily a conclusive determination for other purposes.

Number of shares of Common Stock outstanding as of December 13, 2010 was 16,570,875.

**DOCUMENTS INCORPORATED BY REFERENCE**

Parts of the following document are incorporated by reference into Part III of this Annual Report on Form 10-K: the Proxy Statement for the registrant's 2011 Annual Meeting of Stockholders (the Proxy Statement).

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**SHILOH INDUSTRIES, INC.**

**PART I**

**Item 1. Business  
General**

Shiloh Industries, Inc. is a Delaware corporation organized in 1993. Unless otherwise indicated, all references to the Company or Shiloh refer to Shiloh Industries, Inc. and its consolidated subsidiaries. The Company's principal executive offices are located at 880 Steel Drive, Valley City, Ohio 44280 and its telephone number is (330) 558-2600. The Company's website is located at <http://www.shiloh.com>. On its website, you can obtain a copy of annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Exchange Act of 1934, as amended, as soon as reasonably practicable after the Company files such material electronically with, or furnishes it to, the Securities and Exchange Commission. A copy of these filings is available to all interested parties upon written request to Kevin Bagby, at the Company's corporate offices.

The Company files annual, quarterly and special reports, proxy statements and other information with the Securities and Exchange Commission. You may read and copy any document the Company files with the Securities and Exchange Commission (SEC) at its Public Reference Room at 100 F Street, N.W., Washington D.C. 20549. You may obtain information about the operation of the SEC's Public Reference Room by calling the SEC at 1-800-SEC-0330. The SEC also maintains a website that contains reports, proxy and information statements, and other information regarding registrants that file electronically with the SEC (<http://www.sec.gov>).

Shiloh is a full service manufacturer of first operation blanks, engineered welded blanks, complex stampings and modular assemblies for the automotive, heavy truck and other industrial markets. In addition, Shiloh is a designer and engineer of precision tools and dies and welding and assembly equipment for use in its blanking, welded blank and stamping operations and for sale to original equipment manufacturers (OEMs), Tier I automotive suppliers and other industrial customers. The Company's blanks, which are engineered two dimensional shapes cut from flat-rolled steel, are principally sold to automotive and truck OEMs and are used for exterior steel components, such as fenders, hoods and doors. These blanks include first operation exposed and unexposed blanks and more advanced engineered welded blanks. Engineered welded blanks generally consist of two or more sheets of steel of the same or different material grade, thickness or coating that are welded together utilizing both mash seam resistance and laser welding.

The Company's complex stampings and modular assemblies include components used in the structural and powertrain systems of a vehicle. Structural systems include body-in-white applications and structural underbody modules. Powertrain systems consist of deep draw components, such as oil pans and transmission pans. Additionally, the Company provides a variety of intermediate steel processing services, such as oiling, leveling, cutting-to-length, slitting, edge trimming of hot and cold-rolled steel coils and inventory control services for automotive and steel industry customers. The Company has fourteen wholly owned subsidiaries at locations in Ohio, Michigan, Georgia, Tennessee and Mexico.

The Company conducts its business and reports its information as one operating segment.

**History**

The Company's origins date back to 1950 when its predecessor, Shiloh Tool & Die Mfg. Company, began to design and manufacture precision tools and dies. As an outgrowth of its precision tool and die expertise, Shiloh Tool & Die Mfg. Company expanded into blanking and stamping operations in the early 1960s. In April 1993, Shiloh Industries, Inc. was organized as a Delaware corporation to serve as a holding company for its operating subsidiaries and, in July 1993, completed an initial public offering of its common stock, par value \$0.01 per share (Common Stock).

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In November 1999, the Company acquired the automotive division of MTD Products Inc ( MTD Automotive ). MTD Holdings Inc (the parent of MTD Products Inc) is a 50.9% stockholder of the Company.

**Products and Manufacturing Processes**

Revenues derived from the Company's products were as follows:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(dollars in thousands)</b>	
Complex stampings and modular assemblies	\$ 133,920	\$ 89,795
Engineered welded blanks	218,412	116,734
Blanking	69,480	46,388
Tools, dies, steel processing, scrap, and other	35,460	16,464
<b>Total</b>	<b>\$ 457,272</b>	<b>\$ 269,381</b>

The Company's complex stamping operations produce engineered stampings and modular assemblies. Stamping is a process in which steel is passed through dies in a stamping press in order to form the steel into three-dimensional parts. The Company produces complex stamped parts using precision single stage, progressive, deep draw and transfer dies, which the Company either designs and manufactures or sources from third parties. Some stamping operations also provide value-added processes such as welding, assembly and painting capabilities. The Company's complex stampings and assemblies are principally used as components for body-in-white, powertrain, seat frames and other structural body components for automobiles.

The Company produces engineered welded blanks using both the mash seam resistance and laser weld processes. The engineered welded blanks that are produced generally consist of two or more sheets of steel of the same or different material grade, thickness or coating welded together into a single flat panel. The primary distinctions between mash seam resistance and laser welding are weld bead appearance and cost.

The Company produces steel blanks in its blanking operations. Blanking is a process in which flat-rolled steel is cut into precise two-dimensional shapes by passing steel through a press, employing a blanking die. These blanks, which are used principally by manufacturers in the automobile, heavy truck, and lawn and garden industries, are used by the Company's automotive and heavy truck customers for automobile exterior and structural components, including fenders, hoods, doors and side panels, and heavy truck wheel rims and brake components and by the Company's lawn and garden customers for lawn mower decks.

The Company also designs, engineers and produces precision tools and dies, and weld and secondary assembly equipment. To support the manufacturing process, the Company supplies or sources from third parties the tools and dies used in the blanking and stamping operations and the welding and secondary assembly equipment used to manufacture modular systems. Advanced technology is maintained to create products and processes that fulfill customers' advanced product requirements. The Company has computerized most of the design and engineering portions of the tool and die production process to reduce production time and cost.

To a lesser extent, the Company provides the service of steel processing and processes flat-rolled steel principally for primary steel producers and manufacturers that require processed steel for end-product manufacturing purposes. The Company also processes flat-rolled steel for internal blanking and stamping operations. The Company either purchases hot-rolled, cold-rolled or coated steel from primary steel producers located throughout the Midwest or receives the steel on a toll-processing basis and does not acquire ownership of it. Cold-rolled and hot-rolled steel often go through additional processing operations to meet the requirements of end-product manufacturers. The Company's additional processing operations include slitting, cutting-to-length, edge trimming, roller leveling and quality inspecting of flat-rolled steel.

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Slitting is the cutting of coiled steel to precise widths. Cutting-to-length produces steel cut to specified lengths ranging from 12 inches to 168 inches. Edge trimming removes a specified portion of the outside edges of the coiled steel to produce a uniform width. Roller leveling flattens the steel by applying pressure across the width of the steel to make the steel suitable for blanking and stamping. To achieve high quality and productivity and to be responsive to customers' just-in-time supply requirements, most of the Company's steel processing operations are computerized and have combined several complementary processing lines, such as slitting and cutting-to-length at single facilities. In addition to cleaning, leveling and cutting steel, the Company inspects steel to detect mill production flaws and utilizes computers to provide both visual displays and documented records of the thickness maintained throughout the entire coil of steel. The Company also performs inventory control services for some customers.

## **International Operation**

The Company's international operation, which is located in Mexico, is subject to various risks that are more likely to affect this operation than the Company's domestic operations. These include, among other things, exchange controls and currency restrictions, currency fluctuations, changes in local economic conditions, unsettled political conditions and foreign government-sponsored boycotts of the Company's products or services for noncommercial reasons. The identifiable assets associated with the Company's international operation are located where the Company believes the risks to be minimal.

## **Customers**

The Company produces blanked and stamped parts and processed flat-rolled steel for a variety of industrial customers. The Company supplies steel blanks, stampings and modular assemblies primarily to North American automotive manufacturers and stampings to Tier I automotive suppliers. The Company also supplies blanks and stampings to manufacturers in the lawn and garden and heavy duty truck and trailer industries. Finally, the Company processes flat-rolled steel for a number of primary steel producers.

The Company's largest customer is General Motors Corporation (General Motors). The Company has been working with General Motors for more than 20 years and operates a vendor-managed program to supply blanks, which program includes on-site support staff, electronic data interchange, logistics support, a just-in-time delivery system and, over the past five years, supplying engineered welded blanks. As a result of the acquisition of MTD Automotive in November 1999, Ford Motor Company (Ford) became another significant customer. The Company supplies Ford with blanks, deep draw stampings and modular assemblies. The Company also does business with Chrysler LLC (Chrysler), and supplies Chrysler with engineered welded blanks, blanks, and deep draw stampings.

In fiscal 2010, General Motors and Chrysler accounted for approximately 34.0% and 15.0%, respectively of the Company's revenues. No other individual customer accounted for more than 10% of the Company's revenues in fiscal 2010. At October 31, 2010 and 2009, General Motors accounted for 33.3% and 41.9% of the Company's accounts receivable, respectively and Chrysler accounted for 17.5% and 18.7% of the Company's accounts receivable, respectively.

## **Sales and Marketing**

The Company operates a sales and technical center in Canton, Michigan, which center is in close proximity to certain of its automotive customers. The sales and marketing organization is structured to efficiently service all of the Company's key customers and directly market the Company's automotive and steel processing products and services. The sales force is organized to enable the Company to target sales and marketing efforts at three distinct types of customers, which include OEM customers, Tier I suppliers and steel consumers and producers.

The Company's engineering staff at the Canton location provides total program management, technical assistance and advanced product development support to customers during the product development stage of new vehicle design.

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### **Operations and Engineering**

The Company operates eight manufacturing facilities in the United States and one manufacturing facility in Mexico, along with technical centers in Canton, Michigan and Valley City, Ohio that coordinate advanced product and process development and applications with its customers and its manufacturing facilities. The Company's manufacturing facilities and technical centers are strategically located close to its customers engineering organizations and fabricating-assembly plants. Each facility of the Company is focused on meeting the business strategy of the Company by optimizing its performance in quality, cost and delivery.

### **Raw Materials**

The basic materials required for the Company's operations are hot-rolled, cold-rolled and coated steel. The Company obtains steel from a number of primary steel producers and steel service centers. The majority of the steel is purchased through customers' steel buying programs. Under these programs, the Company purchases steel at the steel price that its customers negotiated with the steel suppliers. These suppliers include AK Steel, Areclor Mittal, Severstal and U.S. Steel. Although the Company takes ownership of the steel, the customers are responsible for all steel price fluctuations. Most of the steel owned by the Company is purchased domestically. A portion of the steel processing products and services is provided to customers on a toll processing basis. Under these arrangements, the Company charges a specified fee for operations performed without acquiring ownership of the steel and being burdened with the attendant costs of ownership and risk of loss. Through centralized purchasing, the Company attempts to purchase raw materials at the lowest competitive prices for the quantity purchased. The amount of steel available for processing is a function of the production levels of primary steel producers.

### **Competition**

Competition for sales of steel blanks and engineered welded blanks is intense, coming from numerous companies, including independent domestic and international suppliers, and from internal divisions of General Motors, Ford and Chrysler, as well as independent domestic and international Tier I and Tier II suppliers, some of which have blanking facilities. Competitors for engineered welded blanks include Delaco Welded Blanks, TWB Co., LLC, Powerlaser Ltd. and Procoil Corp. Competition for sales of automotive stamping and assemblies is also intense. Primary competitors in North America for the engineered stamping and assembly business are Narmco Group, Midwest Stamping and Manufacturing Company, Gestamp North America Inc. and Midway Products Group. The methods of competition with these companies in blanks, engineered welded blanks and automotive stampings and assemblies are product quality, price, delivery, location and engineering capabilities. Shiloh is the only supplier of engineered welded blanks that is not affiliated with a steel company.

### **Employees**

As of November 30, 2010, the Company had approximately 1,250 employees. A total of approximately 127 employees at two of the Company's subsidiaries are covered by two collective bargaining agreements that are due to expire in June 2011 and November 2014.

### **Backlog**

A significant portion of the Company's business pertains to automobile platforms for various model years. Orders against these platforms are subject to releases by the customer and are not considered technically firm. Backlog, therefore, is not a meaningful indicator of future performance.

### **Seasonality**

The Company typically experiences decreased revenue and operating income during its first fiscal quarter of each year, usually resulting from generally lower overall automobile production during November and December. The Company's revenues and operating income in its third fiscal quarter can also be affected by the typically lower automobile production activities in July due to manufacturers' plant shutdowns and new model changeovers of production lines.

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### **Environmental Matters**

The Company is subject to environmental laws and regulations concerning emissions to the air, discharges to waterways and generation, handling, storage, transportation, treatment and disposal of waste and hazardous materials.

The Company is also subject to laws and regulations that can require the remediation of contamination that exists at current or former facilities. In addition, the Company is subject to other federal and state laws and regulations regarding health and safety matters. Each of the Company's production facilities has permits and licenses allowing and regulating air emissions and water discharges. While the Company believes that at the present time its production facilities are in substantial compliance with environmental laws and regulations, these laws and regulations are constantly evolving and it is impossible to predict whether compliance with these laws and regulations may have a material adverse effect on the Company in the future.

ISO 14001 is a voluntary international standard issued in September 1996 by the International Organization for Standardization. ISO 14001 identifies the elements of an Environmental Management System ( EMS ) necessary for an organization to effectively manage its effect on the environment. The ultimate objective of the standard is to integrate the EMS with overall business management processes and systems so that environmental considerations are a routine part of business decisions. As of October 31, 2003, all of the Company's facilities were ISO 14001 certified. The Company has completed the certification process at each of its nine manufacturing facilities for the latest and highest international quality standard for the automotive industry, ISO/TS 16949:2002. The Company believes this certification is a market requirement for doing business in the automotive industry.

### **Segment and Geographic Information**

The Company conducts its business and reports its information as one operating segment Automotive Products. The Chief Executive Officer of the Company has been identified as the chief operating decision maker because he has final authority over performance assessment and resource allocation decisions. In determining that one operating segment is appropriate, the Company considered the nature of the business activities, the existence of managers responsible for the operating activities and information presented to the Board of Directors for its consideration and advice. Furthermore, the Company is a full service manufacturer of first operation blanks, engineered welded blanks, complex stampings and modular assemblies predominately for the automotive and heavy truck markets. Customers and suppliers are substantially the same among operations, and all processes entail the acquisition of steel and the processing of the steel for use in the automotive industry.

Revenues from the Company's foreign subsidiary in Mexico were \$23.3 million and \$9.6 million for fiscal years 2010 and 2009, respectively. These revenues represent 5% of total revenues for fiscal 2010 and 4% of total revenues for fiscal year 2009. Long-lived assets consist primarily of net property, plant and equipment. Long-lived assets of the Company's foreign subsidiary totaled \$16.1 million and \$16.9 million at October 31, 2010 and 2009, respectively. The consolidated long-lived assets of the Company totaled \$127.3 million and \$152.6 million at October 31, 2010 and 2009, respectively.

### **Item 1B. Unresolved Staff Comments**

None.



**Table of Contents****Item 2. Properties**

The Company believes substantially all of its property and equipment is in good condition and that it has sufficient capacity to meet its current operational needs. The Company's facilities, all of which are owned are as follows:

Subsidiary	Facility		Square Footage	Year Occupied	Description of Use
	Name	Location			
Shiloh Corporation	Mansfield Blanking	Mansfield, Ohio (1)	295,000	1955	Blanking/Tool and Die Production/Complex Stamping and Modular Assembly
Medina Blanking, Inc.	Medina Blanking	Valley City, Ohio	255,000	1986	Blanking/Engineered Welded Blanks/Engineering and Development
Medina Blanking, Inc.	Ohio Welded Blank	Valley City, Ohio	254,000	2000	Engineered Welded Blanks
VCS Properties, LLC		Valley City, Ohio	260,000	1977	Real Estate Leasing
Liverpool Coil Processing, Incorporated	LCPI	Valley City, Ohio	244,000	1990	Other Steel Processing/Administration
Shiloh Automotive, Inc.	Liverpool Manufacturing	Valley City, Ohio	260,000	1999	(Closed)
Sectional Stamping, Inc.	Wellington Stamping	Wellington, Ohio	235,000	1987	Complex Stamping and Modular Assembly
Greenfield Die & Manufacturing Corp.	Canton Manufacturing	Canton, Michigan	170,000	1996	Engineered Welded Blanks/Complex Stamping and Modular Assembly/Sales and Marketing/Engineering and Development
Jefferson Blanking Inc.	Jefferson Blanking	Pendergrass, Georgia	185,500	1998	Blanking/Engineered Welded Blanks/Complex Stamping and Modular Assembly
Shiloh Industries, Inc., Dickson Manufacturing Division	Dickson Manufacturing	Dickson, Tennessee	242,000	2000	Complex Stamping and Modular Assembly
Shiloh de Mexico S. A. de C.V.	Saltillo Welded Blank	Saltillo, Mexico	153,000	2000	Engineered Welded Blanks/Complex Stamping and Modular Assembly

(1) The Company has announced that the Mansfield Blanking facility will be closing.

**Item 3. Legal Proceedings**

The Company is involved in various lawsuits arising in the ordinary course of business. In management's opinion, the outcome of these matters will not have a material adverse effect on the Company's financial condition, results of operations or cash flows.

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

No matter was submitted to a vote of security holders during the fourth quarter of fiscal 2010.



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### **Executive Officers of the Registrant**

The following information is furnished pursuant to Instruction 3 to Item 401(b) of Regulation S-K.

**Curtis E. Moll, Chairman of the Board.** Mr. Moll became Chairman of the Board of the Company in April 1999, and he has served as a Director of the Company since its formation in April 1993. Since 1980, Mr. Moll has served as the Chairman of the Board and Chief Executive Officer of MTD Holdings Inc (formerly MTD Products Inc), a privately held manufacturer of outdoor equipment. Mr. Moll also serves as a director of Sherwin Williams Company and AGCO Corporation. Mr. Moll is 71 years old.

**Theodore K. Zampetis, President and Chief Executive Officer.** In January 2002, Mr. Zampetis became the President and Chief Executive Officer of the Company. He has served as a director of the Company since 1993. Mr. Zampetis is 65 years old.

**Kevin P. Bagby, Vice President of Finance and Chief Financial Officer.** Mr. Bagby assumed the position of Vice President of Finance and Chief Financial Officer of Shiloh Industries, Inc in November 2008. Mr. Bagby recently served as Vice President, Chief Financial Officer and Treasurer of Freightcar America, a manufacturer of aluminum bodied railroad freight cars from 2004 to 2008. Mr. Bagby previously served as Vice President and CFO of Stoneridge, Inc., a manufacturer of electronic components, modules and systems for the automotive and industrial markets from 1995 to 2004. Prior to joining Stoneridge, Mr. Bagby held senior financial leadership positions with Kelsey-Hayes, General Tire and Abex Corporation. Mr. Bagby is 59 years old.

**James F. Keys, Senior Vice President and Chief Technology Officer.** Mr. Keys was named Senior Vice President of Advanced Technology/Sales and Marketing in May 2002. Mr. Keys is 57 years old.

**Anthony M. Parente, Vice President, Manufacturing Operations.** Mr. Parente was named Vice President of Manufacturing Operations in October 2006. He started his career at MTD Automotive as an electrical apprentice in 1979 and joined the Company through its acquisition of MTD Automotive in 1999. He progressed effectively through different technical assignments. He was appointed Plant Manager of the Ohio Welded Blank Plant in 2001, and was promoted to the position of Group General Manager three years later. Mr. Parente is 49 years old.

**Craig S. Parsons, Vice President Sales and Business Development.** Mr. Parsons was named Vice President Sales and Business Development on December 1, 2009. Formerly, Mr. Parsons was with Noble International, Ltd. for sixteen years. Mr. Parsons was President of Noble from June 2009 to November 2009. Formerly he was Executive Vice President, Global Sales and Marketing, Asia Business Development since 2007 and Vice President of sales since 2004. Mr. Parsons is 39 years old.

**Table of Contents****PART II****Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities**

The Company's Common Stock is traded on the Nasdaq Global Market under the symbol SHLO. On December 10, 2010, the closing price for the Company's Common Stock was \$12.56 per share.

The Company's Common Stock commenced trading on the Nasdaq National Market on June 29, 1993. The table below sets forth the high and low bid prices for the Company's Common Stock for its four quarters in each of 2010 and 2009.

Quarter	2010		2009	
	High	Low	High	Low
1st	\$ 5.30	\$ 4.00	\$ 4.80	\$ 1.25
2nd	\$ 8.13	\$ 4.20	\$ 2.89	\$ 1.23
3rd	\$ 10.04	\$ 8.03	\$ 4.99	\$ 1.89
4th	\$ 10.43	\$ 8.33	\$ 5.45	\$ 4.02

As of the close of business on December 10, 2010, there were 100 stockholders of record for the Company's Common Stock. The Company believes that the actual number of stockholders of the Company's Common Stock exceeds 400. The Company did not repurchase any of the Company's equity securities during fiscal 2010.

The Board of Directors of the Company declared no dividends during the year ended October 31, 2010. Subsequent to year end on December 10, 2010, the Board of Directors of the Company declared a special dividend of \$.12 per share payable on December 29, 2010 to shareholders of record on December 22, 2010. Prior to that, on February 21, 2008, the Board of Directors of the Company declared a special dividend of \$1.00 per share, which was paid on March 11, 2008 to shareholders of record as of March 4, 2008.

Please see Item 12, Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters for securities authorized for issuance under equity compensation plans.

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**Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations**  
**(Dollar amounts in thousands)**

**General**

Shiloh is a supplier of numerous parts to both automobile OEMs and, as a Tier II supplier, to Tier I automotive part manufacturers who in turn supply OEMs. The parts that the Company produces supply many models of vehicles manufactured by nearly all vehicle manufacturers that produce vehicles in North America. As a result, the Company's revenues are very dependent upon the North American production of automobiles and light trucks, particularly production by traditional domestic manufacturers, such as General Motors, Chrysler and Ford. According to industry statistics, traditional domestic manufacturer production in fiscal 2010 increased by 44% and total North American car and light truck production for the fiscal 2010 increased by 41%, in each case compared with production of fiscal 2009. The continued viability of the traditional domestic manufacturers is critical to the profitability of the Company. As of October 31, 2010, 52.9% of the Company's receivables outstanding are due from General Motors, Chrysler, and Ford.

Another significant factor affecting the Company's revenues is the Company's ability to successfully bid on the production and supply of parts for models that will be newly introduced to the market by the Company's customers. These new model introductions typically go through a start of production phase with build levels that are higher than normal because the consumer supply network is filled to ensure adequate supply to the market, resulting in an increase in the Company's revenues at the beginning of the cycle.

Plant utilization levels are very important to profitability because of the capital-intensive nature of these operations. For fiscal 2010, the Company's facilities operated at approximately 41.1% capacity and operated at an increased rate of 41.4% in the fourth quarter of fiscal 2010. For fiscal 2009, plant utilization was at 23.7%. The Company defines capacity as 20 working hours per day and five days per week. Utilization of capacity is dependent upon the releases against customer purchase orders that are used to establish production schedules and manpower and equipment requirements for each month and quarterly period of the fiscal year.

The significant majority of the steel purchased by the Company's stamping and engineered welded blank operations is purchased through the customers' steel programs. Under these programs, the Company pays the steel suppliers and passes on to the customers the steel price the customers negotiated with the steel suppliers. Although the Company takes ownership of the steel, the customers are responsible for all steel price fluctuations. The Company also purchases steel directly from domestic primary steel producers and steel service centers. Domestic steel pricing has varied widely during the last fiscal year. The Company also blanks and processes steel for some of its customers on a toll processing basis. Under these arrangements, the Company charges a tolling fee for the operations that it performs without acquiring ownership of the steel and being burdened with the attendant costs of ownership and risk of loss. Toll processing operations result in lower revenues but higher gross margins than operations where the Company takes ownership of the steel. Revenues from operations involving directly owned steel include a component of raw material cost whereas toll processing revenues do not.

Changes in the price of scrap steel can have a significant effect on the Company's results of operations because substantially all of its operations generate engineered scrap steel. Engineered scrap steel is a planned by-product of the Company's processing operations, and net proceeds from the disposition of scrap steel contribute to gross margin by offsetting the increases in the cost of steel and the attendant costs of quality and availability. Changes in the price of steel impact the Company's results of operations because raw material costs are by far the largest component of cost of sales in processing directly owned steel. The Company actively manages its exposure to changes in the price of steel, and, in most instances, passes along the rising price of steel to its customers.

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### **Company's Response to Economic Conditions Affecting the Automotive Industry**

The production of cars and light trucks for fiscal 2010 in North America according to industry statistics was 11,816,000 units. The production units for fiscal 2010 compares to 8,400,000 in fiscal 2009, 13,320,000 in fiscal 2008, 15,167,000 in fiscal 2007, 15,480,000 in fiscal year 2006 and 15,745,000 in fiscal 2005. Production in fiscal 2009 was affected by low consumer demand, the inability to finance vehicle leases and purchases, and higher unemployment levels, among other factors affecting the economy at that time. These same factors are affecting the automotive industry globally as well as domestically.

In response to the low production volume of fiscal 2009, the Company initiated several action plans which were continued throughout fiscal 2010. These included:

**Challenging customer releases.** The Company's production scheduling is based on releases that are received weekly for thirteen week periods. The releases drive manning levels and inventory purchases. The Company's operations personnel review the releases each week to ensure that the releases are not overly optimistic, a problem that seems to impact Tier I customers and not OEM manufacturing plants.

**Inventory orders.** The Company's operations personnel monitor daily the ordering and receipt of production material to ensure that inventory will be readily consumed in the manufacturing process and that cash outlays for purchases coincide with receipts for sale of parts to the Company's customers.

**Manning levels.** The Company's operations personnel also monitor daily the level of personnel required to fulfill the production schedule by operating the equipment that produces the parts (direct personnel) and to support the direct personnel efforts (indirect, technical, and administrative staff). Manning is adjusted daily to react as necessary.

**Discretionary spending in support of operations.** The Company's operating personnel also monitor the spending required for repair and maintenance, purchases of supplies consumed in operating production equipment and indirect support of operations, such as material handling equipment and utilities.

These daily activities were factored into forecasts for each plant for the balance of the fiscal year. The plant forecasts were consolidated to provide forecasts of operating results on a weekly and monthly basis, updated weekly to reflect the latest developments in terms of customer intelligence and new awards of business. This process was intended to address the cash needs of the Company considering capital asset and tooling needs related to new business as well as ongoing cash requirements for operations, payroll, pension contributions, debt repayment requirements, contingencies and other matters.

All of the above actions were intended to ensure that controllable variable spending is in line with the forecast of sales as indicated by the customer releases against open purchase orders. Actions were also initiated to monitor selling, general and administrative costs as well.

The Company also assessed the level of working capital risk with each customer by monitoring accounts receivable and payable levels to ensure that net balances are either equal or in favor of the Company. The Company also reviews compliance of the Company's customers with terms and conditions of their purchase orders and gathers market intelligence on the customers to consider in assessing any risk in the collection process.

With the conclusion of fiscal 2010, the Company continues to exercise caution as the next fiscal year has begun. The same disciplined approach that was followed in fiscal 2009 and 2010 remains in place. According to industry forecasts, car and light truck production is predicted to increase to 12,282,000 units, a level that represents a 3.9% improvement over fiscal 2010's production but still 4.3% below the average production levels of the preceding five years. The Company's approach to monitoring customer release volumes and the adjustment of the Company's cost structure, as described above, remains appropriate to aid the Company in controlling operating costs and maintaining or improving profitability. The Company therefore intends to adjust manning levels and discretionary spending in support of operations as necessary in relation to customer releases as the releases are updated.



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### **Critical Accounting Policies**

Preparation of the Company's financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the amounts reported in the consolidated financial statements and accompanying notes. The Company believes its estimates and assumptions are reasonable; however, actual results and the timing of the recognition of such amounts could differ from those estimates. The Company has identified the items that follow as critical accounting policies and estimates utilized by management in the preparation of the Company's financial statements. These estimates were selected because of inherent imprecision that may result from applying judgment to the estimation process. The expenses and accrued liabilities or allowances related to these policies are initially based on the Company's best estimates at the time they are recorded. Adjustments are charged or credited to income and the related balance sheet account when actual experience differs from the expected experience underlying the estimates. The Company makes frequent comparisons of actual experience and expected experience in order to mitigate the likelihood that material adjustments will be required.

*Revenue Recognition.* The Company recognizes revenue both for sales from toll processing and sales of products made with Company owned steel when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and collectability of revenue is reasonably assured. The Company records revenues upon shipment of product to customers and transfer of title under standard commercial terms. Price adjustments, including those arising from resolution of quality issues, price and quantity discrepancies, surcharges for fuel and/or steel and other commercial issues are recognized in the period when management believes that such amounts become probable, based on management's estimates.

*Allowance for Doubtful Accounts.* The Company evaluates the collectability of accounts receivable based on several factors. In circumstances where the Company is aware of a specific customer's inability to meet its financial obligations, a specific allowance for doubtful accounts is recorded against amounts due to reduce the net recognized receivable to the amount the Company reasonably believes will be collected. Additionally, the allowance for doubtful accounts is estimated based on historical experience of write-offs and the current financial condition of customers. The financial condition of the Company's customers is dependent on, among other things, the general economic environment, which may substantially change, thereby affecting the recoverability of amounts due to the Company from its customers.

The Company carefully assesses its risk with each of its customers and considering compliance with terms and conditions, aging of the customer accounts, intelligence learned through contact with customer representatives and net account receivable / account payable position with customers, if applicable.

*Inventory Reserves.* Inventories are valued at the lower of cost or market. Cost is determined on the first-in, first-out basis. Where appropriate, standard cost systems are used to determine cost and the standards are adjusted as necessary to ensure they approximate actual costs. Estimates of lower of cost or market value of inventory are based upon current economic conditions, historical sales quantities and patterns, and in some cases, the specific risk of loss on specifically identified inventories.

The Company values inventories on a regular basis to identify inventories on hand that may be obsolete or in excess of current future projected market demand. For inventory deemed to be obsolete, the Company provides a reserve for the full value of the inventory, net of estimated realizable value. Inventory that is in excess of current and projected use is reduced by an allowance to a level that approximates future demand. Additional inventory reserves may be required if actual market conditions differ from management's expectations.

In view of the current economic conditions affecting the automotive industry, the Company is carefully monitoring purchases of inventory to insure that receipts coincide with shipments, thereby reducing the economic risk of holding excessive levels of inventory that could result in long holding periods or in unsalable inventory leading to losses in conversion.



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*Income Taxes.* The Company utilizes the asset and liability method in accounting for income taxes. Income tax expense includes U.S. and international income taxes minus tax credits and other incentives that will reduce tax expense in the year they are claimed. Deferred taxes are recognized at currently enacted tax rates for temporary differences between the financial accounting and income tax basis of assets and liabilities and operating losses and tax credit carryforwards. Valuation allowances are recorded to reduce net deferred tax assets to the amount that is more likely than not to be realized. The Company assesses both positive and negative evidence when measuring the need for a valuation allowance. Evidence typically assessed includes the operating results for the most recent three-year period and, to a lesser extent because of inherent uncertainty, the expectations of future profitability, available tax planning strategies, the time period over which the temporary differences will reverse and taxable income in prior carryback years if carryback is permitted under the tax law. The calculation of the Company's tax liabilities also involves dealing with uncertainties in the application of complex tax laws and regulations. The Company recognizes liabilities for uncertain income tax positions based on the Company's estimate of whether, and the extent to which, the payment of additional taxes will be required. The Company reports interest and penalties related to uncertain income tax positions as income taxes.

*Impairment of Long-lived Assets.* The Company has historically performed an annual impairment analysis of long-lived assets, which only includes property, plant and equipment since the Company has no intangible assets. However, when significant events, which meet the definition of a triggering event in the context of assessing asset impairments, occur within the industry or within the Company's primary customer base, such as at April 30, 2009 when General Motors and Chrysler were experiencing severe financial difficulties, an interim impairment analysis is performed. The analysis consists of reviewing the next five years outlook for sales, profitability, and cash flow for each of the Company's manufacturing plants and for the overall Company. The five-year outlook considers known sales opportunities for which purchase orders exist, potential sale opportunities that are under development, third party forecasts of North American car builds (published by CSM Worldwide), and the potential sales that could result from new manufacturing process additions and lastly, strategic geographic localities that are important to servicing the automotive industry. All of this data is collected as part of our annual planning process and is updated with more current Company specific and industry data when an interim period impairment analysis is deemed necessary, as was the case at April 30, 2009. In concluding the impairment analysis, the Company incorporates a sensitivity analysis by probability weighting the achievement of the forecasted cash flows by plant and achievements of cash flows that are 20% greater and less than the forecasted amounts.

The property, plant and equipment included in the analysis for each plant represents factory facilities devoted to the Company's manufacturing processes and the related equipment within each plant needed to perform and support those processes. The property, plant and equipment of each plant form each plant's asset group and typically certain key assets in the group form the primary process at that plant that generate revenue and cash flow for that facility. Certain key assets have a life of ten to twelve years and the remainder of the assets in the asset group are shorter-lived assets that support the key processes. When the analysis indicates that estimated future undiscounted cash flows of a plant are less than the net carrying value of the long-lived assets of such plant, to the extent that the assets cannot be redeployed to another plant to generate positive cash flow, the Company will record an impairment charge, reducing the net carrying value of the fixed assets (exclusive of land and buildings, the fair value of which would be assessed through appraisals) to zero. Alternative courses of action to recover the carrying amount of the long-lived asset group are typically not considered due to the limited-use nature of the equipment and the full utilization of their useful life. Therefore, the equipment is of limited value in a used-equipment market. The depreciable lives of the Company's fixed assets are generally consistent between years unless the assets are devoted to the manufacture of a customized automotive part and the equipment has limited reapplication opportunities. If the production of that part concludes earlier than expected, the asset life is shortened to totally amortize its remaining value over the shortened production period.

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The Company cannot predict the occurrence of future impairment-triggering events. Such events may include, but are not limited to, significant industry or economic trends and strategic decisions made in response to changes in the economic and competitive conditions impacting the Company's business. Based on then current facts, the Company recorded a net impairment charge of \$1,644 related to long-lived assets in the second quarter of fiscal 2009 and a charge of \$4,575 in the fourth quarter of fiscal 2010. See Note 2 to the consolidated financial statements for a discussion of impairment charges recorded in fiscal 2009 and 2010. The Company continues to assess impairment to long-lived assets based on expected orders from the Company's customers and current business conditions.

The key assumptions related to the forecasted operating results could be adversely impacted by, among other things, decreases in estimated North American car builds during the forecast period, the inability of the Company or its major customers to maintain their respective forecasted market share positions, the inability of the Company to achieve the forecasted levels of operating margins on parts produced, and a deterioration in property values associated with manufacturing facilities.

*Group Insurance and Workers Compensation Accruals.* The Company is self-insured for group insurance and workers' compensation and reviews these accruals on a monthly basis to adjust the balances as determined necessary. The Company reviews historical claims data and lag analysis as the primary indicators of the accruals.

Additionally, the Company reviews specific large insurance claims to determine whether there is a need for additional accrual on a case-by-case basis. Changes in the claim lag periods and the specific occurrences could materially impact the required accrual balance period-to-period. The Company carries excess insurance coverage for group insurance and workers' compensation claims exceeding a range of \$160-170 and \$100-500 per plan year, respectively, dependent upon the location where the claim is incurred. At October 31, 2010 and 2009, the amount accrued for group insurance and workers' compensation claims was \$2,160 and \$2,277, respectively. The insurance reserves have declined between years as a result of improved safety statistics, reduced employment levels, reduced number of open and active workers' compensation cases, and group insurance plan design features. The Company does not self-insure for any other types of losses.

*Share-Based Payments.* The Company records compensation expense for the fair value of nonvested stock option awards over the remaining vesting period. The Company has elected to use the simplified method to calculate the expected term of the stock options outstanding at five to six years and has utilized historical weighted average volatility. The Company determines the volatility and risk-free rate assumptions used in computing the fair value using the Black-Scholes option-pricing model, in consultation with an outside third party.

The Black-Scholes option valuation model requires the input of highly subjective assumptions, including the expected life of the stock-based award and stock price volatility. The assumptions used are management's best estimates, but the estimates involve inherent uncertainties and the application of management judgment. As a result, if other assumptions had been used, the recorded stock-based compensation expense could have been materially different from that depicted in the financial statements. In addition, the Company has estimated a 20% forfeiture rate. If actual forfeitures materially differ from the estimate, the share-based compensation expense could be materially different.

*Pension and Other Post-retirement Costs and Liabilities.* The Company has recorded significant pension and other post-retirement benefit liabilities that are developed from actuarial valuations. The determination of the Company's pension liabilities requires key assumptions regarding discount rates used to determine the present value of future benefit payments and the expected return on plan assets. The discount rate is also significant to the development of other post-retirement liabilities. The Company determines these assumptions in consultation with, and after input from, its actuaries.

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The discount rate reflects the estimated rate at which the pension and other post-retirement liabilities could be settled at the end of the year. Beginning in 2010, the Principal Pension Discount Yield Curve ( Principal Curve ) has replaced the Citigroup Pension Discount Curve ( Citigroup Curve ) as the basis for determining the discount rate for reporting pension and retiree medical liabilities. The Principal Curve has several advantages to the Citigroup Curve, that was used in fiscal 2009, including: transparency of construction, lower statistical errors, and continuous forward rates for all years. At October 31, 2010, the resulting discount rate from the use of the Principal Curve was 5.50%, a decrease of .25% from a year ago that resulted in an increase of the benefit obligation of approximately \$1,800. A change of 25 basis points in the discount rate at October 31, 2010 would increase or decrease expense on an annual basis by approximately \$61.

The assumed long-term rate of return on pension assets is applied to the market value of plan assets to derive a reduction to pension expense that approximates the expected average rate of asset investment return over ten or more years. A decrease in the expected long-term rate of return will increase pension expense whereas an increase in the expected long-term rate will reduce pension expense. Decreases in the level of plan assets will serve to increase the amount of pension expense whereas increases in the level of actual plan assets will serve to decrease the amount of pension expense. Any shortfall in the actual return on plan assets from the expected return will increase pension expense in future years due to the amortization of the shortfall, whereas any excess in the actual return on plan assets from the expected return will reduce pension expense in future periods due to the amortization of the excess. A change of 25 basis points in the assumed rate of return on pension assets would increase or decrease pension assets by approximately \$107.

The Company's investment policy for assets of the plans is to maintain an allocation generally of 0% to 70% in equity securities, 0% to 70% in debt securities, and 0% to 10% in real estate. Equity security investments are structured to achieve an equal balance between growth and value stocks. The Company determines the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. The Company's investment advisors and actuaries review this computed rate of return. Industry comparables and other outside guidance are also considered in the annual selection of the expected rates of return on pension assets.

For the twelve months ended October 31, 2010, the actual return on pension plans' assets for all of the Company's plans approximated 13.20% to 15.00%, which exceeded the expected rate of return on plan assets of 7.50% used to derive pension expense. The long term expected rate of return takes into account years with exceptional gains and years with exceptional losses.

Actual results that differ from these estimates may result in more or less future Company funding into the pension plans than is planned by management. Based on current market investment performance, the Company anticipates that contributions to the Company's defined benefit plans will increase in fiscal 2011, and that pension expense will increase in fiscal 2011 as well.

## **Results of Operations**

### **Year Ended October 31, 2010 Compared to Year Ended October 31, 2009**

**Revenues.** Sales for fiscal 2010 were \$457,272, an increase of \$187,891 over fiscal 2009 of \$269,381, or 70%. Sales increased during fiscal 2010 as a result of increased production volumes experienced by the North American automotive and heavy truck industries for which the Company supplies parts as well as sales that resulted from business awarded to the Company from competitors and sales that resulted from new model introductions during fiscal 2010. According to industry statistics, traditional domestic manufacturer production for fiscal 2010 increased by 44% and total North American car and light truck production for fiscal 2010 increased by 41%, in each case compared with production for fiscal 2009.

**Gross Profit.** Gross profit for fiscal 2010 was \$34,662 compared to a loss of \$5,133 for fiscal 2009, an increase of \$39,795. Gross profit as a percentage of sales was 7.6% for fiscal 2010 compared to a negative 1.9% for fiscal 2009. Gross profit for fiscal 2010 compared to fiscal 2009 was favorably affected by the increased

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volume of sales in fiscal 2010 compared to the previous year improving gross profit by approximately \$49,400. Gross profit was also favorably affected by lower material costs, including improvements in revenue realized from the sale of engineered scrap during fiscal 2010 compared to fiscal 2009. The net effect was reduced material costs of approximately \$8,100. These favorable factors resulting in increased gross profit were offset by increased manufacturing expenses of approximately \$17,850 that were related to the increased sales volumes and level of production activity experienced in fiscal 2010 compared to fiscal 2009. Personnel and personnel related expenses increased by approximately \$11,800 and expenses related to repairs and maintenance and manufacturing related supplies increased by approximately \$5,700.

**Selling, General and Administrative Expenses.** Selling, general and administrative expenses were \$19,916, or 4.4% of fiscal 2010 sales. For fiscal 2009, selling general and administrative expenses were \$16,429, or 6.1% of fiscal 2009 sales. The increase in selling, general, and administrative expenses reflects increased personnel and personnel-related expenses of approximately \$1,600 reflecting the improved economic conditions in fiscal 2010 compared to the depressed conditions of fiscal 2009. In addition, selling, general and administrative expenses in fiscal 2009 were favorably affected by the reversal of a reserve of \$2,070 that was initially provided in the second quarter of fiscal 2007. At that time, the reserve represented management's estimate of the probable outcome of a legal decision related to a jury verdict adverse to the Company. The Company appealed the jury verdict to the Sixth Circuit Court of Appeals and in July 2009, the Court of Appeals overturned the jury's verdict. Based upon the outcome of this matter, the Company reversed the reserve as well as interest accrued since the reserve was established. The reversal was credited to selling, general and administrative expenses (\$2,070) and interest expense (\$266) in the accompanying consolidated statement of operations for fiscal 2009.

**Asset Impairment and Restructuring Charge.** During the fourth quarter of fiscal 2010, the Board of Directors approved the Company's plan to purchase a plant site in Bowling Green, Kentucky for the manufacture of first operation precision blanks and other complementary products that are currently manufactured at the Company's plant in Mansfield, Ohio. The plan also includes the transfer of other Mansfield business to the Company's Medina Blanking facility in Valley City, Ohio. The Company will, therefore, close the operations of its Mansfield Blanking Division during fiscal 2011 as its work is relocated to these other plants. The Company will relocate certain machinery and equipment to Bowling Green or Valley City to support the ongoing business and to service the new business in the Kentucky area. As a result, the Company recorded an asset impairment charge of \$2,480 to reduce long lived assets that will not be transferred to their estimated fair value. The fair value of machinery and equipment, as determined using level 3 inputs, was zero as the items are worn equipment for which the Company had no further use and they have limited use and limited value in the used equipment market. The Mansfield real property was reduced by \$2,095 to a fair value of \$3,300 based on an independent assessment by a real estate firm that considered recent sales of similar properties, tax valuation, and replacement cost value. The Company also recorded a restructuring charge of \$309 representing the curtailment of the retirement plan of Mansfield Blanking employees. Recovery of previously impaired assets from the sale of equipment from a former Company facility of \$48 reduced the Mansfield impairment charge to a net amount of \$4,527.

In March 2009, management presented to the Board of Directors its plan to close the operations of its Liverpool Manufacturing Division due to declining levels of sales. The Board approved the plan. The Company therefore has completed its plan to relocate certain machinery and equipment to another of the Company's plants to service business that will continue and to close operations at Liverpool. As a result, the Company recorded an impairment charge of \$1,644 to reduce long-lived assets that will not be transferred to their estimated fair value. The estimated fair value of the assets was zero because, similar to Mansfield, the assets were worn machinery and equipment for which the Company had no further use and have a limited use and limited value in a used equipment market. The asset impairment charge for Liverpool of \$1,644 was offset by the sale for cash of \$930 for equipment from the Company's former Cleveland Stamping facility. The net asset impairment charge was \$714 for fiscal 2009. The Company also recorded a restructuring charge of \$906 based on a negotiated settlement for approximately 100 employees for severance, health insurance, and curtailment of the retirement plan of the Liverpool Manufacturing employees.

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**Other.** For fiscal 2010, interest expense was \$3,757, an increase of \$437 from interest expense of \$3,320 in fiscal 2009. The increase in interest expense compared to the prior year resulted from an increase in the rate of interest as a result of the Third and Fourth Amendments of the Company's Credit Agreement despite a lower level of borrowed funds. Borrowed funds averaged \$40,364 during the fiscal 2010 and the weighted average interest rate was 6.51%. For fiscal 2009, borrowed funds averaged \$59,198 while the weighted average interest rate was 4.55%. Interest expense for fiscal 2009 also includes a reduction of \$266 related to interest that had been accrued on a legal reserve that was established in the second quarter of fiscal 2007 and reversed in the third quarter of fiscal 2009 as a result of a decision of the Sixth Circuit Court of Appeals favorable to the Company. Interest expense in fiscal 2009 also includes accelerated amortization of deferred financing costs of \$259 related to the Third Amendment Agreement of the Company's Credit Agreement and the reduction of the borrowing capacity from \$120 million to \$95 million. In fiscal 2010 accelerated amortization of deferred financing costs was \$148 related to the Fourth Amendment of the Credit Agreement. There was no accelerated amortization of deferred financing costs associated with the Fifth Amendment of the Credit Agreement in September 2010.

Other expense, net was \$253 for fiscal 2010 compared to other expense, net of \$5 for fiscal 2009. Foreign currency transaction expenses related to the Company's Mexican subsidiary caused the increase in other expense in fiscal 2010 compared to fiscal 2009.

The provision for income taxes in fiscal 2010 was \$2,041 on income before taxes of \$5,902 for an effective tax rate of 34.6%. In fiscal 2009 the provision for income taxes was a benefit of \$8,694 on a loss before taxes of \$26,478 for an effective tax rate of 32.8%. The effective tax rate for fiscal 2010 and 2009 included the losses of the Company's Mexican subsidiary for which no tax benefit could be recorded, the effect of state taxes, and adjustments of previously filed tax returns.

**Net Income.** Net income for fiscal 2010 was \$3,861, or \$0.23 per share diluted. In fiscal 2009, the net loss was \$17,784 or \$1.09 per share diluted.

## **Liquidity and Capital Resources**

On August 1, 2008, the Company entered into a credit agreement with a syndicate of lenders with PNC Bank National Association, successor of National City Bank, as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent. The initial agreement provided the Company with a revolving line of credit up to \$120 million with the opportunity to borrow up to an additional \$80 million at then current market rates. The Credit Agreement also established limits for additional borrowings, dividends, investments, acquisitions or mergers and sales of assets. Borrowings under the former credit agreement were repaid with the proceeds from the new agreement.

On September 1, 2010, the Company entered into a Fifth Amendment Agreement (the "Fifth Amendment") of the Credit Agreement. The Fifth Amendment provides the Company with a revolving line of credit up to \$80 million through July 31, 2012. The Company also has the opportunity to borrow up to an additional \$80 million, at then current market rates. The Company may prepay the borrowings under the revolving credit facility without penalty. Under the Fifth Amendment, the Company has the option to select the applicable interest rate based upon two indices – a Base Rate, a daily rate based on the highest of the prime rate, the Federal Funds Open Rate plus one-half of one percent or the daily Libor Rate plus one percent, as defined in the Fifth Amendment, or the Eurodollar Rate, as defined in the Fifth Amendment. The selected index is combined with a designated margin from an agreed upon pricing matrix. At October 31, 2010, the interest rate for the revolving credit facility was at 3.26% for Eurodollar rate loans and 5.25% for base rate loans.

The Fifth Amendment requires the Company to maintain compliance with the fixed charge coverage and leverage ratio requirements. The Fifth Amendment also specifies that the leverage ratio shall not exceed 2.75 to 1.00 from July 31, 2010 through January, 2011, 2.5 to 1.00 from January 31, 2011 through July 30, 2011, 2.00 to 1.00 from July 31, 2011 to the conclusion of the Credit Agreement. Also, the Fifth Amendment specifies that the

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fixed charge coverage ratio shall not be less than 3.00 to 1.00 from July 31, 2010 through January 30, 2011, 2.50 to 1.00 from January 31, 2011 through April 29, 2011, and 2.75 to 1.00 from April 30, 2011 to the conclusion of the Credit Agreement. The Company was in compliance with the financial covenants at October 31, 2010.

The Credit Agreement specifies that upon the occurrence of an event or condition deemed to have a material adverse effect on the business or operations of the Company, as determined by the administrative agent of the lending syndicate or the required lenders, as defined, of 51% of the aggregate commitment under the Credit Agreement, the outstanding borrowings become due and payable at the option of the required lenders. The Company does not anticipate at this time any change in business conditions or operations that could be deemed a material adverse change by the lenders.

Borrowings under the Credit Agreement are collateralized by a first priority security interest in substantially all of the tangible and intangible property of the Company and its domestic subsidiaries and 65% of the stock of foreign subsidiaries.

In July 2010, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 3.85% and requires monthly payments of \$63 through April 2011. In July 2009, the Company entered into a finance agreement with an insurance broker for various insurance policies that had a fixed interest rate of 3.25% and required monthly payments of \$76 through April 2010. As of October 31, 2010 and October 31, 2009, \$451 and \$529, respectively, remained outstanding under these agreements and were classified as current debt in the Company's consolidated balance sheets.

In June 2004, the Company issued a \$2,000 promissory note to the State of Ohio related to specific machinery and equipment at one of the Company's Ohio facilities. The promissory note bears interest at 1% for the first year of the term and 3% per annum for the balance of the term, with interest only payments for the first year of the term. Principal payments began in August 2005 in the amount of \$25, and monthly principal payments continue thereafter increasing annually until July 2011, when the loan matures. The Company may prepay this promissory note without penalty. The balance due the State of Ohio at October 31, 2010 and 2009 was \$270 and \$621, respectively.

After considering letters of credit of \$1,668 that the company has issued, available funds under the Credit Agreement applying the borrowing formula described above were \$51,432 at October 31, 2010.

Scheduled repayments under the terms of the Amended Credit Agreement plus repayments of other debt for the next five years are listed below:

Year	Amended Credit Agreement	Other Debt	Total
2011	\$	\$ 721	\$ 721
2012	26,900		26,900
2013			
2014			
2015			
Total	\$ 26,900	\$ 721	\$ 27,621

At October 31, 2010, total debt was \$27,621 and total equity was \$102,179, resulting in a capitalization rate of 21.3% debt, 78.7% equity. Current assets were \$100,395 and current liabilities were \$72,545 resulting in positive working capital of \$27,850.

Cash was generated by net income and expenses charged to earnings to arrive at net income that do not require a current outlay of cash of \$32,928 in fiscal 2010 compared to cash generated of \$12,250 in fiscal 2009. The increase of \$20,678 reflects the return to profitability in fiscal 2010 compared to fiscal 2009.

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Working capital changes since October 31, 2009 consumed funds of \$3,667. During the fiscal 2010, accounts receivable have increased by \$6,757 in connection with the increased sales volume experienced in fiscal 2010. Inventory decreased by \$2,619 since the end of fiscal 2009 as inventory supply chain controls contributed to reducing inventory on the higher sales levels. Accounts payable, net have decreased \$6,129.

Capital expenditures in fiscal 2010 were \$3,853. Funds from operating activities net of capital expenditures and proceeds of asset sales were used to reduce debt by \$24,879 during fiscal 2010.

The Company continues to closely monitor business conditions that are currently affecting the automotive industry and, therefore, to closely monitor the Company's working capital position to insure adequate funds for operations. The Company anticipates that funds from operations will be adequate to meet the obligations of the Amended Credit Agreement through maturity of the agreement in July 2012, as well as pension contributions of \$4,459 during fiscal 2011, capital expenditures for fiscal 2011 and repayments of the other debt of \$721.

As of October 31, 2010 the Company has \$2,125 of commitments for capital expenditures and \$6,627 of commitments under non-cancelable operating leases. These capital expenditures in 2010 are for the support of current and new business, expected increases in existing business and enhancements of production processes.

### **Off-Balance Sheet Arrangements**

The Company does not have any off-balance sheet arrangements with unconsolidated entities or other persons.

### **New Accounting Standards**

Effective July 1, 2009, the FASB ASC (Topic 105, Generally Accepted Accounting Principles), became the single source for authoritative nongovernmental U.S. generally accepted accounting principles. During fiscal 2009, several new accounting standards became effective. These new standards are included in FASB ASC Topic 855, Subsequent Events and Topic 825, Financial Instruments. The Company has determined that the changes to these accounting standards in fiscal 2009 do not have a material effect on the Company's consolidated financial statements.

During fiscal 2011, several new accounting standards will become effective for the Company. These new standards are included in the following topics of the FASB ASC: Topic 310, Financing Receivables and Topic 605 Milestone Method of Revenue Recognition including Multiple-Deliverable Revenue Arrangements. The Company is in the process of evaluating the impact of these new standards and believes that the changes will not have a material effect on the Company's consolidated financial statements.

In December 2008, the FASB issued guidance related to ASC Topic 715, Compensation Retirement Benefits, the objective being to provide guidance on an employer's disclosure about plan assets of a defined benefit pension plan. Such disclosures should provide users of financial statements with an understanding of (i) how investment allocation decisions are made, (ii) major categories of plan assets, (iii) how fair value of plan assets are measured, (iv) the effect of fair value measurements on changes in plan assets during a period and (v) significant concentrations of risk within plan assets. For disclosures about plan assets, the requirements of the guidance is required for fiscal years ending after December 15, 2009. This guidance was adopted in fiscal 2010. Note 9 includes the application of ASC Topic 715, Compensation Retirement Benefits.

### **Effect of Inflation, Deflation**

Inflation generally affects the Company by increasing the interest expense of floating rate indebtedness and by increasing the cost of labor, equipment and raw materials. The level of inflation has not had a material effect on the Company's financial results for the past three years.

In periods of decreasing prices, deflation occurs and may also affect the Company's results of operations. With respect to steel purchases, the Company's purchases of steel through customers' resale steel programs protects recovery of the cost of steel through the selling price of the Company's products. For non-resale steel purchases, the Company coordinates the cost of steel purchases with the related selling price of the product.

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**Forward-looking Statements**

Certain statements made by the Company in this Annual Report on Form 10-K regarding earnings or general belief in the Company's expectations of future operating results are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. In particular, forward-looking statements are statements that relate to the Company's operating performance, events or developments that the Company believes or expects to occur in the future, including those that discuss strategies, goals, outlook, or other non-historical matters, or that relate to future sales, earnings expectations, cost savings, awarded sales, volume growth, earnings or general belief in the Company's expectations of future operating results. The forward-looking statements are made on the basis of management's assumptions and expectations. As a result, there can be no guarantee or assurance that these assumptions and expectations will in fact occur. The forward-looking statements are subject to risks and uncertainties that may cause actual results to materially differ from those contained in the statements. Some, but not all of the risks, include the ability of the Company to accomplish its strategic objectives with respect to implementing its sustainable business model; the ability to obtain future sales; changes in worldwide economic and political conditions, including adverse effects from terrorism or related hostilities; costs related to legal and administrative matters; the Company's ability to realize cost savings expected to offset price concessions; inefficiencies related to production and product launches that are greater than anticipated; changes in technology and technological risks; increased fuel and utility costs; work stoppages and strikes at the Company's facilities and that of the Company's customers; the Company's dependence on the automotive and heavy truck industries, which are highly cyclical; the dependence of the automotive industry on consumer spending, which is subject to the impact of domestic and international economic conditions, including increased energy costs affecting car and light truck production, and regulations and policies regarding international trade; financial and business downturns of the Company's customers or vendors, including any production cutbacks or bankruptcies; increases in the price of, or limitations on the availability of, steel, the Company's primary raw material, or decreases in the price of scrap steel; the successful launch and consumer acceptance of new vehicles for which the Company supplies parts; the occurrence of any event or condition that may be deemed a material adverse effect under the Credit Agreement; pension plan funding requirements; and other factors, uncertainties, challenges and risks detailed in the Company's other public filings with the Securities and Exchange Commission. Any or all of these risks and uncertainties could cause actual results to differ materially from those reflected in the forward-looking statements. These forward-looking statements reflect management's analysis only as of the date of the filing of this Annual Report on Form 10-K. The Company undertakes no obligation to publicly revise these forward-looking statements to reflect events or circumstances that arise after the date hereof. In addition to the disclosures contained herein, readers should carefully review risks and uncertainties contained in other documents the Company files from time to time with the Securities and Exchange Commission.



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**Item 8. Financial Statements and Supplementary Data**

**INDEX TO FINANCIAL STATEMENTS**

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<u>Consolidated Balance Sheets at October 31, 2010 and 2009</u>	24
<u>Consolidated Statements of Operations for the two years ended October 31, 2010</u>	25
<u>Consolidated Statements of Cash Flows for the two years ended October 31, 2010</u>	26
<u>Consolidated Statements of Stockholders' Equity for the two years ended October 31, 2010</u>	27
<u>Notes to Consolidated Financial Statements</u>	28

The following Financial Statement Schedule for the two years ended October 31, 2010 is included in Item 15 of this Annual Report on Form 10-K:

<b><u>Schedule II Valuation and Qualifying Accounts and Reserves</u></b>	<b>53</b>
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All other schedules are omitted because they are not applicable or the required information is shown in the financial statements or notes thereto.

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**REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM**

Board of Directors and Shareholders

Shiloh Industries, Inc.

We have audited the accompanying consolidated balance sheets of Shiloh Industries, Inc. (a Delaware corporation) and subsidiaries (the Company) as of October 31, 2010 and 2009, and the related consolidated statements of operations, stockholders' equity, and cash flows for the years then ended. Our audits of the basic financial statements included the financial statement schedule listed in the index appearing under Item 15(a)(2). These financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these 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. The Company is not required to have, nor were we engaged to perform an audit of its internal control over financial reporting. Our audit included consideration of internal control over financial reporting as a basis for designing audit procedures that are appropriate in the circumstances, but not for the purpose of expressing an opinion on the effectiveness of the Company's internal control over financial reporting. Accordingly, we express no such opinion. An audit also includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements, assessing the accounting principles used and significant estimates made by management, 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 Shiloh Industries, Inc. and subsidiaries as of October 31, 2010 and 2009, and the results of their operations and their cash flows for the years then ended in conformity with accounting principles generally accepted in the United States of America. Also in our opinion, the related financial statement schedule, when considered in relation to the basic financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

/s/ Grant Thornton LLP

Cleveland, Ohio

December 17, 2010

**Table of Contents****SHILOH INDUSTRIES, INC.****CONSOLIDATED BALANCE SHEETS**

(Dollar amounts in thousands, except per share data)

	October 31,	
	2010	2009
<b>ASSETS:</b>		
Cash and cash equivalents	\$ 34	\$ 127
Accounts receivable, net	72,076	65,008
Related party accounts receivable	984	1,295
Income tax receivable	1,163	6,546
Inventories, net	20,919	23,538
Deferred income taxes	2,631	2,124
Prepaid expenses	2,588	1,178
<b>Total current assets</b>	<b>100,395</b>	<b>99,816</b>
Property, plant and equipment, net	125,093	151,798
Deferred income taxes	1,432	
Other assets	727	817
<b>Total assets</b>	<b>\$ 227,647</b>	<b>\$ 252,431</b>
<b>LIABILITIES AND STOCKHOLDERS EQUITY:</b>		
Current debt	\$ 721	\$ 880
Accounts payable	54,172	60,301
Other accrued expenses	17,652	13,648
<b>Total current liabilities</b>	<b>72,545</b>	<b>74,829</b>
Long-term debt	26,900	51,620
Deferred income taxes		1,093
Long-term benefit liabilities	24,485	27,808
Other liabilities	1,538	1,589
<b>Total liabilities</b>	<b>125,468</b>	<b>156,939</b>
Commitments and contingencies		
Stockholders' equity:		
Preferred stock, \$.01 per share; 5,000,000 shares authorized; no shares issued and outstanding at October 31, 2010 and October 31, 2009, respectively		
Common stock, par value \$.01 per share; 25,000,000 shares authorized; 16,567,459 and 16,502,929 shares issued and outstanding at October 31, 2010 and 2009, respectively	166	165
Paid-in capital	62,317	61,344
Retained earnings	62,480	58,619
Accumulated other comprehensive loss:		
Pension related liability, net	(22,784)	(24,636)
<b>Total stockholders' equity</b>	<b>102,179</b>	<b>95,492</b>
<b>Total liabilities and stockholders' equity</b>	<b>\$ 227,647</b>	<b>\$ 252,431</b>

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

**Table of Contents****SHILOH INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF OPERATIONS****(Dollar and share amounts in thousands, except per share data)**

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
Revenues	\$ 457,272	\$ 269,381
Cost of sales	422,610	274,514
Gross profit (loss)	34,662	(5,133)
Selling, general and administrative expenses	19,916	16,429
Asset impairment charges, net	4,527	714
Restructuring charges	309	906
Operating income (loss)	9,910	(23,182)
Interest expense	3,757	3,320
Interest income	2	29
Other expense	(253)	(5)
Income (loss) before income taxes	5,902	(26,478)
Provision (benefit) for income taxes	2,041	(8,694)
Net income (loss)	\$ 3,861	\$ (17,784)
Earnings (loss) per share:		
Basic earnings (loss) per share	\$ 0.23	\$ (1.09)
Weighted average number of common shares	16,532	16,375
Diluted earnings (loss) per share	\$ 0.23	\$ (1.09)
Weighted average number of common shares	16,678	16,375

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

**Table of Contents****SHILOH INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF CASH FLOWS****(Dollar amounts in thousands)**

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>CASH FLOWS FROM OPERATING ACTIVITIES:</b>		
Net income (loss)	\$ 3,861	\$ (17,784)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	26,220	29,491
Amortization of deferred financing costs	756	507
Asset impairment charges, net	4,527	714
Deferred income taxes	(3,217)	(1,299)
Stock-based compensation expense	646	625
Loss (gain) on sale of assets	135	(4)
Changes in operating assets and liabilities:		
Accounts receivable	(6,757)	6,402
Inventories	2,619	10,674
Prepays and other assets	(1,538)	(250)
Payables and other liabilities	(3,509)	(4,169)
Income taxes receivable	5,518	(4,274)
Net cash provided by operating activities	29,261	20,633
<b>CASH FLOWS FROM INVESTING ACTIVITIES:</b>		
Capital expenditures	(3,853)	(7,304)
Proceeds from sale of assets	68	1,014
Net cash used in investing activities	(3,785)	(6,290)
<b>CASH FLOWS FROM FINANCING ACTIVITIES:</b>		
Proceeds from short-term borrowings	642	764
Repayments of short-term borrowings	(720)	(613)
Payment of capital lease		(2)
Increase (decrease) in overdraft balances	(345)	2,263
Proceeds from long-term borrowings	3,700	13,239
Repayments of long-term borrowings	(28,501)	(31,840)
Proceeds from exercise of stock options	193	250
Payment of deferred financing costs	(538)	(487)
Net cash used in financing activities	(25,569)	(16,426)
Net decrease in cash and cash equivalents	(93)	(2,083)
Cash and cash equivalents at beginning of year	127	2,210
Cash and cash equivalents at end of year	\$ 34	\$ 127

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



**Table of Contents****SHILOH INDUSTRIES, INC.****CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY**

(Dollar amounts in thousands, except per share data)

	Common Stock (\$01 Par Value)	Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Loss	Total Stockholders Equity
November 1, 2008	\$ 164	\$ 60,470	\$ 76,403	\$ (16,566)	\$ 120,471
Net loss			(17,784)		(17,784)
Pension liability, net of tax benefit of \$4,754				(8,070)	(8,070)
Comprehensive loss					(25,854)
Exercise of stock options	1	249			250
Stock options compensation cost		625			625
October 31, 2009	\$ 165	\$ 61,344	\$ 58,619	\$ (24,636)	\$ 95,492
Net income			3,861		3,861
Pension liability, net of tax effect of \$185				1,852	1,852
Comprehensive income					5,713
Exercise of stock options	1	192			193
Stock options compensation cost		646			646
Tax benefit on stock options		135			135
October 31, 2010	\$ 166	\$ 62,317	\$ 62,480	\$ (22,784)	\$ 102,179

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



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**SHILOH INDUSTRIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS**

**(Dollar amounts in thousands, except per share data)**

**Note 1 Summary of Significant Accounting Policies**

***General***

Shiloh Industries, Inc. and its subsidiaries ( the Company ) is a full service manufacturer of first operation blanks, engineered welded blanks, complex stampings and modular assemblies for the automotive, heavy truck and other industrial markets. In addition, the Company is a designer and engineer of precision tools and dies and welding and assembly equipment for use in its blanking and stamping operations and for sale to original equipment manufacturers ( OEMs ), Tier I automotive suppliers and other industrial customers. The Company s blanks, which are engineered two dimensional shapes cut from flat-rolled steel, are principally sold to automotive and truck OEMs and are used for structural and exterior steel components, such as support brackets, frame sides, fenders, hoods and doors. These blanks include first operation exposed and unexposed blanks and more advanced engineered welded blanks. Engineered welded blanks generally consist of two or more sheets of steel of the same or different material grade, thickness, or coating that are welded together utilizing both mash seam resistance and laser welding. The Company s stampings are principally used as components in mufflers, seat frames, structural rails, window lifts, heat shields, vehicle brakes and other structural body components.

The Company also builds modular assemblies, which include components used in the structural and powertrain systems of a vehicle. Structural systems include bumper beams, door impact beams, steering column supports, chassis components and structural underbody modules. Powertrain systems consist of deep draw components, such as oil pans, transmission pans and valve covers. Additionally, the Company provides a variety of intermediate steel processing services, such as oiling, leveling, cutting-to-length, multi-blanking, slitting, edge trimming of hot and cold-rolled steel coils and inventory control services for automotive and steel industry customers. The Company has fourteen wholly-owned subsidiaries at locations in Ohio, Michigan, Georgia, Tennessee and Mexico.

More than 50% of the Company s publicly traded shares of Common Stock are owned by MTD Holdings Inc and the MTD Products Inc Master Employee Benefit Trust, a trust fund established and sponsored by MTD Products, making MTD a related party of the Company.

***Principles of Consolidation***

The consolidated financial statements include the accounts of Shiloh Industries, Inc. and all wholly-owned subsidiaries. All significant intercompany transactions have been eliminated.

***Revenue Recognition***

The Company recognizes revenue both for sales from toll processing and sales of products made with Company owned steel when there is evidence of a sales agreement, the delivery of goods has occurred, the sales price is fixed or determinable and collectability of revenue is reasonably assured. The Company records revenues upon shipment of product to customers and transfer of title under standard commercial terms. Price adjustments including those arising from resolution of quality issues, price and quantity discrepancies, surcharges for fuel and/or steel and other commercial issues are recognized in the period when management believes that such amounts become probable, based on management s estimates.

***Shipping and Handling Costs***

The Company classifies all amounts billed to a customer in a sales transaction related to shipping and handling as revenue and the costs incurred by the Company for shipping and handling are classified as costs of sales.

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**SHILOH INDUSTRIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Inventories***

Inventories are valued at the lower of cost or market, using the first-in first-out ( FIFO ) method.

***Property, Plant and Equipment***

Property, plant and equipment are stated at cost. Expenditures for maintenance, repairs and renewals are charged to expense as incurred, while major improvements are capitalized. The cost of these improvements is depreciated over their estimated useful lives. Useful lives range from three to twelve years for furniture and fixtures and machinery and equipment, or if the assets are dedicated to a customer program, over the estimated life of that program, ten to twenty years for land improvements and twenty to forty years for buildings and their related improvements. Depreciation is computed using the straight-line method for financial reporting purposes and accelerated methods for income tax purposes. When assets are retired or otherwise disposed, the related cost and accumulated depreciation are removed from the accounts, and any gain or loss on the disposition is included in the earnings for the current period.

***Employee Benefit Plans***

The Company accrues the cost of defined benefit pension plans, in accordance with Statement of Financial Accounting Standards Board( FASB ) Accounting Standards codification( ASC ) Topic 715 Compensation Retirement Benefits . The plans are funded based on the requirements and limitations of the Employee Retirement Income Security Act of 1974. The majority of employees of the Company also participate in discretionary profit sharing plans administered by the Company. The Company also provides postretirement benefits to approximately 90 current employees.

***Stock-Based Compensation***

The Company records compensation cost for share-based awards based upon fair value. The Company has elected to use the simplified method of calculating the expected term of the stock options and historical volatility to compute fair value under the Black-Scholes option-pricing model. The risk-free rate for periods within the contractual life of the option is based on the U.S. zero coupon Treasury yield in effect at the time of grant. Forfeitures have been estimated based upon the Company s historical experience.

***Income Taxes***

The Company utilizes the asset and liability method in accounting for income taxes. Income tax expense includes U.S. and international income taxes minus tax credits and other incentives that will reduce tax expense in the year they are claimed. Deferred taxes are recognized at currently enacted tax rates for temporary differences between the financial accounting and income tax basis of assets and liabilities and operating losses and tax credit carryforwards. Valuation allowances are recorded to reduce net deferred tax assets to the amount that is more likely than not to be realized. The Company assesses both positive and negative evidence when measuring the need for a valuation allowance. Evidence typically assessed includes the operating results for the most recent three-year period and, to a lesser extent because of inherent uncertainty, the expectations of future profitability, available tax planning strategies, the time period over which the temporary differences will reverse and taxable income in prior carryback years if carryback is permitted under the tax law. The calculation of the Company s tax liabilities also involves dealing with uncertainties in the application of complex tax laws and regulations. The Company recognizes liabilities for uncertain income tax positions based on the Company s estimate of whether, and the extent to which, additional taxes will be required. The Company reports interest and penalties related to uncertain income tax positions as income taxes.

**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)*****Impairment***

The Company evaluates the recoverability of long-lived assets and the related estimated remaining lives whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Events or changes in circumstances which could cause an impairment include significant underperformance relative to the expected historical or projected future operating results, significant changes in the manner of the use of the acquired assets or the strategy for the overall business or significant negative industry or economic trends. The Company records an impairment or change in useful life whenever events or changes in circumstances indicate that the carrying amount of long-lived assets may not be recoverable or the useful life has changed.

***Comprehensive Income***

Comprehensive income is defined as net income(loss) and changes in stockholders' equity from non-owner sources which, for the Company in the periods presented, consists of pension related liability adjustments.

***Statement of Cash Flows Information***

Cash and cash equivalents include checking accounts and all highly liquid investments with an original maturity of three months or less.

Supplemental disclosures of cash flow information are as follows:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
Cash paid (refunded) for:		
Interest	\$ 3,157	\$ 3,261
Income taxes, net of refunds	\$ (285)	\$ (2,496)

***Concentration of Risk***

The Company sells products to customers primarily in the automotive and heavy truck industries. Financial instruments, which potentially subject the Company to concentration of credit risk, are primarily accounts receivable. The Company performs on-going credit evaluations of its customers' financial condition. The allowance for non-collection of accounts receivable is based on the expected collectability of all accounts receivable. Losses have historically been within management's expectations. The Company does not have financial instruments with off-balance sheet risk. Refer to Note 14 Business Segment Information for discussion of concentration of revenues.

As of October 31, 2010, the Company had approximately 1,250 employees. A total of approximately 127 employees at two of the Company's subsidiaries are covered by two collective bargaining agreements that are due to expire in June 2011 and November 2014, respectively.

***Fair Value of Financial Instruments***

The carrying amounts of cash and cash equivalents, trade receivables and payables approximate fair value because of the short maturity of those instruments. The carrying value of the Company's debt is considered to approximate the fair value of these instruments based on the borrowing rates currently available to the Company for loans with similar terms and maturities.

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**SHILOH INDUSTRIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

***Derivative Financial Instruments***

The Company does not engage in derivatives trading, market-making or other speculative activities. The intent of any contracts entered by the Company is to reduce exposure to currency movements affecting foreign currency purchase commitments. The Company's risks related to foreign currency exchange risks have historically not been material. The Company does not expect the effects of these risks to be material in the future based on current operating and economic conditions in the countries and markets in which it operates. These contracts are marked-to-market and the resulting gain or loss is recorded in the consolidated statements of operations. As of October 31, 2010 and 2009, there were no foreign currency forward exchange contracts outstanding.

***Guarantees***

The Company has certain indemnification clauses within its credit facility and certain lease agreements that are considered to be guarantees within the scope of FASB ASC Topic 460, *Guarantees*. The Company does not consider these guarantees to be probable and the Company cannot estimate the maximum exposure. Additionally, the Company's exposure to warranty-related obligations is not material.

***Accounting Estimates***

The preparation of consolidated financial statements in conformity with accounting principles generally accepted in the United States of America requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. On an ongoing basis, management reviews its estimates based upon current available information. Actual results could differ from those estimates.

***Other New Accounting Standards***

Effective July 1, 2009, the FASB ASC (Topic 105, *Generally Accepted Accounting Principles*), became the single source for authoritative nongovernmental U.S. generally accepted accounting principles. During fiscal 2009, several new accounting standards became effective. These new standards are included in FASB ASC Topic 855, *Subsequent Events* and Topic 825, *Financial Instruments*. The Company has determined that the changes to these accounting standards in fiscal 2009 do not have a material effect on the Company's consolidated financial statements.

During fiscal 2011, several new accounting standards will become effective for the Company. These new standards are included in the following topics of the FASB ASC: Topic 310, *Financing Receivables* and Topic 605 *Milestone Method of Revenue Recognition including Multiple-Deliverable Revenue Arrangements*. The Company is in the process of evaluating the impact of these new standards and believes that the changes will not have a material effect on the Company's consolidated financial statements.

In December 2008, the FASB issued guidance related to ASC Topic 715, *Compensation Retirement Benefits*, the objective being to provide guidance on an employer's disclosure about plan assets of a defined benefit pension plan. Such disclosures should provide users of financial statements with an understanding of (i) how investment allocation decisions are made, (ii) major categories of plan assets, (iii) how fair value of plan assets are measured, (iv) the effect of fair value measurements on changes in plan assets during a period and (v) significant concentrations of risk within plan assets. For disclosures about plan assets, the requirements of the guidance is required for fiscal years ending after December 15, 2009. This guidance was adopted in fiscal 2010. Note 9 includes the application of ASC Topic 715, *Compensation Retirement Benefits*.

**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 2 Asset Impairment and Restructuring Charges**

During the fourth quarter of fiscal 2010, the Board of Directors approved the Company's plan to purchase a plant site in Bowling Green, Kentucky for the manufacture of first operation precision blanks and other complementary products that are currently manufactured at the Company's plant in Mansfield, Ohio. The plan also includes the transfer of other Mansfield business to the Company's Medina Blanking facility in Valley City, Ohio. The Company will, therefore, close the operations of its Mansfield Blanking Division during fiscal 2011 as its work is relocated to these other plants. The Company will relocate certain machinery and equipment to Bowling Green or Valley City to support the ongoing business and to service the new business in the Kentucky area. As a result, the Company recorded an impairment charge of \$2,480 to reduce long lived assets that will not be transferred to their estimated fair value. The fair value of machinery and equipment, as determined using level 3 inputs, was zero as the items are worn equipment for which the Company had no further use and they have limited use and limited value in the used equipment market. The Mansfield real property was reduced by \$2,095 to a fair value of \$3,300 based on an independent assessment by a real estate firm that considered recent sales of similar properties, tax valuation, and replacement cost value. The Company also recorded a restructuring charge of \$309 representing the curtailment of the retirement plan of Mansfield Blanking employees. Recovery of previously impaired assets from the sale of equipment from a former Company facility of \$48 reduced the Mansfield impairment charge to a net amount of \$4,527.

In March 2009, management presented to the Board of Directors its plan to close the operations of its Liverpool Manufacturing Division due to declining levels of sales and the Board approved the plan. The Company therefore relocated certain machinery and equipment to another of the Company's plants to service business that continued and closed operations at Liverpool. As a result, the Company recorded an impairment charge of \$1,644 to reduce long-lived assets that will not be transferred to their estimated fair value. The estimated fair value of the assets was zero because, similar to Mansfield, the assets were worn machinery and equipment for which the Company had no further use and have a limited use and limited value in a used equipment market. The Company also recorded a restructuring charge of \$906 based on a negotiated settlement for approximately 100 employees for severance, health insurance, and curtailment of the retirement plan of the Liverpool Manufacturing employees. Recoveries of previously impaired assets from the sale of equipment of the Cleveland Stamping facility in fiscal 2009 of \$930 resulted in a net impairment charge of \$714 for fiscal 2009.

A summary of the charges included in the accompanying consolidated statements of operations for fiscal 2010 and 2009, is below.

	2010	2009
Asset impairment	\$ 4,527	\$ 714
Restructuring Severance and benefits	\$	\$ 581
Restructuring Pension curtailment	309	325
	\$ 309	\$ 906

An analysis of restructuring charges and related reserves of the Company for fiscal 2009 is as follows:

	Restructuring Reserves at October 31, 2008	Restructuring Charges	Cash Payments	Restructuring Reserves at October 31, 2009
Restructuring Severance and benefits	\$	\$ 581	\$ (581)	\$



**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 3 Accounts Receivable**

Accounts receivable are expected to be collected within one year and are net of an allowance for doubtful accounts in the amount of \$209 and \$729 at October 31, 2010 and 2009, respectively. The Company recognized net bad debt expense (credit) of \$(41) and \$374 during fiscal 2010 and 2009, respectively, in the consolidated statements of operations.

The Company continually monitors its exposure with its customers and additional consideration is given to individual accounts in light of the market conditions in the automotive industry.

**Note 4 Inventories**

	October 31,	
	2010	2009
Inventories consist of the following:		
Raw materials	\$ 8,009	\$ 8,746
Work-in-process	5,246	5,696
Finished goods	6,321	6,393
<b>Total material</b>	<b>19,576</b>	<b>20,835</b>
Tooling	1,343	2,703
<b>Total inventory</b>	<b>\$ 20,919</b>	<b>\$ 23,538</b>

Total cost of inventory is net of reserves to reduce certain inventory from cost to net realizable value. Such reserves aggregated \$1,393 and \$1,385 at October 31, 2010 and 2009, respectively.

**Note 5 Other Assets**

	October 31,	
	2010	2009
Other assets consist of the following:		
Deferred financing costs	\$ 526	\$ 744
Other	201	73
<b>Total</b>	<b>\$ 727</b>	<b>\$ 817</b>

Deferred financing costs are amortized over the term of the debt. During fiscal 2010 and 2009, amortization of these costs amounted to \$756 and \$507, respectively. Accumulated amortization was \$1,334 and \$578 as of October 31, 2010 and 2009, respectively. In July 2009, the Company recorded additional amortization of prior deferred financing costs of \$259 as a result of entering into the Third Amendment of the Credit Agreement and capitalized \$487 of new costs incurred in conjunction with the completion of the Third Amendment. In November 2009, the Company recorded additional amortization of prior deferred financing costs of \$148 as a result of entering into the Fourth Amendment of the Credit Agreement and capitalized \$370 of the new costs incurred in conjunction with the completion of the Fourth Amendment. In September 2010, the Company completed the Fifth Amendment of the Credit Agreement and capitalized \$168 of new costs as a result of the Fifth Amendment with no additional amortization required.





**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 6 Property, Plant and Equipment**

Property, plant and equipment consist of the following:

	October 31,	
	2010	2009
Land	\$ 8,460	\$ 8,635
Buildings and improvements	102,671	102,330
Machinery and equipment	339,931	339,473
Furniture and fixtures	11,029	10,359
Construction in progress	3,106	6,174
Total, at cost	465,197	466,971
Less: Accumulated depreciation	340,104	315,173
Property, plant and equipment, net	\$ 125,093	\$ 151,798

Depreciation expense was \$26,220 and \$29,491 in fiscal 2010 and 2009, respectively.

During the years ended October 31, 2010 and 2009, interest capitalized as part of property, plant and equipment was \$42 and \$254, respectively. The Company had unpaid capital expenditures of approximately \$281 and \$154 at October 31, 2010 and 2009, respectively, and such amounts are included in accounts payable at those dates and excluded from capital expenditures in the accompanying consolidated statements of cash flows for the fiscal years 2010 and 2009. The Company has commitments for capital expenditures of \$2,125 at October 31, 2010 that will be incurred in 2011.

**Note 7 Financing Arrangements**

Debt consists of the following:

	October 31,	
	2010	2009
Credit Agreement interest at 3.47% and 7.02% at October 31, 2010 and 2009, respectively	\$ 26,900	\$ 51,350
Insurance broker financing agreement	451	529
State of Ohio promissory note	270	621
Total debt	27,621	52,500
Less: Current debt	721	880
Total long-term debt	\$ 26,900	\$ 51,620

The weighted average interest rate of all debt was 6.51% and 4.55% for fiscal years 2010 and 2009, respectively.

On August 1, 2008, the Company entered into a credit agreement with a syndicate of lenders with PNC Bank National Association, successor of National City Bank, as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent. The initial agreement provided the Company with a revolving line of credit up to \$120 million with the opportunity to

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borrow up to an additional \$80 million at then current market rates. The Credit Agreement also established limits for additional borrowings, dividends, investments, acquisitions or mergers and sales of assets. Borrowings under the former credit agreement were repaid with the proceeds from the new agreement.

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**SHILOH INDUSTRIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

On September 1, 2010, the Company entered into a Fifth Amendment Agreement (the Fifth Amendment) of the Credit Agreement. The Fifth Amendment provides the Company with a revolving line of credit up to \$80 million through July 31, 2012. The Company also has the opportunity to borrow up to an additional \$80 million, at then current market rates. The Company may prepay the borrowings under the revolving credit facility without penalty. Under the Fifth Amendment, the Company has the option to select the applicable interest rate based upon two indices a Base Rate, a daily rate based on the highest of the prime rate, the Federal Funds Open Rate plus one-half of one percent or the daily Libor Rate plus one percent, as defined in the Fifth Amendment, or the Eurodollar Rate, as defined in the Fifth Amendment. The selected index is combined with a designated margin from an agreed upon pricing matrix. At October 31, 2010, the interest rate for the revolving credit facility was at 3.26% for Eurodollar rate loans and 5.25% for base rate loans.

The Fifth Amendment requires the Company to maintain compliance with the fixed charge coverage and leverage ratio requirements. The Fifth Amendment also specifies that the leverage ratio shall not exceed 2.75 to 1.00 from July 31, 2010 through January, 2011, 2.5 to 1.00 from January 31, 2011 through July 30, 2011, 2.00 to 1.00 from July 31, 2011 to the conclusion of the Credit Agreement. Also, the Fifth Amendment specifies that the fixed charge coverage ratio shall not be less than 3.00 to 1.00 from July 31, 2010 through January 30, 2011, 2.50 to 1.00 from January 31, 2011 through April 29, 2011, and 2.75 to 1.00 from April 30, 2011 to the conclusion of the Credit Agreement. The Company was in compliance with the financial covenants at October 31, 2010.

The Credit Agreement specifies that upon the occurrence of an event or condition deemed to have a material adverse effect on the business or operations of the Company, as determined by the administrative agent of the lending syndicate or the required lenders, as defined, of 51% of the aggregate commitment under the Credit Agreement, the outstanding borrowings become due and payable at the option of the required lenders. The Company does not anticipate at this time any change in business conditions or operations that could be deemed a material adverse change by the lenders.

Borrowings under the Credit Agreement are collateralized by a first priority security interest in substantially all of the tangible and intangible property of the Company and its domestic subsidiaries and 65% of the stock of foreign subsidiaries.

In July 2010, the Company entered into a finance agreement with an insurance broker for various insurance policies that bears interest at a fixed rate of 3.85% and requires monthly payments of \$63 through April 2011. In July 2009, the Company entered into a finance agreement with an insurance broker for various insurance policies which had a fixed rate of 3.25% and required monthly payments of \$76 through April 2010. As of October 31, 2010 and October 31, 2009, \$451 and \$529, respectively, remained outstanding under these agreements and were classified as current debt in the Company's consolidated balance sheets.

In June 2004, the Company issued a \$2,000 promissory note to the State of Ohio related to specific machinery and equipment at one of the Company's Ohio facilities. The promissory note bears interest at 1% for the first year of the term and 3% per annum for the balance of the term, with interest only payments for the first year of the term. Principal payments began in August 2005 in the amount of \$25, and monthly principal payments continue thereafter increasing annually until July 2011, when the loan matures. The Company may prepay this promissory note without penalty. The balance due the State of Ohio at October 31, 2010 and 2009 was \$270 and \$621, respectively.

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Scheduled repayments under the terms of the Amended Credit Agreement plus repayments of other debt for the next five years are listed below:

<b>Year</b>	<b>Amended Credit Agreement</b>	<b>Other Debt</b>	<b>Total</b>
2011	\$	721	721
2012	26,900		26,900
2013			
2014			
2015			
<b>Total</b>	\$ 26,900	\$ 721	\$ 27,621

After considering letters of credit of \$1,668 that the Company has issued, available funds under the Credit Agreement were \$51,432 at October 31, 2010.

**Note 8 Operating Leases**

The Company leases material handling, manufacturing and office equipment under operating leases with terms that ranged from three to ten years at inception. The leases do not include step rent provisions, escalation clauses, capital improvement funding or other lease concessions that qualify the leases as a contingent rental. Also, the leases do not include a variable related to a published index. The Company's operating leases are charged to expense over the lease term, on a straight-line basis.

The longest lease term of the Company's current leases extends to November 2013. Rent expense under operating leases for fiscal years 2010 and 2009 was \$2,997 and \$3,142, respectively. Future minimum lease payments under operating leases are as follows at October 31, 2010:

2011	\$ 2,246
2012	2,123
2013	2,064
2014	194
2015	0
2016	0

**Note 9 Employee Benefit Plans**

The Company maintains pension plans covering its employees. The Company also provides an unfunded postretirement health care benefit plan for approximately 90 employees and their dependents. The measurement date for the Company's employee benefit plans coincides with its fiscal year end, October 31.

**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Obligations and Funded Status**

At October 31

	Pension Benefits		Other Post Retirement Benefits	
	2010	2009	2010	2009
Change in benefit obligation:				
Benefit obligation at beginning of year	\$ (68,234)	\$ (52,457)	\$ (677)	\$ (484)
Service cost	(175)	(331)	(6)	(5)
Interest cost	(3,802)	(4,069)	(36)	(37)
Amendments and settlements		267		68
Actuarial gain (loss)	(2,392)	(14,852)	36	(316)
Benefits paid	3,691	3,208	93	97
Benefit obligation at end of year	(70,912)	(68,234)	(590)	(677)
Change in plan assets:				
Fair value of plan assets at beginning of year	39,300	39,044		
Actual return on plan assets	5,288	3,194		
Employer contributions	1,591	270	93	97
Benefits paid	(3,691)	(3,208)	(93)	(97)
Fair value of plan assets at end of year	42,488	39,300		
Funded status, benefit obligations in excess of plan assets	\$ (28,424)	\$ (28,934)	\$ (590)	\$ (677)

The above amounts are recorded in the liabilities section of the consolidated balance sheets as follows:

	Pension Benefits		Other Post Retirement Benefits	
	2010	2009	2010	2009
Other accrued expenses	\$ (4,459)	\$ (1,716)	\$ (70)	\$ (87)
Long-term benefit liabilities	(23,965)	(27,218)	(520)	(590)
Total	\$ (28,424)	\$ (28,934)	\$ (590)	\$ (677)

**Components of Net Periodic Benefit Cost**

	Pension Benefits		Other Post Retirement Benefits	
	2010	2009	2010	2009
Service cost	\$ 175	\$ 331	\$ 6	\$ 5
Interest cost	3,802	4,069	36	37

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Expected return on plan assets	(2,582)	(2,777)		
Amortization of prior service cost	55	73		(173)
Amortization of transition loss		7		
Plan curtailments	309	325		
Amortization of net actuarial loss	1,262	1,200	62	162
Net periodic benefit cost	\$ 3,021	\$ 3,228	\$ 104	\$ 31

**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Expense includes the curtailment of the retirement plans of the Mansfield Blanking employees in fiscal 2010 and the Liverpool Manufacturing employees in fiscal 2009. See Note 2 for a discussion of the closure of the plants.

The Company expects to recognize in the consolidated statement of operations the following amounts that will be amortized from accumulated other comprehensive income in fiscal 2011:

	<b>Pension Benefits</b>	<b>Other Post Retirement Benefits</b>
Amortization of net actuarial loss	\$ 1,245	\$ 61

The Company has recognized the following pre-tax actuarial losses, prior service costs and transition obligations in accumulated other comprehensive income:

	<b>Pension Benefits</b>		<b>Other Post Retirement Benefits</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Net actuarial loss	\$ 35,898	\$ 37,473	\$ 559	\$ 656
Prior service cost		364		
Accumulated other comprehensive income	\$ 35,898	\$ 37,837	\$ 559	\$ 656

**Additional Information**

	<b>Pension Benefits</b>		<b>Other Post Retirement Benefits</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
Increase (decrease) in minimum liability included in other comprehensive income	\$ 1,939	\$ (12,565)	\$ 98	\$ (259)

**Assumptions**

<b>Weighted-average assumptions used</b>	<b>Pension Benefits</b>		<b>Other Post Retirement Benefits</b>	
	<b>2010</b>	<b>2009</b>	<b>2010</b>	<b>2009</b>
<b>to determine benefit obligations at October 31</b>				
Discount rate	5.50%	5.75%	5.50%	5.75%
Rate of compensation increase				

<b>Weighted-average assumptions used to determine net</b>	<b>Pension Benefits</b>	<b>Other Post Retirement</b>
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periodic benefit costs for years ended October 31

	Benefits			
	2010	2009	2010	2009
Discount rate	5.75%	8.00%	5.75%	8.00%
Expected long-term return on plan assets	7.50%	7.25-7.50%		
Rate of compensation increase				

These assumptions are used to develop the projected obligation at fiscal year end and to develop net periodic benefit cost for the subsequent fiscal year. Therefore, for fiscal 2010, the assumptions used to determine net periodic benefit costs were established at October 31, 2009, while the assumptions used to determine the benefit



**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

obligations were established at October 31, 2010. Beginning in 2010, the Principal Pension Discount Yield Curve ( Principal Curve ) has replaced the Citigroup Pension Discount Curve ( Citigroup Curve ) as the basis for determining the discount rate for reporting pension and retiree medical liabilities. The Principal Curve has several advantages to the Citigroup Curve including: transparency of construction, lower statistical errors, and continuous forward rates for all years. At October 31, 2010 the resulting discount rate from the use of the Principal Curve was 5.50%, a decrease of .25% from a year ago that resulted in an increase of the benefit obligation of approximately \$1,800.

The Company determines the annual rate of return on pension assets by first analyzing the composition of its asset portfolio. Historical rates of return are applied to the portfolio. The Company's outside investment advisors and actuaries review the computed rate of return. Industry comparables and other outside guidance are also considered in the annual selection of the expected rates of return on pension assets.

<b>Assumed health care trend rates at October 31</b>	<b>2010</b>	<b>2009</b>
Health care cost trend rate assumed for next year	9.0%	6.0%
Rate to which the cost trend rate is assumed to decline (the ultimate trend rate)	8.0%	5.0%
Year that the rate reaches the ultimate trend rate	2012	2011

Assumed healthcare cost trend rates have a significant effect on the amounts reported for the healthcare plan. The Company's trend rate was based on reduced health care claims experienced by a small and declining retiree population. A one-percentage point change in assumed healthcare cost trend rates would have the following effects at October 31, 2010:

	<b>One-Percentage Point Increase</b>	<b>One-Percentage Point Decrease</b>
Effect on total of service and interest cost components	\$ 4	\$ (4)
Effect on post retirement obligation	\$ 30	\$ (31)

**Plan Assets**

The Company has established a targeted asset allocation percentage by asset category and rebalances the assets of each plan when pension contributions are funded. The Company's pension plan weighted-average asset allocations at October 31, 2010 and 2009, by asset category and comparison to the target allocation percentage are as follows:

<b>Asset Category</b>	<b>Target Allocation Percentage</b>	<b>Plan Assets at October 31,</b>	
		<b>2010</b>	<b>2009</b>
Equity securities	0-70%	66%	65%
Debt securities	0-70%	29%	29%
Real estate	0-10%	5%	6%
<b>Total</b>		<b>100%</b>	<b>100%</b>

The Company's investment policy for assets of the plans is to obtain a reasonable long-term return consistent with the level of risk assumed. The Company also seeks to control the cost of funding the plans within prudent levels of risk through the investment of plan assets and the Company seeks to provide diversification of assets in an effort to avoid the risk of large losses and to maximize the return to the plans consistent with market and economic risk.

**Fair Value**

The plans' investments are reported at fair value. Purchases and sales of securities are recorded on a trade-date basis. Dividends are recorded on the ex-dividend date.

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**SHILOH INDUSTRIES, INC.**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

Fair value is the price that would be received by the plans for an asset or paid by the plans to transfer a liability (an exit price) in an orderly transaction between market participants on the measurement date in the plans' principal or most advantageous market for the asset or liability. Fair value measurements are determined by maximizing the use of observable inputs and minimize the use of unobservable inputs when measuring fair value. The hierarchy places the highest priority on unadjusted quoted market prices in active markets for identical assets or liabilities (level 1 measurements) and gives the lowest priority to unobservable inputs (level 3 measurements). The three levels of inputs within the fair value hierarchy are defined as follows:

Level 1: Quoted prices (unadjusted) for identical assets or liabilities in active markets that the plans have the ability to access as of the measurement date.

Level 2: Significant other observable inputs other than level 1 prices such as quoted prices for similar assets or liabilities; quoted prices in markets that are not active; or other inputs that are observable or can be corroborated by observable market data.

Level 3: Significant unobservable inputs that reflect the plans' own assumptions about the assumptions that market participants would use in pricing an asset or liability.

In some cases, a valuation technique used to measure fair value may include inputs from multiple levels of the fair value hierarchy. The lowest level of significant input determines the placement of the entire fair value measurement in the hierarchy.

The following descriptions of the valuation methods and assumptions used by the plans to estimate the fair values of investments apply to investments held directly by the plans.

*Mutual funds:* The fair values of mutual fund investments are determined by obtaining quoted prices on nationally recognized securities exchanges (level 1 inputs).

*Pooled separate accounts:* The fair values of participation units held in pooled separate accounts are based on their net asset values, as reported by the managers of the pooled separate accounts as supported by the unit prices of actual purchase and sale transactions occurring as of or close to the financial statement date (level 2 inputs). With the exception of the Principal U.S. Property Separate Account, a fund sponsored by Principal Financial Group, investment and actuarial advisors of the Company, each of the pooled separate accounts invests in multiple securities. With the exception of the Principal U.S. Property Separate Account, each pooled separate account provides for daily redemptions by the plans with no advance notice requirements, and has redemption prices that are determined by the fund's net asset value per unit. Due to illiquidity of the underlying assets of the Principal U.S. Property Separate Account, which is an open-end, commingled real estate account and a separate account of Principal Life Insurance Company (Principal), Principal has imposed a withdrawal limitation which delays the payment of withdrawal requests and provides for payment of such requests on a pro rata basis as cash becomes available for distribution, as determined by Principal. While the fair value of the plans' interest in the Principal U.S. Property Separate Account has been determined based upon the net asset value of the Principal U.S. Property Separate Account, this fair value measurement is reported as including level 3 inputs because of the nature of the redemption restrictions.

The methods described above may produce a fair value calculation that may not be indicative of net realizable value or reflective of future fair values. Furthermore, while the Company believes its valuation methods are appropriate and consistent with other market participants, the use of different methodologies or assumptions to determine the fair value of certain financial instruments could result in a different fair value measurement at the reporting date.

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Investments totaling \$42,488 at October 31, 2010 measured at fair value on a recurring basis are summarized below:

	Fair Value Measurements at October 31, 2010 Using		
	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
Investments			
Equity			
Large U.S Equity	\$ 15,201	\$ 1,721	
Small/Mid U.S. Equity	1,069	4,752	
International Equity	2,173	3,019	
Fixed Income			
Government		246	
Corporate	5,891	6,387	
Real Estate (Primarily Commercial)			\$ 2,029
Total investments	\$ 24,334	\$ 16,125	\$ 2,029

The table below presents a reconciliation of all investments measured at fair value on a recurring basis using significant unobservable inputs (level 3) for the year ended October 31, 2010, including the reporting classifications for the applicable gains and losses.

	Fair Value Measurements Using Significant Unobservable Inputs (Level 3) Pooled Separate Account Real Estate
Balance, November 1, 2009	\$ 2,469
Total unrealized gains or losses included in change in net assets available for benefits of the plans:	
Net unrealized appreciation relating to assets held at end of year	(440)
Balance, October 31, 2010	\$ 2,029

**Cash Flows****Contributions**

The Company expects to contribute \$4,459 to its pension plans in fiscal 2011, compared to \$1,716 funded in fiscal 2010. Investment performance in late fiscal 2008 resulted in reduced values of the plans' investments. As a result, pension expense for fiscal 2010 increased as a result of amortization of deferred investment losses. Funding of pension obligations will also increase for plan year 2011 as a result of continuing to recover from the lower ratio of plan assets to plan liabilities as of October 31, 2008.



**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Estimated Future Benefit Payments**

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid by the plans:

	<b>Pension Benefits</b>	<b>Other Benefits</b>
2011	\$ 2,890	\$ 70
2012	3,310	56
2013	3,250	64
2014	3,490	65
2015	3,790	66
2016-2020	22,010	264

**Defined Contribution Plans**

In addition to the defined benefit plans described above, the Company maintains a number of defined contribution plans. Under the terms of the plans, eligible employees may contribute a selected percentage of their base pay. The Company matches a percentage of the employees contributions up to a stated percentage, subject to statutory limitations. During fiscal 2007, the Company began automatically enrolling new employees in the defined contribution plan as well as automatically increasing employee contributions by 1% annually, unless the employee opts out of the enrollment or contribution increases. Additionally, the Company increased the match of employee contributions to 100% of the first 3% of employee deferrals, and to contribute an additional 50% of deferrals of 4-5% of employee contributions. For fiscal 2009 and 2010, the Company temporarily suspended the match of employee contributions in recognition of the economic conditions that were affecting the automotive industry and the Company at that time. Therefore, the Company recorded no expense during fiscal years 2010 and 2009 for its defined contribution plans. Effective November 1, 2010, the Company reinstated the matching program.

**Note 10 Earnings Per Share**

Basic earnings per share is computed by dividing net income available to common stockholders by the weighted average number of shares of Common Stock outstanding during the period. In addition, the shares of Common Stock issuable pursuant to stock options outstanding under the Company's Amended and Restated 1993 Key Employee Stock Incentive Plan are included in the diluted earnings per share calculation to the extent they are dilutive. For the years ended October 31, 2010 and 2009, 457 and 777 stock options, respectively, were excluded from the computation of diluted earnings per share because they were anti-dilutive. The following is a reconciliation of the numerator and denominator of the basic and diluted earnings per share computation for net income (loss) per share:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
	<b>(Amounts in thousands, except per share data)</b>	
Net income (loss) available to common stockholders	\$ 3,861	\$ (17,784)
Basic weighted average shares	16,532	16,375
Effect of dilutive securities:		
Stock options	146	
Diluted weighted average shares	16,678	16,375
Basic earnings (loss) per share	\$ 0.23	\$ (1.09)

Diluted earnings (loss) per share	\$ 0.23	\$ (1.09)
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**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 11 Stock Options and Incentive Compensation*****1993 Key Employee Stock Incentive Plan***

The Company maintains the Amended and Restated 1993 Key Employee Stock Incentive Program (as amended and restated December 12, 2002 and December 10, 2009) (the Incentive Plan), which authorizes grants to officers and other key employees of the Company and its subsidiaries (i) stock options that are intended to qualify as incentive stock options, (ii) nonqualified stock options and (iii) restricted stock awards. An aggregate of 2,700,000 shares of Common Stock at an exercise price equal to 100% of the market value on the date of grant, subject to adjustment upon occurrence of certain events to prevent dilution or expansion of the rights of participants that might otherwise result from the occurrence of such events, has been reserved for issuance upon the exercise of stock options. An individual award is limited to 500,000 shares in a five-year period.

Non-qualified stock options and incentive stock options have been granted to date and all options have been granted at market price at the date of grant. Options expire over a period not to exceed ten years from the date of grant and vest ratably over a three year period. A summary of option activity under the plan follows:

	Number of Shares Under Option	Weighted Average Option Price
Outstanding at November 1, 2008	335,734	\$ 8.29
Granted	657,900	\$ 3.78
Exercised	(147,062)	\$ 1.70
Canceled	(69,767)	\$ 6.51
Outstanding at October 31, 2009	776,805	\$ 5.88
Granted		
Exercised	(65,780)	\$ 3.11
Canceled	(27,333)	\$ 6.30
Outstanding at October 31, 2010	683,692	\$ 6.13

There were 282,047 options exercisable as of October 31, 2010 with a weighted average exercise price of \$9.27. At October 31, 2010 options outstanding had an intrinsic value of \$3,283 and options exercisable had an intrinsic value of \$811. Options that have an exercise price greater than the market price on October 31, 2010 were excluded from the intrinsic value computation. The intrinsic value of options exercised during fiscal 2010 and 2009 was \$281 and \$368, respectively.

The following table provides additional information regarding options outstanding as of October 31, 2010:

Exercise Prices	Options Outstanding	Exercise Price of Options Outstanding and Options Exercisable	Options Exercisable	Weighted Average Remaining Contractual Life
\$8.96	7,004	\$ 8.96	7,004	3.99
\$13.06	20,000	\$ 13.06	20,000	4.99
\$14.74	112,000	\$ 14.74	112,000	6.29
\$8.83	8,667	\$ 8.83	5,334	7.32



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\$2.11	201,486	\$	2.11	36,975	8.12
\$2.33	25,000	\$	2.33	8,333	3.12
\$5.30	281,752	\$	5.30	83,140	8.78
\$5.83	27,783	\$	5.83	9,261	3.78
Totals	683,692			282,047	

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For the fiscal years ended October 31, 2010 and 2009, the Company recorded compensation expense related to the stock options currently vesting, effectively reducing pretax income by \$646 and \$625, respectively. The impact on earnings per share for each of the fiscal years ended October 31, 2010 and 2009 was a reduction of \$.03 per share basic and diluted. The total compensation cost related to nonvested awards not yet recognized as of October 31, 2010 and 2009 is a total of \$782 and \$1,429, respectively, which will be recognized over the next two fiscal years.

The fair value of these options was estimated at the date of grant using the Black-Scholes option-pricing model with the following weighted average assumptions used for grants awarded during fiscal year 2009:

	<b>2009</b>
Risk-free interest	2.70%
Dividend yield	0.00%
Volatility factor market	85.81%
Expected life of options years	5.9

There were no stock options granted during fiscal year 2010. Based upon the preceding assumptions, the weighted average fair values of stock options granted during fiscal year 2009 was \$2.78 per share.

**Executive Incentive Bonus Plans**

The Company maintains a Senior Management Bonus Plan (the Management Plan) to provide the Chief Executive Officer, the Chief Financial Officer, the Senior Vice President and Chief Technology Officer, the Vice President of Manufacturing Operations and the Vice President of Sales and Business Development incentives for superior performance. The Management Plan, which was reapproved by the stockholders of the Company and is administered by the Compensation Committee of the Board of Directors, entitles the executives to be paid a cash bonus based upon the attainment of objective performance criteria established annually by the Compensation Committee. In accordance with the Plan, the Compensation Committee has typically established performance goals. However, because of the economic conditions that were affecting the automotive industry during 2008, 2009, and the beginning of 2010, a cash bonus for the executives who are members of the Management Plan was not earned in fiscal 2009 and performance criteria were not established for 2010.

The Company maintains a Short-Term Incentive Plan (the Bonus Plan), which provides annual incentive bonuses to its eligible employees (other than those employees that participate in the Management Plan). The Bonus Plan provides for an aggregate bonus pool as determined annually by the Compensation Committee and approved by the Board of Directors. Payments are made to participants of the Bonus Plan based upon the achievement of defined objectives. In the case of corporate executives eligible for the Bonus Plan, 65% of the incentive depends upon meeting the goals for Company performance and 35% of the incentive depends upon specific goals established by the Chief Executive Officer. Finally, in the case of the remaining employees eligible for the Bonus Plan, 35% of the incentive depends upon meeting the operating targets of the employees operating unit established by the Chief Executive Officer, 35% is based upon attaining the corporate goals for Company performance and 30% of the incentive depends upon specific goals as established by the Chief Executive Officer.

**Note 12 Income Taxes**

Income (loss) before income taxes consists of the following:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
Domestic	\$ 6,640	\$ (23,868)
Foreign	(738)	(2,610)

Total	\$ 5,902	\$ (26,478)
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The components of the provision for income taxes from continuing operations were as follows:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Current:</b>		
Federal	\$ 4,929	\$ (7,525)
State and local	212	(46)
Foreign	114	143
<b>Total current</b>	<b>5,255</b>	<b>(7,428)</b>
<b>Deferred:</b>		
Federal	(3,369)	(1,115)
State and local	147	(131)
Foreign	8	(20)
<b>Total deferred</b>	<b>(3,214)</b>	<b>(1,266)</b>
	<b>\$ 2,041</b>	<b>\$ (8,694)</b>

Temporary differences and carryforwards which give rise to deferred tax assets and liabilities were comprised of the following:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
<b>Deferred tax assets:</b>		
Accrued compensation and benefits	\$ 949	\$ 1,107
Inventory	718	686
State income credits and loss carryforwards	1,220	1,124
Pension obligations and post retirement benefits	9,685	10,268
Foreign net operating loss	3,452	2,480
Tax credits in foreign countries	901	1,011
Other accruals and reserves	2,228	1,686
Goodwill amortization	171	340
	19,324	18,702
Less: Valuation allowance	(4,499)	(4,705)
<b>Total deferred tax assets</b>	<b>14,825</b>	<b>13,997</b>
<b>Deferred tax liabilities:</b>		
Fixed assets	(10,361)	(12,539)
Prepaid expenses and other	(401)	(427)
<b>Net deferred tax asset</b>	<b>\$ 4,063</b>	<b>\$ 1,031</b>
<b>Change in net deferred tax asset:</b>		
Provision for deferred taxes	\$ 3,214	\$ 1,266

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Other	3	33
Components of other comprehensive income:		
Pension and post retirement benefits	(185)	4,754
Total change in net deferred tax asset	\$ 3,032	\$ 6,053

**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

The Company recognizes the financial statement benefit of a tax position only after determining that the relevant tax authority would more likely than not sustain the position. For tax positions meeting the more-likely-than-not threshold, the amount recognized in the financial statements is the largest benefit that has a greater than 50 percent likelihood of being realized upon ultimate settlement with the relevant tax authority.

Activities and balances of unrecognized tax benefits for 2010 and 2009 are summarized below:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
Balance at beginning of year	\$ 826	\$ 1,470
Additions based on tax positions related to the current year	124	
Reductions based on tax positions related to the current year		(19)
Additions for tax positions of prior years	8	9
Reductions for tax positions of prior years	(4)	(253)
Reductions as result of lapse of applicable statute of limitations	(103)	(131)
Settlements		(250)
Balance at end of year	\$ 851	\$ 826

The total amount of unrecognized tax benefits that, if recognized, would affect the effective rate was \$553 at October 31, 2010 and \$537 at October 31, 2009. The Company recognizes interest accrued and penalties related to unrecognized tax benefits as part of income tax expense. The Company recognized \$77 of benefit in 2010 and \$299 of benefit in 2009 for interest and penalties. The Company had accrued \$687 at October 31, 2010 and \$764 at October 31, 2009, for the payment of interest and penalties.

The Company is subject to income taxes in the U.S. federal jurisdiction, and various state, local and foreign jurisdictions. Tax regulations within each jurisdiction are subject to the interpretation of the related tax laws and regulations and require significant judgment to apply. With few exceptions, the Company is no longer subject to U.S. federal, state and local income tax examinations by tax authorities for the years ending before November 1, 2007 and no longer subject to non-U.S. income tax examinations for calendar years ending before December 31, 2005. The Company does not anticipate that within the next 12 months the total unrecognized tax benefits will significantly change due to the settlement of examinations and the expiration of statute of limitations.

During October 2007, the Mexican Congress passed the Initiative to Amend the Tax Coordination Law and Income Tax Law. Effective January 1, 2008, a flat tax supplements the regular income tax. In conjunction with this law change, a deferred tax asset for Mexican tax credits in the amount of \$1,037 was recorded as of October 31, 2008. While future projections for taxable income and ongoing prudent and feasible tax planning strategies have been considered in assessing the need for the valuation allowance, the Company believes that it is more likely than not that the tax credits will not be fully realized. Therefore, a valuation allowance in the amount of \$1,037 was recorded in fiscal 2008. The comparable amount in fiscal 2010 and 2009 was \$901 and \$1,011, respectively.

A valuation allowance of approximately \$4,499 remains at October 31, 2010 for deferred tax assets whose realization remains uncertain at this time. The comparable amount of the valuation allowance at October 31, 2009 was \$4,705. The net decrease in the valuation allowance of \$206 relates to a decrease of \$110 for flat tax credits associated with foreign jurisdictions, a \$151 decrease related to other foreign deferred tax assets and an increase of \$55 related to state and local operating loss carryforwards.

The Company assesses both negative and positive evidence when measuring the need for a valuation allowance. A valuation allowance has been established by the Company due to the uncertainty of realizing

**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

certain loss carryforwards and tax credits in Mexico and loss carryforwards in various state and local jurisdictions in the United States. The Company believes the remaining deferred tax assets will be realizable based on future reversals of existing taxable temporary differences that would generate ordinary income in the U.S. and available tax planning strategies that would be implemented to recognize the deferred tax assets. The Company intends to maintain the valuation allowance against certain deferred tax assets until such time that sufficient positive evidence exists to support realization of the deferred tax assets. In the event the Company were to determine that it would be able to realize its deferred tax assets in the future in excess of their net recorded amount, an adjustment to the deferred tax assets would increase income in the period such determination was made. Likewise, should the Company determine that it would not be able to realize all or part of its net deferred tax assets in the future, an adjustment to the deferred tax assets would be charged to income in the period such determination was made.

A reconciliation of the statutory federal income tax rate to the effective tax rate is as follows:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
Federal income tax at statutory rate	35.0%	(35.0)%
State and local income taxes, net of federal benefit	12.5	(0.6)
Valuation allowance change	1.3	5.4
Net operating loss benefit and reversal of contingencies	(1.6)	0.3
Domestic production activities deduction	(6.4)	0.8
Foreign operations	4.6	(2.1)
Stock option expense	2.9	0.7
Adjustment of uncertain tax positions	(0.9)	(2.9)
Adjustments of previous tax filings	(13.1)	
Other	0.3	0.6
<b>Effective income tax rate</b>	<b>34.6%</b>	<b>(32.8)%</b>

At October 31, 2010, the Company had foreign operating loss carryforward benefits of approximately \$3,452 with a valuation allowance to the extent of their net deferred tax assets, which will expire between 2017 and 2020. At October 31, 2009, the Company had foreign operating loss carryforward benefits of approximately \$2,480 with a full valuation allowance. The Company has various state and local net operating loss and tax credit carryforward benefits. As of October 31, 2010 and 2009, the Company had state and local net operating loss carryforward benefits of \$941 and \$1,099 with a partial valuation allowance, which will expire between 2011 and 2030. Additionally, the Company has state tax credit carryforward benefits of \$416 as of October 31, 2010 and \$148 as of October 31, 2009 that will expire between 2015 and 2029.

The Company paid income taxes, net of refunds, of \$(285) and \$(2,496) in 2010 and 2009, respectively. In fiscal year 2010, the Company's income tax receivable decreased by \$5,383. The primary reason for the decrease is that the Company received in 2010 a \$6,517 refund when the taxable loss from fiscal year 2009 was carried back to reduce taxable income from prior years. U.S. income taxes and foreign withholding taxes are not provided on undistributed earnings of foreign subsidiaries because it is expected such earnings will be permanently reinvested in the operations of such subsidiaries. It is not practical to determine the amount of income tax liability that would result had such earnings been repatriated. As of October 31, 2010, there was \$657 of undistributed foreign subsidiary earnings.

**Note 13 Related Party Transactions**

The Company had sales to MTD Products Inc and its affiliates of \$9,517 and \$9,990 for fiscal years 2010 and 2009, respectively. At October 31, 2010 and 2009, the Company had receivable balances of \$984 and \$1,295, respectively, due from MTD Products Inc and its affiliates, and no amounts were due to MTD Products Inc, at those dates.





**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 14 Business Segment Information**

The Company conducts its business and reports its information as one operating segment Automotive Products. The Chief Executive Officer of the Company has been identified as the chief operating decision maker as he has final authority over performance assessment and resource allocation decisions. In determining that one operating segment is appropriate, the Company considered the nature of the business activities, the existence of managers responsible for the operating activities and information presented to the Board of Directors for its consideration and advice. Furthermore, the Company is a full service manufacturer of first operation blanks, engineered welded blanks, complex stampings and modular assemblies predominately for the automotive and heavy truck markets. Customers and suppliers are substantially the same among operations, and all processes entail the acquisition of steel and the processing of the steel for use in the automotive industry.

Revenues from the Company's Mexican subsidiary were \$23,309 and \$9,575 for fiscal 2010 and 2009, respectively. These revenues represent 5% and 4% of total revenues for fiscal years 2010 and 2009, respectively. Long-lived assets consist primarily of net property, plant and equipment. Long-lived assets of the Company's foreign subsidiary totaled \$16,078 and \$16,876 at October 31, 2010 and 2009, respectively. The Company's Mexican subsidiary incurred foreign currency transaction losses of \$234 in fiscal 2010 and \$112 in fiscal 2009. The consolidated long-lived assets of the Company totaled \$127,252 and \$152,615 at October 31, 2010 and 2009, respectively.

In fiscal 2010, General Motors and Chrysler accounted for approximately 34.0% and 15.0%, respectively of the Company's revenues. No other individual customer accounted for more than 10% of the Company's revenues in fiscal 2010. At October 31, 2010 and 2009, General Motors accounted for 33.3% and 41.9% of the Company's accounts receivable, respectively, and Chrysler accounted for 17.5% and 18.7% of the Company's accounts receivable, respectively.

Revenues derived from the Company's products were as follows:

	<b>Years Ended October 31,</b>	
	<b>2010</b>	<b>2009</b>
Complex stampings and modular assemblies	\$ 133,920	\$ 89,795
Engineered welded blanks	218,412	116,734
Blanking	69,480	46,388
Tools, dies, steel processing, scrap, and other	35,460	16,464
<b>Total</b>	<b>\$ 457,272</b>	<b>\$ 269,381</b>

Revenues of geographic regions are attributed to external customers based upon the location of the entity recording the sale.

**Table of Contents****SHILOH INDUSTRIES, INC.****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****Note 15 Quarterly Results of Operations (Unaudited)**

<b>October 31, 2010</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Revenues	\$ 97,890	\$ 117,836	\$ 114,859	\$ 126,687
Gross profit	5,031	11,055	8,829	9,747
Operating income(loss)	481	5,739	4,025	(335)
Net income(loss)	(535)	3,088	2,037	(729)
Net income(loss) per share basic	(.03)	.19	.12	(.04)
Net income(loss) per share diluted	(.03)	.19	.12	(.04)
<b>Weighted average number of shares:</b>				
Basic	16,504	16,524	16,544	16,558
Diluted	16,504	16,654	16,754	16,558

<b>October 31, 2009</b>	<b>First Quarter</b>	<b>Second Quarter</b>	<b>Third Quarter</b>	<b>Fourth Quarter</b>
Revenues	\$ 63,022	\$ 62,239	\$ 43,132	\$ 100,988
Gross profit(loss)	(4,255)	(1,142)	(4,868)	5,132
Operating income(loss)	(8,322)	(8,538)	(6,420)	98
Net loss	(6,134)	(6,232)	(5,055)	(363)
Net loss per share basic	(.38)	(.38)	(.31)	(.02)
Net loss per share diluted	(.38)	(.38)	(.31)	(.02)
<b>Weighted average number of shares:</b>				
Basic	16,356	16,356	16,356	16,431
Diluted	16,356	16,356	16,356	16,431

In preparing the Company's financial statements in accordance with accounting principles generally accepted in the United States of America, management has made assumptions and estimates that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. Not considering the asset impairment and restructuring charges recorded in the fourth quarter of fiscal 2010, during the fourth quarter of fiscal 2010 and 2009, the Company refined its estimates and assumptions for several asset and liability accounts. As a result, the Company recorded net favorable adjustments of \$418 and \$82, net of tax, in the fourth quarter of fiscal 2010 and 2009. For fiscal 2010 and 2009, these adjustments were normal recurring adjustments of accrued estimates and adjustments related to sales discounts, inventory valuation, pension and contingencies.

**Note 16 Commitments and Contingencies**

The Company is a party to several lawsuits and claims arising in the normal course of its business. In the opinion of management, the Company's liability or recovery, if any, under pending litigation and claims would not materially affect its financial condition, results of operations or cash flow.

**Note 17 Subsequent Events**

The Company announced on December 10, 2010 that the Board of Directors declared a special dividend of \$.12 per share to be paid on December 29, 2010 to shareholders of record as of December 22, 2010.

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

None.

**Item 9A. Controls and Procedures**

*Evaluation of Disclosure Controls and Procedures*

The Company maintains a set of disclosure controls and procedures designed to ensure that information required to be disclosed by the Company in reports that it files or submits under the Securities Exchange Act of 1934 is recorded, processed, summarized and reported within the time periods specified in Securities and Exchange Commission rules and forms. As of October 31, 2010, an evaluation was performed under the supervision and with the participation of the Company's management, including the Principal Executive Officer (PEO) and Principal Financial Officer (PFO), of the effectiveness of the design and operation of the Company's disclosure controls and procedures, as defined in Rule 13a-15(e) or Rule 15d-15(e) of the Securities Exchange Act of 1934, as amended. The Company's PEO and PFO concluded that the Company's disclosure controls and procedures were effective as of October 31, 2010.

*Changes in Internal Control Over Financial Reporting*

There have been no changes in the Company's internal control over financial reporting during the fourth quarter of fiscal 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

*Management's Report on Internal Control Over Financial Reporting*

The management of Shiloh Industries, Inc. and its subsidiaries (the Company) is responsible for establishing and maintaining adequate internal control over financial reporting as defined in Rules 13a-15(f) and 15d-15(f) under the Exchange Act. The internal control system of the Company was designed to provide reasonable assurance to the Company's management and board of directors regarding the preparation and fair presentation of published financial statements.

All internal control systems, no matter how well designed, have inherent limitations. Therefore, even those systems determined to be effective can provide only reasonable assurance with respect to financial statement preparation and presentation.

Under the supervision and with the participation of the Company's management, including the Principal Executive Officer and Principal Financial Officer, the Company assessed the effectiveness of the Company's internal control over financial reporting as of October 31, 2010. In making this assessment, management used the criteria set forth by the Committee of Sponsoring Organizations of the Treadway Commission (COSO) in Internal Control - Integrated Framework. Based on the evaluation of internal control over financial reporting management has concluded that the Company's internal controls over financial reporting were effective at the reasonable assurance level as of October 31, 2010.

This annual report does not include an attestation report of the Company's independent registered public accounting firm regarding internal control over financial reporting. Management's report was not subject to attestation by the Company's independent registered public accounting firm pursuant to rules of the Securities and Exchange Commission that permit the Company to provide only management's report in this annual report.

**Item 9B. Other Information**

None.

**Table of Contents****PART III****Item 10. Directors and Executive Officers of the Company**

Information with respect to Directors of the Company is set forth in the Proxy Statement under the heading "Election of Directors," which information is incorporated herein by reference. Information required by Item 401 of Regulation S-K regarding the executive officers of the Company is included in Part I of this Annual Report on Form 10-K under the caption "Executive Officers of the Registrant" as permitted by Instruction 3 to Item 401(b) of Regulation S-K. Information required by Item 405 of Regulation S-K is set forth in the Proxy Statement under the heading "Section 16(a) Beneficial Ownership Reporting Compliance," which information is incorporated herein by reference.

The Company has adopted a code of ethics that applies to its President and Chief Executive Officer, Chief Financial Officer and Corporate Controller as well as the other officers, directors and managers of the Company in accordance with the Marketplace Rules of the Nasdaq Stock Market.

**Item 11. Executive Compensation**

Information with respect to executive compensation is set forth in the Proxy Statement under the heading "Election of Directors" and under the heading "Compensation of Executive Officers," which information is incorporated herein by reference.

**Item 12. Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters**

Information with respect to security ownership of certain beneficial owners and management is set forth in the Proxy Statement under the heading "Beneficial Ownership of Common Stock," which information is incorporated herein by reference.

**Summary of Equity Compensation Plans**

Shown below is information concerning all equity compensation plans and individual compensation arrangements in effect as of October 31, 2010.

Plan Category	Equity Compensation Plan Information		
	Number of Securities To Be Issued Upon Exercise of Outstanding Options	Weighted Average Exercise Price of Outstanding Options	Number of Securities Remaining Available For Future Issuance Under Equity Compensation Plans
Equity compensation plans approved by security holders	683,692	\$ 6.13	1,038,246
Equity compensation plans not approved by security holders			
<b>Total</b>	<b>683,692</b>	<b>\$ 6.13</b>	<b>1,038,246</b>

For additional information regarding the Company's equity compensation plans, refer to the discussion in Note 11 to consolidated financial statements.

**Item 13. Certain Relationships and Related Transactions**

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Information with respect to certain relationships and related transactions is set forth in the Proxy Statement under the heading Election of Directors Compensation Committee Interlocks and Insider Participation and Certain Relationships and Related Transactions, which information is incorporated herein by reference.

### **Item 14. Principal Accountant Fees and Services**

Information with respect to principal accountant fees and services is set forth in the Proxy Statement under the heading Principal Accountant Fees and Services, which information is incorporated herein by reference.

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**PART IV**

**Item 15. Exhibits and Financial Statement Schedules**

(a) The following documents are filed as a part of this Annual Report on Form 10-K under Item 8.

1. Financial Statements.

Reports of Independent Registered Public Accounting Firm

Consolidated Balance Sheets at October 31, 2009 and 2008.

Consolidated Statements of Operations for the two years ended October 31, 2009.

Consolidated Statements of Cash Flows for the two years ended October 31, 2009.

Consolidated Statements of Stockholders' Equity for the two years ended October 31, 2009.

Notes of Consolidated Financial Statements.

2. Financial Statement Schedule. The following consolidated financial statement schedule of the Company and its subsidiaries and the report of the independent accountant thereon are filed as part of this Annual Report on Form 10-K and should be read in conjunction with the consolidated financial statements of the Company and its subsidiaries included in the Annual Report on Form 10-K.

**Table of Contents****SCHEDULE II****SHILOH INDUSTRIES, INC.****VALUATION AND QUALIFYING ACCOUNTS AND RESERVES**

<b>Description</b>	<b>Balance at Beginning of Year</b>	<b>Additions Charged to Costs and Expenses</b>	<b>Deductions</b>	<b>Balance at End of Year</b>
Valuation allowance for accounts receivable				
Year ended October 31, 2010	\$ 729	\$ 12	\$ 532	\$ 209
Year ended October 31, 2009	\$ 782	\$ 777	\$ 830	\$ 729
Valuation allowance for deferred tax assets				
Year ended October 31, 2010	\$ 4,705	\$ 76	\$ 282	\$ 4,499
Year ended October 31, 2009	\$ 3,492	\$ 1,353	\$ 140	\$ 4,705

Schedules not listed above have been omitted because they are not applicable or are not required or the information required to be set forth therein is included in the consolidated financial statements or notes thereto.

3. Exhibits. The exhibits listed in the accompanying Exhibit Index and required by Item 601 of Regulation S-K (numbered in accordance with Item 601 of Regulation S-K) are filed as part of this Annual Report.

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**SIGNATURES**

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

Date: December 17, 2010

SHILOH INDUSTRIES, INC.

By: /s/ THEODORE K. ZAMPETIS  
**Theodore K. Zampetis**  
**President and Chief Executive Officer**

By: /s/ KEVIN BAGBY  
**Kevin Bagby**  
**Chief Financial Officer**

Pursuant to the requirements of the Securities Exchange Act of 1934, this report has been signed below by the following persons on behalf of the registrant and the capabilities and on the dates indicated.

Signature	Title	Date
/s/ THEODORE K. ZAMPETIS  <b>Theodore K. Zampetis</b>	President and Chief Executive Officer and Director (Principal Executive Officer)	December 17, 2010
/s/ KEVIN BAGBY  <b>Kevin Bagby</b>	Chief Financial Officer (Principal Accounting and Principal Financial Officer)	December 17, 2010
*	Chairman and Director	December 17, 2010
<b>Curtis E. Moll</b>		
*	Director	December 17, 2010
<b>Cloyd Abruzzo</b>		
*	Director	December 17, 2010
<b>George G. Goodrich</b>		
*	Director	December 17, 2010
<b>David J. Hessler</b>		
*	Director	December 17, 2010
<b>Gary A. Oatey</b>		
*	Director	December 17, 2010



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**John J. Tanis**

\*

Director

December 17, 2010

**Dieter Kaesgen**

\*

Director

December 17, 2010

**Robert J. King, Jr.**

\* The undersigned, by signing his name hereto, does sign and execute this Annual Report on Form 10-K pursuant to the Powers of Attorney executed by the above-named officers and Directors of the Company and filed with the Securities and Exchange Commission on behalf of such officers and Directors.

By:

/s/ KEVIN BAGBY  
**Kevin Bagby, Attorney-In-Fact**

**Table of Contents****EXHIBIT INDEX****Exhibit**

<b>No.</b>	<b>Description</b>
3.1(i)	Restated Certificate of Incorporation of the Company is incorporated herein by reference to Exhibit 3.1(i) of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1995 (Commission File No. 0-21964).
3.1(ii)	Certificate of Designation, dated December 31, 2001, authorizing the issuance of 100,000 shares of Series A Preferred Stock, par value \$.01, is incorporated herein by reference to Exhibit 3.1(ii) of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2001 (Commission File No. 0-21964).
3.1(iii)	Amended and Restated By-Laws of the Company, dated December 13, 2007 is incorporated herein by reference to Exhibit 3.1(iii) of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2007 (Commission File No. 0-21964).
4.1	Specimen certificate for the Common Stock, par value \$.01 per share, of the Company is incorporated herein by reference to Exhibit 4.1 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1995 (Commission File No. 0-21964).
4.3	Registration Rights Agreement, dated June 22, 1993, by and among the Company, MTD Products Inc and the stockholders named therein is incorporated herein by reference to Exhibit 4.3 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 1995 (Commission File No. 0-21964).
10.1*	Amended and Restated 1993 Key Employee Stock Incentive Plan (as Amended and Restated as of December 12, 2002) is incorporated herein by reference to Exhibit A of the Company's Proxy Statement on Schedule 14A for the fiscal year ended October 31, 2002 (Commission File No. 0-21964).
10.2*	Form of Incentive Stock Option Agreement is incorporated herein by reference to Exhibit 10.2 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 (Commission File No. 0-21964).
10.3*	Form of Nonqualified Stock Option Agreement is incorporated herein by reference to Exhibit 10.3 of the Company's Annual Report on Form 10-K for the fiscal year ended October 31, 2004 (Commission File No. 0-21964).
10.4*	Shiloh Industries, Inc. Senior Management Bonus Plan is incorporated herein by reference to Exhibit B of the Company's Proxy Statement on Schedule 14A for the fiscal year ended October 31, 2004 (Commission File No. 0-21964).
10.5	Change in Control Severance Agreement between Theodore K. Zampetis and Shiloh Industries, Inc., dated February 5, 2007, is incorporated herein by reference to Exhibit 10.16 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2007.
10.6	Change in Control Severance Agreement between James F. Keys and Shiloh Industries, Inc., dated February 5, 2007, is incorporated herein by reference to Exhibit 10.18 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2007.
10.7	Change in Control Severance Agreement between Anthony M. Parente and Shiloh Industries, Inc., dated February 5, 2007, is incorporated herein by reference to Exhibit 10.19 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2007.
10.8	Indemnification Agreement between Directors and Officers and Shiloh Industries, Inc., dated February 5, 2007, is incorporated herein by reference to Exhibit 10.21 of the Company's Quarterly Report on Form 10-Q for the quarter ended April 30, 2007.

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**Exhibit**

<b>No.</b>	<b>Description</b>
10.9	Credit and Security Agreement, dated August 1, 2008, among Shiloh Industries, Inc., the other loan parties thereto, National City Bank, since succeeded by PNC Bank National Association, as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent, is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on August 7, 2008 (Commission File No. 0-21964).
10.11	Credit and Security Agreement Second Amendment, dated April 27, 2009, among Shiloh Industries, Inc., the other loan parties thereto, National City Bank, since succeeded by PNC Bank National Association, as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent, is incorporated herein by reference to Exhibit 10.1 of the Company's Quarterly Report on Form 10-Q filed with the Commission on May 26, 2009 (Commission File No. 0-21964).
10.12	Credit and Security Agreement Third Amendment, dated June 30, 2009, among Shiloh Industries, Inc., the other loan parties thereto, National City Bank, since succeeded by PNC Bank National Association, as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent, is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on July 7, 2009 (Commission File No. 0-21964).
10.13	Credit and Security Agreement Fourth Amendment, dated November 13, 2009, among Shiloh Industries, Inc., the other loan parties thereto, PNC Bank National Association, successor to National City Bank, as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent, is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on November 19, 2009 (Commission File No. 0-21964).
10.14	Credit and Security Agreement Fifth Amendment, dated September 1, 2010, among Shiloh Industries, Inc., the other loan parties thereto, PNC Bank National Association, successor to National City Bank, as co-lead arranger, sole book runner and administrative agent and The Privatebank and Trust Company as co-lead arranger and syndication agent, is incorporated herein by reference to Exhibit 10.1 of the Company's Current Report on Form 8-K filed with the Commission on September 8, 2010 (Commission File No. 0-21964).
14.1	Shiloh Industries, Inc. Code of Conduct, approved by the Company's Board of Directors on February 17, 2004 is incorporated herein by reference to Exhibit 14.1 of the Company's Annual Report on Form 10-K for fiscal year ended October 31, 2004 (Commission File No. 0-21964).
21.1	Subsidiaries of the Company.
23.1	Consent of Grant Thornton LLP.
24.1	Powers of Attorney.
31.1	Principal Executive Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Principal Financial Officer's Certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

\* Reflects management contract or other compensatory arrangement required to be filed as an exhibit pursuant to Item 15 (b) of this Report