MORGAN STANLEY
Form 424B2
December 26, 2018

CALCULATION OF REGISTRATION FEE

Title of Each Class of Securities Offered	*Maximum Aggregate Offering Price*	*Amount of Registration Fee*
Buffered Performance Leveraged Upside Securities due 2023	$663,000	$80.36

December 2018

Pricing Supplement No. 1,273

Registration Statement Nos. 333-221595; 333-221595-01

Dated December 21, 2018

Filed pursuant to Rule 424(b)(2)

Morgan Stanley Finance LLC

Structured Investments

Opportunities in U.S. Equities

Buffered PLUS Based on the Value of the Dow Jones Industrial Average[SM] due December 27, 2023

Buffered Performance Leveraged Upside Securities[SM]

Fully and Unconditionally Guaranteed by Morgan Stanley

Principal at Risk Securities

The Buffered PLUS are unsecured obligations of Morgan Stanley Finance LLC (“MSFL”) and are fully and unconditionally guaranteed by Morgan Stanley. The Buffered PLUS will pay no interest, provide a minimum payment at maturity of only 15% of the stated principal amount and have the terms described in the accompanying product supplement for PLUS, index supplement and prospectus, as supplemented or modified by this document. At maturity, if the underlying index has **appreciated** in value, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying index. If the underlying index has **depreciated** in value, but the underlying index has not declined by more than the specified buffer amount, the Buffered PLUS will redeem for par. However, if the underlying index has declined by more than the buffer amount, investors will lose 1% for every 1% decline beyond the specified buffer amount, subject to the minimum payment at maturity of 15% of the stated principal amount. Investors may lose up to 85% of the stated principal amount of the Buffered PLUS. These long-dated Buffered PLUS are for investors who seek an equity index-based return and who are willing to risk their

principal and forgo current income in exchange for the leverage and buffer features that in each case apply to a limited range of performance of the underlying index. The Buffered PLUS are notes issued as part of MSFL's Series A Global Medium-Term Notes program.

All payments are subject to our credit risk. If we default on our obligations, you could lose some or all of your investment. These Buffered PLUS are not secured obligations and you will not have any security interest in, or otherwise have any access to, any underlying reference asset or assets.

FINAL Terms

Issuer:	Morgan Stanley Finance LLC
Guarantor:	Morgan Stanley
Maturity date:	December 27, 2023
Underlying index:	Dow Jones Industrial Average^{SM}
Aggregate principal amount:	$663,000
Payment at maturity per Buffered PLUS:	If the final index value is greater than the initial index value: $1,000 + leveraged upside payment If the final index value is less than or equal to the initial index value but has decreased from the initial index value by an amount less than or equal to the buffer amount of 15%: $1,000 If the final index value is less than the initial index value and has decreased from the initial index value by an amount greater than the buffer amount of 15%: ($1,000 x the index performance factor) + $150 *Under these circumstances, the payment at maturity will be less than the stated principal amount of $1,000. However, under no circumstances will the Buffered PLUS pay less than $150 per Buffered PLUS at maturity.*
Leveraged upside payment:	$1,000 × leverage factor × index percent increase
Index percent increase:	(final index value – initial index value) / initial index value
Initial index value:	22,445.37, which is the index closing value on the pricing date
Final index value:	The index closing value on the valuation date
Valuation date:	December 21, 2023, subject to postponement for non-index business days and certain market disruption events
Leverage factor:	125%
Buffer amount:	15%. As a result of the buffer amount of 15%, the value at or above which the underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered PLUS is 19,078.565, which is approximately 85% of the initial index value.
Minimum payment at maturity:	$150 per Buffered PLUS (15% of the stated principal amount)
Index performance factor:	Final index value *divided* by the initial index value
Stated principal amount:	$1,000 per Buffered PLUS
Issue price:	$1,000 per Buffered PLUS (see "Commissions and issue price" below)

Pricing date:	December 21, 2018		
Original issue date:	December 27, 2018 (3 business days after the pricing date)		
CUSIP:	61768DTC9		
ISIN:	US61768DTC91		
Listing:	The Buffered PLUS will not be listed on any securities exchange.		
Agent:	Morgan Stanley & Co. LLC ("MS & Co."), an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley. See "Supplemental information regarding plan of distribution; conflicts of interest."		
Estimated value on the pricing date:	$924.40 per Buffered PLUS. See "Investment Summary" beginning on page 2.		
Commissions and issue price:	Price to public[1]	Agent's commissions and fees[2]	Proceeds to us[3]
Per Buffered PLUS	$1,000	$33	$967
Total	$663,000	$21,879	$641,121

(1) The price to public for investors purchasing the Buffered PLUS in fee-based advisory accounts will be $975 per Buffered PLUS.

(2) Selected dealers and their financial advisors will collectively receive from the agent, MS & Co., a fixed sales commission of $33 for each Buffered PLUS they sell; provided that dealers selling to investors purchasing the Buffered PLUS in fee-based advisory accounts will receive a sales commission of $8 per Buffered PLUS. See "Supplemental information regarding plan of distribution; conflicts of interest." For additional information, see "Plan of Distribution (Conflicts of Interest)" in the accompanying product supplement for PLUS.

(3) See "Use of proceeds and hedging" on page 13.

The Buffered PLUS involve risks not associated with an investment in ordinary debt securities. See "Risk Factors" beginning on page 7.

The Securities and Exchange Commission and state securities regulators have not approved or disapproved these securities, or determined if this document or the accompanying product supplement, index supplement and prospectus is truthful or complete. Any representation to the contrary is a criminal offense.

The Buffered PLUS are not deposits or savings accounts and are not insured by the Federal Deposit Insurance Corporation or any other governmental agency or instrumentality, nor are they obligations of, or guaranteed by, a bank.

You should read this document together with the related product supplement, index supplement and prospectus, each of which can be accessed via the hyperlinks below. Please also see "Additional Terms of the Buffered PLUS" and "Additional Information About the Buffered PLUS" at the end of this document.

As used in this document, "we," "us" and "our" refer to Morgan Stanley or MSFL, or Morgan Stanley and MSFL collectively, as the context requires.

Product Supplement for PLUS dated November 16, 2017 **Index Supplement dated November 16, 2017**

Prospectus dated November 16, 2017

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average[SM] due December 27, 2023

Buffered Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

Investment Summary

Buffered Performance Leveraged Upside Securities

Principal at Risk Securities

The Buffered PLUS Based on the Value of the Dow Jones Industrial Average[SM] due December 27, 2023 (the "Buffered PLUS") can be used:

§ As an alternative to direct exposure to the underlying index that enhances returns for any potential positive performance of the underlying index

§ To enhance returns and potentially outperform the underlying index in a bullish scenario, with no limitation on the appreciation potential

§ To achieve similar levels of upside exposure to the underlying index as a direct investment, while using fewer dollars by taking advantage of the leverage factor.

§ To obtain a buffer against a specified level of negative performance in the underlying index

Maturity:	5 years
Leverage factor:	125%
Maximum payment at maturity:	None
Buffer amount:	15%, with 1-to-1 downside exposure below the buffer
Minimum payment at maturity:	$150 per Buffered PLUS (15% of the stated principal amount). Investors may lose up to 85% of the stated principal amount of the Buffered PLUS.
Coupon:	None

The original issue price of each Buffered PLUS is $1,000. This price includes costs associated with issuing, selling, structuring and hedging the Buffered PLUS, which are borne by you, and, consequently, the estimated value of the Buffered PLUS on the pricing date is less than $1,000. We estimate that the value of each Buffered PLUS on the pricing date is $924.40.

What goes into the estimated value on the pricing date?

In valuing the Buffered PLUS on the pricing date, we take into account that the Buffered PLUS comprise both a debt component and a performance-based component linked to the underlying index. The estimated value of the Buffered PLUS is determined using our own pricing and valuation models, market inputs and assumptions relating to the underlying index, instruments based on the underlying index, volatility and other factors including current and expected interest rates, as well as an interest rate related to our secondary market credit spread, which is the implied interest rate at which our conventional fixed rate debt trades in the secondary market.

What determines the economic terms of the Buffered PLUS?

In determining the economic terms of the Buffered PLUS, including the leverage factor, the buffer amount and the minimum payment at maturity, we use an internal funding rate, which is likely to be lower than our secondary market credit spreads and therefore advantageous to us. If the issuing, selling, structuring and hedging costs borne by you were lower or if the internal funding rate were higher, one or more of the economic terms of the Buffered PLUS would be more favorable to you.

What is the relationship between the estimated value on the pricing date and the secondary market price of the Buffered PLUS?

The price at which MS & Co. purchases the Buffered PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, may vary from, and be lower than, the estimated value on the pricing date, because the secondary market price takes into account our secondary market credit spread as well as the bid-offer spread that MS & Co. would charge in a secondary market transaction of this type and other factors. However, because the costs associated with issuing, selling, structuring and hedging the Buffered PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Buffered PLUS in the secondary market, absent changes in market conditions,

including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value. We expect that those higher values will also be reflected in your brokerage account statements.

MS & Co. may, but is not obligated to, make a market in the Buffered PLUS, and, if it once chooses to make a market, may cease doing so at any time.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average℠ due December 27, 2023

Buffered Performance Leveraged Upside Securities℠

Principal at Risk Securities

Key Investment Rationale

The Buffered PLUS offer leveraged upside exposure to the underlying index, while providing limited protection against negative performance of the underlying index. Once the underlying index has decreased in value by more than the specified buffer amount, investors are exposed to the negative performance of the underlying index, subject to the minimum payment at maturity. At maturity, if the underlying index has appreciated, investors will receive the stated principal amount of their investment plus leveraged upside performance of the underlying index. At maturity, if the underlying index has depreciated and (i) if the final index value of the underlying index has not declined from the initial index value by more than the specified buffer amount, the Buffered PLUS will redeem for par, or (ii) if the final index value of the underlying index has declined by more than the buffer amount, the investor will lose 1% for every 1% decline beyond the specified buffer amount, subject to the minimum payment at maturity. **Investors may lose up to 85% of the stated principal amount of the Buffered PLUS.**

Leveraged Performance	The Buffered PLUS offer investors an opportunity to capture enhanced returns for any positive performance relative to a direct investment in the underlying index.
Upside Scenario	The underlying index increases in value, and, at maturity, the Buffered PLUS redeem for the stated principal amount of $1,000 plus 125% of the index percent increase.
Par Scenario	The underlying index declines in value by no more than 15%, and, at maturity, the Buffered PLUS redeem for the stated principal amount of $1,000.
Downside Scenario	The underlying index declines in value by more than 15%, and, at maturity, the Buffered PLUS redeem for less than the stated principal amount by an amount that is proportionate to the percentage decrease of the underlying index from the initial index value, plus the buffer amount of 15%. (Example: if the underlying index decreases in value by 35%, the Buffered PLUS will redeem for $800.00, or 80.00% of the stated principal amount.) The minimum payment at maturity is $150 per Buffered PLUS.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average[SM] due December 27, 2023

Buffered Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

How the Buffered PLUS Work

Payoff Diagram

The payoff diagram below illustrates the payment at maturity on the Buffered PLUS based on the following terms:

Stated principal amount:	$1,000 per Buffered PLUS
Leverage factor:	125%
Buffer amount:	15%
Maximum payment at maturity:	None
Minimum payment at maturity:	$150 per Buffered PLUS

Buffered PLUS Payoff Diagram

How it works

§ **Upside Scenario.** If the final index value is greater than the initial index value, investors will receive the $1,000 stated principal amount *plus* 125% of the appreciation of the underlying index over the term of the Buffered PLUS.

§ If the underlying index appreciates 2%, the investor would receive a 2.50% return, or $1,025.00 per Buffered PLUS.

§ **Par Scenario.** If the final index value is less than or equal to the initial index value but has decreased from the initial index value by an amount less than or equal to the buffer amount of 15%, investors will receive the stated principal amount of $1,000 per Buffered PLUS.

§ If the underlying index depreciates 5%, investors will receive the $1,000 stated principal amount.

§

Downside Scenario. If the final index value is less than the initial index value and has decreased from the initial index value by an amount greater than the buffer amount of 15%, investors will receive an amount that is less than the stated principal amount by an amount that is proportionate to the percentage decrease of the value of the underlying index from the initial index value, plus the buffer amount of 15%. The minimum payment at maturity is $150 per Buffered PLUS.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average^{SM} due December 27, 2023

Buffered Performance Leveraged Upside Securities^{SM}

Principal at Risk Securities

§ For example, if the underlying index depreciates 45%, investors would lose 30.00% of their principal and receive only $700 per Buffered PLUS at maturity, or 70.00% of the stated principal amount.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average℠ due December 27, 2023

Buffered Performance Leveraged Upside Securities℠

Principal at Risk Securities

Risk Factors

The following is a non-exhaustive list of certain key risk factors for investors in the Buffered PLUS. For further discussion of these and other risks, you should read the section entitled "Risk Factors" in the accompanying product supplement for PLUS, index supplement and prospectus. We also urge you to consult your investment, legal, tax, accounting and other advisers in connection with your investment in the Buffered PLUS.

§ **Buffered PLUS do not pay interest and provide a minimum payment at maturity of only 15% of your principal.** The terms of the Buffered PLUS differ from those of ordinary debt securities in that the Buffered PLUS do not pay interest, and provide a minimum payment at maturity of only 15% of the stated principal amount of the Buffered PLUS, subject to our credit risk. If the final index value is less than 85% of the initial index value, you will receive for each Buffered PLUS that you hold a payment at maturity that is less than the stated principal amount of each Buffered PLUS by an amount proportionate to the decline in the closing value of the underlying index from the initial index value, plus $150 per Buffered PLUS. **Accordingly, investors may lose up to 85% of the stated principal amount of the Buffered PLUS.**

§ **The market price of the Buffered PLUS will be influenced by many unpredictable factors.** Several factors, many of which are beyond our control, will influence the value of the Buffered PLUS in the secondary market and the price at which MS & Co. may be willing to purchase or sell the Buffered PLUS in the secondary market, including the value, volatility (frequency and magnitude of changes in value) and dividend yield of the underlying index, interest and yield rates in the market, time remaining until the Buffered PLUS mature, geopolitical conditions and economic, financial, political, regulatory or judicial events that affect the underlying index or equities markets generally and which may affect the final index value of the underlying index and any actual or anticipated changes in our credit ratings or credit spreads. Generally, the longer the time remaining to maturity, the more the market price of the Buffered PLUS will be affected by the other factors described above. The value of the underlying index may be, and has recently been, volatile, and we can give you no assurance that the volatility will lessen. See "Dow Jones Industrial Average℠ Overview" below. You may receive less, and possibly significantly less, than the stated principal amount per Buffered PLUS if you try to sell your Buffered PLUS prior to maturity.

§ **The Buffered PLUS are subject to our credit risk, and any actual or anticipated changes to our credit ratings or credit spreads may adversely affect the market value of the Buffered PLUS.** You are dependent on our ability to pay all amounts due on the Buffered PLUS at maturity and therefore you are subject to our credit risk. If we default on our obligations under the Buffered PLUS, your investment would be at risk and you could lose some or all of your investment. As a result, the market value of the Buffered PLUS prior to maturity will be affected by changes in the market's view of our creditworthiness. Any actual or anticipated decline in our credit ratings or increase in the

credit spreads charged by the market for taking our credit risk is likely to adversely affect the market value of the Buffered PLUS.

§ **As a finance subsidiary, MSFL has no independent operations and will have no independent assets.** As a finance subsidiary, MSFL has no independent operations beyond the issuance and administration of its securities and will have no independent assets available for distributions to holders of MSFL securities if they make claims in respect of such securities in a bankruptcy, resolution or similar proceeding. Accordingly, any recoveries by such holders will be limited to those available under the related guarantee by Morgan Stanley and that guarantee will rank *pari passu* with all other unsecured, unsubordinated obligations of Morgan Stanley. Holders will have recourse only to a single claim against Morgan Stanley and its assets under the guarantee. Holders of securities issued by MSFL should accordingly assume that in any such proceedings they would not have any priority over and should be treated *pari passu* with the claims of other unsecured, unsubordinated creditors of Morgan Stanley, including holders of Morgan Stanley-issued securities.

§ **The amount payable on the Buffered PLUS is not linked to the value of the underlying index at any time other than the valuation date.** The final index value will be based on the index closing value on the valuation date, subject to postponement for non-index business days and certain market disruption events. Even if the value of the underlying index appreciates prior to the valuation date but then drops by the valuation date by more than 15% of the initial index value, the payment at maturity will be less, and may be significantly less, than it would have been had the payment at maturity been linked to the value of the underlying index prior to such drop. Although the actual value of the underlying index on the stated maturity date or at other times during the term of the Buffered PLUS may be higher than the index closing value on the valuation date, the payment at maturity will be based solely on the index closing value on the valuation date.

§ **Investing in the Buffered PLUS is not equivalent to investing in the underlying index.** Investing in the Buffered PLUS is not equivalent to investing in the underlying index or its component stocks. As an investor in the Buffered PLUS, you will not have voting rights or rights to receive dividends or other distributions or any other rights with respect to stocks that constitute the underlying index.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average[SM] due December 27, 2023

Buffered Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

§ **The rate we are willing to pay for securities of this type, maturity and issuance size is likely to be lower than the rate implied by our secondary market credit spreads and advantageous to us. Both the lower rate and the inclusion of costs associated with issuing, selling, structuring and hedging the Buffered PLUS in the original issue price reduce the economic terms of the Buffered PLUS, cause the estimated value of the Buffered PLUS to be less than the original issue price and will adversely affect secondary market prices.** Assuming no change in market conditions or any other relevant factors, the prices, if any, at which dealers, including MS & Co., may be willing to purchase the Buffered PLUS in secondary market transactions will likely be significantly lower than the original issue price, because secondary market prices will exclude the issuing, selling, structuring and hedging-related costs that are included in the original issue price and borne by you and because the secondary market prices will reflect our secondary market credit spreads and the bid-offer spread that any dealer would charge in a secondary market transaction of this type as well as other factors.

The inclusion of the costs of issuing, selling, structuring and hedging the Buffered PLUS in the original issue price and the lower rate we are willing to pay as issuer make the economic terms of the Buffered PLUS less favorable to you than they otherwise would be.

However, because the costs associated with issuing, selling, structuring and hedging the Buffered PLUS are not fully deducted upon issuance, for a period of up to 6 months following the issue date, to the extent that MS & Co. may buy or sell the Buffered PLUS in the secondary market, absent changes in market conditions, including those related to the underlying index, and to our secondary market credit spreads, it would do so based on values higher than the estimated value, and we expect that those higher values will also be reflected in your brokerage account statements.

§ **Adjustments to the underlying index could adversely affect the value of the Buffered PLUS.** The underlying index publisher may add, delete or substitute the stocks constituting the underlying index or make other methodological changes that could change the value of the underlying index. The underlying index publisher may discontinue or suspend calculation or publication of the underlying index at any time. In these circumstances, the calculation agent will have the sole discretion to substitute a successor index that is comparable to the discontinued underlying index and is not precluded from considering indices that are calculated and published by the calculation agent or any of its affiliates. If the calculation agent determines that there is no appropriate successor index, the payment at maturity on the Buffered PLUS will be an amount based on the closing prices at maturity of the securities composing the underlying index at the time of such discontinuance, without rebalancing or substitution, computed by the calculation agent in accordance with the formula for calculating the underlying index last in effect prior to discontinuance of the underlying index.

§

The estimated value of the Buffered PLUS is determined by reference to our pricing and valuation models, which may differ from those of other dealers and is not a maximum or minimum secondary market price. These pricing and valuation models are proprietary and rely in part on subjective views of certain market inputs and certain assumptions about future events, which may prove to be incorrect. As a result, because there is no market-standard way to value these types of securities, our models may yield a higher estimated value of the Buffered PLUS than those generated by others, including other dealers in the market, if they attempted to value the Buffered PLUS. In addition, the estimated value on the pricing date does not represent a minimum or maximum price at which dealers, including MS & Co., would be willing to purchase your Buffered PLUS in the secondary market (if any exists) at any time. The value of your Buffered PLUS at any time after the date of this document will vary based on many factors that cannot be predicted with accuracy, including our creditworthiness and changes in market conditions. See also "The market price of the Buffered PLUS will be influenced by many unpredictable factors" above.

§ **The Buffered PLUS will not be listed on any securities exchange and secondary trading may be limited.** The Buffered PLUS will not be listed on any securities exchange. Therefore, there may be little or no secondary market for the Buffered PLUS. MS & Co. may, but is not obligated to, make a market in the Buffered PLUS and, if it once chooses to make a market, may cease doing so at any time. When it does make a market, it will generally do so for transactions of routine secondary market size at prices based on its estimate of the current value of the Buffered PLUS, taking into account its bid/offer spread, our credit spreads, market volatility, the notional size of the proposed sale, the cost of unwinding any related hedging positions, the time remaining to maturity and the likelihood that it will be able to resell the Buffered PLUS. Even if there is a secondary market, it may not provide enough liquidity to allow you to trade or sell the Buffered PLUS easily. Since other broker-dealers may not participate significantly in the secondary market for the Buffered PLUS, the price at which you may be able to trade your Buffered PLUS is likely to depend on the price, if any, at which MS & Co. is willing to transact. If, at any time, MS & Co. were to cease making a market in the Buffered PLUS, it is likely that there would be no secondary market for the Buffered PLUS. Accordingly, you should be willing to hold your Buffered PLUS to maturity.

§ **The calculation agent, which is a subsidiary of Morgan Stanley and an affiliate of MSFL, will make determinations with respect to the Buffered PLUS.** As calculation agent, MS & Co. has determined the initial index value, will determine the final index value and will calculate the amount of cash you receive at maturity. Moreover, certain determinations made by MS & Co., in its capacity as calculation agent, may require it to exercise discretion and make subjective judgments, such as with respect to

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average[SM] due December 27, 2023

Buffered Performance Leveraged Upside Securities[SM]

Principal at Risk Securities

the occurrence or non-occurrence of market disruption events and the selection of a successor index or calculation of the final index value in the event of a market disruption event or discontinuance of the underlying index. These potentially subjective determinations may adversely affect the payout to you at maturity. For further information regarding these types of determinations, see "Description of PLUS—Postponement of Valuation Date(s)" and "—Calculation Agent and Calculations" and related definitions in the accompanying product supplement. In addition, MS & Co. has determined the estimated value of the Buffered PLUS on the pricing date.

§ **Hedging and trading activity by our affiliates could potentially adversely affect the value of the Buffered PLUS.** One or more of our affiliates and/or third-party dealers have carried out, and will continue to carry out, hedging activities related to the Buffered PLUS (and possibly to other instruments linked to the underlying index or its component stocks), including trading in the stocks that constitute the underlying index as well as in other instruments related to the underlying index. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Buffered PLUS, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. Some of our affiliates also trade the stocks that constitute the underlying index and other financial instruments related to the underlying index on a regular basis as part of their general broker-dealer and other businesses. Any of these hedging or trading activities on or prior to the pricing date could have increased the initial index value, and, therefore, could have increased the value at or above which the underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered PLUS. Additionally, such hedging or trading activities during the term of the Buffered PLUS, including on the valuation date, could adversely affect the closing value of the underlying index on the valuation date, and, accordingly, the amount of cash an investor will receive at maturity.

§ **The U.S. federal income tax consequences of an investment in the Buffered PLUS are uncertain.** Please read the discussion under "Additional Information—Tax considerations" in this document and the discussion under "United States Federal Taxation" in the accompanying product supplement for PLUS (together, the "Tax Disclosure Sections") concerning the U.S. federal income tax consequences of an investment in the Buffered PLUS. If the Internal Revenue Service (the "IRS") were successful in asserting an alternative treatment, the timing and character of income on the Buffered PLUS might differ significantly from the tax treatment described in the Tax Disclosure Sections. For example, under one possible treatment, the IRS could seek to recharacterize the Buffered PLUS as debt instruments. In that event, U.S. Holders would be required to accrue into income original issue discount on the Buffered PLUS every year at a "comparable yield" determined at the time of issuance and recognize all income and gain in respect of the Buffered PLUS as ordinary income. Additionally, as discussed under "United States Federal Taxation—FATCA" in the accompanying product supplement for PLUS, the withholding rules commonly referred to as "FATCA" would apply to the Buffered PLUS if they were recharacterized as debt instruments. The risk that financial instruments providing for buffers, triggers or similar downside protection features, such as the Buffered PLUS, would be recharacterized as debt is greater than the risk of recharacterization for comparable financial instruments that do not have such features. We do not plan to request a ruling from the IRS regarding the tax treatment of the Buffered PLUS, and the IRS or a court may not agree with the tax treatment described in the Tax Disclosure Sections.

In 2007, the U.S. Treasury Department and the IRS released a notice requesting comments on the U.S. federal income tax treatment of “prepaid forward contracts” and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the “constructive ownership” rule, which very generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Buffered PLUS, possibly with retroactive effect. Both U.S. and Non-U.S. Holders should consult their tax advisers regarding the U.S. federal income tax consequences of an investment in the Buffered PLUS, including possible alternative treatments, the issues presented by this notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average℠ due December 27, 2023

Buffered Performance Leveraged Upside Securities℠

Principal at Risk Securities

Dow Jones Industrial Average℠ Overview

The Dow Jones Industrial Average℠ is a price-weighted index composed of 30 common stocks that is published by S&P Dow Jones Indices LLC, the marketing name and a licensed trademark of CME Group Index Services LLC, as representative of the broad market of U.S. industry. For additional information about the Dow Jones Industrial Average℠, see the information set forth under "Dow Jones Industrial Average℠" in the accompanying index supplement.

Information as of market close on December 21, 2018:

Bloomberg Ticker Symbol:	INDU
Current Index Value:	22,445.37
52 Weeks Ago:	24,782.29
52 Week High (on 10/3/2018):	26,828.39
52 Week Low (on 12/21/2018):	22,445.37

The following graph sets forth the daily index closing values of the underlying index for each quarter in the period from January 1, 2013 through December 21, 2018. The related table sets forth the published high and low closing values, as well as end-of-quarter closing values, of the underlying index for each quarter in the same period. The index closing value of the underlying index on December 21, 2018 was 22,445.37. We obtained the information in the table and graph below from Bloomberg Financial Markets, without independent verification. The underlying index has at times experienced periods of high volatility. You should not take the historical values of the underlying index as an indication of its future performance, and no assurance can be given as to the index closing value of the underlying index on the valuation date.

Dow Jones Industrial Average℠ Daily Index Closing Values

January 1, 2013 to December 21, 2018

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average℠ due December 27, 2023

Buffered Performance Leveraged Upside Securities℠

Principal at Risk Securities

Dow Jones Industrial Average℠	High	Low	Period End
2013			
First Quarter	14,578.54	13,328.85	14,578.54
Second Quarter	15,409.39	14,537.14	14,909.60
Third Quarter	15,676.94	14,776.13	15,129.67
Fourth Quarter	16,576.66	14,776.53	16,576.66
2014			
First Quarter	16,530.94	15,372.80	16,457.66
Second Quarter	16,947.08	16,026.75	16,826.60
Third Quarter	17,279.74	16,368.27	17,042.90
Fourth Quarter	18,053.71	16,117.24	17,823.07
2015			
First Quarter	18,288.63	17,164.95	17,776.12
Second Quarter	18,312.39	17,596.35	17,619.51
Third Quarter	18,120.25	15,666.44	16,284.70
Fourth Quarter	17,918.15	16,272.01	17,425.03
2016			
First Quarter	17,716.66	15,660.18	17,685.09
Second Quarter	18,096.27	17,140.24	17,929.99
Third Quarter	18,636.05	17,840.62	18,308.15
Fourth Quarter	19,974.62	17,888.28	19,762.60
2017			
First Quarter	21,115.55	19,732.40	20,663.22
Second Quarter	21,528.99	20,404.49	21,349.63
Third Quarter	22,412.59	21,320.04	22,405.09
Fourth Quarter	24,837.51	22,557.60	24,719.22
2018			
First Quarter	26,616.71	23,533.20	24,103.11
Second Quarter	25,322.31	23,644.19	24,271.41
Third Quarter	26,743.50	24,174.82	26,458.31
Fourth Quarter (through December 21, 2018)	26,828.39	22,445.37	22,445.37

“Dow Jones,” “Dow Jones Industrial Average,” “Dow Jones Indexes” and “DJIA” are service marks of Dow Jones Trademark Holdings LLC. See “Dow Jones Industrial Average℠” in the accompanying index supplement.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average^{SM} due December 27, 2023

Buffered Performance Leveraged Upside Securities^{SM}

Principal at Risk Securities

Additional Terms of the Buffered PLUS

Please read this information in conjunction with the summary terms on the front cover of this document.

Additional Terms:

If the terms described herein are inconsistent with those described in the accompanying product supplement, index supplement or prospectus, the terms described herein shall control.

Underlying index publisher:	S&P Dow Jones Indices LLC, or any successor thereof
Interest:	None
Bull market or bear market PLUS:	Bull market PLUS
Postponement of maturity date:	If the scheduled valuation date is not an index business day or if a market disruption event occurs on that day so that the valuation date as postponed falls less than two business days prior to the scheduled maturity date, the maturity date of the Buffered PLUS will be postponed to the second business day following that valuation date as postponed.
Denominations:	$1,000 per Buffered PLUS and integral multiples thereof
Trustee:	The Bank of New York Mellon
Calculation agent:	MS & Co.
Issuer notice to registered security holders, the trustee and the depositary:	In the event that the maturity date is postponed due to postponement of the valuation date, the issuer shall give notice of such postponement and, once it has been determined, of the date to which the maturity date has been rescheduled (i) to each registered holder of the Buffered PLUS by mailing notice of such postponement by first class mail, postage prepaid, to such registered holder's last address as it shall appear upon the registry books, (ii) to the trustee by facsimile confirmed by mailing such notice to the trustee by first class mail, postage prepaid, at its New York office and (iii) to The Depository Trust Company (the "depositary") by telephone or facsimile, confirmed by mailing such notice to the depositary by first class mail, postage prepaid. Any notice that is mailed to a registered holder of the Buffered PLUS in the manner herein provided shall be conclusively presumed to have been duly given to such registered holder, whether or not such registered holder receives the notice. The issuer shall give such notice as promptly as possible, and in no case later than (i) with respect to notice of postponement of the maturity date, the business day immediately preceding the scheduled maturity date and (ii) with respect to notice of the date to which the maturity date has been rescheduled, the business day immediately following the actual valuation date for determining the final index value.

The issuer shall, or shall cause the calculation agent to, (i) provide written notice to the trustee and to the depositary of the amount of cash to be delivered with respect to each stated principal amount of the Buffered PLUS, on or prior to 10:30 a.m. (New York City time) on the business day preceding the maturity date, and (ii) deliver the aggregate cash amount due with respect to the Buffered PLUS to the trustee for delivery to the depositary, as holder of the Buffered PLUS, on the maturity date.

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average^{SM} due December 27, 2023

Buffered Performance Leveraged Upside Securities^{SM}

Principal at Risk Securities

Additional Information About the Buffered PLUS

Additional Information:

Minimum ticketing size: $1,000 / 1 Buffered PLUS

Tax considerations: Although there is uncertainty regarding the U.S. federal income tax consequences of an investment in the Buffered PLUS due to the lack of governing authority, in the opinion of our counsel, Davis Polk & Wardwell LLP, under current law, and based on current market conditions, a Buffered PLUS should be treated as a single financial contract that is an "open transaction" for U.S. federal income tax purposes.

Assuming this treatment of the Buffered PLUS is respected and subject to the discussion in "United States Federal Taxation" in the accompanying product supplement for PLUS, the following U.S. federal income tax consequences should result based on current law:

§ A U.S. Holder should not be required to recognize taxable income over the term of the Buffered PLUS prior to settlement, other than pursuant to a sale or exchange.

§ Upon sale, exchange or settlement of the Buffered PLUS, a U.S. Holder should recognize gain or loss equal to the difference between the amount realized and the U.S. Holder's tax basis in the Buffered PLUS. Such gain or loss should be long-term capital gain or loss if the investor has held the Buffered PLUS for more than one year, and short-term capital gain or loss otherwise.

In 2007, the U.S. Treasury Department and the Internal Revenue Service (the "IRS") released a notice requesting comments on the U.S. federal income tax treatment of "prepaid forward contracts" and similar instruments. The notice focuses in particular on whether to require holders of these instruments to accrue income over the term of their investment. It also asks for comments on a number of related topics, including the character of income or loss with respect to these instruments; whether short-term instruments should be subject to any such accrual regime; the relevance of factors such as the exchange-traded status of the instruments and the nature of the underlying property to which the instruments are linked; the degree, if any, to which income (including any mandated accruals) realized by non-U.S. investors should be subject to withholding tax; and whether these instruments are or should be subject to the "constructive ownership" rule, which very

generally can operate to recharacterize certain long-term capital gain as ordinary income and impose an interest charge. While the notice requests comments on appropriate transition rules and effective dates, any Treasury regulations or other guidance promulgated after consideration of these issues could materially and adversely affect the tax consequences of an investment in the Buffered PLUS, possibly with retroactive effect.

As discussed in the accompanying product supplement for PLUS, Section 871(m) of the Internal Revenue Code of 1986, as amended, and Treasury regulations promulgated thereunder ("Section 871(m)") generally impose a 30% (or a lower applicable treaty rate) withholding tax on dividend equivalents paid or deemed paid to Non-U.S. Holders with respect to certain financial instruments linked to U.S. equities or indices that include U.S. equities (each, an "Underlying Security"). Subject to certain exceptions, Section 871(m) generally applies to securities that substantially replicate the economic performance of one or more Underlying Securities, as determined based on tests set forth in the applicable Treasury regulations (a "Specified Security"). However, pursuant to an IRS notice, Section 871(m) will not apply to securities issued before January 1, 2021 that do not have a delta of one with respect to any Underlying Security. Based on our determination that the Buffered PLUS do not have a delta of one with respect to any Underlying Security, our counsel is of the opinion that the Buffered PLUS should not be Specified Securities and, therefore, should not be subject to Section 871(m).

Our determination is not binding on the IRS, and the IRS may disagree with this determination. Section 871(m) is complex and its application may depend on your particular circumstances, including whether you enter into other transactions with respect to an Underlying Security. If withholding is required, we will not be required to pay any additional amounts with respect to the amounts so withheld. You should consult your tax adviser regarding the potential application of Section 871(m) to the Buffered PLUS.

Both U.S. and non-U.S. investors considering an investment in the Buffered PLUS should read the discussion under "Risk Factors" in this document and the discussion under "United States Federal Taxation" in the accompanying product supplement for PLUS and consult their tax advisers regarding all aspects of the U.S. federal income tax consequences of an investment in the Buffered PLUS, including possible alternative treatments, the issues presented by the aforementioned notice and any tax consequences arising under the laws of any state, local or non-U.S. taxing jurisdiction.

The discussion in the preceding paragraphs under "Tax considerations" and the discussion contained in the section entitled "United States Federal Taxation" in the accompanying product supplement for PLUS, insofar as they purport to describe provisions of U.S. federal income tax laws or legal conclusions with respect thereto, constitute the full opinion of Davis Polk & Wardwell LLP regarding the material U.S. federal tax consequences of an investment in the Buffered PLUS.

Use of proceeds and hedging: The proceeds from the sale of the Buffered PLUS will be used by us for general corporate purposes. We will receive, in aggregate, $1,000 per Buffered PLUS issued, because, when we enter into

hedging transactions in order to meet our obligations under the Buffered PLUS, our hedging counterparty will reimburse the cost of the agent's commissions. The costs of the Buffered PLUS borne by you and described beginning on page 2 above comprise the agent's commissions and the cost of issuing, structuring and hedging the Buffered PLUS.

On or prior to the pricing date, we hedged our anticipated exposure in connection with the Buffered PLUS by

entering into hedging transactions with our affiliates and/or third party dealers. We expect our hedging counterparties to have taken positions in stocks of the underlying index and in futures and options contracts on the underlying index and any component stocks of the underlying index listed on major securities markets. Such purchase activity could have increased the value of the underlying index on the pricing date, and, therefore, could have increased the value at or above which the underlying index must close on the valuation date so that investors do not suffer a loss on their initial investment in the Buffered PLUS. In addition, through our affiliates, we are likely to modify our hedge position throughout the term of the Buffered PLUS, including on the valuation date, by purchasing and selling the stocks constituting the underlying index, futures or options contracts on the underlying index or its component stocks listed on major securities markets or positions in any other available securities or instruments that we may wish to use in connection with such hedging activities. As a result, these entities may be unwinding or adjusting hedge positions during the term of the Buffered PLUS, and the hedging strategy may involve greater and more frequent dynamic adjustments to the hedge as the valuation date approaches. We cannot give any assurance that our hedging activities will not affect the value of the underlying index, and, therefore, adversely affect the value of the Buffered PLUS or the payment you will receive at maturity. For further information on our use of proceeds and hedging, see "Use of Proceeds and Hedging" in the accompanying product supplement for PLUS.

Benefit plan investor considerations: Each fiduciary of a pension, profit-sharing or other employee benefit plan subject to Title I of the Employee Retirement Income Security Act of 1974, as amended ("ERISA") (a "Plan"), should consider the fiduciary standards of ERISA in the context of the Plan's particular circumstances before authorizing an investment in the Buffered PLUS. Accordingly, among other factors, the fiduciary should consider whether the investment would satisfy the prudence and diversification requirements of ERISA and would be consistent with the documents and instruments governing the Plan.

In addition, we and certain of our affiliates, including MS & Co., may each be considered a "party in interest" within the meaning of ERISA, or a "disqualified person" within the meaning of the Internal Revenue Code of 1986, as amended (the "Code"), with respect to many Plans, as well as many individual retirement accounts and Keogh plans (such accounts and plans, together with other plans, accounts and arrangements subject to Section 4975 of the Code, also "Plans"). ERISA Section 406 and Code Section 4975 generally prohibit transactions between Plans and parties in interest or disqualified persons. Prohibited transactions within the meaning of ERISA or the Code would likely arise, for example, if the Buffered PLUS are acquired by or with the assets of a Plan with respect to which MS & Co. or any of its affiliates is a service provider or other party in interest, unless the Buffered PLUS are acquired pursuant to an exemption from the "prohibited transaction" rules. A violation of these "prohibited transaction" rules could result in an excise tax or other liabilities under ERISA and/or Section 4975 of the Code for those persons, unless exemptive relief is available under an applicable statutory or administrative exemption.

The U.S. Department of Labor has issued five prohibited transaction class exemptions ("PTCEs") that may provide exemptive relief for direct or indirect prohibited transactions resulting from the purchase or holding of the Buffered PLUS. Those class exemptions are PTCE 96-23 (for certain transactions determined by in-house asset managers), PTCE 95-60 (for certain transactions involving insurance company general accounts), PTCE 91-38 (for certain transactions involving bank collective investment funds), PTCE 90-1 (for certain transactions involving insurance company separate accounts) and PTCE 84-14 (for certain transactions determined by independent qualified professional asset managers). In addition, ERISA Section 408(b)(17) and Section 4975(d)(20) of the Code provide an exemption for the purchase and sale of securities and the related lending transactions, provided that neither the issuer of the securities nor any of its affiliates has or exercises any discretionary authority or control or renders any investment advice with respect to the assets of the Plan involved in the transaction and provided further that the Plan pays no more, and receives no less, than "adequate consideration" in connection with the transaction (the so-called "service provider" exemption). There can be no assurance that any of these class or statutory exemptions will be available with respect to transactions involving the Buffered PLUS.

Because we may be considered a party in interest with respect to many Plans, the Buffered PLUS may not be purchased, held or disposed of by any Plan, any entity whose underlying assets include "plan assets" by reason of any Plan's investment in the entity (a "Plan Asset Entity") or any person investing "plan assets" of any Plan, unless such purchase, holding or disposition is eligible for exemptive relief, including relief available under PTCEs 96-23, 95-60, 91-38, 90-1, 84-14 or the service provider exemption or such purchase, holding or disposition is otherwise not prohibited. Any purchaser, including any fiduciary purchasing on behalf of a Plan, transferee or holder of the Buffered PLUS will be deemed to have represented, in its corporate and its fiduciary capacity, by its purchase and holding of the Buffered PLUS that either (a) it is not a Plan or a Plan Asset Entity and is not purchasing such Buffered PLUS on behalf of or with "plan assets" of any Plan or with any assets of a governmental, non-U.S. or church plan that is subject to any federal, state, local or non-U.S. law that is substantially similar to the provisions of Section 406 of ERISA or Section 4975 of the Code ("Similar Law") or (b) its purchase, holding and disposition of these Buffered PLUS will not constitute or result in a non-exempt prohibited transaction under Section 406 of ERISA or Section 4975 of the Code or violate any Similar Law.

Due to the complexity of these rules and the penalties that may be imposed upon persons involved in non-exempt prohibited transactions, it is particularly important that fiduciaries or other persons considering purchasing the Buffered PLUS on behalf of or with "plan assets" of any Plan consult with their counsel regarding the availability of exemptive relief.

The Buffered PLUS are contractual financial instruments. The financial exposure provided by the Buffered PLUS is not a substitute or proxy for, and is not intended as a substitute or proxy for, individualized investment management or advice for the benefit of any purchaser or holder of the Buffered PLUS. The Buffered PLUS

have not been designed and will not be administered in a manner intended to reflect the individualized needs and objectives of any purchaser or holder of the Buffered PLUS.

Each purchaser or holder of any Buffered PLUS acknowledges and agrees that:

(i) the purchaser or holder or its fiduciary has made and shall make all investment decisions for the purchaser or holder and the purchaser or holder has not relied and shall not rely in any way upon us or our affiliates to act as a fiduciary or adviser of the purchaser or holder with respect to (A) the design and terms of the Buffered PLUS, (B) the purchaser or holder's investment in the Buffered PLUS, or (C) the exercise of or failure to exercise any rights we have under or with respect to the Buffered PLUS;

(ii) we and our affiliates have acted and will act solely for our own account in connection with (A) all transactions relating to the Buffered PLUS and (B) all hedging transactions in connection with our obligations under the Buffered PLUS;

(iii) any and all assets and positions relating to hedging transactions by us or our affiliates are assets and positions of those entities and are not assets and positions held for the benefit of the purchaser or holder;

(iv) our interests are adverse to the interests of the purchaser or holder; and

(v) neither we nor any of our affiliates is a fiduciary or adviser of the purchaser or holder in connection with any such assets, positions or transactions, and any information that we or any of our affiliates may provide is not intended to be impartial investment advice.

Each purchaser and holder of the Buffered PLUS has exclusive responsibility for ensuring that its purchase, holding and disposition of the Buffered PLUS do not violate the prohibited transaction rules of ERISA or the Code or any Similar Law. The sale of any Buffered PLUS to any Plan or plan subject to Similar Law is in no respect a representation by us or any of our affiliates or representatives that such an investment meets all relevant legal requirements with respect to investments by plans generally or any particular plan, or that such an investment is appropriate for plans generally or any particular plan. In this regard, neither this discussion nor anything provided in this document is or is intended to be investment advice directed at any potential Plan purchaser or at Plan purchasers generally and such purchasers of the Buffered PLUS should consult and rely on their own counsel and advisers as to whether an investment in the Buffered PLUS is suitable.

However, individual retirement accounts, individual retirement annuities and Keogh plans, as well as employee benefit plans that permit participants to direct the investment of their accounts, will not be permitted to purchase or hold the Buffered PLUS if the account, plan or annuity is for the benefit of an employee of Morgan Stanley or Morgan Stanley Wealth Management or a family member and the employee receives any compensation (such as, for example, an addition to bonus) based on the purchase of the Buffered PLUS by the account, plan or annuity.

Additional considerations:

Client accounts over which Morgan Stanley, Morgan Stanley Wealth Management or any of their respective subsidiaries have investment discretion are not permitted to purchase the Buffered PLUS, either directly or indirectly.

Selected dealers, which may include our affiliates, and their financial advisors will collectively receive from the agent a fixed sales commission of $33 for each Buffered PLUS they sell; *provided* that dealers selling to investors purchasing the Buffered PLUS in fee-based advisory accounts will receive a sales commission of $8 per Buffered PLUS.

Supplemental information regarding plan of distribution; conflicts of interest:

MS & Co. is an affiliate of MSFL and a wholly owned subsidiary of Morgan Stanley, and it and other affiliates of ours expect to make a profit by selling, structuring and, when applicable, hedging the Buffered PLUS.

MS & Co. will conduct this offering in compliance with the requirements of FINRA Rule 5121 of the Financial Industry Regulatory Authority, Inc., which is commonly referred to as FINRA, regarding a FINRA member firm's distribution of the securities of an affiliate and related conflicts of interest. MS & Co. or any of our other affiliates may not make sales in this offering to any discretionary account. See "Plan of Distribution (Conflicts of Interest)" and "Use of Proceeds and Hedging" in the accompanying product supplement for PLUS.

Validity of the Buffered PLUS:

In the opinion of Davis Polk & Wardwell LLP, as special counsel to MSFL and Morgan Stanley, when the Buffered PLUS offered by this pricing supplement have been executed and issued by MSFL, authenticated by the trustee pursuant to the MSFL Senior Debt Indenture (as defined in the accompanying prospectus) and delivered against payment as contemplated herein, such Buffered PLUS will be valid and binding obligations of MSFL and the related guarantee will be a valid and binding obligation of Morgan Stanley, enforceable in accordance with their terms, subject to applicable bankruptcy, insolvency and similar laws affecting creditors' rights generally, concepts of reasonableness and equitable principles of general applicability (including, without limitation, concepts of good faith, fair dealing and the lack of bad faith), *provided* that such

counsel expresses no opinion as to (i) the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law on the conclusions expressed above and (ii) any provision of the MSFL Senior Debt Indenture that purports to avoid the effect of fraudulent conveyance, fraudulent transfer or similar provision of applicable law by limiting the amount of Morgan Stanley's obligation under the related guarantee. This opinion is given as of the date hereof and is limited to the laws of the State of New York, the General Corporation Law of the State of Delaware and the Delaware Limited Liability Company Act. In addition, this opinion is subject to customary assumptions about

Morgan Stanley Finance LLC

Buffered PLUS Based on the Value of the Dow Jones Industrial Average℠ due December 27, 2023

Buffered Performance Leveraged Upside Securities℠

Principal at Risk Securities

	the trustee's authorization, execution and delivery of the MSFL Senior Debt Indenture and its authentication of the Buffered PLUS and the validity, binding nature and enforceability of the MSFL Senior Debt Indenture with respect to the trustee, all as stated in the letter of such counsel dated November 16, 2017, which is Exhibit 5-a to the Registration Statement on Form S-3 filed by Morgan Stanley on November 16, 2017.
Contact:	Morgan Stanley Wealth Management clients may contact their local Morgan Stanley branch office or our principal executive offices at 1585 Broadway, New York, New York 10036 (telephone number (866) 477-4776). All other clients may contact their local brokerage representative. Third-party distributors may contact Morgan Stanley Structured Investment Sales at (800) 233-1087.
Where you can find more information:	Morgan Stanley and MSFL have filed a registration statement (including a prospectus, as supplemented by the product supplement for PLUS and the index supplement) with the Securities and Exchange Commission, or SEC, for the offering to which this communication relates. You should read the prospectus in that registration statement, the product supplement for PLUS, the index supplement and any other documents relating to this offering that Morgan Stanley and MSFL have filed with the SEC for more complete information about Morgan Stanley, MSFL and this offering. You may get these documents without cost by visiting EDGAR on the SEC web site at.www.sec.gov. Alternatively, Morgan Stanley, MSFL, any underwriter or any dealer participating in the offering will arrange to send you the product supplement for PLUS, index supplement and prospectus if you so request by calling toll-free 1-(800)-584-6837.

You may access these documents on the SEC web site at.www.sec.gov as follows:

Product Supplement for PLUS dated November 16, 2017

Index Supplement dated November 16, 2017

Prospectus dated November 16, 2017

Terms used but not defined in this document are defined in the product supplement for PLUS, in the index supplement or in the prospectus.

"Performance Leveraged Upside Securities[SM]" and "PLUS[SM]" are our service marks.

December 2018 Page 16

ILY: times new roman">

Income (Loss) Before Income Taxes
2,624 659 7,521 (32,596)
Provision (benefit) for income taxes
1,975 1,502 1,217 (409)
Net Income (Loss)
649 (843) 6,304 (32,187)
Net Loss Attributable to Noncontrolling Interest
(35) - (79) -
Net Income (Loss) Attributable to Stoneridge, Inc. and Subsidiaries
$684 $(843) $6,383 $(32,187)
Basic Net Income (Loss) Per Share
$0.03 $(0.04) $0.27 $(1.37)
Basic Weighted Average Shares Outstanding
23,972 23,761 23,939 23,580
Diluted Net Income (Loss) Per Share
$0.03 $(0.04) $0.26 $(1.37)
Diluted Weighted Average Shares Outstanding
24,357 23,761 24,359 23,580

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

3

STONERIDGE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(in thousands)

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009
OPERATING ACTIVITIES:		
Net income (loss)	$ 6,304	$ (32,187)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities -		
Depreciation	14,280	15,251
Amortization	876	733
Deferred income taxes	(184)	(1,207)
Earnings of equity method investees	(6,186)	(4,864)
(Gain) loss on sale of fixed assets	(12)	292
Share-based compensation expense, net	1,607	854
Changes in operating assets and liabilities -		
Accounts receivable, net	(28,163)	11,228
Inventories, net	(11,024)	18,272
Prepaid expenses and other	(179)	(2,704)
Accounts payable	15,425	(7,995)
Accrued expenses and other	10,488	(251)
Net cash provided by (used for) operating activities	3,232	(2,578)
INVESTING ACTIVITIES:		
Capital expenditures	(10,417)	(8,779)
Proceeds from sale of fixed assets	25	88
Net cash used for investing activities	(10,392)	(8,691)
FINANCING ACTIVITIES:		
Share-based compensation activity, net	306	-
Revolving credit facility borrowings, net	438	-
Borrowings of debt, net	486	-
Other financing costs	-	(50)
Net cash provided by (used for) financing activities	1,230	(50)
Effect of exchange rate changes on cash and cash equivalents	(1,083)	3,069
Net change in cash and cash equivalents	(7,013)	(8,250)
Cash and cash equivalents at beginning of period	91,907	92,692
Cash and cash equivalents at end of period	$ 84,894	$ 84,442

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

4

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(1) Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by Stoneridge, Inc. (the "Company") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the "Commission" or "SEC"). The information furnished in the condensed consolidated financial statements includes normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and footnote disclosures normally included in financial statements prepared in accordance with U.S. generally accepted accounting principles have been condensed or omitted pursuant to the Commission's rules and regulations. The results of operations for the three and nine months ended September 30, 2010 are not necessarily indicative of the results to be expected for the full year.

Although the Company believes that the disclosures are adequate to make the information presented not misleading, it is suggested that these condensed consolidated financial statements be read in conjunction with the audited consolidated financial statements and the notes thereto included in the Company's Form 10-K for the fiscal year ended December 31, 2009.

(2) Inventories

Inventories are valued at the lower of cost or market. Cost is determined by the last-in, first-out ("LIFO") method for approximately 72% and 69% of the Company's inventories at September 30, 2010 and December 31, 2009, respectively, and by the first-in, first-out method for all other inventories. The Company adjusts its excess and obsolescence reserve at least on a quarterly basis. Excess inventories are quantities of items that exceed anticipated sales or usage for a reasonable period. The Company has guidelines for calculating provisions for excess inventories based on the number of months of inventories on hand compared to anticipated sales or usage. Management uses its judgment to forecast sales or usage and to determine what constitutes a reasonable period. Inventory cost includes material, labor and overhead. Inventories consist of the following at:

	September 30, 2010	December 31, 2009
Raw materials	$ 35,512	$ 26,118
Work-in-progress	9,244	9,137
Finished goods	10,251	8,226
Total inventories	55,007	43,481
Less: LIFO reserve	(3,671)	(3,237)
Inventories, net	$ 51,336	$ 40,244

(3) Fair Value of Financial Instruments

Financial Instruments

A financial instrument is cash or a contract that imposes an obligation to deliver, or conveys a right to receive cash or another financial instrument. The carrying values of cash and cash equivalents, accounts receivable and accounts

payable are considered to be representative of fair value because of the short maturity of these instruments. The estimated fair value of the Company's senior notes (fixed rate debt) at September 30, 2010 and December 31, 2009, per quoted market sources, was $182.5 million and 180.3 million, respectively. The carrying value was $183.0 million as of September 30, 2010 and December 31, 2009.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Derivative Instruments and Hedging Activities

On September 30, 2010, the Company had open foreign currency forward contracts and commodity swaps. These contracts are used strictly for hedging and not for speculative purposes. Management believes that its use of these instruments to reduce risk is in the Company's best interest. The counterparties to these financial instruments are financial institutions with strong credit ratings.

The Company conducts business internationally and therefore is exposed to foreign currency exchange rate risk. The Company uses derivative financial instruments as cash flow hedges to mitigate its exposure to fluctuations in foreign currency exchange rates by reducing the effect of such fluctuations on foreign currency denominated intercompany transactions and other foreign currency exposures. The currencies currently hedged by the Company include the Euro, Swedish krona and Mexican peso. In certain instances, the foreign currency forward contracts are marked to market, with gains and losses recognized in the Company's condensed consolidated statement of operations as a component of other expense (income), net. The Company's foreign currency forward contracts substantially offset gains and losses on the underlying foreign currency denominated transactions. As of September 30, 2010, the Company held foreign currency forward contracts to reduce the exposure related to the Company's Euro-denominated and Swedish krona-denominated intercompany receivables. These contracts expire in November 2010. During the nine months ended September 30, 2010, the Company also held a foreign currency hedge contract to reduce the exposure related to the Company's British pound-denominated intercompany receivables prior to their extinguishment. This contract expired in January 2010. For the nine months ended September 30, 2010, the Company recognized a $1,289 gain related to the Euro, British pound and Swedish krona contracts in the condensed consolidated statement of operations as a component of other expense (income), net. The Company also holds contracts intended to reduce exposure to the Mexican peso. These contracts were executed to hedge forecasted transactions, and therefore the contracts are accounted for as cash flow hedges. These Mexican peso-denominated foreign currency forward contracts expire monthly throughout 2010. The effective portion of the unrealized gain or loss is deferred and reported in the Company's condensed consolidated balance sheets as a component of accumulated other comprehensive income. The Company's expectation is that the cash flow hedges will be highly effective in the future. The effectiveness of the transactions has been and will be measured on an ongoing basis using regression analysis.

To mitigate the risk of future price volatility and, consequently, fluctuations in gross margins, the Company entered into a fixed price commodity swap with a financial institution to fix the cost of a portion of the Company's copper purchases. In June 2010, the Company entered into a fixed price swap contract for 0.5 million pounds of copper, which covers the period from August 2010 to December 2010. Because this contract was executed to hedge forecasted transactions, the contract is accounted for as a cash flow hedge. The unrealized gain or loss for the effective portion of the hedge is deferred and reported in the Company's condensed consolidated balance sheets as a component of accumulated other comprehensive income. The Company deems this cash flow hedge to be highly effective. The Company's expectation is that the cash flow hedge will be highly effective in the future. The effectiveness of the transactions has been and will be measured on an ongoing basis using regression analysis.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

The notional amounts and fair values of derivative instruments in the condensed consolidated balance sheets were as follows:

	Notional amounts1		Prepaid expenses and other current assets		Accrued expenses and other current liabilities	
	September 30, 2010	December 31, 2009	Sepetember 30, 2010	December 31, 2009	September 30, 2010	December 31, 2009
Derivatives designated as hedging instruments:						
Forward currency contracts	$ 10,582	$ 43,877	$ 1,256	$ 1,710	$ -	$ -
Commodity contracts	848	-	178	-	-	-
	11,430	43,877	1,434	1,710	-	-
Derivatives not designated as hedging instruments:						
Forward currency contracts	27,425	8,363	-	34	2,942	-
Total derivatives	$ 38,855	$ 52,240	$ 1,434	$ 1,744	$ 2,942	$ -

1 - Notional amounts represent the gross contract / notional amount of the derivatives outstanding.

Amounts recorded in other comprehensive income in shareholders' equity and in net income for the three months ended September 30, 2010 were as follows:

	Amount of gain recorded in other comprehensive income	Amount of gain reclassified from other comprehensive income into net income	Location of gain reclassified from other comprehensive income into net income
Derivatives designated as cash flow hedges:			
Forward currency contracts	$ 605	$ 906	Cost of goods sold
Commodity contracts	230	119	Cost of goods sold
	$ 835	$ 1,025	

Amounts recorded in other comprehensive income in shareholder's equity and in net income for the nine months ended September 30, 2010 were as follows:

	Amount of gain recorded in other comprehensive income	Amount of gain reclassified from other comprehensive income into net income	Location of gain reclassified from other comprehensive income into net income
Derivatives designated as cash flow hedges:			
Forward currency contracts	$ 2,389	$ 2,843	Cost of goods sold
Commodity contracts	297	119	Cost of goods sold
	$ 2,686	$ 2,962	

These derivatives will be reclassified from other comprehensive income to the consolidated statement of operations over the next three months.

7

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

The following table presents our assets and liabilities that are measured at fair value on a recurring basis and are categorized using the fair value hierarchy. The fair value hierarchy has three levels based on the reliability of the inputs used to determine fair value.

	September 30, 2010			December 31, 2009
		Fair Value Estimated Using		
	Fair Value	Level 1 inputs(1)	Level 2 inputs(2)	Fair Value
Financial assets carried at fair value				
Available for sale security	$ 276	$ 276	$ -	$ 261
Forward currency contracts	1,256	-	1,256	1,744
Commodity contracts	178	-	178	-
Total financial assets carried at fair value	$ 1,710	$ 276	$ 1,434	$ 2,005
Financial liabilities carried at fair value				
Forward currency contracts	$ 2,942	$ -	$ 2,942	$ -

(1) Fair values estimated using Level 1 inputs, which consist of quoted prices in active markets for identical assets or liabilities that the Company has the ability to access at the measurement date. The available for sale security is an equity security that is publically traded.

(2) Fair values estimated using Level 2 inputs, other than quoted prices, that are observable for the asset or liability, either directly or indirectly and include among other things, quoted prices for similar assets in markets that are active or inactive as well as inputs other than quoted prices that are observable. For forward currency and commodity contracts, inputs include foreign currency exchange rates and commodity indexes.

As discussed in Note 17, on October 4, 2010, the Company entered into a fixed-to-floating interest rate swap agreement (the “Swap”) with a notional amount of $45.0 million. Under the Swap, the Company pays a variable interest rate equal to the six-month London Interbank Offered Rate (“LIBOR”) plus 7.19% and it receives a fixed interest rate of 9.5%. The Swap requires semi-annual settlements beginning on April 15, 2011 and every April 15 and October 15 thereafter until the Swap’s expiration on October 15, 2017.

(4) Share-Based Compensation

Total compensation expense recognized in the condensed consolidated statements of operations for share-based compensation arrangements was $689 and $257 for the three months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010 and 2009, total compensation expense recognized in the condensed consolidated statements of operations for share-based compensation arrangements was $1,913 and $854, respectively. Included within financing activities within the condensed consolidated statement of cash flows for the nine months ended September 30, 2010 is $306 of excess tax benefit expense related to the vesting of restricted common shares.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(5) Comprehensive Income (Loss)

The components of comprehensive income (loss) attributable to Stoneridge, Inc. and subsidiaries, net of tax are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net income (loss)	$ 649	$ (843)	$ 6,304	$ (32,187)
Other comprehensive income (loss):				
Currency translation adjustments	3,813	3,669	(2,461)	5,563
Pension liability adjustments	-	61	5,089	(189)
Unrealized gain (loss) on marketable securities	14	9	10	(10)
Unrecognized gain (loss) on derivatives	(190)	493	(276)	4,667
Other comprehensive income	3,637	4,232	2,362	10,031
Consolidated comprehensive income (loss)	4,286	3,389	8,666	(22,156)
Comprehensive loss attributable to noncontrolling interest	35	-	79	-
Comprehensive income (loss) attributable to Stoneridge, Inc. and subsidiaries	$ 4,321	$ 3,389	$ 8,745	$ (22,156)

Accumulated other comprehensive income, net of tax is comprised of the following:

	September 30, 2010	December 31, 2009
Currency translation adjustments	$ 3,611	$ 6,072
Pension liability adjustments	-	(5,089)
Unrealized loss on marketable securities	(14)	(24)
Unrecognized gain on derivatives	1,434	1,710
Accumulated other comprehensive income	$ 5,031	$ 2,669

(6) Long-Term Debt

Senior Notes

The Company had $183.0 million of senior notes outstanding at September 30, 2010 and December 31, 2009, respectively. The outstanding senior notes bear interest at an annual rate of 11.5% and mature on May 1, 2012. The senior notes are redeemable, at the Company’s option, at par until the maturity date. Interest is payable on May 1 and November 1 of each year. The senior notes do not contain restrictive financial performance covenants. The Company was in compliance with all non-financial covenants at September 30, 2010 and December 31, 2009.

On September 20, 2010, the Company commenced a tender offer to purchase for cash any and all of its 11.5% senior notes due May 1, 2012. The consent payment deadline was October 1, 2010 and the tender offer expired on October 18, 2010. For senior notes tendered before the consent payment deadline, the note holders received $1,002.50 for each $1,000.00 of principal amount of notes tendered. There was $109,733 of senior notes tendered prior to the consent payment deadline and an additional $154 tendered after the consent payment deadline but before the tender offer deadline. Holders tendering senior notes after the consent payment deadline were eligible to receive only the tender offer consideration of $1,000.00 per $1,000.00 principal amount of senior notes. On November 4, 2010 all senior notes which were not tendered will be redeemed by the Company at par.

As discussed in Note 17, on October 4, 2010, the Company issued $175.0 million of 9.5% senior secured notes due on October 15, 2017.

9

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Credit Facilities

On November 2, 2007, the Company entered into an asset-based credit facility (the "credit facility"), which permits borrowing up to a maximum level of $100.0 million. At September 30, 2010 and December 31, 2009, there were no borrowings on the credit facility. The available borrowing capacity on the credit facility is based on eligible current assets less outstanding letters of credit, as defined. At September 30, 2010 and December 31, 2009, the Company had borrowing capacity of $72.4 million and $54.1 million, respectively, based on eligible current assets less outstanding letters of credit. The credit facility does not contain financial performance covenants which would constrain our borrowing capacity. However, restrictions do include limits on capital expenditures, operating leases, dividends and investment activities in a negative covenant which limits investment activities to $15.0 million minus certain guarantees and obligations. The credit facility requires a commitment fee of 0.375% on the unused balance. Interest is payable quarterly at either (i) the higher of the prime rate or the Federal Funds rate plus 0.50%, plus a margin of 0.00% to 0.25% or (ii) LIBOR plus a margin of 1.00% to 1.75%, depending upon the Company's undrawn availability, as defined. The Company was in compliance with all covenants at September 30, 2010 and December 31, 2009.

As discussed in Note 17, on September 20, 2010, the Company entered into an Amended and Restated Credit and Security Agreement relating to the credit facility which became effective on October 4, 2010 and extended the expiration of the credit facility to November 1, 2012.

On October 13, 2009, the Company's majority owned consolidated subsidiary, Bolton Conductive Systems, LLC ("BCS") entered into a master revolving note (the "Revolver"), which permits borrowing up to a maximum level of $3.0 million. On September 29, 2010, BCS amended the Revolver to extend the maturity date to September 29, 2011 and reduced the interest rate margin to 2.0%. At September 30, 2010 and December 31, 2009, BCS had $1,126 and $688 in borrowings outstanding on the Revolver, respectively, which are included on the condensed consolidated balance sheets as a component of accrued expenses and other current liabilities. Interest is payable monthly at the prime referenced rate plus a 2.0% margin. At September 30, 2010 and December 31, 2009, the interest rate on the Revolver was 5.25% and 5.5%, respectively. The Company is a guarantor of BCS as it relates to the Revolver.

Other Debt

BCS has an installment note ("installment note"). Interest on the installment note is the prime referenced rate plus a 2.25% margin. At September 30, 2010 and December 31, 2009, the interest rate on the installment note was 5.5%. The installment note calls for monthly installment payments of principal and interest and matures in 2012. At September 30, 2010 and December 31, 2009, the principal amount due on the installment note was $366 and $483, respectively.

On August 20, 2010, the Company's subsidiary located in Suzhou, China ("Suzhou") entered into a term loan of 4,690 Chinese Yuan, which was approximately $700 at September 30, 2010 and is included on the condensed consolidated balance sheet as a component of accrued expenses and other current liabilities. The term loan matures on August 5, 2011. Interest is payable quarterly at the one-year lending rate published by The People's Bank of China multiplied by 110.0%. At September 30, 2010, the interest rate on the term loan was 5.84%.

(7) Net Income (Loss) Per Share

Basic net income (loss) per share was computed by dividing net income (loss) by the weighted-average number of Common Shares outstanding for each respective period. Diluted net income per share was calculated by dividing net income by the weighted-average of all potentially dilutive Common Shares that were outstanding during the periods presented. For all periods in which the Company recognized a net loss the Company has recognized zero dilutive effect from securities as no anti-dilution is permitted.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Actual weighted-average shares outstanding used in calculating basic and diluted net income (loss) per share are as follows:

	Three Months Ended September, 30		Nine Months Ended September, 30	
	2010	2009	2010	2009
Basic weighted-average shares outstanding	23,972,045	23,761,019	23,938,839	23,580,024
Effect of dilutive securities	384,482	-	420,110	-
Diluted weighted-average shares outstanding	24,356,527	23,761,019	24,358,949	23,580,024

Options not included in the computation of diluted net income (loss) per share to purchase 113,250 and 180,250 Common Shares at an average price of $12.89 and $9.57, respectively, per share were outstanding at September 30, 2010 and 2009, respectively. These outstanding options were not included in the computation of diluted net income (loss) per share because their respective exercise prices were greater than the average market price of the Common Shares. These options were excluded from the computation of diluted earnings per share under the treasury stock method.

As of September 30, 2010, 455,400 performance-based restricted shares were outstanding. These shares were not included in the computation of diluted net income per share because not all vesting conditions were achieved as of September 30, 2010. These shares may or may not become dilutive based on the Company's ability to meet or exceed future earnings performance targets.

(8) Restructuring

On October 29, 2007, the Company announced restructuring initiatives to improve manufacturing efficiency and cost position by ceasing manufacturing operations at its Sarasota, Florida and Mitcheldean, United Kingdom locations. During 2008, the Company began additional restructuring initiatives in its Canton, Massachusetts, Orebro, Sweden and Tallinn, Estonia locations. In response to the depressed conditions in the North American and European commercial and automotive vehicle markets, the Company also began restructuring initiatives in its Juarez, Monclova and Chihuahua, Mexico, Orebro and Bromma, Sweden, Tallinn, Estonia, Dundee, Scotland, Lexington, Ohio and Canton, Massachusetts locations during 2009. In addition, during 2009, as part of the Company's continuing overall restructuring initiatives, the Company consolidated certain management positions at its Lexington, Ohio and Canton, Massachusetts facilities. During the first nine months of 2010, the Company continued the restructuring initiative in Dundee, Scotland which began in 2009 and recorded amounts related to its cancelled lease in Mitcheldean, United Kingdom. In connection with these initiatives, the Company recorded restructuring charges of $1,310 in the Company's condensed consolidated statement of operations for the quarter ended September 30, 2009, as a component of selling, general and administrative. There were no restructuring charges for the quarter ended September 30, 2010.. Restructuring charges for the nine months ended September 30, 2010 and 2009 were $304 and $3,843, respectively. Restructuring expenses that were general and administrative in nature of $304 and $3,818 for the nine months ended September 30, 2010 and 2009, respectively, were included in the Company's condensed consolidated statement of operations as part of selling, general and administrative, while the remaining restructuring related charges were

included in cost of goods sold.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

The expenses related to the restructuring initiatives that belong to the Electronics reportable segment included the following:

	Severance Costs	Contract Termination Costs	Other Exit Costs	Total
Total expected restructuring charges	$ 5,718	$ 2,337	$ 2,504	$ 10,559
2007 charge to expense	$ 468	$ -	$ 103	$ 571
Cash payments	-	-	(103)	(103)
Accrued balance at December 31, 2007	468	-	-	468
2008 charge to expense	2,830	1,305	2,401	6,536
Cash payments	(2,767)	-	(2,221)	(4,988)
Accrued balance at December 31, 2008	531	1,305	180	2,016
2009 charge to expense	2,237	374	-	2,611
Foreign currency translation effect	-	400	-	400
Cash payments	(2,641)	(656)	(180)	(3,477)
Accrued balance at December 31, 2009	127	1,423	-	1,550
First quarter 2010 charge to expense	81	-	-	81
Second quarter 2010 charge to expense	102	121	-	223
Foreign currency translation effect	-	137	-	137
Cash payments	(272)	(491)	-	(763)
Accrued balance at September 30, 2010	$ 38	$ 1,190	$ -	$ 1,228

The expenses related to the restructuring initiatives that belong to the Control Devices reportable segment included the following:

	Severance Costs	Other Exit Costs	Total
Total expected restructuring charges	$ 3,912	$ 6,447	$ 10,359
2007 charge to expense	$ 357	$ 99	$ 456
Accrued balance at December 31, 2007	357	99	456
2008 charge to expense	2,521	6,325	8,846
Cash payments	(1,410)	(6,024)	(7,434)

Accrued balance at December 31, 2008	1,468	400	1,868
2009 charge to expense	1,034	23	1,057
Cash payments	(2,463)	(164)	(2,627)
Accrued Balance at December 31, 2009	39	259	298
Cash payments	(39)	-	(39)
Accrued balance at September 30, 2010	$ -	$ 259	$ 259

All restructuring charges, except for asset-related charges, result in cash outflows. Severance costs relate to a reduction in workforce. Contract termination costs represent costs associated with long-term lease obligations that were cancelled as part of the restructuring initiatives. Other exit costs include premium direct labor, inventory and equipment move costs, relocation expense, increased inventory carrying cost and miscellaneous expenditures associated with exiting business activities. No fixed-asset impairment charges were incurred because assets were transferred to other locations for continued production.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(9) Commitments and Contingencies

In the ordinary course of business, the Company is involved in various legal proceedings, workers' compensation and product liability disputes. The Company is of the opinion that the ultimate resolution of these matters will not have a material adverse effect on the results of operations, cash flows or the financial position of the Company.

On October 13, 2009, the Company acquired 51% membership interest in BCS. The purchase agreement provides that the Company may be required to make additional payments to the previous owners of BCS for its 51% membership interest based on BCS achieving financial performance targets as defined by the purchase agreement. The maximum amount of additional payments to the prior owners of BCS is $3,200 per year in 2011, 2012 and 2013 and is contingent upon BCS achieving profitability targets based on earnings before interest, income taxes, depreciation and amortization in each of the years 2010, 2011 and 2012. In addition, the Company may be required to make additional payments to BCS of approximately $450 in 2011 and $500 in 2012 based on BCS achieving annual revenue targets in 2010 and 2011, respectively. The Company recorded $893, which represents the fair value of the estimated future additional payments to the prior owners of BCS as of the acquisition date, December 31, 2009 and September 30, 2010 on the condensed consolidated balance sheets as a component of other long-term liabilities. The purchase agreement provides the Company with the option to purchase the remaining 49% interest in BCS in 2013 at a price determined in accordance with the purchase agreement. If the Company does not exercise this option the minority owners of BCS have the option in 2014 to purchase the Company's 51% interest in BCS at a price determined in accordance with the purchase agreement or to jointly market BCS for sale.

Product Warranty and Recall

Amounts accrued for product warranty and recall claims are established based on the Company's best estimate of the amounts necessary to settle future and existing claims on products sold as of the balance sheet dates. These accruals are based on several factors including past experience, production changes, industry developments and other considerations. The Company can provide no assurances that it will not experience material claims in the future or that it will not incur significant costs to defend or settle such claims beyond the amounts accrued or beyond what the Company may recover from its suppliers. Product warranty and recall is included as a component of accrued expenses and other current liabilities on the condensed consolidated balance sheets.

The following provides a reconciliation of changes in product warranty and recall liability for the nine months ended September 30, 2010 and 2009:

	2010	2009
Product warranty and recall at beginning of period	$ 4,764	$ 5,527
Accruals for products shipped during period	2,545	1,747
Aggregate changes in pre-existing liabilities due to claim developments	4	440
Settlements made during the period (in cash or in kind)	(2,730)	(4,053)
Product warranty and recall at end of period	$ 4,583	$ 3,661

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(10) Employee Benefit Plans

The Company had a single defined benefit pension plan that covered certain former employees in the United Kingdom. As a result of placing Stoneridge Pollak Limited ("SPL") into administration during the nine months ended September 30, 2010, as described in Note 12, the Company settled the defined benefit pension plan. The components of net periodic cost under the defined benefit pension plan are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Service cost	$ -	$ 14	$ -	$ 42
Interest cost	-	219	163	657
Expected return on plan assets	-	(165)	(126)	(495)
Amortization of actuarial loss	-	43	62	129
Settlement loss	-	-	33	-
Net periodic cost	$ -	$ 111	$ 132	$ 333

The Company made contributions of approximately $16 during the nine months ended September 30, 2010, prior to placing SPL into administration.

In March 2009, the Company adopted the Stoneridge, Inc. Long-Term Cash Incentive Plan ("LTCIP") and granted awards to certain officers and key employees. Awards under the LTCIP provide recipients with the right to receive cash three years from the date of grant depending on the Company's actual earnings per share performance for a performance period comprised of three fiscal years from the date of grant. The Company will record an accrual for an award to be paid in the period earned based on anticipated achievement of the performance goal. If the participant voluntarily terminates employment or is discharged for cause, as defined in the LTCIP, the award will be forfeited. In May 2009, the LTCIP was approved by the Company's shareholders. The Company has recorded an accrual of $61 for awards granted under the LTCIP at September 30, 2010 which is included on the condensed consolidated balance sheet as a component of other long-term liabilities.

(11) Income Taxes

The Company recognized a provision for income taxes of $1,975, or 75.3% and $1,502, or 227.9% of pretax income, for federal, state and foreign income taxes for the three months ended September 30, 2010 and 2009, respectively. The Company recognized a provision for income taxes of $1,217 or 16.2% of pre-tax income, and a benefit of $409 or 1.3% of pre-tax loss, for federal, state and foreign income taxes for the nine months ended September 30, 2010 and 2009, respectively. As reported at December 31, 2009, the Company is in a cumulative loss position and provides a valuation allowance offsetting federal, state and certain foreign deferred tax assets. The increase in tax expense for the three months and nine months ended September 30, 2010 compared to those same periods for 2009, was primarily attributable to the improved financial performance in the U.S. and most foreign locations as well as the improved financial performance of the PST joint venture. That increase in tax expense was partially offset with a tax benefit related to our United Kingdom operations. As a result of placing SPL into administration, as described in Note 12, the Company recognized a tax benefit of $1,170 during the nine months

ended September 30, 2010, from the reversal of deferred tax liabilities, primarily employee benefit related, that were previously included as a component of accumulated other comprehensive income within shareholders' equity.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(12) SPL Administration

On February 23, 2010, the Company placed its wholly-owned subsidiary, SPL into administration (a structured bankruptcy) in the United Kingdom. The Company had previously ceased manufacturing operations at the facility as of December 2008 as part of the restructuring initiatives announced on October 29, 2007, as described in Note 8. All SPL customer contracts were transferred to other subsidiaries of the Company at the time that SPL filed for administration. As a result of placing SPL into administration the Company recognized a net gain of $3,423 during the nine months ended September 30, 2010. This gain was primarily related to the reversal of the cumulative translation adjustment account ("CTA") and deferred tax liabilities, which had previously been included as a component of accumulated other comprehensive income within shareholders' equity. The net gain of $2,253, primarily due to reversing the CTA balance, is included as a component of other expense (income), net on the condensed consolidated statement of operations. The benefit from reversing the deferred tax liabilities, primarily employee benefit related of $1,170, is included as a component of provision (benefit) for income taxes on the condensed consolidated statement of operations, as described in Note 11.

(13) Segment Reporting

Operating segments are defined as components of an enterprise that are evaluated regularly by the Company's chief operating decision maker in deciding how to allocate resources and in assessing performance. The Company's chief operating decision maker is the president and chief executive officer.

The Company has two reportable segments: Electronics and Control Devices. The Company's operating segments are aggregated based on sharing similar economic characteristics. Other aggregation factors include the nature of the products offered and management and oversight responsibilities. The Electronics reportable segment produces electronic instrument clusters, electronic control units, driver information systems and electrical distribution systems, primarily wiring harnesses and connectors for electrical power and signal distribution. The Control Devices reportable segment produces electronic and electromechanical switches and control actuation devices and sensors.

The accounting policies of the Company's reportable segments are the same as those described in Note 2, "Summary of Significant Accounting Policies" of the Company's December 31, 2009 Form 10-K. The Company's management evaluates the performance of its reportable segments based primarily on net sales from external customers, capital expenditures and income (loss) before income taxes. Inter-segment sales are accounted for on terms similar to those to third parties and are eliminated upon consolidation.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

A summary of financial information by reportable segment is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net Sales				
Electronics	$ 99,912	$ 70,165	$ 296,477	$ 218,830
Inter-Segment sales	5,023	2,734	11,487	6,531
Electronics net sales	104,935	72,899	307,964	225,361
Control Devices	60,524	47,827	178,295	122,537
Inter-Segment sales	742	852	2,526	2,237
Control Devices net sales	61,266	48,679	180,821	124,774
Eliminations	(5,765)	(3,586)	(14,013)	(8,768)
Total consolidated net sales	$ 160,436	$ 117,992	$ 474,772	$ 341,367
Income (Loss) Before Income Taxes				
Electronics (A)	$ 1,369	$ (348)	$ 40,122	$ (11,508)
Control Devices (A)	3,600	2,035	11,886	(10,393)
Other corporate activities (A)	2,989	4,459	(28,744)	5,775
Corporate interest expense	(5,334)	(5,487)	(15,743)	(16,470)
Total consolidated income (loss) before income taxes	$ 2,624	$ 659	$ 7,521	$ (32,596)
Depreciation and Amortization				
Electronics	$ 2,201	$ 2,179	$ 6,726	$ 6,704
Control Devices	2,463	2,725	7,489	8,343
Other corporate activities	50	80	222	204
Total consolidated depreciation and amortization (B)	$ 4,714	$ 4,984	$ 14,437	$ 15,251

(A) During the nine months ended September 30, 2010, the Company placed SPL into administration. As a result of placing SPL into administration the Company recognized a gain within the Electronics reportable segment of $35,512 and losses within other corporate activities and within the Control Devices reportable segment of $32,039 and $473, respectively. These results were primarily due to eliminating SPL's intercompany debt and equity structure.

(B) These amounts represent depreciation and amortization on fixed and certain intangible assets.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Interest Expense (Income), net				
Electronics	$ 376	$ 73	$ 1,197	$ 127
Control Devices	10	(1)	16	(3)
Corporate activities	5,334	5,487	15,743	16,470
Total consolidated interest expense, net	$ 5,720	$ 5,559	$ 16,956	$ 16,594
Capital Expenditures				
Electronics	$ 1,517	$ 900	$ 6,303	$ 3,314
Control Devices	1,834	989	4,158	4,665
Corporate activities	3	148	(44)	800
Total consolidated capital expenditures	$ 3,354	$ 2,037	$ 10,417	$ 8,779

	September 30, 2010	December 31, 2009
Total Assets		
Electronics	$ 195,275	$ 163,414
Control Devices	97,345	91,631
Corporate (C)	227,003	236,110
Eliminations	(119,568)	(128,630)
Total consolidated assets	$ 400,055	$ 362,525

(C) Assets located at Corporate consist primarily of cash and equity investments.

The following table presents net sales and non-current assets for each of the geographic areas in which the Company operates:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Net Sales				
North America	$ 131,611	$ 95,212	$ 388,103	$ 277,517
Europe and Other	28,825	22,780	86,669	63,850
Total consolidated net sales	$ 160,436	$ 117,992	$ 474,772	$ 341,367

	September 30, 2010	December 31, 2009
Non-Current Assets		
North America	$ 123,538	$ 121,149
Europe and Other	12,608	10,706
Total non-current assets	$ 136,146	$ 131,855

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(14) Investments

In June 2009, the Financial Accounting Standards Board ("FASB") revised the authoritative guidance for determining the primary beneficiary of a variable interest entity ("VIE"). In December 2009, the FASB issued Accounting Standards Update No. 2009-17, Improvements to Financial Reporting by Enterprises Involved with Variable Interest Entities, which provides amendments to Accounting Standards Codification Topic No. 810, Consolidation ("ASC 810") to reflect the revised guidance. Among other things, the new guidance requires a qualitative rather than a quantitative assessment to determine the primary beneficiary of a VIE based on whether the entity (1) has the power to direct matters that most significantly impact the activities of the VIE and (2) has the obligation to absorb losses or the right to receive benefits of the VIE that could potentially be significant to the VIE. In addition, the amended guidance requires an ongoing reconsideration of the primary beneficiary. The provisions of this new guidance were effective as of January 1, 2010, and the adoption did not have an impact on the Company's financial statements. The Company analyzed its joint ventures in accordance with ASC 810 to determine whether they are VIE's and, if so, whether the Company is the primary beneficiary. Both of the Company's joint ventures at September 30, 2010 were determined under the provisions of ASC 810 to be unconsolidated joint ventures and were accounted for under the equity method of accounting.

PST Eletrônica S.A.

The Company has a 50% equity interest in PST Eletrônica S.A. ("PST"), a Brazilian electronic system provider focused on security and convenience applications primarily for the automotive vehicle and motorcycle industry. The investment is accounted for under the equity method of accounting. The Company's investment in PST was $41,964 and $35,824 at September 30, 2010 and December 31, 2009, respectively.

Condensed financial information for PST is as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2010	2009	2010	2009
Revenues	$ 49,520	$ 38,596	$ 123,642	$ 90,584
Cost of sales	$ 24,695	$ 19,231	$ 63,861	$ 46,229
Total pre-tax income	$ 8,965	$ 6,018	$ 13,588	$ 9,324
The Company's share of pre-tax income	$ 4,483	$ 3,009	$ 6,794	$ 4,662

Equity in earnings of PST included in the condensed consolidated statements of operations was $3,711 and $3,241 for the three months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010 and 2009, equity in earnings of PST was $5,544 and $4,629, respectively.

Minda Stoneridge Instruments Ltd.

The Company has a 49% interest in Minda Stoneridge Instruments Ltd. ("Minda"), a company based in India that manufactures electronics and instrumentation equipment for the motorcycle, automotive vehicle and commercial

vehicle market. The Company's investment in Minda was $6,096 and $5,220 at September 30, 2010 and December 31, 2009, respectively. Equity in earnings of Minda included in the condensed consolidated statements of operations was $172 and $145, for the three months ended September 30, 2010 and 2009, respectively. For the nine months ended September 30, 2010 and 2009, equity in earnings of Minda was $642 and $235, respectively.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(15) Guarantor Financial Information

The senior notes are fully and unconditionally guaranteed, jointly and severally, by each of the Company's existing and future domestic wholly owned subsidiaries (Guarantor Subsidiaries). The Company's non-U.S. subsidiaries and non-wholly owned domestic subsidiaries do not guarantee the senior notes (Non-Guarantor Subsidiaries).

Presented below are summarized consolidating financial statements of the Parent (which includes certain of the Company's operating units), the Guarantor Subsidiaries, the Non-Guarantor Subsidiaries and the Company on a condensed consolidated basis, as of September 30, 2010 and December 31, 2009 and for each of the three and nine months ended September 30, 2010 and 2009.

These summarized condensed consolidating financial statements are prepared under the equity method. Separate financial statements for the Guarantor Subsidiaries are not presented based on management's determination that they do not provide additional information that is material to investors. Therefore, the Guarantor Subsidiaries are combined in the presentations on the subsequent pages.

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

	September 30, 2010				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 49,331	$ 19	$ 35,544	$ -	$ 84,894
Accounts receivable, net	58,439	22,441	28,900	-	109,780
Inventories, net	27,583	8,991	14,762	-	51,336
Prepaid expenses and other current assets	(310,444)	317,256	11,087	-	17,899
Total current assets	(175,091)	348,707	90,293	-	263,909
Long-Term Assets:					
Property, plant and equipment, net	43,274	17,225	12,612	-	73,111
Investments and other long-term assets, net	50,709	280	12,046	-	63,035
Investment in subsidiaries	414,915	-	-	(414,915)	-
Total long-term assets	508,898	17,505	24,658	(414,915)	136,146
Total Assets	$ 333,807	$ 366,212	$ 114,951	$ (414,915)	$ 400,055
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 35,661	$ 17,151	$ 14,203	$ -	$ 67,015
Accrued expenses and other current liabilities	22,954	11,150	17,791	-	51,895
Total current liabilities	58,615	28,301	31,994	-	118,910
Long-Term Liabilities:					
Long-term debt	183,000	-	240	-	183,240
Other long-term liabilities	11,967	360	940	-	13,267
Total long-term liabilities	194,967	360	1,180	-	196,507
Stoneridge, Inc. and Subsidiaries Shareholders' Equity	80,225	337,551	77,364	(414,915)	80,225
Noncontrolling Interest	-	-	4,413	-	4,413
Total Shareholders' Equity	80,225	337,551	81,777	(414,915)	84,638
Total Liabilities and Shareholders' Equity	$ 333,807	$ 366,212	$ 114,951	$ (414,915)	$ 400,055

20

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Supplemental condensed consolidating financial statements (continued):

	December 31, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current Assets:					
Cash and cash equivalents	$ 59,693	$ 18	$ 32,196	$ -	$ 91,907
Accounts receivable, net	42,804	18,136	20,332	-	81,272
Inventories, net	21,121	6,368	12,755	-	40,244
Prepaid expenses and other current assets	(313,004)	308,571	21,680	-	17,247
Total current assets	(189,386)	333,093	86,963	-	230,670
Long-Term Assets:					
Property, plant and equipment, net	45,063	20,152	11,776	-	76,991
Investments and other long-term assets, net	41,567	23	13,274	-	54,864
Investment in subsidiaries	395,041	-	-	(395,041)	-
Total long-term assets	481,671	20,175	25,050	(395,041)	131,855
Total Assets	$ 292,285	$ 353,268	$ 112,013	$ (395,041)	$ 362,525
LIABILITIES AND SHAREHOLDERS' EQUITY					
Current Liabilities:					
Accounts payable	$ 27,147	$ 15,136	$ 8,664	$ -	$ 50,947
Accrued expenses and other current liabilities	4,172	9,952	22,703	-	36,827
Total current liabilities	31,319	25,088	31,367	-	87,774
Long-Term Liabilities:					
Long-term debt	183,000	-	431	-	183,431
Other long-term liabilities	8,401	360	8,502	-	17,263
Total long-term liabilities	191,401	360	8,933	-	200,694
Stoneridge, Inc. and Subsidiaries Shareholders' Equity	69,565	327,820	67,221	(395,041)	69,565
Noncontrolling Interest	-	-	4,492	-	4,492
Total Shareholders' Equity	69,565	327,820	71,713	(395,041)	74,057

Total Liabilities and Shareholders’ Equity	$	292,285	$	353,268	$	112,013	$	(395,041)	$	362,525

21

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Supplemental condensed consolidating financial statements (continued):

	Three Months Ended September 30, 2010				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 92,465	$ 43,500	$ 49,149	$ (24,678)	$ 160,436
Costs and Expenses:					
Cost of goods sold	79,634	33,543	35,172	(23,943)	124,406
Selling, general and administrative	15,077	6,476	10,193	(735)	31,011
Operating Income (Loss)	(2,246)	3,481	3,784	-	5,019
Interest expense, net	5,653	-	67	-	5,720
Other expense (income), net	(5,548)	869	1,354	-	(3,325)
Equity earnings from subsidiaries	(5,030)	-	-	5,030	-
Income Before Income Taxes	2,679	2,612	2,363	(5,030)	2,624
Provision (benefit) for income taxes	2,030	-	(55)	-	1,975
Net Income	649	2,612	2,418	(5,030)	649
Net Loss Attributable to Noncontrolling Interest	-	-	(35)	-	(35)
Net Income Attributable to Stoneridge, Inc. and Subsidiaries	$ 649	$ 2,612	$ 2,453	$ (5,030)	$ 684

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Supplemental condensed consolidating financial statements (continued):

	Three Months Ended September 30, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 66,457	$ 34,802	$ 33,515	$ (16,782)	$ 117,992
Costs and Expenses:					
Cost of goods sold	56,038	26,864	24,205	(16,198)	90,909
Selling, general and administrative	11,114	5,845	8,074	(584)	24,449
Operating Income (Loss)	(695)	2,093	1,236	-	2,634
Interest expense (income), net	5,565	1	(7)	-	5,559
Other expense (income), net	(5,536)	661	1,291	-	(3,584)
Equity earnings from subsidiaries	(1,582)	-	-	1,582	-
Income (Loss) Before Income Taxes	858	1,431	(48)	(1,582)	659
Provision (benefit) for income taxes	1,701	-	(199)	-	1,502
Net Income (Loss)	(843)	1,431	151	(1,582)	(843)
Net Loss Attributable to Noncontrolling Interest	-	-	-	-	-
Net Loss Attributable to Stoneridge, Inc. and Subsidiaries	$ (843)	$ 1,431	$ 151	$ (1,582)	$ (843)

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Supplemental condensed consolidating financial statements (continued):

	Nine Months Ended September 30, 2010				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 271,964	$ 130,808	$ 139,512	$ (67,512)	$ 474,772
Costs and Expenses:					
Cost of goods sold	230,151	99,141	101,743	(65,440)	365,595
Selling, general and administrative	44,059	18,903	31,136	(2,072)	92,026
Operating Income (Loss)	(2,246)	12,764	6,633	-	17,151
Interest expense, net	16,803	-	153	-	16,956
Other expense (income), net	(8,793)	3,033	(1,566)	-	(7,326)
Equity earnings from subsidiaries	(19,450)	-	-	19,450	-
Income Before Income Taxes	9,194	9,731	8,046	(19,450)	7,521
Provision (benefit) for income taxes	2,890	-	(1,673)	-	1,217
Net Income	6,304	9,731	9,719	(19,450)	6,304
Net Loss Attributable to Noncontrolling Interest	-	-	(79)	-	(79)
Net Income Attributable to Stoneridge, Inc. and Subsidiaries	$ 6,304	$ 9,731	$ 9,798	$ (19,450)	$ 6,383

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Supplemental condensed consolidating financial statements (continued):

	Nine Months Ended September 30, 2009				
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net Sales	$ 199,092	$ 94,969	$ 99,113	$ (51,807)	$ 341,367
Costs and Expenses:					
Cost of goods sold	173,933	79,598	77,726	(49,844)	281,413
Selling, general and administrative	35,405	19,022	27,909	(1,963)	80,373
Operating Loss	(10,246)	(3,651)	(6,522)	-	(20,419)
Interest expense (income), net	16,675	-	(81)	-	16,594
Other expense (income), net	(10,077)	1,984	3,676	-	(4,417)
Equity earnings from subsidiaries	13,622	-	-	(13,622)	-
Loss Before Income Taxes	(30,466)	(5,635)	(10,117)	13,622	(32,596)
Provision (benefit) for income taxes	1,721	-	(2,130)	-	(409)
Net Loss	(32,187)	(5,635)	(7,987)	13,622	(32,187)
Net Loss Attributable to Noncontrolling Interest	-	-	-	-	-
Net Loss Attributable to Stoneridge, Inc. and Subsidiaries	$ (32,187)	$ (5,635)	$ (7,987)	$ 13,622	$ (32,187)

25

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

Supplemental condensed consolidating financial statements (continued):

	Nine Months Ended September 30, 2010			
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by (used for) operating activities	$ (4,935)	$ 1,240	$ 6,927	$ 3,232
INVESTING ACTIVITIES:				
Capital expenditures	(5,672)	(1,291)	(3,454)	(10,417)
Proceeds from the sale of fixed assets	-	-	25	25
Net cash used for investing activities	(5,672)	(1,291)	(3,429)	(10,392)
FINANCING ACTIVITIES:				
Share-based compensation activity, net	245	52	9	306
Revolving credit facilities borrowings, net	-	-	1,134	1,134
Repayments of debt	-	-	(210)	(210)
Net cash provided by financing activities	245	52	933	1,230
Effect of exchange rate changes on cash and cash equivalents	-	-	(1,083)	(1,083)
Net change in cash and cash equivalents	(10,362)	1	3,348	(7,013)
Cash and cash equivalents at beginning of period	59,693	18	32,196	91,907
Cash and cash equivalents at end of period	$ 49,331	$ 19	$ 35,544	$ 84,894

	Nine Months Ended September 30, 2009			
	Parent	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Consolidated
Net cash provided by (used for) operating activities	$ (1,243)	$ 1,580	$ (2,915)	$ (2,578)
INVESTING ACTIVITIES:				
Capital expenditures	(5,950)	(1,627)	(1,202)	(8,779)
Proceeds from the sale of fixed assets	3	46	39	88
Net cash used for investing activities	(5,947)	(1,581)	(1,163)	(8,691)
FINANCING ACTIVITIES:				
Other financing costs	(50)	-	-	(50)
Net cash used for financing activities	(50)	-	-	(50)
Effect of exchange rate changes on cash and cash equivalents	-	-	3,069	3,069
Net change in cash and cash equivalents	(7,240)	(1)	(1,009)	(8,250)
Cash and cash equivalents at beginning of period	55,237	27	37,428	92,692

Cash and cash equivalents at end of period	$	47,997	$	26	$	36,419	$	84,442

26

STONERIDGE, INC.
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)
(in thousands, except share and per share data, unless otherwise indicated)

(16) Related Party Transaction

In connection with the Offering as defined and discussed in Note 17, the Company has incurred certain costs which are recoverable from Jeffrey P. Draime and certain members of his family (the "Draime family"). Jeffrey P. Draime is a member of the Company's Board of Directors. At September 30, 2010, the Company had a balance of $113 receivable from the Draime family in connection with costs of the Offering, which is included as a component of accounts receivable on the condensed consolidated balance sheet.

(17) Subsequent Events

On October 4, 2010, the Company issued $175.0 million of senior secured notes. These senior secured notes bear interest at an annual rate of 9.5% and mature on October 15, 2017. The senior secured notes were offered only to qualified institutional buyers and outside the U.S. in accordance with Rule 144A and Regulation S, respectively, under the Securities Act of 1933. The senior secured notes were issued at a 2.5% discount to the initial purchasers. The Company will accrete this discount using the effective interest method over the life of the senior secured notes. The senior secured notes are redeemable, at the Company's option, beginning October 15, 2014 at 104.75%. Interest payments commence on April 15, 2011 and are payable on April 15 and October 15 of each year, thereafter. The senior secured notes indenture limits the Company and its restricted subsidiaries amount of its indebtedness, restricts certain payments and includes various other non-financial restrictive covenants. The senior secured notes are guaranteed by all of the Company's existing domestic restricted subsidiaries. All other restricted subsidiaries that guarantee any indebtedness of the Company or the guarantors will also guarantee the senior secured notes.

In connection with the senior secured notes issuance, the Company entered into an Amended and Restated Credit and Security Agreement relating to the credit facility on September 20, 2010, which became effective on October 4, 2010. The Amended and Restated Agreement (i) provided certain consents necessary for the issuance of the senior secured notes, (ii) extended the expiration date of the credit facility to November 1, 2012 and (iii) granted the facility agent, for the benefit of the lenders, second priority liens and security interests in the collateral subject to first priority liens and security interests in favor of the collateral agent for the holders of the senior secured notes.

On October 4, 2010, the Company entered into the Swap with a notional amount of $45.0 million. The Swap was designated as a fair value hedge of the fixed interest rate obligation under the Company's $175.0 million 9.5% senior secured notes due October 15, 2017. The Company pays variable interest equal to the six-month LIBOR plus 7.19% and it receives a fixed interest rate of 9.5% under the Swap. The Swap requires semi-annual settlements on April 15 and October 15, beginning on April 15, 2011. The critical terms of the Swap are aligned with the terms of the senior secured notes, including maturity of October 15, 2017, resulting in no hedge ineffectiveness.

On October 7, 2010, the Company filed a Form S-3 with the SEC in order for certain members of the Draime family (the "selling shareholders") to conduct a secondary offering of Company common shares (the "Offering"). All proceeds from the Offering would be received by the selling shareholders. The selling shareholders have agreed to reimburse the Company for all external expenses incurred in connection with the Offering.

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

Overview

We are an independent designer and manufacturer of highly engineered electrical and electronic components, modules and systems for the commercial, automotive, agricultural and off-highway vehicle markets.

We recognized net income for the quarter ended September 30, 2010 of $0.7 million, or $0.03 per diluted share, compared with a net loss of $0.8 million, or $(0.04) per diluted share, for the third quarter of 2009.

Our third quarter 2010 results were positively affected by improvements in the North American automotive and North American and European commercial vehicle markets as well as the economy as a whole. Production volumes in the North American automotive vehicle market increased by 26.3% during the quarter ended September 30, 2010 when compared to the quarter ended September 30, 2009. These automotive vehicle market production volume increases had a positive effect on our North American automotive vehicle market net sales of approximately $10.3 million, primarily within our Control Devices segment. The commercial vehicle market production volumes in North America improved by 25.1% during the quarter ended September 30, 2010 when compared to the prior year third quarter, which resulted in increased net sales of approximately $8.1 million, primarily within our Electronics segment. Our net sales were also favorably affected by increased European commercial vehicle production volumes of 76.0% during the quarter ended September 30, 2010 as compared to the prior year third quarter. This increased production volume had a positive effect on our net sales of approximately $7.5 million, principally within the Electronics segment. These increases in net sales were partially offset by unfavorable foreign currency exchange rates of approximately $1.8 million during the quarter ended September 30, 2010 when compared to the quarter ended September 30, 2009, approximately $1.3 million of premium freight expense and approximately $1.5 million of additional product launch costs, largely due to increased headcount, operating inefficiencies and a special production bonus awarded during the current quarter. We expect to reduce these inefficiencies during the fourth quarter of 2010. Our gross margin percentage remained consistent with the prior year gross margin, decreasing slightly from 23.0% for quarter ended September 30, 2009 to 22.5% for the current quarter.

Our selling, general and administrative expenses ("SG&A") increased from $24.4 million for the quarter ended September 30, 2009 to $31.0 million for the quarter ended September 30, 2010. This $6.6 million, or 27.0%, increase in SG&A was largely due to increased compensation and compensation related expenses. Excluding design and development, our compensation and compensation related expenses increased by approximately $2.8 million from the third quarter of 2009, primarily as a result of increased incentive compensation expenses. In addition, our design and development costs increased by approximately $2.3 million between periods due to our support of new product launches by our customers.

Our results for the nine months ended September 30, 2010 were also favorably affected by the wind down of our wholly-owned subsidiary, Stoneridge Pollak Limited ("SPL"), located in Mitcheldean, United Kingdom. On February 23, 2010, we placed SPL into administration (a structured bankruptcy) in the United Kingdom. We had previously ceased SPL's manufacturing operations in December of 2008, as part of the restructuring initiatives announced in October 2007. All SPL customer contracts were transferred to our other subsidiaries when we placed SPL into administration. We recognized a net gain within other expense (income), net of approximately $2.3 million, primarily from the reversal of the cumulative translation adjustment account, which had previously been included as a component of accumulated other comprehensive income within shareholders' equity. In addition, we recognized a tax benefit of approximately $1.2 million from the reversal of deferred tax liabilities; primarily employee benefit related which were also previously included as a component of accumulated other comprehensive income.

At September 30, 2010 and December 31, 2009, we maintained a cash and equivalents balance of $84.9 million and $91.9 million, respectively. As discussed in Note 6 to the condensed consolidated financial statements, we have no borrowings under our asset-based credit facility. At September 30, 2010 and December 31, 2009, we had borrowing capacity of $72.4 million and $54.1 million, respectively.

Outlook

The North American automotive vehicle market has recovered significantly from 2009 levels, which has had a favorable effect on our Control Devices segment's results. We expect that the North American automotive vehicle market volumes will continue at current levels through the remainder of 2010.

During the first nine months of 2010, the North American and European commercial vehicle markets that we serve also recovered from 2009 levels. We anticipate that these markets will improve through the remainder of 2010.

Through our restructuring activities initiated in prior years we have been able to reduce our cost structure. Our fixed overhead costs are lower due to the 2008 cessation of manufacturing operations at our Sarasota, Florida and Mitcheldean, United Kingdom locations. We were able to maintain our manufacturing capacity in light of these closures by transferring the manufacturing lines to other operating facilities. As our sales volumes have increased in 2010 our operating margin has benefited from our reduced cost structure.

During 2010, we experienced component shortages in our supply base, which has had an adverse effect on our results. Continued or escalated component shortages in our supply base for the remainder of 2010 may adversely affect our results.

In connection with the tender offer and redemption of our 11.5% senior notes due May 1, 2012 discussed in the notes to the condensed consolidated financial statements, we expect to incur expense related to the tender offer premium of approximately $0.3 million in the fourth quarter of 2010. In addition, as a result of the redemption of the senior notes, we will expense approximately $1.0 million, the unamortized balance of the deferred financing costs related to the senior notes. Until the senior notes are redeemed on November 4, 2010, we will incur interest expense on both the 9.5% senior secured notes due on October 15, 2017 and the 11.5% senior notes, which were not tendered during the tender period and will result in additional interest expense incurred during the fourth quarter of 2010 of approximately $0.7 million. The benefit from the lower interest rate on the senior secured notes and the result of the fixed-to-variable interest rate swap which we entered into in October 2010 are expected to more than offset the effect of incurring duplicate interest expense for a portion of the fourth quarter.

Results of Operations

We are primarily organized by markets served and products produced. Under this organizational structure, our operations have been aggregated into two reportable segments: Electronics and Control Devices. The Electronics reportable segment includes results of operations that design and manufacture electronic instrument clusters, electronic control units, driver information systems and electrical distribution systems, primarily wiring harnesses and connectors for electrical power and signal distribution. The Control Devices reportable segment includes results of operations that design and manufacture electronic and electromechanical switches, control actuation devices and sensors.

Three Months Ended September 30, 2010 Compared to Three Months Ended September 30, 2009

Net Sales. Net sales for our reportable segments, excluding inter-segment sales, for the three months ended September 30, 2010 and 2009 are summarized in the following table (in thousands):

	Three Months Ended September 30,				Dollar	Percent
	2010		2009		Increase	Increase
Electronics	$ 99,912	62.3%	$ 70,165	59.5%	$ 29,747	42.4%

Control Devices	60,524	37.7	47,827	40.5	12,697	26.5%
Total net sales	$ 160,436	100.0%	$ 117,992	100.0%	$ 42,444	36.0%

29

Our Electronics segment was positively affected by increased volume in our served markets by approximately $28.2 million for the quarter ended September 30, 2010 when compared to the prior year third quarter. The increase in net sales for our Electronics segment was primarily due to volume increases in our North American and European commercial vehicle products. Commercial vehicle market production volumes in North America and Europe increased by 25.1% and 76.0%, respectively, during the quarter ended September 30, 2010 when compared to the prior year third quarter. The increase in North American and European commercial vehicle production positively affected net sales in our Electronics segment for the quarter ended September 30, 2010 by approximately $8.4 million, or 23.1%, and $7.5 million, or 36.8%, respectively. Our Electronics segment net sales were favorably affected by increased volumes within the agricultural vehicle market of approximately $12.3 million. Net sales within the Electronics segment were also favorably affected by approximately $2.4 million during the quarter ended September 30, 2010 due to the inclusion of Bolton Conductive Systems, LLC (“BCS”), which was acquired in the fourth quarter of 2009. These increases were partially offset by unfavorable foreign exchange rates of approximately $1.8 million for the quarter ended September 30, 2010 when compared to the prior year third quarter.

Our Control Devices segment was positively affected by increased volume in our served markets by approximately $11.3 million for the quarter ended September 30, 2010 when compared to the prior year third quarter. The increase in net sales for our Control Devices segment was primarily attributable to production volume increases at our major customers in the North American automotive vehicle market. Production volumes in the North American automotive vehicle market increased by 26.3% during the quarter ended September 30, 2010 when compared to the quarter ended September 30, 2009. These volume increases resulted in additional net sales of approximately $10.1 million, or 24.9%. In addition, our Control Devices segment was favorably affected by increased volume within the agricultural vehicle market of approximately $1.4 million during the quarter ended September 30, 2010 when compared to the quarter ended September 30, 2009.

Net sales by geographic location for the three months ended September 30, 2010 and 2009 are summarized in the following table (in thousands):

	Three Months Ended September 30,				Dollar	Percent
	2010		2009		Increase	Increase
North America	$ 131,611	82.0%	$ 95,212	80.7%	$ 36,399	38.2%
Europe and other	28,825	18.0	22,780	19.3	6,045	26.5%
Total net sales	$ 160,436	100.0%	$ 117,992	100.0%	$ 42,444	36.0%

The North American geographic location consists of the results of our operations in the United States and Mexico.

The increase in North American net sales was primarily attributable to increased sales volume in our North American automotive, commercial and agricultural vehicle markets, which had a positive effect on our net sales for the quarter ended September 30, 2010 of $10.3 million, $8.1 million and $13.3 million, respectively. North American net sales for the quarter ended September 30, 2010 were also favorably affected by approximately $2.4 million due to the inclusion of BCS. Our increase in net sales outside North America was principally due to increased sales of European commercial vehicle market products, which had a positive effect on our net sales for the quarter ended September 30, 2010 of approximately $7.5 million. This increase was partially offset by foreign currency fluctuations which negatively affected our net sales outside of North America by approximately $1.8 million during the quarter ended September 30, 2010 when compared to the prior year third quarter.

Condensed consolidated statements of operations as a percentage of net sales for the three months ended September 30, 2010 and 2009 are presented in the following table (in thousands):

	Three Months Ended September 30,				Dollar Increase /
	2010		2009		(Decrease)
Net Sales	$ 160,436	100.0%	$ 117,992	100.0%	$ 42,444
Costs and Expenses:					
Cost of goods sold	124,406	77.5	90,909	77.0	33,497
Selling, general and administrative	31,011	19.3	24,449	20.7	6,562
Operating Income	5,019	3.2	2,634	2.3	2,385
Interest expense, net	5,720	3.6	5,559	4.7	161
Equity in earnings of investees	(3,884)	(2.4)	(3,386)	(2.9)	(498)
Other expense (income), net	559	0.3	(198)	(0.2)	757
Income Before Income Taxes	2,624	1.7	659	0.7	1,965
Provision for income taxes	1,975	1.2	1,502	1.3	473
Net Income (Loss)	649	0.5	(843)	(0.6)	1,492
Net Loss Attributable to Noncontrolling Interest	(35)	-	-	-	(35)
Net Income (Loss) Attributable to Stoneridge, Inc. and Subsidiaries	$ 684	0.5%	$ (843)	(0.6)%	$ 1,527

Cost of Goods Sold. The increase in cost of goods sold as a percentage of net sales was largely due to increased premium freight expense of approximately $1.3 million during the quarter ended September 30, 2010 when compared to the prior year third quarter. In addition, we incurred approximately $1.5 million of additional product launch costs, largely due to increased headcount, operating inefficiencies and a special production bonus awarded during the current quarter. We expect to reduce these inefficiencies during the fourth quarter of 2010. Our material cost as a percentage of net sales for our Electronics segment for the third quarter of 2010 and 2009 was 56.3% and 54.6%, respectively. Our materials cost as a percentage of net sales for the Control Devices segment increased slightly from 52.3% for the quarter ended September 30, 2009 to 52.5% for the third quarter of 2010.

Selling, General and Administrative Expenses. Design and development expenses are included within SG&A and were $9.2 million and $6.9 million for the third quarter of 2010 and 2009, respectively. Design and development expenses for our Electronics segment increased from $3.6 million for the quarter ended September 30, 2009 to $5.6 million for the third quarter of 2010. This increase in design and development costs was a result of our customers' new product launches scheduled in the near term. Design and development expenses for our Control Devices segment increased from $3.3 million for the third quarter of 2009 to $3.5 million for the quarter ended September 30, 2010. As a result of our product platform launches scheduled for 2010 and in the future, we believe that our design and development costs for the remainder of 2010 will increase from 2009 levels and will remain consistent to the current quarter expense. The increase in SG&A costs excluding design and development expenses was largely due to higher

employee related costs of approximately $2.8 million, primarily incentive compensation. Our SG&A costs decreased as a percentage of net sales because of the significant increase in net sales recognized in the current quarter when compared to the prior year third quarter.

We had no costs for restructuring initiatives for the quarter ended September 30, 2010. Third quarter 2009 restructuring expenses were approximately $1.3 million and were primarily comprised of one-time termination benefits and were included in our condensed consolidated statements of operations as a component of SG&A.

Restructuring charges, general and administrative in nature, recorded by reportable segment during the three months ended September 30, 2009 were as follows (in thousands):

	Electronics	Control Devices	Total Consolidated Restructuring Charges
Severance costs	$ 939	$ 371	$ 1,310

All restructuring charges result in cash outflows. Severance costs related to a reduction in workforce.

Equity in Earnings of Investees. The increase in equity earnings of investees was attributable to the increase in equity earnings recognized from our PST Eletrônica S.A. (“PST”) and Minda Stoneridge Instruments Ltd. (“Minda”) joint ventures. Equity earnings for PST increased from $3.2 million for the quarter ended September 30, 2009 to $3.7 million for the quarter ended September 30, 2010. This increase primarily reflects higher volumes for PST’s product lines during the quarter ended September 30, 2010. In addition, PST benefited from favorable foreign currency fluctuations during the current quarter when compared to the quarter ended September 30, 2009. Equity earnings for Minda increased from $0.1 million for the quarter ended September 30, 2009 to $0.2 million for the quarter ended September 30, 2010.

Other Expense (Income), net. We record certain foreign currency transaction and forward currency hedge contract gains and losses as a component of other expense (income), net on the condensed consolidated statement of operations. Our results for the quarter ended September 30, 2010 when compared to the third quarter of 2009 were negatively affected by approximately $0.8 million due to the volatility in certain foreign exchange rates between periods.

Income (Loss) Before Income Taxes. Income (loss) before income taxes is summarized in the following table by reportable segment (in thousands).

	Three Months Ended September 30,		Dollar Increase / (Decrease)	Percent Increase / (Decrease)
	2010	2009		
Electronics	$ 1,369	$ (348)	$ 1,717	493.4%
Control Devices	3,600	2,035	1,565	76.9%
Other corporate activities	2,989	4,459	(1,470)	(33.0)%
Corporate interest expense	(5,334)	(5,487)	153	2.8%
Income before income taxes	$ 2,624	$ 659	$ 1,965	298.2%

The increase in profitability in the Electronics segment was primarily related to increased revenue within our North American and European commercial and agriculture vehicle markets. Excluding the results of BCS, production volume increases favorably affected our Electronics segment by $28.2 million during the quarter ended September 30, 2010 when compared to the prior year third quarter. In addition, restructuring related expenses for the Electronics reportable segment were approximately $0.9 million lower for the third quarter of 2010 when compared to the quarter ended September 30, 2009. These factors were partially offset by unfavorable foreign exchange rates during the quarter ended September 30, 2010.

The increase in profitability in the Control Devices reportable segment was primarily due to higher revenue within our North American automotive vehicle market. Production volume increases favorably affected our net sales within the

Control Devices segment by approximately $11.3 million for the quarter ended September 30, 2010 when compared to the prior year third quarter.

The decrease in income before income taxes from other corporate activities was primarily due to the increase in compensation related expenses, primarily incentive compensation incurred in the third quarter of 2010. This increase in expense is partially offset by the $0.5 million increase in equity earnings from our PST and Minda joint ventures.

Income before income taxes by geographic location for the three months ended September 30, 2010 and 2009 is summarized in the following table (in thousands):

	Three Months Ended September 30, 2010		Three Months Ended September 30, 2009		Dollar Increase	Percent Increase
North America	$ 1,879	71.6%	$ 486	73.7%	$ 1,393	286.3%
Europe and other	745	28.4	173	26.3	572	331.7%
Income before income taxes	$ 2,624	100.0%	$ 659	100.0%	$ 1,965	298.2%

North American income before income taxes includes interest expense of approximately $5.7 million and $5.6 million for the quarters ended September 30, 2010 and 2009, respectively.

The increase in our profitability in North America was primarily attributable to higher sales volumes within our North American commercial, automotive and agricultural vehicle markets during the quarter ended September 30, 2010. The improved results outside North America was primarily due to higher sales volumes within our European commercial vehicle market during the quarter ended September 30, 2010.

Provision for Income Taxes. We recognized a provision for income taxes of $2.0 million, or 75.3%, and $1.5 million, or 227.9% of the pre-tax income, for federal, state and foreign income taxes for the quarters ended September 30, 2010 and 2009, respectively. As reported at December 31, 2009, the Company is in a cumulative loss position and provides a valuation allowance offsetting federal, state and certain foreign deferred tax assets. The increase in tax expense for the three months ended September 30, 2010 compared to the same period for 2009 was primarily attributable to the improved financial performance in the U.S. and most foreign locations as well as the improved financial performance of the PST joint venture.

Nine Months Ended September 30, 2010 Compared to Nine Months Ended September 30, 2009

Net Sales. Net sales for our reportable segments, excluding inter-segment sales, for the nine months ended September 30, 2010 and 2009 are summarized in the following table (in thousands):

	Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009		Dollar Increase	Percent Increase
Electronics	$ 296,477	62.4%	$ 218,830	64.1%	$ 77,647	35.5%
Control Devices	178,295	37.6	122,537	35.9	55,758	45.5%
Total net sales	$ 474,772	100.0%	$ 341,367	100.0%	$ 133,405	39.1%

Our Electronics segment was positively affected by increased volume in our served markets by approximately $71.3 million for the nine months ended September 30, 2010 when compared to the first nine months of the prior year. The increase in net sales for our Electronics segment was primarily due to volume increases in our North American and European commercial vehicle products. Commercial vehicle market production volumes in North America and Europe increased by 22.8%, and 46.8%, respectively, during the nine months ended September 30, 2010 when compared to the first nine months of the prior year. The increase in North American and European commercial vehicle production positively affected net sales in our Electronics segment for the nine months ended September 30, 2010 by approximately $32.0 million, or 30.0%, and $21.4 million, or 39.0%, respectively. Our net sales were favorably affected by approximately $6.5 million during the nine months ended September 30, 2010 due to the inclusion of BCS. Net sales within our Electronics segment were also favorably affected by approximately $18.5

million as a result of production volume increases in the agricultural vehicle market during the nine months ended September 30, 2010 when compared to the first nine months of 2009. These increases were partially offset by unfavorable foreign exchange rates of approximately $1.5 million for the nine months ended September 30, 2010 when compared to the first nine months of 2009.

33

Our Control Devices segment was positively affected by increased volume in our served markets by approximately $49.8 million for the nine months ended September 30, 2010 when compared to the nine months ended September 30, 2009. The increase in net sales for our Control Devices segment was primarily attributable to production volume increases at our major customers in the North American automotive vehicle market, which increased by 53.8% during the nine months ended September 30, 2010 when compared to the nine months ended September 30, 2009. Volume increases within the automotive vehicle market of our Control Devices segment increased net sales for the nine months ended September, 2010 by approximately $45.3 million, or 45.2%, when compared to the prior year comparative period.

Net sales by geographic location for the nine months ended September 30, 2010 and 2009 are summarized in the following table (in thousands):

	Nine Months Ended September 30,				Dollar	Percent
	2010		2009		Increase	Increase
North America	$ 388,103	81.7%	$ 277,517	81.3%	$ 110,586	39.8%
Europe and other	86,669	18.3	63,850	18.7	22,819	35.7%
Total net sales	$ 474,772	100.0%	$ 341,367	100.0%	$ 133,405	39.1%

The North American geographic location consists of the results of our operations in the United States and Mexico.

The increase in North American net sales was primarily attributable to increased sales volume in our North American automotive and commercial vehicle markets. These increased volume levels had a positive effect on our net sales for the nine months ended September 30, 2010 of $45.2 million and $32.0 million for our North American automotive and commercial vehicle markets, respectively. Production volume increases within the agricultural vehicle market during the nine months ended September 30, 2010 favorably affected our North American net sales by approximately $21.6 million. North American net sales for the nine months ended September 30, 2010 were also favorably affected by approximately $6.5 million due to the inclusion of BCS. Our increase in net sales outside North America was primarily due to increased sales of European commercial vehicle market products, which had a positive effect on our net sales for the nine months ended September 30, 2010 of approximately $21.5 million.

Condensed consolidated statements of operations as a percentage of net sales for the nine months ended September 30, 2010 and 2009 are presented in the following table (in thousands):

	Nine Months Ended September 30,				Dollar Increase/
	2010		2009		(Decrease)
Net Sales	$ 474,772	100.0%	$ 341,367	100.0%	$ 133,405
Costs and Expenses:					
Cost of goods sold	365,595	77.0	281,413	82.4	84,182
Selling, general and administrative	92,026	19.4	80,373	23.5	11,653
Operating Income (Loss)	17,151	3.6	(20,419)	(5.9)	37,570
Interest expense, net	16,956	3.6	16,594	4.9	362
Equity in earnings of investees	(6,186)	(1.3)	(4,864)	(1.4)	(1,322)
Other expense (income), net	(1,140)	(0.2)	447	0.1	(1,587)
Income (Loss) Before Income Taxes	7,521	1.5	(32,596)	(9.5)	40,117
Provision (benefit) for income taxes	1,217	0.3	(409)	(0.1)	1,626
Net Income (Loss)	6,304	1.2	(32,187)	(9.4)	38,491
Net Loss Attributable to Noncontrolling Interest	(79)	-	-	-	(79)
Net Income (Loss) Attributable to Stoneridge, Inc. and Subsidiaries	$ 6,383	1.2%	$ (32,187)	(9.4)%	$ 38,570

Cost of Goods Sold. The decrease in cost of goods sold as a percentage of net sales was primarily due to the significant increase in volume of our European and North American commercial and automotive vehicle markets during the nine months ended September 30, 2010 when compared to the prior year period. A portion of our cost structure is fixed in nature, such as overhead and depreciation costs. These fixed costs combined with significantly higher net sales in the first nine months of 2010, resulted in a lower cost of goods sold as a percentage of net sales for the nine months ended September 30, 2010. Our material cost as a percentage of net sales for our Electronics segment for the nine months ended September 30, 2010 and 2009 was 56.3% and 54.8%, respectively. Our material cost as a percentage of net sales for the Control Devices segment decreased from 54.0% for the nine months ended September 30, 2009 to 52.6% for the nine months ended September, 30 2010. This decrease is largely due to inventory related charges taken in 2009 as a result of lower sales volumes in our served markets.

Selling, General and Administrative Expenses. Design and development expenses included in SG&A were $28.3 million and $24.9 million for the nine months ended September 30, 2010 and 2009, respectively. The increase in

design and development costs is a result of our customers' new product launches in the near term. The increase in SG&A costs excluding design and development expenses was mainly due to higher employee related costs of approximately $6.7 million, primarily incentive compensation. Our SG&A costs decreased as a percentage of net sales because of the increase in net sales recognized in the current period when compared to the prior year period.

Costs from our restructuring initiatives for the nine months ended September 30, 2010 decreased compared to the nine months ended September 30, 2009 as a result of our restructuring initiatives nearing completion. Costs incurred during the nine months ended September 30, 2010 related to restructuring initiatives amounted to approximately $0.3 million and were comprised of one-time termination benefits and contract termination costs. These restructuring actions were a combination of severance costs as a result of the continuation of restructuring initiatives which began in 2009 in Dundee, Scotland and related to our cancelled lease in Mitcheldean, United Kingdom. Restructuring charges for the nine months ended September 30, 2009 were approximately $3.8 million and were primarily comprised of one-time termination benefits. These restructuring actions were in response to the depressed conditions in the European and North American commercial vehicle markets as well as the North American automotive vehicle market. Restructuring expenses that were general and administrative in nature were included in the Company's condensed consolidated statements of operations as a component of SG&A, while the remaining restructuring related expenses were included in cost of goods sold.

Restructuring charges, general and administrative in nature, recorded by reportable segment during the nine months ended September 30, 2010 were as follows (in thousands):

	Electronics	Control Devices	Total Consolidated Restructuring Charges
Severance costs	$ 183	$ -	$ 183
Contract termination costs	121	-	121
Total general and administrative restructuring charges	$ 304	$ -	$ 304

All restructuring charges result in cash outflows. Severance costs related to a reduction in workforce. Contract termination costs represent expenditures associated with long-term lease obligations that were cancelled as part of the restructuring initiatives.

Restructuring charges, general and administrative in nature, recorded by reportable segment during the nine months ended September 30, 2009 were as follows (in thousands):

	Electronics	Control Devices	Total Consolidated Restructuring Charges
Severance costs	$ 2,743	$ 984	$ 3,727
Contract termination costs	91	-	91
Total general and administrative restructuring charges	$ 2,834	$ 984	$ 3,818

Equity in Earnings of Investees. The increase in equity earnings of investees was attributable to the increase in equity earnings recognized from our PST and Minda joint ventures. Equity earnings for PST increased from $4.6 million for the nine months ended September 30, 2009 to $5.5 million for the nine months ended September 30, 2010. The increase primarily reflects higher volumes for PST's product lines during the nine months ended September 30, 2010. In addition, PST benefited from favorable foreign currency fluctuations during the nine months ended September 30, 2010 when compared to the first nine months of 2009. Equity earnings for Minda increased from $0.2 million for the nine months ended September 30, 2009 to $0.6 million for the nine months ended September 30, 2010.

Other Expense (Income), net. As a result of placing SPL into administration, we recognized a gain of approximately $2.3 million during the nine months ended September 30, 2010 within other expense (income), net on the condensed consolidated statement of operations. This gain is primarily related to the reversal of the cumulative translation adjustment account, which had previously been included as a component of other comprehensive income within Shareholders' Equity. The gain is partially offset by foreign currency loss during the nine months ended September 30, 2010 of approximately $0.7 million when compared to the first nine months of 2009.

Income (Loss) Before Income Taxes. Income (loss) before income taxes is summarized in the following table by reportable segment (in thousands).

	Nine Months Ended September 30, 2010	Nine Months Ended September 30, 2009	Dollar Increase / (Decrease)	Percent Increase / (Decrease)
Electronics (A)	$ 7,610	$ (11,508)	$ 19,118	166.1%
Control Devices (A)	12,359	(10,393)	22,752	218.9%
Other corporate activities (A)	3,295	5,775	(2,480)	(42.9)%
Corporate interest expense	(15,743)	(16,470)	727	4.4%
Income (loss) before income taxes	$ 7,521	$ (32,596)	$ 40,117	123.1%

(A) - Income before income taxes amount excludes the impact of placing SPL into administration during the nine months ended September 30, 2010. As a result of placing SPL into administration, we recognized a gain within the Electronics segment of $32,512 and a loss within the Control Devices segment and other corporate activities of $473 and $32,039, respectively. These gains and losses were primarily the result of eliminating SPL's intercompany debt and equity structure.

The increase in profitability in the Electronics reportable segment was principally related to the increased sales volume, primarily to our commercial vehicle customers for the nine months ended September 30, 2010 when compared to the first nine months of 2009. Excluding the results of BCS, production volume increases favorably affected our Electronics segment by $71.3 million during the nine months ended September 30, 2010 when compared to the the first nine months of the prior year. In addition, restructuring related expenses for the Electronics segment were approximately $2.5 million lower for the nine months ended September 30, 2010 when compared to the first nine months of 2009.

The increase in profitability in the Control Devices reportable segment was primarily due to increased sales volume for the nine months ended September 30, 2010 when compared to the nine months ended September 30, 2009. Production volume increases favorably affected our net sales within the Control Devices segment by approximately $49.8 million for the nine months ended September 30, 2010 when compared to the first nine months of the prior year.

The decrease in profitability from other corporate activities was primarily due to higher employee related costs, largely incentive compensation costs incurred during the nine months ended September 30, 2010 when compared to the first nine months of 2009.

Income (loss) before income taxes by geographic location for the nine months ended September 30, 2010 and 2009 is summarized in the following table (in thousands):

	Nine Months Ended September 30, 2010		Nine Months Ended September 30, 2009		Dollar Increase	Percent Increase
North America (A)	$ 6,098	81.1%	$ (21,643)	66.4%	$ 27,741	128.2%
Europe and other (A)	1,423	18.9	(10,953)	33.6	12,376	113.0%
Income (loss) before income taxes	$ 7,521	100.0%	$ (32,596)	100.0%	$ 40,117	123.1%

(A) - Income before income taxes amount excludes the impact of placing SPL into administration during the nine months ended September 30, 2010. As a result of placing SPL into administration, we recognized a gain within Europe and other and a loss within North America of $32,430. These gains and losses were primarily the result of eliminating SPL's intercompany debt and equity structure.

North American income before income taxes includes interest expense of approximately $17.0 million and $16.6 million for the nine months ended September 30, 2010 and 2009, respectively.

Excluding the effect of the SPL administration, our North American results improved, primarily as a result of increased volume in the North American automotive and commercial vehicle markets during the nine months ended September 30, 2010 as compared to the first nine months of 2009. Our results in Europe and other were favorably affected by our increased European commercial vehicle market sales during the current period.

Provision (Benefit) from Income Taxes. We recognized a provision for income taxes of $1.2 million, or 16.2% of pre-tax income, and a benefit of $0.4 million, or 1.3% of the pre-tax loss, for federal, state and foreign income taxes for the nine months ended September 30, 2010 and 2009, respectively. As reported at December 31, 2009, the Company is in a cumulative loss position and provides a valuation allowance offsetting federal, state and certain foreign deferred tax assets. The increase in tax expense for the nine months ended September 30, 2010 compared to the same period for 2009 was primarily attributable to the improved financial performance in the U.S. and most foreign locations as well as the improved financial performance of the PST joint venture. That increase in tax expense for the nine months ended September 30, 2010 was partially offset with a tax benefit related to our United Kingdom operations. As a result of placing SPL into administration, as described in Note 12, the Company recognized a tax benefit of $1.2 million during the nine months ended September 30, 2010, from the reversal of deferred tax liabilities, primarily employee benefit related, that were previously included as a component of accumulated other comprehensive income within shareholders' equity.

Liquidity and Capital Resources

Summary of Cash Flows (in thousands):

	Nine Months Ended September 30,		Dollar Increase /
	2010	2009	(Decrease)
Net cash provided by (used for):			
Operating activities	$ 3,232	$ (2,578)	$ 5,810
Investing activities	(10,392)	(8,691)	(1,701)
Financing activities	1,230	(50)	1,280
Effect of exchange rate changes on cash and cash equivalents	(1,083)	3,069	(4,152)
Net change in cash and cash equivalents	$ (7,013)	$ (8,250)	$ 1,237

The increase in net cash provided by operating activities was due to higher net income during the nine months ended September 30, 2010. This was partially offset by higher working capital funding requirements, primarily accounts receivable balances. Our higher accounts receivable balance at September 30, 2010 was attributable to the higher sales volume in the current period. Our receivable terms and collections rates have remained consistent between periods presented. As our served markets improve we expect that our working capital requirements will continue to increase accordingly.

The increase in net cash used for investing activities reflects an increase in cash used for capital projects of approximately $1.6 million. Our 2009 capital expenditures were historically lower than normal as a result of our customers delaying product launches. We expect our future capital expenditures to increase from 2009 levels and be more consistent with our historical expenditures.

The increase in net cash provided by financing activities was primarily due to cash received from borrowings on the BCS master revolving note (the "Revolver") and the term loan that our subsidiary located in Suzhou, China ("Suzhou") entered into.

Management will continue to focus on reducing its weighted average cost of capital and believes that cash flows from operations and the availability of funds from our asset-based credit facility will provide sufficient liquidity to meet our future growth and operating needs.

On September 20, 2010, we commenced a tender offer to purchase for cash any and all of our 11.5% senior notes due May 1, 2012. The consent payment deadline was October 1, 2010 and the tender offer expired on October 18, 2010. For senior notes tendered before the consent payment deadline, the note holders received $1,002.50 for each $1,000.00 of principal amount of notes tendered. There was $109.7 million of senior notes tendered prior to the consent payment deadline and an additional $0.2 million was tendered after the consent payment deadline, but before the tender offer deadline. Holders tendering senior notes after the consent payment deadline are eligible to receive only the tender offer consideration of $1,000.00 per $1,000.00 principal amount of senior notes. On November 4, 2010 all senior notes which were not tendered will be redeemed by us at par.

On October 4, 2010, we issued $175.0 million of senior secured notes. These senior secured notes bear interest at an annual rate of 9.5% and mature on October 15, 2017. The senior secured notes were offered only to qualified institutional buyers and outside the U.S. in accordance with Rule 144A and Regulation S, respectively, under the Securities Act of 1933. The senior secured notes were issued at a 2.5% discount to the initial purchasers. We will accrete this discount using the effective interest method over the life of the senior secured notes. The senior secured notes are redeemable, at our option, beginning October 15, 2014 at 104.75%. Interest payments commence on April 15, 2011 and are payable on April 15 and October 15 of each year, thereafter. The senior secured notes indenture limits our and our restricted subsidiaries amount of indebtedness, restricts certain payments and includes various other non-financial restrictive covenants. The senior secured notes are guaranteed by all of our existing domestic restricted subsidiaries. All other restricted subsidiaries that guarantee any of our or our guarantors' indebtedness will also guarantee the senior secured notes.

On October 4, 2010, we entered into a fixed-to-variable interest rate swap agreement (the "Swap") with a notional amount of $45.0 million. The Swap was designated as a fair value hedge of the fixed interest rate obligation under our $175.0 million 9.5% senior secured notes due October 15, 2017. We pay variable interest equal to the six-month LIBOR plus 7.19% and we receive a fixed interest rate of 9.5% under the Swap. The critical terms of the Swap match the terms of the senior secured notes, including maturity of October 15, 2017, resulting in no hedge ineffectiveness.

As outlined in Note 6 to our condensed consolidated financial statements, our asset-based credit facility (the "credit facility") permits borrowing up to a maximum level of $100.0 million. At September 30, 2010, there were no borrowings on the credit facility. The available borrowing capacity on the credit facility is based on eligible current assets, as defined. At September 30, 2010, the Company had borrowing capacity of $72.4 million based on eligible current assets. The credit facility does not contain financial performance covenants which would constrain our borrowing capacity. However, restrictions do include limits on capital expenditures, operating leases, dividends and investment activities in a negative covenant which limits investment activities to $15.0 million minus certain guarantees and obligations. The Company was in compliance with all covenants at September 30, 2010. In connection with the senior secured notes issuance, we entered into an Amended and Restated Credit and Security Agreement on September 20, 2010. The Amended and Restated Credit and Security Agreement which became effective on October 4, 2010 (i) provided certain consents necessary for the issuance of the senior secured notes, (ii) extended the expiration date of the credit facility to November 1, 2012 and (iii) granted the facility agent, for the benefit of the lenders, second priority liens and security interests in the collateral subject to first priority liens and security interests in favor of the collateral agent for the holders of the senior secured notes.

The BCS Revolver permits borrowing up to a maximum level of $3.0 million. On September 29, 2010, BCS amended the Revolver to extend the maturity date to September 29, 2011 and reduced the interest rate margin to 2.0%. At September 30, 2010, BCS had approximately $1.2 million in borrowings outstanding on the Revolver, which is included on the condensed consolidated balance sheet as a component of accrued expenses and other current liabilities. Interest is payable monthly at the prime referenced rate plus a 2.0% margin. At September 30, 2010 the interest rate on the Revolver was 5.25%. The Company is a guarantor as it relates to the Revolver.

The Suzhou term loan is in the amount of 4,690 Chinese Yuan, which was approximately $0.7 at September 30, 2010 and is included on the condensed consolidated balance sheet as a component of accrued expenses and other current liabilities. The term loan matures on August 5, 2011. Interest is payable quarterly at the one-year lending rate published by The People's Bank of China multiplied by 110.0%. At September 30, 2010, the interest rate on the term loan was 5.84%.

As part of our 2009 acquisition of BCS, we may be required to make additional payments to the previous owners of BCS for our 51% membership interest based on BCS achieving financial performance targets as defined by the purchase agreement. The maximum amount of additional payments to the prior owners of BCS is $3.2 million per year in 2011, 2012 and 2013 and are contingent upon BCS achieving profitability targets based on earnings before interest, income taxes, depreciation and amortization in each of the years 2010, 2011 and 2012. In addition, we may be required to make additional payments to BCS of approximately $0.5 million in 2011 and 2012 based on BCS achieving annual revenue targets in 2010 and 2011, respectively. We recorded $0.9 million, which represents the fair value of the estimated future additional payments to the prior owners of BCS as of the acquisition date, December 31, 2009 and September 30, 2010 on the condensed consolidated balance sheet as a component of other long-term liabilities. The purchase agreement provides us with the option to purchase the remaining 49% interest in BCS in 2013 at a price determined in accordance with the purchase agreement. If we do not exercise this option the minority owners of BCS have the option in 2014 to purchase our 51% interest in BCS at a price determined in accordance with the purchase agreement or to jointly market BCS for sale.

We have significant U.S. federal income tax net operating loss carryforwards and research credit carryforwards. The Internal Revenue Code of 1986, as amended, imposes an annual limitation on the ability of a corporation that undergoes an "ownership change" to use its net operating loss and credit carryforwards to reduce its tax liability. As a result of the possible secondary offering of our common shares discussed in the Note 17 to the condensed consolidated financial statements, the likelihood that we may experience an ownership change will increase significantly. Our use of our net operating loss and credit carryforwards could be limited by the annual limitation, which could subject us to U.S. federal income taxes on an accelerated basis.

At September 30, 2010, we had a cash and cash equivalents balance of approximately $84.9 million, of which $46.1 million was held domestically and $38.8 million was held in foreign locations. None of our cash balance was restricted at September 30, 2010.

As a result of placing SPL into administration during the nine months ended September 30, 2010, our defined benefit plan was settled. As a result of this settlement there will be no further funding of the defined benefit plan. During the fourth quarter of 2010 we will have either accepted tenders for, or redeemed, $183.0 million of our outstanding 11.5% senior notes due 2012 (the "Old Notes"). In addition, in October 2010 we issued $175.0 million of new 9.5% senior secured notes due October 15, 2017 and used the proceeds from that issuance and availalbe cash to fund the aforementioned tender offer and redemption of the Old Notes. There have been no other material changes to the table of contractual obligations presented in Part II, Item 7 ("Liquidity and Capital Resources") of the Company's 2009 Form 10-K.

Critical Accounting Policies and Estimates

The Company's significant accounting policies, which include management's best estimates and judgments, are included in Item 7, Part II to the consolidated financial statements of the Company's 2009 Form 10-K. Certain of these accounting policies are considered critical as disclosed in the Critical Accounting Policies and Estimates section of Management's Discussion and Analysis of the Company's 2009 Form 10-K because of the potential for a significant impact on the financial statements due to the inherent uncertainty in such estimates. There have been no significant changes in the Company's critical accounting policies since December 31, 2009.

Inflation

Given the current economic climate and continued volatility in certain commodity prices, we believe that a continuation of such price volatility could significantly affect our profitability. Furthermore, by operating internationally, we are affected by the economic conditions of certain countries. Based on the current economic conditions in these countries, we believe we are not significantly exposed to adverse economic conditions.

Forward-Looking Statements

Portions of this report contain "forward-looking statements" under the Private Securities Litigation Reform Act of 1995. These statements appear in a number of places in this report and include statements regarding the intent, belief or current expectations of the Company, with respect to, among other things, our (i) future product and facility expansion, (ii) acquisition strategy, (iii) investments and new product development, and (iv) growth opportunities related to awarded business. Forward-looking statements may be identified by the words "will," "may," "should," "designed to," "believes," "plans," "projects," "intends," "expects," "estimates," "anticipates," "continue," and similar words and express forward-looking statements in this report are subject to risks and uncertainties that could cause actual events or results to differ materially from those expressed in or implied by the statements. Important factors that could cause actual results to differ materially from those in the forward-looking statements include, among other factors:

- the loss or bankruptcy of a major customer;
- the costs and timing of facility closures, business realignment, or similar actions;
- a significant change in commercial vehicle, automotive, agricultural or off-highway vehicle production;
- our ability to achieve cost reductions that offset or exceed customer-mandated selling price reductions;
- a significant change in general economic conditions in any of the various countries in which we operate;
- labor disruptions at our facilities or at any of our significant customers or suppliers;
- the ability of our suppliers to supply us with parts and components at competitive prices on a timely basis;

- the amount of our indebtedness and the restrictive covenants contained in the agreements governing our indebtedness, including our credit facility and the senior secured notes;
- customer acceptance of new products;
- capital availability or costs, including changes in interest rates or market perceptions;
- the failure to achieve the successful integration of any acquired company or business;
- the occurrence or non-occurrence of circumstances beyond our control; and
- the items described in Part II, Item IA ("Risk Factors").

In addition, the forward-looking statements contained herein represent our estimates only as of the date of this filing and should not be relied upon as representing our estimates as of any subsequent date. While we may elect to update these forward-looking statements at some point in the future, we specifically disclaim any obligation to do so, whether to reflect actual results, changes in assumptions, changes in other factors affecting such forward-looking statements or otherwise.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

There have been no material changes in market risk presented within Part II, Item 7A of the Company's 2009 Form 10-K.

Item 4. Controls and Procedures.

Evaluation of Disclosure Controls and Procedures

As of September 30, 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. Based on that evaluation, the Company's management, including the PEO and PFO, concluded that the Company's disclosure controls and procedures were effective as of September 30, 2010.

Changes in Internal Control Over Financial Reporting

There were no changes in the Company's internal control over financial reporting during the nine months ended September 30, 2010 that materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

PART II–OTHER INFORMATION

Item 1. Legal Proceedings.

The Company is involved in certain legal actions and claims arising in the ordinary course of business. The Company, however, does not believe that any of the litigation in which it is currently engaged, either individually or in the aggregate, will have a material adverse effect on its business, consolidated financial position or results of operations. The Company is subject to the risk of exposure to product liability claims in the event that the failure of any of its products causes personal injury or death to users of the Company's products and there can be no assurance that the Company will not experience any material product liability losses in the future. The Company maintains insurance against such liability claims. In addition, if any of the Company's products prove to be defective, the Company may be required to participate in government-imposed or other instituted recalls involving such products.

Item 1A. Risk Factors.

Set forth below are some of the principal risks and uncertainties that could cause our actual business results to differ materially from any forward-looking statements contained in this Quarterly Report. In addition, future results could be materially affected by general industry and market conditions, changes in laws or accounting rules, general U.S. and non-U.S. economic and political conditions, including a global economic slow-down, fluctuation of interest rates or currency exchange rates, terrorism, political unrest or international conflicts, political instability or major health concerns, natural disasters, commodity prices or other disruptions of expected economic and business conditions. These risk factors should be considered in addition to our cautionary comments concerning forward-looking statements in this Quarterly Report, including statements related to markets for our products and trends in our business that involve a number of risks and uncertainties. Our separate section, "Forward-Looking Statements," on page 40 should be considered in addition to the following statements.

Our business is cyclical and seasonal in nature and downturns in the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets could reduce the sales and profitability of our business.

The demand for our products is largely dependent on the domestic and foreign production of medium- and heavy-duty trucks, automotive, agricultural and off-highway vehicles. The markets for our products have historically been cyclical, because new vehicle demand is dependent on, among other things, consumer spending and is tied closely to the overall strength of the economy. Because our products are used principally in the production of vehicles for the medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle markets, our net sales, and therefore our results of operations, are significantly dependent on the general state of the economy and other factors which affect these markets. A decline in medium- and heavy-duty truck, automotive, agricultural and off-highway vehicle production could adversely impact our results of operations and financial condition. In 2009, approximately 67% of our net sales were derived from the medium- and heavy-duty truck, agricultural and off-highway vehicle markets and approximately 33% were derived from the automotive market. Seasonality experienced by the automotive industry also impacts our operations.

We may not realize sales represented by awarded business.

We base our growth projections, in part, on commitments made by our customers. These commitments generally renew annually during a program life cycle. Failure of actual production orders from our customers to approximate these commitments could have a material adverse effect our business, financial condition or results of operations.

The prices that we can charge some of our customers are predetermined and we bear the risk of costs in excess of our estimates, in addition to the risk of adverse effects resulting from general customer demands for cost reductions and quality improvements.

Our supply agreements with some of our customers require us to provide our products at predetermined prices. In some cases, these prices decline over the course of the contract and may require us to meet certain productivity and cost reduction targets. In addition, our customers may require us to share productivity savings in excess of our cost reduction targets. The costs that we incur in fulfilling these contracts may vary substantially from our initial estimates. Unanticipated cost increases or the inability to meet certain cost reduction targets may occur as a result of several factors, including increases in the costs of labor, components or materials. In some cases, we are permitted to pass on to our customers the cost increases associated with specific materials. Cost overruns that we cannot pass on to our customers could adversely affect our business, financial condition or results of operations.

OEMs have exerted considerable pressure on component suppliers to reduce costs, improve quality and provide additional design and engineering capabilities and continue to demand and receive price reductions and measurable increases in quality through their use of competitive selection processes, rating programs, and various other arrangements. We may be unable to generate sufficient production cost savings in the future to offset required price reductions. Additionally, OEMs have generally required component suppliers to provide more design engineering input at earlier stages of the product development process, the costs of which have, in some cases, been absorbed by the suppliers. Future price reductions, increased quality standards and additional engineering capabilities required by OEMs may reduce our profitability and have a material adverse effect on our business, financial condition or results of operations.

We are dependent on the availability and price of raw materials and other supplies.

We require substantial amounts of raw materials and other supplies and substantially all such materials we require are purchased from outside sources. The availability and prices of raw materials and other supplies may be subject to curtailment or change due to, among other things, new laws or regulations, suppliers' allocations to other purchasers,

interruptions in production by suppliers, changes in exchange rates and worldwide price levels. As demand for raw materials and other supplies increases as a result of a recovering economy, we may have difficulties obtaining adequate raw materials and other supplies from our suppliers to satisfy our customers. At times, we have experienced difficulty obtaining adequate supplies of semiconductors and memory chips for our Electronics segment and nylon and resins for our Control Devices segment. If we cannot obtain adequate raw materials and other supplies or if we experience an increase in the price of raw materials and other supplies, our business, financial condition or results of operations could be materially adversely affected.

The loss or insolvency of any of our major customers would adversely affect our future results.

We are dependent on several principal customers for a significant percentage of our net sales. In 2009, our top three customers were Navistar International Corp., Deere & Company and Ford Motor Company, which comprised 27%, 12% and 9% of our net sales, respectively. In 2009, our top ten customers accounted for 69% of our net sales. The loss of any significant portion of our sales to these customers or any other customers would have a material adverse impact on our results of operations and financial condition. The contracts we have entered into with many of our customers provide for supplying the customers' requirements for a particular model, rather than for manufacturing a specific quantity of products. Such contracts range from one year to the life of the model, which is generally three to seven years. These contracts are subject to renegotiation, which may affect product pricing and generally may be terminated by our customers at any time. Therefore, the loss of a contract for a major model or a significant decrease in demand for certain key models or any group of related models sold by any of our major customers could have a material adverse impact on our results of operations and financial condition by reducing cash flows and our ability to spread costs over a larger revenue base. We also compete to supply products for successor models and are subject to the risk that the customer will not select us to produce products on any such model, which could have a material adverse impact on our business, financial condition or results of operations. In addition, we have significant receivable balances related to these customers and other major customers that would be at risk in the event of their bankruptcy.

Consolidation among vehicle parts customers and suppliers could make it more difficult for us to compete successfully.

The vehicle part supply industry has undergone a significant consolidation as OEM customers have sought to lower costs, improve quality and increasingly purchase complete systems and modules rather than separate components. As a result of the cost focus of these major customers, we have been, and expect to continue to be, required to reduce prices. Because of these competitive pressures, we cannot assure you that we will be able to increase or maintain gross margins on product sales to our customers. The trend toward consolidation among vehicle parts suppliers is resulting in fewer, larger suppliers who benefit from purchasing and distribution economies of scale. If we cannot achieve cost savings and operational improvements sufficient to allow us to compete successfully in the future with these larger, consolidated companies, our business, financial condition or results of operations could be adversely affected.

The emergence of significant competitors from bankruptcy may adversely affect us.

Certain of our significant competitors filed for bankruptcy protection and, recently, a few of our significant competitors, including Delphi Automotive LLP, emerged from bankruptcy protection. The bankruptcy protection afforded to these competitors has allowed them to eliminate or substantially reduce contractual obligations, including significant amounts of debt, and avoid liabilities. The elimination or reduction of these obligations has made these competitors stronger financially, which could have an adverse effect on our competitive position and results of operations. The emergence of other significant competitors from bankruptcy protection could have further adverse effects on our competitive position and our business, financial condition or results of operations.

Our physical properties and information systems are subject to damage as a result of disasters, outages or similar events.

Our offices and facilities, including those used for design and development, material procurement, manufacturing, logistics and sales are located throughout the world and are subject to possible destruction, temporary stoppage or disruption as a result of any number of unexpected events. If any of these facilities or offices were to experience a significant loss as a result of any of the above events, it could disrupt our operations, delay production, shipments and revenue, and result in large expenses to repair or replace these facilities or offices.

In addition, network and information system shutdowns caused by unforeseen events such as power outages, disasters, hardware or software defects, computer viruses and computer security violations pose increasing risks. Such an event could also result in the disruption of our operations, delay production, shipments and revenue, and result in large expenditures necessary to repair or replace such network and information systems.

We must implement and sustain a competitive technological advantage in producing our products to compete effectively.

Our products are subject to changing technology, which could place us at a competitive disadvantage relative to alternative products introduced by competitors. Our success will depend on our ability to continue to meet customers' changing specifications with respect to quality, service, price, timely delivery and technological innovation by implementing and sustaining competitive technological advances. Our business may, therefore, require significant ongoing and recurring additional capital expenditures and investment in product development and manufacturing and management information systems. We cannot assure you that we will be able to achieve the technological advances or introduce new products that may be necessary to remain competitive. Our inability to continuously improve existing products, to develop new products and to achieve technological advances could have a material adverse effect on our business, financial condition or results of operations.

We may experience increased costs and other disruptions to our business associated with labor unions.

As of June 30, 2010, we had approximately 5,800 employees, approximately 1,600 of whom were salaried and the balance of whom were paid on an hourly basis. Although we have no collective bargaining agreements covering U.S. employees, certain employees located in Estonia, France, Mexico, Spain, Sweden and the United Kingdom either (1) are represented by a union and are covered by a collective bargaining agreement or (2) are covered by works council or other employment arrangements required by law. We cannot assure you that other of our employees will not be represented by a labor organization in the future or that any of our facilities will not experience a work stoppage or other labor disruption. Any work stoppage or other labor disruption involving our employees, employees of our customers (many of which customers have employees who are represented by unions), or employees of our suppliers could have a material adverse effect on our business, financial condition or results of operations by disrupting our ability to manufacture our products or reducing the demand for our products.

Compliance with environmental and other governmental regulations could be costly and require us to make significant expenditures.

Our operations are subject to various federal, state, local and foreign laws and regulations governing, among other things:

- the discharge of pollutants into the air and water;
- the generation, handling, storage, transportation, treatment, and
- disposal of waste and other materials; the cleanup of contaminated properties; and the health and safety of our employees.

Our business, operations and facilities are subject to environmental and health and safety laws and regulations, many of which provide for substantial fines for violations. The operation of our manufacturing facilities entails risks and we cannot assure you that we will not incur material costs or liabilities in connection with these operations. In addition, potentially significant expenditures could be required in order to comply with evolving environmental, health and safety laws, regulations or requirements that may be adopted or imposed in the future. Changes in environmental, health and safety laws, regulations and requirements or other governmental regulations could increase our cost of doing business or adversely affect the demand for our products.

We also may be required to investigate or clean up contamination resulting from past or current uses of our properties. At our Sarasota, Florida facility, for example, groundwater contamination caused by previous operations will likely require future investigation and/or cleanup. Based on current information, we do not believe this matter will have a material adverse impact on our business, financial condition or results of operations, but we cannot assure you that

this matter or other matters involving environmental contamination will not have such an impact.

We may incur material product liability costs.

We may be subject to product liability claims in the event that the failure of any of our products results in personal injury or death and we cannot assure you that we will not experience material product liability losses in the future. We maintain insurance against such product liability claims, but we cannot assure you that such coverage will be adequate for liabilities ultimately incurred or that it will continue to be available on terms acceptable to us. In addition, if any of our products prove to be defective, we may be required to participate in government-imposed or customer OEM-instituted recalls involving such products. A successful claim brought against us that exceeds available insurance coverage or a requirement to participate in any product recall could have a material adverse effect on our business, financial condition or results of operations.

Increased or unexpected product warranty claims could adversely affect us.

We provide our customers a warranty covering workmanship, and in some cases materials, on products we manufacture. Our warranty generally provides that products will be free from defects and adhere to customer specifications. If a product fails to comply with the warranty, we may be obligated or compelled, at our expense, to correct any defect by repairing or replacing the defective product. We maintain warranty reserves in an amount based historical trends of units sold and payment amounts combined with our current understanding of the status of existing claims. To estimate the warranty reserves, we must forecast the resolution of existing claims, as well as expected future claims on products previously sold. The amounts estimated to be due and payable could differ materially from what we may ultimately be required to pay. An increase in the rate of warranty claims or the occurrence of unexpected warranty claims could have a material adverse effect on our customer relations and our financial condition or results of operations.

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

The credit facility has a maximum borrowing level of $100.0 million and is scheduled to expire on November 1, 2012. We will need to refinance the credit facility prior to its expiration. Disruptions in the financial markets, including the bankruptcy, insolvency or restructuring of certain financial institutions, and the general lack of liquidity continue to adversely impact the availability and cost of credit for many companies, including us. We may be required to refinance the credit facility at terms and rates that are less favorable than our current terms and rates, which could adversely affect our business, financial condition or results of operations.

Our significant debt obligations could limit our flexibility in managing our business and expose us to risks.

We are highly leveraged. As of September 30, 2010, after giving effect to the issuance of the senior secured notes and application of the proceeds therefrom, together with a portion of our cash on hand, to retire the Old Notes, we would have had approximately $177.3 million of indebtedness outstanding. In addition, we are permitted under the credit facility and the indenture governing the senior secured notes to incur additional debt, subject to specified limitations. Our high degree of leverage and the terms of our indebtedness may have important consequences to holders of our securities, including the following:

- we may have difficulty satisfying our obligations with respect to our indebtedness, and if we fail to comply with these requirements, an event of default could result;
- we may be required to dedicate a substantial portion of our cash flow from operations to required payments on indebtedness, thereby reducing the availability of cash flow for working capital, capital expenditures and other general corporate activities;
-

covenants relating to our debt may limit our ability to obtain additional financing for working capital, capital expenditures and other general corporate activities;

- covenants relating to our debt may limit our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate;
- we may be more vulnerable than our competitors to the impact of economic downturns and adverse developments in our business; and
- we may be placed at a competitive disadvantage against any less leveraged competitors.

These and other consequences of our substantial leverage and the terms of our indebtedness could have a material adverse effect on our business, financial condition or results of operations.

Restrictive covenants in the credit facility and the indenture governing the senior secured notes may limit our ability to pursue our business strategies.

The credit facility and the indenture governing the senior secured notes limit our ability to, among other things:

- incur additional debt and guarantees;
- pay dividends and repurchase our stock;
- make other restricted payments, including investments;
- create liens;
- sell or otherwise dispose of assets, including capital stock of subsidiaries;
- enter into agreements that restrict dividends from subsidiaries;
- enter into transactions with our affiliates;
- consolidate, merge or sell or otherwise dispose of all or substantially all of our assets; and
- substantially change the nature of our business.

The agreement governing the credit facility also requires us to maintain a ratio of (1) consolidated EBITDA, as defined in the credit facility, less specified items to (2) consolidated fixed charges, as defined in the credit facility, of at least 1.10 to 1.00 whenever undrawn availability under the credit facility is less than $20 million. Our ability to comply with this fixed charge coverage ratio requirement, as well as the restrictive covenants under the terms of our indebtedness, may be affected by events beyond our control.

The restrictions contained in the indenture governing the senior secured notes and the agreement governing the credit facility could:

- limit our ability to plan for or react to market conditions or meet capital needs or otherwise restrict our activities or business plans; and
- adversely affect our ability to finance our operations, strategic acquisitions, investments or alliances or other capital needs or to engage in other business activities that would be in our interest.

A breach of any of the restrictive covenants under our indebtedness or our inability to comply with the fixed charge coverage ratio requirement in the credit facility could result in a default under the agreement governing the credit facility and the indenture governing the senior secured notes. If a default occurs, holders of the senior secured notes could declare all principal and interest to be due and payable, the lenders under the credit facility could elect to declare all outstanding borrowings, together with accrued interest and other fees, to be immediately due and payable and terminate any commitments they have to provide further borrowings, and holders of the senior secured notes and the credit facility lenders could pursue foreclosure and other remedies against us and our assets.

We may not be able to generate sufficient cash flows to meet our debt service obligations.

Our ability to make scheduled payments on, or to refinance, our obligations with respect to our indebtedness will depend on our financial and operating performance, which in turn will be affected by general economic conditions and by financial, competitive, regulatory and other factors beyond our control. We cannot assure you that our business will generate sufficient cash flow from operations or that future sources of capital will be available to us in an amount sufficient to enable us to service our indebtedness or to fund our other liquidity needs. If we are unable to generate sufficient cash flow to satisfy our debt obligations, we may have to undertake alternative financing plans, such as refinancing or restructuring our debt, selling assets, reducing or delaying capital investments or seeking to raise additional capital. We cannot assure you that any refinancing would be possible, that any assets could be sold or, if sold, of the timing of the sales and the amount of proceeds that may be realized from those sales, or that additional financing could be obtained on acceptable terms, if at all. The credit facility and the indenture governing the senior

secured notes restrict our ability to dispose of assets and use the proceeds from the disposition. Our inability to generate sufficient cash flows to satisfy our debt obligations, or to refinance our indebtedness on commercially reasonable terms, would materially and adversely affect our business, financial condition and results of operations.

If we cannot make scheduled payments on our debt, we will be in default and, as a result, holders of the senior secured notes could declare all outstanding principal and interest to be due and payable, the lenders under the credit facility could terminate their commitments to lend us money, holders of the senior secured notes and the lenders under the credit facility could foreclose on or exercise other remedies against the assets securing the senior secured notes and borrowings under the credit facility and we could be forced into bankruptcy, liquidation or other insolvency proceedings, which, in each case, could result in your losing your investment in the Common Shares.

We are subject to risks related to our international operations.

Approximately 19.1% of our net sales in 2009 were derived from sales outside of North America. Non-current assets outside of North America accounted for approximately 8.1% of our non-current assets as of December 31, 2009. International sales and operations are subject to significant risks, including, among others:

- political and economic instability;
- restrictive trade policies;
- economic conditions in local markets;
- currency exchange controls;
- labor unrest;
- difficulty in obtaining distribution support and potentially adverse tax consequences; and
- the imposition of product tariffs and the burden of complying with a wide variety of international and U.S. export laws.

Additionally, to the extent any portion of our net sales and expenses are denominated in currencies other than the U.S. dollar, changes in exchange rates could have a material adverse effect on our results of operations or financial condition.

We face risks arising from our equity investments in companies that we do not control.

Our consolidated results of operations include significant equity earnings from unconsolidated subsidiaries. For the year ended December 31, 2009, we recognized $7.8 million of equity earnings and received $7.3 million in cash dividends from our unconsolidated joint ventures, PST and Minda. Our ability to direct the operations of these entities is limited because we do not own a majority interest in either of them and we are bound by the terms of shareholder agreements with our joint venture partners. The performance of these joint ventures could also be adversely affected by disagreements between us and our joint venture partners, and sales of our equity interests in these entities are subject to rights of first refusal and other contractual limitations.

Our annual effective tax rate could be volatile and materially change as a result of changes in the mix of earnings and other factors.

Our overall effective tax rate is equal to our total tax expense as a percentage of our total earnings before tax. However, tax expense and benefits are not recognized on a global basis, but rather on a jurisdictional or legal entity basis. Losses in certain jurisdictions may not provide a current financial statement tax benefit. As a result, changes in the mix of earnings between jurisdictions, among other factors, could have a significant impact on our overall effective tax rate.

If we fail to protect our intellectual property rights or maintain our rights to use licensed intellectual property or are found liable for infringing the rights of others, our business could be adversely affected.

Our intellectual property, including our patents, trademarks, copyrights, trade secrets and license agreements, are important in the operation of our businesses, and we rely on the patent, trademark, copyright and trade secret laws of the United States and other countries, as well as nondisclosure agreements, to protect our intellectual property rights. We may not, however, be able to prevent third parties from infringing, misappropriating or otherwise violating our intellectual property, breaching any nondisclosure agreements with us, or independently developing technology that is similar or superior to ours and not covered by our intellectual property. Any of the foregoing could reduce any competitive advantage we have developed, cause us to lose sales or otherwise harm our business. We cannot assure you that any intellectual property will provide us with any competitive advantage or will not be challenged, rejected, cancelled, invalidated or declared unenforceable. In the case of pending patent applications, we may not be successful in securing issued patents, or securing patents that provide us with a competitive advantage for our businesses. In addition, our competitors may design products around our patents that avoid infringement and violation of our intellectual property rights.

We cannot be certain that we have rights to use all intellectual property used in the conduct of our businesses or that we have complied with the terms of agreements by which we acquire such rights, which could expose us to infringement, misappropriation or other claims alleging violations of third party intellectual property rights. Third parties have asserted and may assert or prosecute infringement claims against us in connection with the services and products that we offer, and we may or may not be able to successfully defend these claims. Litigation, either to enforce our intellectual property rights or to defend against claims regarding intellectual property rights of others, could result in substantial costs and in a diversion of our resources. Any such claims and resulting litigation could require us to enter into licensing agreements (if available on acceptable terms or at all), pay damages and cease making or selling certain products and could result in a loss of our intellectual property protection. Moreover, we may need to redesign some of our products to avoid future infringement liability. We also may be required to indemnify customers or other third parties at significant expense in connection with such claims and actions. Any of the foregoing could have a material adverse effect on our business, financial condition or results of operations.

Our inability to recover from natural or man-made disasters or similar events could adversely affect our business.

Our business and financial results may be affected by certain events that we cannot anticipate or that are beyond our control, such as natural or man-made disasters, national emergencies, significant labor strikes, work stoppages, political unrest, war or terrorist activities that could curtail production at our facilities and cause delayed deliveries and canceled orders. In addition, we purchase components, raw materials, information technology and other services from numerous suppliers, and, even if our facilities are not directly affected by such events, we could be affected by interruptions at such suppliers. Such suppliers may not be able to quickly recover from such events and may be subject to additional risks such as financial problems that limit their ability to conduct their operations. We cannot assure you that we will have insurance to adequately compensate us for any of these events.

Our business is very competitive and increased competition could reduce our sales.

The markets for our products are highly competitive. We compete based on quality, service, price, performance, timely delivery and technological innovation. Many of our competitors are more diversified and have greater financial and other resources than we do. In addition, with respect to certain of our products, some of our competitors are divisions of our OEM customers. We cannot assure you that our business will not be adversely affected by competition or that we will be able to maintain our profitability if the competitive environment changes.

We may not be able to successfully integrate acquisitions into our business or may otherwise be unable to benefit from pursuing acquisitions.

Failure to successfully identify, complete and/or integrate selective acquisitions could have a material adverse effect on us. A portion of our growth in sales and earnings has been generated from acquisitions and subsequent improvements in the performance of the businesses acquired. We expect to continue a strategy of selectively identifying and acquiring businesses with complementary products. We cannot assure you that any business acquired by us will be successfully integrated with our operations or prove to be profitable. We could incur substantial indebtedness in connection with our acquisition strategy, which could significantly increase our interest expense. Covenant restrictions relating to such indebtedness could restrict our ability to pay dividends, fund capital expenditures and consummate additional acquisitions. We anticipate that acquisitions could occur in geographic markets, including foreign markets, in which we do not currently operate. As a result, the process of integrating acquired operations into our existing operations may result in unforeseen operating difficulties and may require significant financial resources that would otherwise be available for the ongoing development or expansion of existing operations. Any failure to successfully integrate such acquisitions could have a material adverse impact on our business, financial condition or results of operations.

48

Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.

None.

Item 3. Defaults Upon Senior Securities.

None.

Item 4. (Removed and Reserved)

Item 5. Other Information.

None.

Item 6. Exhibits.

Reference is made to the separate "Index to Exhibits" filed herewith.

SIGNATURES

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

	STONERIDGE, INC.
Date: October 26, 2010	/s/ John C. Corey John C. Corey President and Chief Executive Officer (Principal Executive Officer)
Date: October 26, 2010	/s/ George E. Strickler George E. Strickler Executive Vice President, Chief Financial Officer and Treasurer (Principal Financial and Accounting Officer)

INDEX TO EXHIBITS

Exhibit Number	Exhibit
4.1	Senior Secured Notes Indenture dated as of October 4, 2010 among Stoneridge, Inc. as Issuer, Stoneridge Control Devices, Inc. and Stoneridge Electronics, Inc., as Guarantors, and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.1 to the Company's Current Report on Form 8-K filed on October 6, 2010).
4.2	First Supplemental Indenture to Indenture dated as of October 4, 2010 among Stoneridge, Inc., Stoneridge Control Devices, Inc., Stoneridge Electronics, Inc. and The Bank of New York Mellon Trust Company, N.A., as trustee (incorporated by reference to exhibit 4.2 to the Company's Current Report on Form 8-K filed on October 6, 2010).
10.1	Amended and Restated Credit and Security Agreement dated as of September 20, 2010 by and among Stoneridge, Inc., Stoneridge Control Devices, Inc. and Stoneridge Electronics, Inc., as Borrowers, the Lending Institutions Named Therein as Lenders, PNC Bank, National Association, Comerica Bank, JPMorgan Chase Bank, N.A. and Fifth Third Bank, as lenders, filed herewith.
10.2	Letter agreement dated October 7, 2010 by and among Stoneridge, Inc. and certain members of, or trustees of trusts for the benefit of members of the D.M. Draime family (incorporated by reference to exhibit 10.1 to the Company's Current Report on Form 8-K filed on October 12, 2010).
31.1	Chief Executive Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
31.2	Chief Financial Officer certification pursuant to Section 302 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.1	Chief Executive Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.
32.2	Chief Financial Officer certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, filed herewith.