

CORE MOLDING TECHNOLOGIES INC

Form 10-Q

November 12, 2008

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**SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
FORM 10-Q**

(Mark One)

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

For the quarterly period ended September 30, 2008

OR

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

for the transition period from _____ To _____

**Commission File Number 001-12505
CORE MOLDING TECHNOLOGIES, INC.**

(Exact name of registrant as specified in its charter)

Delaware

31-1481870

(State or other jurisdiction
incorporation or organization)

(I.R.S. Employer Identification No.)

800 Manor Park Drive, P.O. Box 28183
Columbus, Ohio

43228-0183

(Address of principal executive office)

(Zip Code)

Registrant's telephone number, including area code (614) 870-5000

N/A

Former name, former address and former fiscal year, if changed since last report.

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days.

Yes NO

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

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

(Do not check if a smaller reporting company)

Indicate by check mark whether the registrant is a shell company as defined in Rule 12b-2 of the Act.

Yes NO

As of November 11, 2008, the latest practicable date, 6,850,896 shares of the registrant's common shares were issued and outstanding.

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Part 1 Financial Information
Core Molding Technologies, Inc. and Subsidiaries
Consolidated Balance Sheets

	September 30, 2008 (Unaudited)	December 31, 2007
Assets		
Current Assets:		
Cash	\$	\$
Accounts receivable (less allowance for doubtful accounts: September 30, 2008 - \$160,000; December 31, 2007 - \$334,000)	19,905,714	12,469,502
Inventories:		
Finished and work in process goods	3,103,421	3,333,119
Stores	4,860,906	5,011,291
Total inventories	7,964,327	8,344,410
Deferred tax asset-current portion	1,625,781	1,625,781
Foreign sales tax receivable	1,198,690	959,767
Prepaid expenses and other current assets	566,286	632,329
Total current assets	31,260,798	24,031,789
Property, plant and equipment	67,845,644	59,906,910
Accumulated depreciation	(32,318,839)	(29,691,245)
Property, plant and equipment net	35,526,805	30,215,665
Deferred tax asset	6,172,389	6,173,514
Goodwill	1,097,433	1,097,433
Customer list / Non-compete	49,518	87,629
Other assets	71,491	89,168
Total	\$ 74,178,434	\$ 61,695,198
Liabilities and Stockholders Equity		
Liabilities:		
Current liabilities Current portion of long-term debt	\$ 1,895,716	\$ 1,865,716
Notes payable line of credit	8,190,773	2,251,863
Current portion of postretirement benefits liability	489,000	489,000
Accounts payable	8,469,801	8,537,895
Tooling in progress	7,706	102,419
Accrued liabilities:		
Compensation and related benefits	5,103,649	3,350,867
Interest payable	98,376	89,721
Taxes	680,249	23,221
Other	1,048,450	1,067,792

Total current liabilities	25,983,720	17,778,494
Long-term debt	4,489,276	5,913,563
Interest rate swap	251,054	223,566
Postretirement benefits liability	16,934,911	15,952,891

Commitments and Contingencies**Stockholders Equity:**

Preferred stock \$0.01 par value, authorized shares 10,000,000; Outstanding shares: September 30, 2008 and December 31, 2007 - 0		
Common stock \$0.01 par value, authorized shares - 20,000,000; Outstanding shares: 6,762,790 at September 30, 2008 and 6,727,871 at December 31, 2007	67,628	67,279
Paid-in capital	22,958,433	22,614,127
Accumulated other comprehensive loss, net of income tax benefit	(2,129,747)	(2,209,540)
Treasury stock	(26,179,054)	(26,179,054)
Retained earnings	31,802,213	27,533,872
Total stockholders equity	26,519,473	21,826,684
Total	\$ 74,178,434	\$ 61,695,198

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Income
(Unaudited)

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net Sales:				
Products	\$ 29,497,102	\$ 23,744,611	\$ 84,875,561	\$ 79,080,653
Tooling	533,461	6,175,333	4,179,133	20,363,658
Total Sales	30,030,563	29,919,944	89,054,694	99,444,311
Cost of sales	23,456,538	25,214,124	71,387,397	84,106,093
Postretirement benefits expense	536,163	626,753	1,692,266	1,828,391
Total cost of sales	23,992,701	25,840,877	73,079,663	85,934,484
Gross Margin	6,037,862	4,079,067	15,975,031	13,509,827
Selling, general and administrative expense	3,076,224	2,667,215	8,621,814	8,273,378
Postretirement benefits expense	109,816	119,381	372,380	391,963
Total selling, general and administrative expense	3,186,040	2,786,596	8,994,194	8,665,341
Income before interest and taxes	2,851,822	1,292,471	6,980,837	4,844,486
Interest income		49,103		542,166
Interest expense	(179,395)	(228,696)	(540,866)	(491,409)
Income before income taxes	2,672,427	1,112,878	6,439,971	4,895,243
Income tax expense	984,500	395,696	2,171,630	1,699,158
Net Income	\$ 1,687,927	\$ 717,182	\$ 4,268,341	\$ 3,196,085
Net income per common share:				
Basic	\$ 0.25	\$ 0.10	\$ 0.63	\$ 0.34
Diluted	\$ 0.24	\$ 0.09	\$ 0.61	\$ 0.33

Weighted average shares outstanding:

Basic	6,748,590	7,441,871	6,740,225	9,339,984
Diluted	7,048,520	7,727,088	7,054,157	9,658,583

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statement of Stockholders Equity
(Unaudited)

	Common Stock Outstanding		Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
	Shares	Amount					
Balance at January 1, 2008	6,727,871	\$ 67,279	\$ 22,614,127	\$ 27,533,872	\$ (2,209,540)	\$ (26,179,054)	\$ 21,826,684
Net income				4,268,341			4,268,341
Hedge accounting effect of the interest rate swaps, net of deferred income tax expense of \$9,209					17,877		17,877
Amortization of unrecognized net loss on post retirement benefit, net of tax expense of \$34,083					61,916		61,916
Comprehensive income							4,348,134
Common shares issued from exercise of stock options	29,000	290	90,210				90,500
Restricted stock	5,919	59	41,292				41,351
Share-based compensation			212,804				212,804
Balance at September 30, 2008	6,762,790	\$ 67,628	\$ 22,958,433	\$ 31,802,213	\$ (2,129,747)	\$ (26,179,054)	\$ 26,519,473

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Consolidated Statements of Cash Flows
(Unaudited)

	Nine Months Ended	
	September 30,	
	2008	2007
Cash flows from operating activities:		
Net income	\$ 4,268,341	\$ 3,196,085
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	2,683,383	2,622,594
Deferred income taxes	(42,162)	(19,504)
Ineffectiveness of swap	54,573	9,780
Share based compensation	254,154	206,265
Gain on disposal of assets		(1,039)
(Gain)/Loss on translation of foreign currency financial statements	(26,077)	7,826
Change in operating assets and liabilities:		
Accounts receivable	(7,436,212)	2,550,481
Inventories	380,083	(713,489)
Prepaid and other assets	(172,882)	(70,005)
Accounts payable	(185,845)	1,749,603
Accrued and other liabilities	2,304,415	(3,313,544)
Postretirement benefits liability	1,078,013	1,548,375
Net cash provided by operating activities	3,159,784	7,773,428
Cash flows from investing activities:		
Purchase of property, plant and equipment	(7,794,907)	(2,507,335)
Proceeds from sale of property and equipment		1,039
Net cash used in investing activities	(7,794,907)	(2,506,296)
Cash flows from financing activities:		
Proceeds from issuance of common stock	90,500	341,732
Tax effect from exercise of stock options		112,217
Payments related to acquisition of stock		(26,215,054)
Gross repayments on line of credit	(33,752,230)	(6,480,357)
Gross borrowings on line of credit	39,691,140	12,237,392
Payments of principal on secured note payable	(964,287)	(964,285)

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Payment of principal on industrial revenue bond	(430,000)	(395,000)
Net cash provided by (used in) financing activities	4,635,123	(21,363,355)
Net decrease in cash and cash equivalents		(16,096,223)
Cash and cash equivalents at beginning of period		16,096,223
Cash and cash equivalents at end of period	\$	\$
Cash paid (received) for:		
Interest	\$ 463,650	\$ (128,812)
Income taxes (net of tax refunds)	\$ 1,561,622	\$ (412,264)
Non cash:		
Fixed asset purchases in accounts payable	\$ 143,827	\$ 69,701

See notes to consolidated financial statements.

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Core Molding Technologies, Inc. and Subsidiaries
Notes to Consolidated Financial Statements
(Unaudited)

1. Basis of Presentation

The accompanying unaudited consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q for smaller reporting companies and include all of the information and disclosures required by accounting principles generally accepted in the United States of America for interim reporting, which are less than those required for annual reporting. In the opinion of management, the accompanying unaudited consolidated financial statements contain all adjustments (all of which are normal and recurring in nature) necessary to present fairly the financial position of Core Molding Technologies, Inc. and its subsidiaries (Core Molding Technologies or the Company) at September 30, 2008, the results of operations for the three and nine months ended September 30, 2008, and the cash flows for the nine months ended September 30, 2008. The Consolidated Notes to Financial Statements, which are contained in the 2007 Annual Report to Shareholders, should be read in conjunction with these consolidated financial statements.

Core Molding Technologies and its subsidiaries operate in the plastics market in a family of products known as reinforced plastics. Reinforced plastics are combinations of resins and reinforcing fibers (typically glass or carbon) that are molded to shape. Core Molding Technologies operates four production facilities in Columbus, Ohio; Batavia, Ohio; Gaffney, South Carolina; and Matamoros, Mexico. The Columbus and Gaffney facilities produce reinforced plastics by compression molding sheet molding compound (SMC) in a closed mold process. The Batavia facility produces reinforced plastic products by a robotic spray-up open mold process and resin transfer molding (RTM) closed mold process utilizing multiple insert tooling (MIT). The Matamoros facility utilizes spray-up and hand lay-up open mold processes and RTM closed mold process to produce reinforced plastic products.

2. Net Income per Common Share

Net income per common share is computed based on the weighted average number of common shares outstanding during the period. Diluted net income per common share is computed similarly but include the effect of the assumed exercise of dilutive stock options and restricted stock under the treasury stock method.

The computation of basic and diluted net income per common share is as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net income	\$ 1,687,927	\$ 717,182	\$ 4,268,341	\$ 3,196,085
Weighted average common shares Outstanding	6,748,590	7,441,871	6,740,225	9,339,984
Plus: dilutive options assumed exercised	550,225	593,700	550,225	593,700
Less: shares assumed repurchased with proceeds from exercise	(283,037)	(324,299)	(281,788)	(304,545)
Plus: dilutive effect of nonvested restricted stock grants	32,742	15,816	45,495	29,444
Weighted average common and potentially issuable common shares outstanding	7,048,520	7,727,088	7,054,157	9,658,583
Basic net income per common share	\$ 0.25	\$ 0.10	\$ 0.63	\$ 0.34
Diluted net income per common share	\$ 0.24	\$ 0.09	\$ 0.61	\$ 0.33

For the nine months ended September 30, 2008 and 2007 there were 25,000 and 33,000 antidilutive options, respectively.

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Core Molding Technologies currently has two major customers, Navistar, Inc. (Navistar) formerly known as International Truck & Engine Corporation, and PACCAR, Inc. (PACCAR). Major customers are defined as customers whose sales individually consist of more than ten percent of total sales. The following table presents sales revenue for the above-mentioned customers for the three and nine months ended September 30, 2008 and 2007:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Navistar product sales	\$ 17,434,140	\$ 11,175,119	\$ 47,533,592	\$ 34,894,733
Navistar tooling sales	74,750	36,603	2,868,221	8,179,984
Total Navistar sales	17,508,890	11,211,722	50,401,813	43,074,717
PACCAR product sales	7,350,397	7,318,936	22,424,684	21,529,607
PACCAR tooling sales	380,818	6,007,125	840,964	11,521,919
Total PACCAR sales	7,731,215	13,326,061	23,265,648	33,051,526
Other product sales	4,712,565	5,250,556	14,917,285	22,656,313
Other tooling sales	77,893	131,605	469,948	661,755
Total other sales	4,790,458	5,382,161	15,387,233	23,318,068
Total product sales	29,497,102	23,744,611	84,875,561	79,080,653
Total tooling sales	533,461	6,175,333	4,179,133	20,363,658
Total sales	\$ 30,030,563	\$ 29,919,944	\$ 89,054,694	\$ 99,444,311

4. Comprehensive Income

Comprehensive income represents net income plus the results of certain equity changes not reflected in the Consolidated Statements of Income. The components of comprehensive income, net of tax, are as follows:

	Three Months Ended		Nine Months Ended	
	September 30,		September 30,	
	2008	2007	2008	2007
Net income	\$ 1,687,927	\$ 717,182	\$ 4,268,341	\$ 3,196,085
Hedge accounting effect of interest rate swaps, net of deferred income tax expense of \$11,996 and \$9,209 for the three and nine months ended September 30, 2008 and net of deferred tax benefit of \$38,860 and \$25,843 for the three and nine months ended September 30, 2007, respectively.	23,286	(61,309)	17,877	(40,386)
Amortization of previously unrecognized postretirement plan loss, net of deferred tax expense of \$11,361 and \$34,083 for the three and	20,639	42,908	61,916	128,725

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nine months ended September 30, 2008 deferred income tax expense of \$24,877 and \$74,630 for the three and nine months ended September 30, 2007, respectively.

Comprehensive income	\$ 1,731,852	\$ 698,781	\$ 4,348,134	\$ 3,284,424
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The component of expense for all of Core Molding Technologies' postretirement benefits plans for the three and nine months ended September 30, 2008 and 2007 are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2008	2007	2008	2007
Pension expense:				
Defined contribution plan				
Contributions	\$ 66,000	\$ 127,000	\$ 315,000	\$ 354,000
Multi-employer plan				
Contributions	126,000	103,000	389,000	318,000
Total pension expense	192,000	230,000	704,000	672,000
Health and life insurance:				
Service cost	159,000	199,000	477,000	598,000
Interest cost	263,000	249,000	788,000	747,000
Amortization of net loss	32,000	68,000	96,000	203,000
Net periodic benefit cost	454,000	516,000	1,361,000	1,548,000
Total postretirement benefits expense	\$ 646,000	\$ 746,000	\$ 2,065,000	\$ 2,220,000

Core Molding Technologies has made payments of approximately \$701,000 to pension plans and \$282,000 for postretirement healthcare costs through September 30, 2008 and expects to make approximately \$177,000 of pension plans payments through the remainder of 2008. The Company also expects to make approximately \$207,000 of postretirement healthcare payments through the remainder of 2008, all of which are accrued.

6. Debt**Interest Rate Swaps**

In conjunction with its variable rate Industrial Revenue Bond (IRB) the Company has entered into an interest rate swap agreement, which is designated as a cash flow hedging instrument. Under this agreement, the Company pays a fixed rate of 4.89% to the counterparty and receives 76% of the 30-day commercial paper rate. The swap term and notional amount matches the payment schedule on the IRB with final maturity in April 2013. The difference paid or received varies as short-term interest rates change and is accrued and recognized as an adjustment to interest expense. While the Company is exposed to credit loss on its interest rate swap in the event of non-performance by the counterparty to the swap, management believes such non-performance is unlikely to occur given the financial resources of the counterparty. The effectiveness of the swap is assessed at each financial reporting date by comparing the commercial paper rate of the swap to the benchmark rate underlying the variable rate of the IRB. Any ineffectiveness of the swap is recorded as an adjustment to interest expense and historically has not been material. Interest expense of \$54,573 and \$9,780 was recorded for the nine months ended September 30, 2008 and 2007, respectively, related to ineffectiveness of the swap. The fair value of the swap was a liability of \$232,485 and \$228,156 as of September 30, 2008 and December 31, 2007, respectively. None of the changes in fair value of the interest rate swap have been excluded from the assessment of hedge effectiveness.

Effective January 1, 2004, the Company entered into an interest rate swap agreement, which is designated as a cash flow hedge of the Company's bank note payable. Under this agreement, the Company pays a fixed rate of 5.75% to the counterparty and receives LIBOR plus 200 basis points. The swap term and notional amount match the payment

schedule on the bank note payable with final maturity in January 2011. The interest rate swap is a highly effective hedge because the amount, benchmark interest rate index, term, and repricing dates of both the interest rate swap and the hedged variable interest cash flows are exactly the same. The fair value of the swap was a liability of \$18,569 and an asset of \$4,590 as of September 30, 2008 and December 31, 2007, respectively. While the Company is exposed to credit loss on its interest rate swap in the even of non-performance by the counterparty to the swap, management believes that such non-performance is unlikely to occur given the financial resources of the counterparty.

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At September 30, 2008, the Company had available a \$15,000,000 variable rate bank revolving line of credit scheduled to mature on April 30, 2009. The line of credit bears interest at LIBOR plus 200 basis points. The line of credit is collateralized by all the Company's assets. At September 30, 2008 and December 31, 2007 there was an outstanding balance of \$8,190,773 and \$2,251,863, respectively. The outstanding balance on the line of credit is due April 2009; therefore the Company has classified the outstanding balance as a current liability on its consolidated balance sheet. Included in the balance of the line of credit at September 30, 2008 is approximately \$7,179,000 of spending for the construction of a new manufacturing facility and transition costs related to that project. The Company has commitments from a bank for new loan facilities to fund this project, but has not yet closed on these loans. Upon closing of these loans, proceeds will be used to pay down the balance on the Line of Credit for this spending.

7. Income Taxes

On January 1, 2007, the Company adopted the provisions of FASB Interpretation No. 48, Accounting for Uncertainty in Income Taxes an interpretation of FASB Statement No. 109 (FIN 48). As a result of the implementation of FIN 48 the Company recognized a \$68,000 increase to retained earnings. This increase is represented by the recognition of state tax benefits of \$212,000 and related accrued interest receivable of \$16,000. These benefits generate a federal tax liability of \$60,000. The Company also recorded a liability for unrecognized tax benefits of \$52,000 and \$48,000 related to uncertain state and foreign tax positions, respectively and the amounts were recorded in income tax receivable in the consolidated balance sheet. As of December 31, 2007, the unrecognized tax benefit liability had been reduced to \$24,000 due to the resolution of certain state and foreign tax matters. The unrecognized tax liability of \$24,000 favorably settled in 2008 and therefore was credited to tax expense.

The Company files income tax returns in the U.S. federal jurisdiction, Mexico and various state jurisdictions. The Company is no longer subject to U.S. federal and state income tax examinations by tax authorities for years before 2005 and is subject to income tax examinations by Mexican authorities since the Company began business in Mexico in 2001. The Company does not anticipate that the unrecognized tax benefits will significantly change within the next twelve months. The Company recently was notified that the Company's 2006 Federal income tax return will be audited. The audit is in the initial stages and no findings have been made at this time.

8. Stock Based Compensation

The Company has a Long Term Equity Incentive Plan (the 2006 Plan), as approved by the shareholders in May 2006. This 2006 Plan replaced the Long Term Equity Incentive Plan (the Original Plan) as originally approved by the shareholders in May 1997 and as amended in May 2000. The 2006 Plan allows for grants to directors and key employees of non-qualified stock options, incentive stock options, stock appreciation rights, restricted stock, performance shares, performance units and other incentive awards (Stock Awards) up to an aggregate of 3,000,000 awards, each representing a right to buy a share of Core Molding Technologies common stock. Stock Awards can be granted under the 2006 Plan through the earlier of December 31, 2015, or the date the maximum number of available awards under the 2006 Plan have been granted.

Stock Options

The following summarizes the activity relating to stock options under the plans mentioned above for the nine months ended September 30, 2008:

	Number of Shares	Weighted Average Exercise Price
Outstanding at December 31, 2007	620,700	\$ 3.33
Exercised	(29,000)	3.12
Granted		
Forfeited	(16,475)	4.73
Outstanding at September 30, 2008	575,225	\$ 3.30

Exercisable at September 30, 2008	447,310	\$	3.27
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The following summarizes the status of, and changes to, unvested options during the nine months ended September 30, 2008:

	Number Of Shares	Weighted Average Exercise Price
Unvested at December 31, 2007	162,350	\$ 3.46
Granted		
Vested	(23,635)	3.24
Forfeited	(10,800)	4.67
Unvested at September 30, 2008	127,915	\$ 3.40

At September 30, 2008 and 2007, there was \$170,208 and \$315,282, respectively, of total unrecognized compensation cost, related to unvested stock options granted under the plans. Total compensation cost related to incentive stock options for the nine months ended September 30, 2008 and 2007 was \$93,220 and, \$96,773, respectively. This compensation expense is allocated such that \$66,977 and \$70,375 are included in selling, general and administrative expenses and \$26,243 and \$26,398 are recorded in cost of sales for the nine months ended September 30, 2008 and 2007, respectively.

Restricted Stock

In May of 2006, Core Molding Technologies began granting shares of its common stock to certain directors, officers, and key managers in the form of Restricted Stock. These awards are recorded at the market value of Core Molding Technologies' common stock on the date of issuance and amortized ratably as compensation expense over the applicable vesting period.

The following summarizes the status of Restricted Stock grants as of September 30, 2008 and changes during the nine months ended September 30, 2008:

	Number Of Shares	Weighted Average Grant Date Fair Value
Unvested at December 31, 2007	61,416	\$ 7.02
Granted	41,635	7.01
Vested	(5,919)	6.99
Forfeited		
Unvested at September 30, 2008	97,132	\$ 7.02

As of September 30, 2008 and 2007, there was \$421,954 and \$309,976, respectively, of total unrecognized compensation cost related to Restricted Stock granted under the 2006 Plan. The total compensation costs related to restricted stock grants for the nine months ended September 30, 2008 and 2007 was \$160,934 and \$109,492, respectively, all of which was recorded to selling, general and administrative expense.

9. Common Stock

On July 18, 2007, the Company entered into a stock repurchase agreement with Navistar, pursuant to which the Company repurchased 3,600,000 shares of the Company's common stock, par value \$0.01 per share, from Navistar in a privately negotiated transaction at \$7.25 per share, for a total purchase price of \$26,100,000. The Company used approximately \$19 million of existing cash and \$7.1 million from its revolving line of credit to fund the repurchase. The Company also incurred approximately \$115,000 in costs related to the stock repurchase agreement, which is

recorded on the balance sheet in treasury stock.

Navistar continues to be a significant stockholder of the Company's common stock with 664,000 shares, or approximately 9.8% of the shares outstanding at September 30, 2008. Navistar is also the Company's largest customer, accounting for approximately 57% of the Company's 2008 year-to-date sales.

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On July 16, 2007, the Board of Directors approved a Shareholders Rights Plan (the Plan) in conjunction with the approval of the repurchase of shares of stock from Navistar. The Plan was implemented to protect the interests of the Company's stockholders by encouraging potential buyers to negotiate directly with the Board prior to attempting a takeover. Under the Plan, each shareholder will receive a dividend of one right per share of common stock of the Company owned on the record date, July 18, 2007. The rights will not initially be exercisable until, subject to action by the Board of Directors, a person acquires 15% or more of the voting stock without approval of the Board. If the rights become exercisable, all holders except the party triggering the rights shall be entitled to purchase shares of the Company at a discount. Each right entitles the registered holder to purchase from the Company a unit consisting of one one-thousandth of a share of Series A Junior Participating Preferred Stock, par value \$0.01 per share. In connection with the adoption of the Rights Agreement, on July 18, 2007, the Company filed a Certificate of Designations of Series A Junior Participating Preferred Stock with the Secretary of State of the State of Delaware.

10. Recent Accounting Pronouncements

In July 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006, and became effective for the Company on January 1, 2007. For benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The impact of the adoption of FIN 48 is discussed in Note 7.

In September 2006, the FASB issued Statement No. 157 to define fair value, establish a framework for measuring fair value and to expand disclosures about Fair Value Measurements (SFAS No. 157). SFAS No. 157 defines fair value, establishes a framework for measuring fair value and expands disclosures about fair value measurements. SFAS No. 157 does not change the requirements to apply fair value in existing accounting standards. Under SFAS No. 157, fair value refers to the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants in the market in which the reporting entity transacts. The standard clarifies that fair value should be based on the assumptions market participants would use when pricing the asset or liability. To increase consistency and comparability in fair value measurements, SFAS No. 157 establishes a fair value hierarchy that prioritizes the inputs to valuation techniques used to measure fair value into three levels. The level in the fair value hierarchy disclosed is based on the lowest level of input that is significant to the fair value measurement. The three levels of the fair value hierarchy defined by SFAS No. 157 are as follows:

Level 1 inputs are quoted prices (unadjusted) in active markets for identical asset or liabilities that the company has the ability to access as of the reporting date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 inputs are unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

SFAS No. 157 became effective for the Company as of January 1, 2008. The provisions of SFAS No. 157 are to be applied prospectively, except for the initial impact on the following three items, which are required to be recorded as an adjustment to the opening balance of retained earnings in the year of adoption: (1) changes in fair value measurements of existing derivative financial instruments measured initially using the transaction price under EITF Issue No. 02-3, (2) existing hybrid financial instruments measured initially at fair value using the transaction price and (3) blockage factor discounts. Under the current disclosure requirements of SFAS 157, the Company's lone fair value measure is its interest rate swaps. The swaps fall under Level 2 of the fair value hierarchy. For further discussion of the interest rate swaps see Note 6. The adoption of SFAS No. 157 did not have an impact on the Company's January 1,

2008 balance of retained earnings and is not anticipated to have a material impact prospectively.

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In February 2008, the FASB issued FASB Staff Position No. FAS 157-2 (FSP 157-2), *Effective Date of FASB Statement No. 157* , which provides a one year deferral of the effective date of SFAS No. 157 for non-financial assets and non-financial liabilities, except those that are recognized or disclosed in the financial statements at fair value at least annually. In accordance with this interpretation, we have only adopted the provisions of SFAS No. 157 with respect to our financial assets and financial liabilities that are measured at fair value as of the beginning of fiscal year 2008. The provisions of SFAS No. 157 have not been applied to non-financial assets and non-financial liabilities. The major categories of non-financial assets and non-financial liabilities that are measured at fair value, for which we have not applied the provisions of SFAS No. 157, are as follows: reporting units measured at fair value in the first step of a goodwill impairment test and long-lived assets measured at fair value for an impairment assessment.

In February 2007, the FASB issued Statement No. 159, *The Fair Value Option for Financial Assets and Financial Liabilities* (FAS 159), provides companies with an option to report selected financial assets and liabilities at fair value. The objective of FAS-159 is to reduce both complexity in accounting for financial instruments and the volatility in earnings caused by measuring related assets and liabilities differently. FAS-159 was effective for fiscal years beginning after November 15, 2007. The application of FAS-159 did not have any impact on the Company's earnings or financial position, because the Company did not elect to use the fair value option for any financial assets or liabilities.

In December 2007, the FASB issued SFAS No. 141R to improve the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports regarding business combinations and its effects, including recognition of assets and liabilities, the measurement of goodwill and required disclosures. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. Management is currently evaluating the impact of the provisions of SFAS No. 141R on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 is an amendment of FASB Statement No. 133, and requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. The Statement is effective prospectively for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact of the provisions of FAS-161 on the consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* . FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets* . This guidance for determining the useful life of a recognized intangible asset applies prospectively to intangible assets acquired individually or with a group of other assets in either an asset acquisition or business combination. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008, and early adoption is prohibited. We are currently evaluating the impact FSP FAS 142-3 will have on our Consolidated Financial Statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (FAS 162). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the Company's financial condition, results of operations or cash flows.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP concludes that unvested share-based payment awards that contain rights to receive nonforfeitable dividends or dividend equivalents are participating securities, and thus, should be included in the two-class method of computing earnings per share (EPS). This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those

years and requires that all prior period EPS be adjusted retroactively. We do not have share-based payment awards that contain rights to nonforfeitable dividends, thus this FSP is not anticipated to have an impact on our consolidated financial position and results of operations

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Part I Financial Information
Item 2

Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Conditions and Results of Operations contains certain forward-looking statements within the meaning of the federal securities laws. As a general matter, forward-looking statements are those focused upon future plans, objectives or performance as opposed to historical items and include statements of anticipated events or trends and expectations and beliefs relating to matters not historical in nature. Such forward-looking statements involve known and unknown risks and are subject to uncertainties and factors relating to Core Molding Technologies operations and business environment, all of which are difficult to predict and many of which are beyond Core Molding Technologies' control. These uncertainties and factors could cause Core Molding Technologies' actual results to differ materially from those matters expressed in or implied by such forward-looking statements.

Core Molding Technologies believes that the following factors, among others, could affect its future performance and cause actual results to differ materially from those expressed or implied by forward-looking statements made in this quarterly report: business conditions in the plastics, transportation, watercraft and commercial product industries; general economic conditions in the markets, sometimes driven by federal and state regulations (including engine emission regulations) in which Core Molding Technologies operates; dependence upon two major customers as the primary source of Core Molding Technologies' sales revenues; recent efforts of Core Molding Technologies to expand its customer base; failure of Core Molding Technologies' suppliers to perform their contractual obligations; the availability of raw materials; inflationary pressures; new technologies; competitive and regulatory matters; labor relations; the loss or inability of Core Molding Technologies to attract and retain key personnel; compliance changes to federal, state and local environmental laws and regulations; the availability of capital; the ability of Core Molding Technologies to provide on-time delivery to customers, which may require additional shipping expenses to ensure on-time delivery or otherwise result in late fees; risk of cancellation or rescheduling of orders; management's decision to pursue new products or businesses which involve additional costs, risks or capital expenditures; and other risks identified from time-to-time in Core Molding Technologies other public documents on file with the Securities and Exchange Commission, including those described in Item 1A of the 2007 Annual Report to Shareholders on Form 10-K.

Overview

Core Molding Technologies is a compounder of sheet molding composite (SMC) and molder of fiberglass reinforced plastics. Core Molding Technologies produces high quality fiberglass reinforced molded products and SMC materials for varied markets, including light, medium, and heavy-duty trucks, automobiles and automotive aftermarkets, personal watercraft, and other commercial products. The demand for Core Molding Technologies' products is affected by economic conditions in the United States, Canada and Mexico, the cyclical nature of markets we serve, regulatory requirements, interest rates and other factors. Core Molding Technologies' manufacturing operations have a significant fixed cost component. Accordingly, during periods of changing demands, the profitability of Core Molding Technologies' operations may change proportionately more than revenues from operations.

On December 31, 1996, Core Molding Technologies acquired substantially all of the assets and assumed certain liabilities of Columbus Plastics, a wholly owned operating unit of Navistar's truck manufacturing division since its formation in late 1980. Columbus Plastics, located in Columbus, Ohio, was a compounder and compression molder of SMC. In 1998 Core Molding Technologies began compression molding operations at its second facility in Gaffney, South Carolina, and in October 2001, Core Molding Technologies acquired certain assets of Airshield Corporation. As a result of this acquisition, Core Molding Technologies expanded its fiberglass molding capabilities to include the spray up, hand-lay-up open mold processes and resin transfer (RTM) closed mold process. In September 2004, Core Molding Technologies acquired substantially all the operating assets of Keystone Restyling Products, Inc., a privately held manufacturer and distributor of fiberglass reinforced products for the automotive-aftermarket industry. In August 2005, Core Molding Technologies acquired certain assets of the Cincinnati Fiberglass Division of Diversified Glass, Inc. a Batavia, Ohio-based, privately held manufacturer and distributor of fiberglass reinforced plastic components supplied primarily to the heavy-duty truck market. The Batavia, Ohio facility produces reinforced plastic

products by a robotic spray-up open mold process and resin transfer molding (RTM) utilizing multiple insert tooling (MIT) closed mold process.

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Core Molding Technologies recorded net income for the nine months ended September 30, 2008 of \$4,268,000 or \$.63 per basic and \$.61 per diluted share, compared with \$3,196,000, or \$.34 per basic and \$.33 per diluted share, for the nine months ended September 30, 2007. In July 2007, the Company purchased 3,600,000 shares of its stock from Navistar. This share repurchase resulted in a favorable impact on earnings per share for the nine months ended September 30, 2008 compared to the nine months ended September 30, 2007, due to lower outstanding shares. The Company anticipates some softening in sales levels during the fourth quarter of 2008 as a result of the uncertainties in the current economy. However, Core Molding Technologies is planning for a modest improvement in truck demand in 2009. Industry sources are forecasting anywhere from a modest decrease to a significant increase in truck orders for this time period.

Additionally, in connection with the construction of a new manufacturing facility in Mexico, the Company expensed approximately \$375,000 of transition costs through September 30, 2008. The Company expects to incur approximately \$750,000 of additional transition expenses in the fourth quarter of 2008.

Results of Operations**Three Months Ended September 30, 2008, As Compared To Three Months Ended September 30, 2007**

Net sales for the three months ended September 30, 2008, totaled \$30,031,000, compared to \$29,920,000 reported for the three months ended September 30, 2007. Included in total sales are tooling project sales of \$533,000 and \$6,175,000 for the three months ended September 30, 2008 and September 30, 2007, respectively. Tooling project sales result from billings to customers for molds and assembly equipment built specifically for their products. These sales are sporadic in nature. Total product sales of \$29,497,000, which excludes tooling project sales, were approximately 24% higher for the three months ended September 30, 2008, compared to \$23,745,000 for the same period a year ago. The increase in product sales is primarily due to increased volume for programs started in 2007. Sales to Navistar totaled \$17,509,000 for the three months ended September 30, 2008, increasing 56% from \$11,212,000 in sales for the three months ended September 30, 2007. Included in total sales is \$75,000 of tooling sales for the three months ended September 30, 2008 compared to \$37,000 for the same three months in 2007. Product sales to Navistar were \$17,434,000, a 56% increase for the three months ended September 30, 2008 compared to product sales of \$11,175,000 for the same period in 2007. The increase in product sales is primarily due to increased volume for programs started in 2007, as well as some improvement in the demand for other products that the Company manufactures for Navistar.

Sales to PACCAR totaled \$7,731,000 for the three months ended September 30, 2008, decreasing 42% from \$13,326,000 in sales for the three months ended September 30, 2007. Included in total sales is \$381,000 of tooling sales for the three months ended September 30, 2008 compared to \$6,007,000 for the same three months in 2007. Product sales to PACCAR were \$7,350,000 for the three months ended September 30, 2008 compared to \$7,319,000 for the same period of the prior year. Product sales were favorably affected by increased volume for programs started in 2007 but largely offset by a decrease in sales for other products the Company manufactures for PACCAR.

Sales to other customers for the three months ended September 30, 2008 decreased 11% to \$4,790,000 compared to \$5,382,000 for the three months ended September 30, 2007. This decrease is primarily related to decreases in product sales to customers in the marine industry, which was partially offset by increased sales to other customers.

Gross margin was approximately 20% of sales for the three months ended September 30, 2008, compared with 14% for the three months ended September 30, 2007. The increase was due to favorable operating efficiencies and increased fixed cost absorption related to higher product sales. Our manufacturing operations have significant fixed costs such as depreciation, post retirement healthcare costs, salary labor, lease expense and energy that do not change proportionately with sales.

Selling, general and administrative expenses (SG&A) totaled \$3,186,000 for the three months ended September 30, 2008, increasing from \$2,787,000 for the three months ended September 30, 2007. The increase was primarily due to increases in the Company's profit sharing amounts resulting from improved earnings for the three months ended September 30, 2008 compared to the three months ended September 30, 2007.

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Net interest expense totaled \$179,000 for the three months ended September 30, 2008, compared to \$180,000 for the three months ended September 30, 2007. The Company had no interest income for the three months ended September 30, 2008 compared to \$49,000 for the three months ended September 30, 2007 due to cash previously used for investing being used to repurchase Core Molding Technologies stock from Navistar in July of 2007. Interest expense decreased for the three months ending September 30, 2008 compared to the three months ending September 30, 2007 due to lower outstanding balances on the line of credit as well as a reduction in term debt from regularly scheduled principal payments. Partially offsetting the decrease in interest expense was an increase in expense recorded related to ineffectiveness of the IRB interest rate swap. Variable interest rates experienced by Core Molding Technologies with respect to its two long-term borrowing facilities have decreased; however, due to the interest rate swaps Core Molding Technologies has previously entered into, the interest rate is essentially fixed for these two debt instruments.

Income taxes for the three months ended September 30, 2008, are estimated to be approximately 37% of total earnings before taxes. In the three months ended September 30, 2007 income taxes were estimated to be 36% of total earnings before taxes. The effective tax rate increased as a result of a larger proportion of income generated in higher taxing jurisdictions for the three months ended September 30, 2008 as compared to the three months ended September 30, 2007.

Core Molding Technologies recorded net income for the three months ended September 30, 2008 of \$1,688,000 or \$.25 per basic and \$.24 per diluted share, compared with \$717,000, or \$.10 per basic and \$.09 per diluted share, for the three months ended September 30, 2007. Weighted average shares outstanding decreased from 7,441,871 in the third quarter 2007, to 6,748,590 in the same period in 2008 primarily due to the affect of the Company's purchase of Treasury Stock in July 2007.

Nine Months Ended September 30, 2008, As Compared To Nine Months Ended September 30, 2007

Net sales for the nine months ended September 30, 2008, totaled \$89,055,000, representing an approximate 10% decrease from the \$99,444,000 reported for the nine months ended September 30, 2007. Included in total sales are tooling project sales of \$4,179,000 and \$20,364,000 for the nine months ended September 30, 2008 and September 30, 2007, respectively. Tooling project sales result from billings to customers for molds and assembly equipment built specifically for their products. These sales are sporadic in nature. Total product sales of \$84,876,000, which excludes tooling project sales, were approximately 7% higher for the nine months ended September 30, 2008, compared to product sales of \$79,081,000 for the nine months ended September 30, 2007. The increase in product sales is primarily due to increased volume of programs started in 2007.

Sales to Navistar totaled \$50,402,000 for the nine months ended September 30, 2008, compared to \$43,075,000 for the nine months ended September 30, 2007. Included in total sales were \$2,868,000 of tooling sales for the nine months ended September 30, 2008 compared to \$8,180,000 for the nine months ended September 30, 2007. Total product sales to Navistar were \$47,534,000 an increase of 36% for the nine months ended September 30, 2008 compared to product sales of \$34,895,000 for the nine months ended September 30, 2007. The increase in product sales is primarily due to increased volume for programs started in 2007.

Sales to PACCAR totaled \$23,266,000 for the nine months ended September 30, 2008, as compared to \$33,052,000 reported for the nine months ended September 30, 2007. Included in total sales were \$841,000 of tooling sales for the nine months ended September 30, 2008 compared to \$11,522,000 for the nine months ended September 30, 2007. Total product sales to PACCAR were \$22,425,000 an increase of 4% for the nine months ended September 30, 2008 compared to product sales of \$21,530,000 for the nine months ended September 30, 2007. The increase in product sales is due to increased volume for programs started in 2007, partially offset by a decrease in sales for other products the Company manufactures for PACCAR.

Sales to other customers for the nine months ended September 30, 2008, decreased approximately 34% to \$15,387,000 from \$23,318,000 for the nine months ended September 30, 2007. This decrease is primarily related to decreases in product sales to customers in the marine industry of approximately \$5,360,000 and a decrease in product sales to an automotive customer of \$1,115,000.

Gross margin was approximately 18% of sales for the nine months ended September 30, 2008, compared with 14% for the nine months ended September 30, 2007. The increase was due to a combination of factors including higher

fixed cost absorption due to product sales volumes and production efficiencies. Our manufacturing operations have significant fixed costs such as depreciation, post retirement healthcare costs, salary labor, lease expense and energy that do not change proportionately with sales. Also contributing to the increase in gross margin was the dilutive effect tooling project revenue has on gross margin for the nine months ended September 30, 2007. Historically, Core Molding Technologies has not achieved margins on tooling projects similar to margins on its sales of its products.

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Selling, general and administrative expenses (SG&A) totaled \$8,994,000 for the nine months ended September 30, 2008, increasing from \$8,665,000 for the nine months ended September 30, 2007. The increase was primarily due to increases in the Company's profit sharing amounts resulting from improved earnings for the nine months ended September 30, 2008 compared to the three months ended September 30, 2007.

Net interest expense totaled \$541,000 for the nine months ended September 30, 2008, compared to net interest income of \$51,000 for the nine months ended September 30, 2007. The Company had no interest income for the nine months ended September 30, 2008 compared to \$542,000 for the nine months ended September 30, 2007 due to cash previously used for investing being used to repurchase Core Molding Technologies stock from Navistar in July of 2007. Interest expense increased to \$541,000 compared to \$491,000 for the nine months ended September 30, 2007. The increase in interest expense is primarily a result of borrowings on the line of credit which were used to finance a portion of the stock repurchase from Navistar. Also contributing to the increase is additional expense recorded related to ineffectiveness of the IRB interest rate swap. Variable interest rates experienced by Core Molding Technologies with respect to its two long-term borrowing facilities have decreased; however, due to the interest rate swaps Core Molding Technologies has entered into, the interest rate is essentially fixed for these two debt instruments.

Income taxes for the nine months ended September 30, 2008, are estimated to be approximately 34% of total earnings before taxes or \$2,172,000. In the nine months ended September 30, 2007 income taxes were estimated to be 35% of total earnings before taxes or \$1,699,000.

Core Molding Technologies recorded net income for the nine months ended September 30, 2008 of \$4,268,000 or \$.63 per basic and \$.61 per diluted share, compared with \$3,196,000, or \$.34 per basic and \$.33 per diluted share, for the nine months ended September 30, 2007. Weighted average shares outstanding decreased from 9,339,984 in the three months ended September 30, 2007, to 6,740,225 in the same period in 2008 primarily due to the Company's purchase of Treasury Stock in July 2007.

Liquidity and Capital Resources

The Company's primary sources of funds have been cash generated from operating activities and borrowings from third parties. Primary cash requirements are for operating expenses and capital expenditures.

As widely reported, financial markets in the United States, Europe and Asia have been experiencing extreme disruption in recent months, including, among other things, extreme volatility in security prices, severely diminished liquidity and credit availability, rating downgrades of certain investments and declining valuations of others.

Governments have taken unprecedented actions intended to address extreme market conditions that include severely restricted credit and declines in real estate values. While currently these conditions have not impaired the Company's ability to access credit markets and finance our operations, there can be no assurance that there will not be a further deterioration in financial markets and confidence in major economies, which may impact the Company's ability to borrow in the future.

Cash provided by operating activities for the nine months ended September 30, 2008 totaled \$3,160,000. Net income contributed \$4,268,000 to operating cash flow. Non-cash deductions of depreciation and amortization also contributed \$2,683,000 to operating cash flow. In addition, the increase in the postretirement healthcare benefits liability of \$1,078,000 is not a current cash obligation, and this item will not be a cash obligation until additional employees retire and begin to utilize these benefits. Changes in working capital decreased cash provided by operating activities by \$5,110,000. Changes in working capital primarily relate to an increase in accounts receivable due to increased product sales for the three months ended September 30, 2008 compared to the three months ended December 31, 2007 which is partially offset by lower accrued and other liabilities.

Cash used in investing activities for the nine months ended September 30, 2008 was \$7,795,000, primarily representing purchases related to the Company's construction of a new manufacturing facility in Mexico. The Company previously announced plans to invest approximately \$20.2 million in the new facility that will replace its existing leased facility in Mexico and add compression molding capabilities. To finance this project, the Company has received bank financing commitments for new borrowings. Currently, the Company is using its line of credit until the new financing has been closed. The Company plans to spend an additional \$6,095,000 for the remainder of the year for capital projects, \$5,301,000 of which relates to the Company's new facility in Mexico. The planned capital additions are expected to be funded from the new financing, borrowings on the Company's line of credit and cash

provided by operations. The Company may also undertake other capital improvement projects in the future as deemed necessary and appropriate.

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Financing activities increased cash by \$4,635,000. This increase is related to net borrowings of \$5,939,000 on the line of credit. This was partially offset by principal repayments on its secured note payable of \$964,000 and its industrial revenue bond of \$430,000.

At September 30, 2008, the Company had no cash on hand and a line of credit of \$15,000,000, with a scheduled maturity of April 30, 2009. At September 30, 2008, Core Molding Technologies had outstanding borrowings of \$8,191,000 on this line of credit.

As of September 30, 2008, the Company was in compliance with its financial debt covenants for the secured note payable, the line of credit and letter of credit securing the industrial revenue bond and certain equipment leases. The covenants relate to maintaining certain financial ratios. Management expects Core Molding Technologies to meet these covenants for the year 2008. However, if a material adverse change in the financial position of Core Molding Technologies should occur, Core Molding Technologies' liquidity and ability to obtain further financing to fund future operating and capital requirements could be negatively impacted.

Recently Issued Accounting Standards

In July 2006, the FASB issued Interpretation No. 48 (FIN 48), *Accounting for Uncertainty in Income Taxes*, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with FASB Statement No. 109, *Accounting for Income Taxes*. FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken, or expected to be taken, in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures, and transition. This interpretation is effective for fiscal years beginning after December 15, 2006, and became effective for the Company on January 1, 2007. For benefits to be recognized, a tax position must be more-likely-than-not to be sustained upon examination by taxing authorities. The amount recognized is measured as the largest amount of benefit that is greater than 50 percent likely of being realized upon ultimate settlement. The impact of the adoption of FIN 48 is discussed in Note 7.

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Level 1 inputs are quoted prices (unadjusted) in active markets for identical asset or liabilities that the company has the ability to access as of the reporting date.

Level 2 inputs are inputs other than quoted prices included within Level 1 that are observable for the asset or liability, either directly or indirectly through corroboration with observable market data.

Level 3 inputs are unobservable inputs, such as internally developed pricing models for the asset or liability due to little or no market activity for the asset or liability.

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the interest rate swaps see Note 6. The adoption of SFAS No. 157 did not have an impact on the Company's January 1, 2008 balance of retained earnings and is not anticipated to have a material impact prospectively.

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In December 2007, the FASB issued SFAS No. 141R to improve the relevance, representational faithfulness, and comparability of information that a reporting entity provides in its financial reports regarding business combinations and its effects, including recognition of assets and liabilities, the measurement of goodwill and required disclosures. This Statement is effective for fiscal years, and interim periods within those fiscal years, beginning on or after December 15, 2008 and earlier adoption is prohibited. Management is currently evaluating the impact of the provisions of SFAS No. 141R on the consolidated financial statements.

In March 2008, the FASB issued SFAS No. 161, *Disclosures about Derivative Instruments and Hedging Activities* (SFAS 161). SFAS 161 is an amendment of FASB Statement No. 133, and requires enhanced disclosures about an entity's derivative and hedging activities and thereby improves the transparency of financial reporting. The Statement is effective prospectively for fiscal years beginning after November 15, 2008. Management is currently evaluating the impact of the provisions of FAS-161 on the consolidated financial statements.

In April 2008, the FASB issued FSP FAS 142-3, *Determination of the Useful Life of Intangible Assets* . FSP FAS 142-3 amends the factors an entity should consider in developing renewal or extension assumptions used in determining the useful life of recognized intangible assets under SFAS No. 142, *Goodwill and Other Intangible Assets* . This guidance for determining the useful life of a recognized intangible asset applies prospectively to intangible assets acquired individually or with a group of other assets in either an asset acquisition or business combination. FSP FAS 142-3 is effective for fiscal years, and interim periods within those fiscal years, beginning after December 15, 2008, and early adoption is prohibited. We are currently evaluating the impact FSP FAS 142-3 will have on our Consolidated Financial Statements.

In May 2008, the FASB issued Statement of Financial Accounting Standards No. 162, *The Hierarchy of Generally Accepted Accounting Principles* (FAS 162). This Standard identifies the sources of accounting principles and the framework for selecting the principles to be used in the preparation of financial statements of nongovernmental entities that are presented in conformity with generally accepted accounting principles. FAS 162 directs the hierarchy to the entity, rather than the independent auditors, as the entity is responsible for selecting accounting principles for financial statements that are presented in conformity with generally accepted accounting principles. The Standard is effective 60 days following SEC approval of the Public Company Accounting Oversight Board amendments to remove the hierarchy of generally accepted accounting principles from the auditing standards. FAS 162 is not expected to have an impact on the Company's financial condition, results of operations or cash flows.

In June 2008, the FASB issued FSP Emerging Issues Task Force (EITF) Issue No. 03-6-1, *Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities*. The FSP concludes that unvested share-based payment awards that contain rights to receive nonforfeitable dividends or dividend equivalents are participating securities, and thus, should be included in the two-class method of computing earnings per share (EPS). This FSP is effective for fiscal years beginning after December 15, 2008, and interim periods within those

years and requires that all prior period EPS be adjusted retroactively. We do not have share-based payment awards that contain rights to nonforfeitable dividends, thus this FSP is not anticipated to have an impact on our consolidated financial position and results of operations

Table of Contents**Critical Accounting Policies and Estimates**

Management's Discussion and Analysis of Financial Condition and Results of Operations discuss the Company's consolidated financial statements, which have been prepared in accordance with accounting principles generally accepted in the United States. The preparation of these consolidated financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the consolidated financial statements and the reported amounts of revenues and expenses during the reporting period. On an on-going basis, management evaluates its estimates and judgments, including those related to accounts receivable, inventories, post retirement benefits, and income taxes. Management bases its estimates and judgments on historical experience and on various other factors that are believed to be reasonable under the circumstances, the results of which form the basis for making judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may differ from these estimates under different assumptions or conditions.

Management believes the following critical accounting policies, among others, affect its more significant judgments and estimates used in the preparation of its consolidated financial statements.

Accounts receivable allowances: Management maintains allowances for doubtful accounts for estimated losses resulting from the inability of its customers to make required payments. If the financial condition of the Company's customers were to deteriorate, resulting in an impairment of their ability to make payments, additional allowances may be required. The Company recorded an allowance for doubtful accounts of \$160,000 at September 30, 2008 and \$334,000 at December 31, 2007. Management also records estimates for customer returns and deductions, discounts offered to customers, and for price adjustments. Should customer returns and deductions, discounts, and price adjustments fluctuate from the estimated amounts, additional allowances may be required. The Company has reduced accounts receivable for chargebacks by \$1,705,000 at September 30, 2008 and \$1,576,000 at December 31, 2007.

Inventories: Inventories, which include material, labor and manufacturing overhead, are valued at the lower of cost or market. The inventories are accounted for using the first-in, first-out (FIFO) method of determining inventory costs. Inventory quantities on-hand are regularly reviewed, and where necessary, provisions for excess and obsolete inventory are recorded based on historical and anticipated usage.

Goodwill and Long-Lived Assets: Management tests for impairment of goodwill annually on December 31st or as events occur or circumstances change, as defined by SFAS 142, that would more likely than not reduce the fair value of a reporting unit below its carrying amount. Additionally, management tests its long-lived assets for impairment if an indicator of impairment exists as defined by SFAS 144, *Accounting for Impairment or Disposal of Long-Lived Assets*. Should actual results differ from the assumptions used to determine impairment, additional provisions may be required. In particular, decreases in future cash flows from operating activities below the assumptions could have an adverse effect on the Company's ability to recover its long-lived assets. The Company did not have an indicator of impairment as of September 30, 2008 and has not recorded any impairment to goodwill or long-lived assets for the nine months ended September 30, 2008.

Self-Insurance: The Company is self-insured with respect to most of its Columbus and Batavia, Ohio and Gaffney, South Carolina medical and dental claims and Columbus and Batavia, Ohio workers' compensation claims. The Company has recorded an estimated liability for self-insured medical and dental claims incurred but not reported and workers' compensation claims incurred but not reported at September 30, 2008 and December 31, 2007 of \$1,127,000 and \$1,141,000, respectively.

Post retirement benefits: Management records an accrual for postretirement costs associated with the health care plan sponsored by Core Molding Technologies for certain Columbus facility employees. Should actual results differ from the assumptions used to determine the reserves, additional provisions may be required. In particular, increases in future healthcare costs above the assumptions could have an adverse effect on Core Molding Technologies' operations. The effect of a change in healthcare costs is described in Note 11 of the Consolidated Notes to Financial Statements, which are contained in the 2007 Annual Report to Shareholders. Core Molding Technologies recorded a liability for postretirement healthcare benefits based on actuarially computed estimates of \$17,424,000 at September 30, 2008 and \$16,442,000 at December 31, 2007.

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Revenue Recognition: Revenue from product sales is recognized at the time products are shipped and title transfers. Allowances for returned products and other credits are estimated and recorded as revenue is recognized. Tooling revenue is recognized when the customer approves the tool and accepts ownership. Progress billings and expenses are shown net as an asset or liability on the Company's balance sheet. Tooling in progress can fluctuate significantly from period to period and is dependent upon the stage of tooling projects and the related billing and expense payment timetable for individual projects and therefore does not necessarily reflect projected income or loss from tooling projects. At September 30, 2008 the Company has recorded a net liability related to tooling in progress of \$8,000, which represents approximately \$3,573,000 of progress tooling billings and \$3,565,000 of progress tooling expenses. At December 31, 2007 the Company had recorded a net liability related to tooling in progress of \$102,000, which represents approximately \$4,738,000 of progress tooling billings and \$4,636,000 of progress tooling expenses.

Income taxes: The Consolidated Balance Sheet at September 30, 2008 and December 31, 2007, includes a deferred tax asset of \$7,798,000 and \$7,799,000, respectively. The Company performs analyses to evaluate the balance of deferred tax assets that will be realized. Such analyses are based on the premise that the company is, and will continue to be, a going concern and that it is more likely than not that deferred tax benefits will be realized through the generation of future taxable income. For more information, refer to Note 10 in Core Molding Technologies 2007 Annual Report to Shareholders.

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Part I Financial Information

Item 3

Quantitative and Qualitative Disclosures About Market Risk

Core Molding Technologies' primary market risk results from changes in the price of commodities used in its manufacturing operations. Core Molding Technologies is also exposed to fluctuations in interest rates and foreign currency fluctuations associated with the Mexican Peso. Core Molding Technologies does not hold any material market risk sensitive instruments for trading purposes.

Core Molding Technologies has the following five items that are sensitive to market risks: (1) Industrial Revenue Bond (IRB) with a variable interest rate. The Company has an interest rate swap to fix the interest rate at 4.89%; (2) revolving line of credit, which bears a variable interest rate; (3) bank note payable with a variable interest rate. The Company entered into a swap agreement effective January 1, 2004, to fix the interest rate at 5.75%; (4) foreign currency purchases in which the Company purchases Mexican pesos with United States dollars to meet certain obligations that arise due to operations at the facility located in Mexico; and (5) raw material purchases in which Core Molding Technologies purchases various materials for use in production. The prices of these resins are affected by the prices of crude oil and natural gas as well as processing capacity versus demand.

Assuming a hypothetical 10% increase in commodity prices, Core Molding Technologies would be impacted by an increase in raw material costs, which would have an adverse affect on operating margins.

Assuming a hypothetical 10% change in short-term interest rates in both the nine month periods ended September 30, 2008 and 2007, interest expense would not change significantly, as the interest rate swap agreements would generally offset the impact. Core Molding Technologies has utilized a revolving line of credit which has a balance of \$8,191,000 at September 30, 2008. The interest rate is impacted by LIBOR. A hypothetical 10% change in short-term interest rates in 2008 could impact the interest paid by the Company, however, it would not have a material effect on earnings before tax.

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Part I Financial Information
Item 4T

Controls and Procedures

As of the end of the period covered by this report, the Company has carried out an evaluation, under the supervision and with the participation of its management, including its Chief Executive Officer and its Chief Financial Officer, of the effectiveness of the design and operation of its disclosure controls and procedures (as defined in Rule 13a-15(e) of the Exchange Act). Based upon this evaluation, the Company's management, including its Chief Executive Officer and its Chief Financial Officer, concluded that the Company's disclosure controls and procedures were (i) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act was accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure, and (ii) effective to ensure that information required to be disclosed in the Company's reports filed or submitted under the Exchange Act is recorded, processed, summarized and reported within the time periods specified in the Securities and Exchange Commissions rules and forms.

There were no changes in internal control over financial reporting (as such term is defined in Exchange Act Rule 13a-15(f)) that occurred in the last fiscal quarter that have materially affected, or are reasonably likely to materially affect, our internal control over financial reporting.

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Part II Other Information

Item 1. Legal Proceedings

None

Item 1A. Risk Factors

Economic conditions and disruptions in the financial markets could have an adverse effect on our business, financial condition and results of operations.

The financial markets could experience a period of turmoil, including the bankruptcy, restructuring or sale of certain financial institutions and the intervention of the U.S. federal government. While the ultimate outcome of these types of events in the financial market cannot be predicted, they could have a material adverse effect on our liquidity and financial condition if our ability to borrow money from our existing lenders were to be impaired. A crisis in the financial markets may also have a material adverse impact on the availability and cost of credit in the future. Our ability to pay our debt or refinance our obligations will depend on our future performance, which could be affected by, among other things, prevailing economic conditions. A financial crisis may also have an adverse effect on the U.S. and world economies, which would have a negative impact on demand for our products. In addition, tightening of credit markets may have an adverse impact on our customers' ability to finance the purchase of new heavy-duty trucks or our suppliers' ability to provide us with raw materials, either of which could adversely affect our business and results of operations.

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

None

Item 3. Defaults Upon Senior Securities

None

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

None

Item 5. Other Information

None

Item 6. Exhibits

See Index to Exhibits

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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.

CORE MOLDING TECHNOLOGIES, INC.

Date: November 12, 2008

By: /s/ Kevin L. Barnett
Kevin L. Barnett
President, Chief Executive Officer, and
Director

Date: November 12, 2008

By: /s/ Herman F. Dick, Jr.
Herman F. Dick, Jr.
Vice President, Secretary, Treasurer and
Chief Financial Officer

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Exhibit No.	Description	Location
2(a)(1)	Asset Purchase Agreement Dated as of September 12, 1996, As amended October 31, 1996, between Navistar and RYMAC Mortgage Investment Corporation ¹	Incorporated by reference to Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809)
2(a)(2)	Second Amendment to Asset Purchase Agreement dated December 16, 1996 ¹	Incorporated by reference to Exhibit 2(a)(2) to Annual Report on Form 10-K for the year-ended December 31, 2001
2(b)(1)	Agreement and Plan of Merger dated as of November 1, 1996, between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation	Incorporated by reference to Exhibit 2-B to Registration Statement on Form S-4 (Registration No. 333-15809)
2(b)(2)	First Amendment to Agreement and Plan of Merger dated as of December 27, 1996 Between Core Molding Technologies, Inc. and RYMAC Mortgage Investment Corporation	Incorporated by reference to Exhibit 2(b)(2) to Annual Report on Form 10-K for the year ended December 31, 2002
2(c)	Asset Purchase Agreement dated as of October 10, 2001, between Core Molding Technologies, Inc. and Airshield Corporation	Incorporated by reference to Exhibit 1 to Form 8-K filed October 31, 2001
3(a)(1)	Certificate of Incorporation of Core Molding Technologies, Inc. As filed with the Secretary of State of Delaware on October 8, 1996	Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(2)	Certificate of Amendment of Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on November 6, 1996	Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(3)	Certificate of Incorporation of Core Materials Corporation, reflecting Amendments through November 6, 1996 [for purposes of compliance with Securities and Exchange Commission filing requirements only]	Incorporated by reference to Exhibit 4(c) to Registration Statement on Form S-8 (Registration No. 333-29203)
3(a)(4)	Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002	Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002

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Exhibit No.	Description	Location
3(a)(5)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007	Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007
3(b)	Amended and Restated By-Laws of Core Molding Technologies, Inc.	Incorporated by reference to Exhibit 3.1 to Current Report on Form 8-K filed January 4, 2008
4(a)(1)	Certificate of Incorporation of Core Molding Technologies, Inc. as filed with the Secretary of State of Delaware on October 8, 1996	Incorporated by reference to Exhibit 4(a) to Registration Statement on Form S-8 (Registration No. 333-29203)
4(a)(2)	Certificate of Amendment of Certificate of Incorporation of Core Materials Corporation as filed with the Secretary of State of Delaware on November 6, 1996	Incorporated by reference to Exhibit 4(b) to Registration Statement on Form S-8 (Registration No. 333-29203)
4(a)(3)	Certificate of Incorporation of Core Materials Corporation, reflecting amendments through November 6, 1996 [for purposes of compliance with Securities and Exchange Commission filing requirements only]	Incorporated by reference to Exhibit 4(c) to Registration Statement on Form S-8 (Registration No. 333-29203)
4(a)(4)	Certificate of Amendment of Certificate of Incorporation as filed with the Secretary of State of Delaware on August 28, 2002	Incorporated by reference to Exhibit 3(a)(4) to Quarterly Report on Form 10-Q for the quarter ended September 30, 2002
4(a)(5)	Certificate of Designation, Preferences and Rights of Series A Junior Participating Preferred Stock as filed with the Secretary of State of Delaware on July 18, 2007	Incorporated by reference to Exhibit 3.1 to Form 8-K filed July 19, 2007
4(b)	Stockholder Rights Agreement dated as of July 18, 2007, between Core Molding Technologies, Inc. and American Stock Transfer & Trust Company	Incorporated by reference to Exhibit 4.1 to Current Report From 8-K filed July 19, 2007
10(a)	Maximum Guaranteed Price Design Construction Contract, effective August 27, 2008, between Corecomposites de Mexico, S. de R.L. de C.V. and AS construcciones Del Norte, S.A. de C.V.	Filed Herein
11	Computation of Net Income per Share	Exhibit 11 omitted because the required information is Included in Notes to Financial Statement

31(a)

Section 302 Certification by Kevin L. Barnett,
President, Chief Executive Officer, and Director

Filed Herein

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Exhibit No.	Description	Location
31(b)	Section 302 Certification by Herman F. Dick, Jr., Vice President, Secretary, Treasurer, and Chief Financial Officer	Filed Herein
32(a)	Certification of Kevin L. Barnett, Chief Executive Officer of Core Molding Technologies, Inc., dated November 12, 2008, pursuant to 18 U.S.C. Section 1350	Filed Herein
32(b)	Certification of Herman F. Dick, Jr., Chief Financial Officer of Core Molding Technologies, Inc., dated November 12, 2008, pursuant to 18 U.S.C. Section 1350	Filed Herein

¹ The Asset Purchase Agreement, as filed with the Securities and Exchange Commission at Exhibit 2-A to Registration Statement on Form S-4 (Registration No. 333-15809), omits the exhibits (including, the Buyer Note, Special Warranty Deed, Supply Agreement, Registration Rights Agreement and Transition Services Agreement, identified in the Asset Purchase Agreement) and schedules (including, those identified in Sections 1, 3, 4, 5, 6, 8 and 30 of the Asset Purchase Agreement. Core Molding Technologies, Inc. will provide any omitted exhibit or schedule to the Securities and Exchange Commission (SEC) upon request.