TRIMAS CORP
Form 10-Q
August 03, 2007

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

x Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2007

Or

o 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 333-100351

TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware	**38-2687639**
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

39400 Woodward Avenue, Suite 130
Bloomfield Hills, Michigan 48304

(Address of principal executive offices, including zip code)

(248) 631-5450

(Registrant s telephone number, including area code)

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 o No x.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

Large Accelerated Filer o Accelerated Filer o Non-Accelerated Filer x

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

As of August 3, 2007, the number of outstanding shares of the Registrant s common stock, $.01 par value, was 33,409,500 shares.

TriMas Corporation

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Forward-Looking Statements

This report contains forward-looking statements (as that term is defined by the federal securities laws) about our financial condition, results of operations and business. You can find many of these statements by looking for words such as may, will, expect, anticipate, believe, estimat similar words used in this report.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution readers not to place undue reliance on the statements, which speak only as of the date of this report.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We do not undertake any obligation to review or confirm analysts expectations or estimates or to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

Risks and uncertainties that could cause actual results to vary materially from those anticipated in the forward-looking statements included in this report include general economic conditions in the markets in which we operate and industry-related and other factors such as:

- Our businesses depend upon general economic conditions and we serve some customers in highly cyclical industries. As a result, we are subject to the loss of sales and margins due to an economic downturn or recession, which could negatively affect us;

- Many of the markets we serve are highly competitive, which could limit the volume of products that we sell and reduce our operating margins. We also face the risk of lower cost foreign manufacturers located in China, Southeast Asia and other regions competing in the markets for our products, and we may be adversely impacted;

- Increases in our raw material or energy costs or the loss of critical suppliers could adversely affect our profitability and other financial results;

- We may be unable to successfully implement our business strategies. Our ability to realize benefits from our business strategies may be limited;

- Our products are typically highly engineered or customer-driven and, as such, we are subject to risks associated with changing technology and manufacturing techniques, which could place us at a competitive disadvantage;

- We depend on the services of key individuals and relationships, the loss of which could materially harm us;

- We have substantial debt and interest payment requirements that may restrict our future operations and impair our ability to meet our obligations;

- Restrictions in our debt instruments and accounts receivable facility limit our ability to take certain actions and breaches thereof could impair our liquidity;

- We may be unable to protect our intellectual property or face liability associated with the use of products for which intellectual property rights are claimed;

- We may incur material losses and costs as a result of product liability, recall and warranty claims that may be brought against us;

- Our business may be materially and adversely affected by compliance obligations and liabilities including environmental and other laws and regulations;

- Historically, we have grown primarily through acquisitions. If we are unable to identify attractive acquisition candidates, successfully integrate acquired operations or realize the intended benefits of our acquisitions, we may be adversely affected;

- We have significant operating lease obligations. Failure to meet those obligations could adversely affect our financial condition;

- We have significant goodwill and intangible assets. We incurred a significant impairment of our goodwill in 2006. Future impairment of our goodwill and intangible assets could have a material adverse impact on our financial results;

- We may be subject to work stoppages and further unionization at our facilities or our customers or suppliers may be subjected to work stoppages, which could seriously impact the profitability of our business;

- Our healthcare costs for active employees and retirees may exceed our projections and may negatively affect our financial results; and

- A growing portion of our sales may be derived from international sources, which exposes us to certain risks which may adversely affect our financial results.

We disclose important factors that could cause our actual results to differ materially from our expectations under Item 2. *Management s Discussion and Analysis of Financial Condition and Results of Operations* and elsewhere in this report. These cautionary statements qualify all forward-looking statements attributed to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other condition, results of operations, prospects and ability to service our debt.

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TriMas Corporation
Consolidated Balance Sheet
(Unaudited dollars in thousands)

	June 30, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 2,720	$ 3,600
Receivables, net	114,420	99,240
Inventories, net	172,380	165,360
Deferred income taxes	24,310	24,310
Prepaid expenses and other current assets	6,540	7,320
Assets of discontinued operations held for sale		11,770
Total current assets	320,370	311,600
Property and equipment, net	186,380	165,200
Goodwill	527,500	529,730
Other intangibles, net	230,290	240,120
Other assets	36,190	39,410
Total assets	$ 1,300,730	$ 1,286,060
Liabilities and Shareholders Equity		
Current liabilities:		
Current maturities, long-term debt	$ 8,960	$ 9,700
Accounts payable	122,240	100,070
Accrued liabilities	68,650	71,970
Liabilities of discontinued operations		23,530
Total current liabilities	199,850	205,270
Long-term debt	613,010	724,790
Deferred income taxes	89,370	89,940
Other long-term liabilities	37,740	33,280
Total liabilities	939,970	1,053,280
Preferred stock $0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None		
Common stock, $0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 33,409,500 and 20,759,500 shares at June 30, 2007 and December 31, 2006, respectively	330	210
Paid-in capital	525,530	399,070
Accumulated deficit	(211,480)	(215,220)
Accumulated other comprehensive income	46,380	48,720
Total shareholders equity	360,760	232,780
Total liabilities and shareholders equity	$ 1,300,730	$ 1,286,060

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

TriMas Corporation
Consolidated Statement of Operations
(Unaudited dollars in thousands, except for per share amounts)

	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
Net sales	$ 290,830	$ 279,640	$ 577,520	$ 552,670
Cost of sales	(209,530)	(204,580)	(416,930)	(404,270)
Gross profit	81,300	75,060	160,590	148,400
Selling, general and administrative expenses	(45,670)	(44,180)	(91,450)	(88,680)
Advisory services agreement termination fee	(10,000)		(10,000)	
Costs for early termination of operating leases	(4,230)		(4,230)	
Gain (loss) on dispositions of property and equipment	300	80	130	(100)
Operating profit	21,700	30,960	55,040	59,620
Other expense, net:				
Interest expense	(18,340)	(20,030)	(37,200)	(39,950)
Debt extinguishment costs	(7,440)		(7,440)	
Other, net	(980)	(1,140)	(2,140)	(1,920)
Other expense, net	(26,760)	(21,170)	(46,780)	(41,870)
Income (loss) from continuing operations before income tax benefit (expense)	(5,060)	9,790	8,260	17,750
Income tax benefit (expense)	1,870	(3,250)	(3,060)	(6,280)
Income (loss) from continuing operations	(3,190)	6,540	5,200	11,470
Loss from discontinued operations, net of income tax benefit (expense)		(4,030)	(1,340)	(5,370)
Net income (loss)	$ (3,190)	$ 2,510	$ 3,860	$ 6,100
Earnings (loss) per share basic:				
Continuing operations	$ (0.12)	$ 0.32	$ 0.22	$ 0.57
Discontinued operations, net of income tax benefit (expense)		(0.20)	(0.06)	(0.27)
Net income (loss) per share	$ (0.12)	$ 0.12	$ 0.16	$ 0.30
Weighted average common shares basic	26,223,236	20,010,000	23,506,461	20,010,000
Earnings (loss) per share diluted:				
Continuing operations	$ (0.12)	$ 0.31	$ 0.22	$ 0.55
Discontinued operations, net of income tax benefit (expense)		(0.19)	(0.06)	(0.26)
Net income (loss) per share	$ (0.12)	$ 0.12	$ 0.16	$ 0.29
Weighted average common shares diluted	26,223,236	20,760,000	23,506,461	20,760,000

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

TriMas Corporation
Consolidated Statement of Cash Flows
(Unaudited dollars in thousands)

	Six months ended June 30, 2007	2006
Net income	$ 3,860	$ 6,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on dispositions of property and equipment	70	3,130
Depreciation	11,660	11,850
Amortization of intangible assets	7,800	8,290
Amortization of debt issue costs	3,970	2,710
Deferred income taxes	770	(450)
Non-cash compensation expense	120	830
Net proceeds from sale of receivables and receivables securitization	33,330	18,100
Increase in receivables	(48,230)	(31,810)
Increase in inventories	(7,850)	(7,070)
(Increase) decrease in prepaid expenses and other assets	2,630	(160)
Increase in accounts payable and accrued liabilities	16,500	6,220
Other, net	1,310	(400)
Net cash provided by operating activities	25,940	17,340
Cash Flows from Investing Activities:		
Capital expenditures	(14,860)	(11,170)
Acquisition of leased assets	(29,960)	(3,140)
Net proceeds from disposition of businesses and other assets	5,850	930
Net cash used for investing activities	(38,970)	(13,380)
Cash Flows from Financing Activities:		
Proceeds from sale of common stock in connection with the Company s initial public offering, net of issuance costs	126,460	
Repayments of borrowings on senior credit facilities	(1,730)	(1,360)
Proceeds from borrowings on revolving credit facilities	248,370	375,990
Repayments of borrowings on revolving credit facilities	(260,950)	(380,920)
Retirement of senior subordinated notes	(100,000)	
Net cash provided by (used for) financing activities	12,150	(6,290)
Cash and Cash Equivalents:		
Decrease for the period	(880)	(2,330)
At beginning of period	3,600	3,730
At end of period	$ 2,720	$ 1,400
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 34,510	$ 33,920
Cash paid for taxes	$ 5,010	$ 6,730

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

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TriMas Corporation
Consolidated Statement of Shareholders Equity
Six Months Ended June 30, 2007
(Unaudited dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balances, December 31, 2006	$ 210	$ 399,070	$ (215,220)	$ 48,720	$ 232,780
Comprehensive income:					
Net income			3,860		3,860
Amortization of defined benefit plan deferred loss (net of tax of $0.1 million) and recognition of postretirement benefit settlement gain (net of tax of $0.1 million) (Note 15)				50	50
Foreign currency translation				(160)	(160)
Total comprehensive income				(110)	3,750
Net proceeds from the Company s initial public offering of common stock (Note 2)	120	126,340			126,460
Non-cash compensation expense		120			120
Cumulative impact of change in accounting for benefit plans (net of tax of $1.3 million) (Note 15)				(2,230)	(2,230)
Cumulative impact of change in accounting for uncertainties in income taxes (Note 4)			(120)		(120)
Balances, June 30, 2007	$ 330	$ 525,530	$ (211,480)	$ 46,380	$ 360,760

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

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

TriMas Corporation (TriMas or the Company), and its consolidated subsidiaries, is a global manufacturer of products for commercial, industrial and consumer markets. The Company is principally engaged in five business segments with diverse products and market channels. Packaging Systems is a manufacturer and distributor of steel and plastic closure caps, drum enclosures, rings and levers, dispensing systems for industrial and consumer markets, as well as specialty laminates, jacketings and insulation tapes used with fiberglass insulation as vapor barriers in commercial and industrial construction applications. Energy Products is a manufacturer and distributor of a variety of engines and engine replacement parts for the oil and gas industry as well as metallic and non-metallic industrial gaskets and fasteners for the petroleum refining, petrochemical and other industrial markets. Industrial Specialties designs and manufactures a diverse range of industrial products for use in niche markets within the aerospace, industrial, automotive, defense, and medical equipment markets. These products include highly engineered specialty fasteners for the aerospace industry, high-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, specialty fasteners for the automotive industry, specialty precision tools such as center drills, cutters, end mills, reamers, master gears, punches, and specialty ordnance components and steel cartridge cases. RV & Trailer Products is a manufacturer and distributor of custom-engineered trailer products, brake control solutions, lighting accessories and roof racks for the recreational vehicle, agricultural/industrial, marine, automotive and commercial trailer markets. Recreational Accessories manufactures towing products, functional vehicle accessories and cargo management solutions including vehicle hitches and receivers, sway controls, weight distribution and fifth-wheel hitches, hitch-mounted accessories, and other accessory components which are distributed through independent installers and retail outlets.

During the fourth quarter of 2005, the Company committed to a plan to sell its industrial fasteners business. The industrial fastening business consisted of three locations: Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. The Wood Dale and Lakewood operating locations were sold in December 2006. The Frankfort operating location was sold in February 2007. The industrial fastening business is presented as discontinued operations. See Note 3, *Discontinued Operations and Assets Held for Sale*.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and in the opinion of management, contain all adjustments, including adjustments of a normal and recurring nature, necessary for a fair presentation of financial position and results of operations. Results of operations for interim periods are not necessarily indicative of results for the full year. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the Company s 2006 Annual Report on Form 10-K.

Certain prior year amounts have been reclassified to conform with the current year presentation.

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

2. Initial Public Offering

During the second quarter of 2007, the Company completed the sale of 12,650,000 shares of common stock to the public pursuant to an effective registration statement at a price of $11.00 per share. Gross proceeds from the common stock offering were $139.2 million. Net proceeds from the offering, after deducting underwriting discounts and commissions of $9.7 million and offering expenses of $3.0 million, totaled approximately $126.5 million. The net proceeds of $126.5 million, together with approximately $10.1 million of cash on hand and revolving credit borrowings, were utilized as follows (in thousands):

Retirement of senior subordinated notes	$ 100,000
Call premium associated with retirement of senior subordinated notes	4,940
Advisory services agreement termination fee	10,000
Early termination of operating leases and acquisition of underlying machinery and equipment	21,680
	$ 136,620

In connection with the common stock offering and the use of proceeds therefrom, the Company incurred the following costs and expenses which are included in the Company s statement of operations for the three and six months ended June 30, 2007 (in thousands):

Advisory services agreement termination fee	$ 10,000
Call premium associated with retirement of senior subordinated notes	4,940
Costs for early termination of operating leases	4,230
Non-cash write-off of deferred financing fees and accretion of unamortized discount and premium associated with retirement of senior subordinated notes	2,500
	$ 21,670

3. Discontinued Operations and Assets Held for Sale

During the fourth quarter of 2005, the Company committed to a plan to sell its industrial fastening business. The industrial fastening business consisted of three locations: Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. The Company sold the Wood Dale and Lakewood operating locations in December 2006 for gross cash proceeds of approximately $5.6 million and a short-term note receivable of approximately $0.2 million. In February 2007, the Company sold the Frankfort operating location for gross cash proceeds of approximately $4.0 million and a note receivable of $2.5 million.

During the second quarter of 2006, the Company sold its asphalt-coated paper line of business, which was part of the Packaging Systems operating segment, for approximately $1.1 million.

The results of the industrial fastening business and the asphalt-coated paper business are reported as discontinued operations for all periods presented.

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Results of discontinued operations are summarized as follows:

	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
	(dollars in thousands)		(dollars in thousands)	
Net sales	$	$ 25,110	$ 6,550	$ 50,830
Loss from discontinued operations before income tax (expense) benefit	$	$ (6,840)	$ (1,290)	$ (9,030)
Income tax (expense) benefit		2,810	(50)	3,660
Loss from discontinued operations, net of income tax (expense) benefit	$	$ (4,030)	$ (1,340)	$ (5,370)

Assets and liabilities of discontinued operations held for sale are summarized as follows:

	June 30, 2007	December 31, 2006
	(dollars in thousands)	
Receivables, net	$	$ 7,750
Inventories, net		4,020
Total assets	$	$ 11,770
Accounts payable	$	$ 8,420
Accrued liabilities and other		15,110
Total liabilities	$	$ 23,530

4. Income Taxes

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48) on January 1, 2007. As a result of the implementation of FIN 48, the Company recorded a net increase of $0.1 million to reserves for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of accumulated deficit. Including the impact of the cumulative effect adjustment, as of January 1, 2007, the Company had unrecognized tax benefits of approximately $5.4 million. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense. As of January 1, 2007, the Company had $0.8 million of accrued interest and penalties included in the reported amount of unrecognized tax benefits. Included in unrecognized tax benefits are $5.4 million of uncertain tax positions that would impact the effective tax rate if recognized. There have not been and there are no expected significant increases or decreases in the amounts of uncertain tax positions as of June 30, 2007.

As of June 30, 2007, the Company is subject to U.S. Federal income tax examinations for the tax years 2002 through 2006, and to non-U.S. income tax examinations for tax years 2000 through 2006. In addition, the Company is subject to state and local income tax examinations for the tax years 2002 through 2006. There are currently two state and local income tax examinations in process. The Company does not believe that either of these in-process tax examinations will have significant impact on the Company s tax positions or its effective tax rate.

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

5. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the six months ended June 30, 2007 are summarized as follows:

	Packaging Systems	Energy Products	Industrial Specialties	RV & Trailer Products	Recreational Accessories	Total
	(dollars in thousands)					
Balance, December 31, 2006	$ 186,680	$ 45,190	$ 62,720	$ 140,830	$ 94,310	$ 529,730
Adjustment to tax contingencies established in purchase accounting				(450)	(1,060)	(1,510)
Foreign currency translation and other	1,720	470		120	(3,030)	(720)
Balance, June 30, 2007	$ 188,400	$ 45,660	$ 62,720	$ 140,500	$ 90,220	$ 527,500

The gross carrying amounts and accumulated amortization of the Company s other intangibles as of June 30, 2007 and December 31, 2006 are summarized below. The Company amortizes these assets over periods ranging from 1 to 30 years.

Intangible Category by Useful Life	As of June 30, 2007 Gross Carrying Amount	Accumulated Amortization	As of December 31, 2006 Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Customer relationships:				
6 12 years	$ 26,500	$ (16,870)	$ 26,500	$ (15,900)
15 25 years	169,190	(44,600)	171,920	(40,730)
Total customer relationships	195,690	(61,470)	198,420	(56,630)
Technology and other:				
1 15 years	26,070	(17,360)	26,010	(16,170)
17 30 years	40,430	(11,730)	40,180	(10,780)
Total technology and other	66,500	(29,090)	66,190	(26,950)
Trademark/Trade names (indefinite life)	62,950	(4,290)	63,400	(4,310)
	$ 325,140	$ (94,850)	$ 328,010	$ (87,890)

Amortization expense related to technology and other intangibles was approximately $1.0 million for each of the three months ended June 30, 2007 and 2006, respectively, and $2.1 million and $2.0 million for the six months ended June 30, 2007 and 2006, respectively. These amounts are included in cost of sales in the accompanying consolidated statement of operations. Amortization expense related to customer intangibles was $2.8 million and $3.2 million, and $5.7 million and $6.2 million for the three and six months ended June 30, 2007 and 2006, respectively. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

6. Accounts Receivable Securitization

TriMas is party to a receivables securitization facility through TSPC, Inc. (TSPC), a wholly-owned subsidiary, to sell trade accounts receivable of substantially all of the Company s domestic business operations.

TSPC from time to time may sell an undivided fractional ownership interest in the pool of receivables up to approximately $125.0 million to a third party multi-seller receivables funding company. The net proceeds of sales are less than the face amount of accounts receivable sold by an amount that approximates the purchaser s financing costs, which amounted to a total of $1.1 million and $1.1 million, and $1.9 million and $2.0 million for the three and six months ended June 30, 2007 and 2006, respectively. Such amounts are included in other, net in the accompanying consolidated statement of operations. As of June 30, 2007 and December 31, 2006, the Company s funding under the facility was approximately $48.8 million and $19.6 million, respectively, with an additional $8.1 million and $29.0 million, respectively, available but not utilized. When the Company sells receivables under this arrangement, the Company retains a subordinated interest in the receivables sold. The retained interest in receivables sold is included in receivables in the accompanying balance sheet and approximated $48.4 million and $71.6 million at June 30, 2007 and December 31, 2006, respectively. The usage fee under the facility is 1.35%. In addition, the Company is required to pay a fee of 0.5% on the unused portion of the facility. This facility expires on December 31, 2007.

The financing costs are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on historical collection experience and a discount rate representing a spread over LIBOR as prescribed under the terms of the securitization agreement. As of June 30, 2007 and 2006, the financing costs were based on an average liquidation period of the portfolio of approximately 1.2 months and 1.3 months, respectively, and an average discount rate of 3.1% for both periods.

In the three and six months ended June 30, 2007 and 2006, the Company sold an undivided interest in approximately $4.1 million and $3.4 million, and $8.0 million and $6.2 million, respectively, of accounts receivable under a factoring arrangement at three of its European subsidiaries. These transactions were accounted for as a sale and the receivables were sold at a discount from face value approximating 1.9% and 2.4%, and 1.8% and 1.9%, respectively. Costs associated with these transactions were approximately $0.08 million and $0.08 million, and $0.14 million and $0.12 million, respectively, and are included in other, net in the accompanying consolidated statement of operations.

7. Inventories

Inventories consist of the following:

	June 30, 2007	**December 31, 2006**
	(dollars in thousands)	
Finished goods	$ 104,040	$ 83,310
Work in process	26,780	23,070
Raw materials	41,560	58,980
Total inventories	$ 172,380	$ 165,360

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

8. Property and Equipment, Net

Property and equipment consists of the following:

	June 30, 2007	December 31, 2006
	(dollars in thousands)	
Land and land improvements	$ 5,350	$ 5,310
Buildings	46,950	45,130
Machinery and equipment	257,730	227,030
	310,030	277,470
Less: Accumulated depreciation	123,650	112,270
Property and equipment, net	$ 186,380	$ 165,200

Depreciation expense was $5.7 million and $6.0 million, and $11.7 million and $11.8 million for each of the three and six months ended June 30, 2007 and 2006, respectively.

9. Long-term Debt

The Company s long-term debt consists of the following:

	June 30, 2007	December 31, 2006
	(dollars in thousands)	
U.S. bank debt	$ 261,970	$ 274,060
Non-U.S. bank debt and other	23,110	23,890
97⁄8% subordinated notes, due June 2012	336,890	436,540
	621,970	734,490
Less: Current maturities, long-term debt	8,960	9,700
Long-term debt	$ 613,010	$ 724,790

U.S. Bank Debt

The Company is a party to a credit facility consisting of a $90.0 million revolving credit facility, a $60.0 million deposit-linked supplemental revolving credit facility and a $260.0 million term loan facility (collectively, the Credit Facility). Under the Credit Facility, the revolving credit facilities mature on August 2, 2011, while the term loan matures on August 2, 2013 (or February 28, 2012 if the Company s existing senior subordinated notes are still outstanding as of that date). The Company is also able to issue letters of credit, not to exceed $65.0 million in aggregate, against its revolving credit facility commitments. At June 30, 2007 and December 31, 2006, the Company had letters of credit of approximately $35.8 million and $45.0 million, respectively, issued and outstanding. The weighted average interest rate on borrowings under the Credit Facility was 8.12% and 8.22% at June 30, 2007 and December 31, 2006, respectively.

At June 30, 2007, the Company had $3.9 million outstanding under its revolving credit facility and had an additional $110.3 million potentially available after giving effect to the $35.8 million letters of credit issued and outstanding. However, including availability under its accounts receivable facility and after consideration of leverage restrictions contained in the Credit Facility, the Company had approximately

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

$118.4 million of borrowing capacity available to it under its revolving credit facility and receivables securitization for general corporate purposes.

The bank debt is an obligation of the Company and its subsidiaries. Although the terms of the Credit Facility do not restrict the Company s subsidiaries from making distributions to it in respect of its 97⁄8% senior subordinated notes, it does contain certain other limitations on the distribution of funds from TriMas Company LLC, the principal subsidiary, to the Company. The restricted net assets of the guarantor subsidiaries, of approximately $682.7 million and $645.3 million at June 30, 2007 and December 31, 2006, respectively, are presented in the financial information in Note 16, *Supplemental Guarantor Condensed Consolidating Financial Information*. The Credit Facility also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries, including: restrictions on incurrence of debt, except for permitted acquisitions and subordinated indebtedness, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset dispositions, sale-leaseback transactions greater than $90.0 million if sold at fair market value, hedging agreements, dividends and other restricted junior payments, stock repurchases, transactions with affiliates, restrictive agreements and amendments to charters, by-laws, and other material documents. The Credit Facility also requires the Company and its subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined), interest expense ratio (consolidated EBITDA, as defined, over cash interest expense, as defined) and a capital expenditures covenant. The Company was in compliance with its covenants at June 30, 2007.

Principal payments required on the Credit Facility term loan are: $0.7 million due each calendar quarter through June 30, 2013, with $242.5 million due on August 2, 2013 (which may be changed to February 2012 if the Company s senior subordinated notes are still outstanding at that time).

Non-U.S. bank debt

In the United Kingdom, the Company s subsidiary is party to a revolving debt agreement which is secured by a letter of credit under the Credit Facility. At June 30, 2007, the balance outstanding under this arrangement was $0.6 million at an interest rate of 6.70%.

In Italy, the Company s subsidiary is party to a loan agreement for a term of seven years, at a rate 0.75% above EURIBOR (Euro Interbank Offered Rate), and is secured by land and buildings of the subsidiary. At June 30, 2007, the balance outstanding under this agreement was $5.5 million at an interest rate of 4.67%.

In Australia, the Company s subsidiary is party to a debt agreement which matures December 31, 2010 and is secured by substantially all the assets of the subsidiary. At June 30, 2007, the balance outstanding under this agreement was $17.0 million at a weighted average interest rate of 6.8%.

Notes

During the second quarter of 2007, the Company utilized approximately $104.9 million of the proceeds from its initial public offering of common stock to retire $100.0 million of face value 97⁄8% senior subordinated notes due 2012 (Notes), paying a $4.9 million call premium to effect the retirement.

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The Notes indenture contains negative and affirmative covenants and other requirements that are comparable to those contained in the Credit Facility. At June 30, 2007, the Company was in compliance with all such covenant requirements.

10. Commitments and Contingencies

A civil suit was filed in the United States District Court for the Central District of California in December 1988 by the United States of America and the State of California against more than 180 defendants, including us, for alleged release into the environment of hazardous substances disposed of at the Operating Industries, Inc. site in California. This site served for many years as a depository for municipal and industrial waste. The plaintiffs have requested, among other things, that the defendants clean up the contamination at that site. Consent decrees have been entered into by the plaintiffs and a group of the defendants, including us, providing that the consenting parties perform certain remedial work at the site and reimburse the plaintiffs for certain past costs incurred by the plaintiffs at the site. We estimate that our share of the clean-up costs will not exceed $500,000, for which we have insurance proceeds. Plaintiffs had sought other relief such as damages arising out of claims for negligence, trespass, public and private nuisance, and other causes of action, but the consent decree governs the remedy. Based upon our present knowledge and subject to future legal and factual developments, we do not believe that this matter will have a material adverse effect on our financial position, results of operations or cash flows.

As of June 30, 2007, we were a party to approximately 1,648 pending cases involving an aggregate of approximately 9,810 claimants alleging personal injury from exposure to asbestos containing materials formerly used in gaskets (both encapsulated and otherwise) manufactured or distributed by certain of our subsidiaries for use primarily in the petrochemical refining and exploration industries. The following chart summarizes the number of claimants, number of claims filed, number of claims dismissed, number of claims settled, the average settlement amount per claim and the total defense costs, exclusive of amounts reimbursed under our primary insurance, at the applicable date and for the applicable periods:

	Claims pending at beginning of period	**Claims filed during period**	**Claims dismissed during period**	**Claims settled during period**	**Average settlement amount per claim during period**	**Total defense costs during period**
Fiscal year ended December 31, 2006	19,416	3,766	12,508	123	$ 5,613	$ 4,895,104
Six months ended June 30, 2007	10,551	287	951	77	$ 10,396	$ 2,649,341

In addition, we acquired various companies to distribute our products that had distributed gaskets of other manufacturers prior to acquisition. We believe that many of our pending cases relate to locations at which none of our gaskets were distributed or used.

We may be subjected to significant additional asbestos-related claims in the future, the cost of settling cases in which product identification can be made may increase, and we may be subjected to further claims in respect of the former activities of our acquired gasket distributors. We note that we are unable to make a meaningful statement concerning the monetary claims made in the asbestos cases given that, among other things, claims may be initially made in some jurisdictions without specifying the amount sought or by simply stating the requisite or maximum permissible monetary relief, and may be amended to alter the amount sought. The large majority of claims do not specify the amount sought. Of the 9,810 claims

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pending at June 30, 2007, 172 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 148 of the 172 claims sought between $1.0 million and $5.0 million in total damages (which includes compensatory and punitive damages) and 24 sought between $5.0 million and $10.0 million in total damages (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 153 of the 172 claims sought between $50,000 and $600,000 and 19 sought between $1.0 million and $5.0 million. Solely with respect to punitive damages, 148 of the 172 claims sought between $1.0 million and $2.5 million and 24 sought $5.0 million. In addition, relatively few of the claims have reached the discovery stage and even fewer claims have gone past the discovery stage.

Total settlement costs (exclusive of defense costs) for all such cases, some of which were filed over 20 years ago, have been approximately $4.6 million. All relief sought in the asbestos cases is monetary in nature. To date, approximately 50% of our costs related to settlement and defense of asbestos litigation have been covered by our primary insurance. Effective February 14, 2006, we entered into a coverage-in-place agreement with our first level excess carriers regarding the coverage to be provided to us for asbestos-related claims when the primary insurance is exhausted. The coverage-in-place agreement makes coverage available to us that might otherwise be disputed by the carriers and provides a methodology for the administration of asbestos litigation defense and indemnity payments. The coverage in place agreement allocates payment responsibility among the primary carrier, excess carriers and the Company s subsidiary.

Based on the settlements made to date and the number of claims dismissed or withdrawn for lack of product identification, we believe that the relief sought (when specified) does not bear a reasonable relationship to our potential liability. Based upon our experience to date and other available information (including the availability of excess insurance), we do not believe that these cases will have a material adverse effect on our financial position and results of operations or cash flows.

We are subject to other claims and litigation in the ordinary course of our business, but do not believe that any such claim or litigation will have a material adverse effect on our financial position and results of operations or cash flows.

11. Related Parties

Metaldyne Corporation

On January 11, 2007, Metaldyne merged into a subsidiary of Asahi Tec Corporation (Asahi) whereby Metaldyne became a wholly-owned subsidiary of Asahi. In connection with the consummation of the merger, Metaldyne dividended the 4,825,587 shares of the Company s common stock that it owned on a pro rata basis to the holders of Metaldyne s common stock at the time of such dividend. As a result of the merger, Metaldyne and the Company are no longer related parties. The remaining contractual obligations to Metaldyne, which previously were classified as Due to Metaldyne on the Company s balance sheets and were assumed in connection with the June 2002 common stock issuance and related financing transactions, are now classified as accrued liabilities in the accompanying consolidated balance sheet and were approximately $4.1 million at June 30, 2007.

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Heartland Industrial Partners

In connection with the Company s initial public offering of common stock in the second quarter of 2007, the Company paid Heartland Industrial Partners (Heartland) $10.0 million in exchange for its agreeing to a contractual settlement of its right to receive a $4.0 million annual fee paid under its advisory services agreement. However, subject to the approval on a case-by-case basis by the disinterested members of the Company s Board of Directors, Heartland may continue to earn a fee not to exceed 1.0% of the transaction value for services provided in connection with certain future financings, acquisitions and divestitures by the Company. Heartland was paid $1.0 million and $2.1 million for the three and six month periods ended June 30, 2007, respectively, and $1.0 million and $2.0 million for the three and six months ended June 30, 2006, respectively, for such fees and expenses under this agreement. Such amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

Related Party Sales

The Company sold fastener products to Metaldyne in the amount of approximately $0 and $0.1 million for the three month ended June 30, 2007 and 2006, respectively, and $0.1 million and $0.2 million for the six months ended June 30, 2007 and 2006, respectively. The Company also sold fastener products to affiliates of a shareholder in the amount of approximately $1.6 million and $3.6 million in the three and six months ended June 30, 2006, respectively. These amounts are included in results of discontinued operations. See Note 3, *Discontinued Operations and Assets Held for Sale*.

12. Segment Information

TriMas reportable operating segments are business units that provide unique products and services. Each operating segment is separately managed, requires different technology and marketing strategies and has separate financial information evaluated regularly by the Company s chief operating decision maker in determining resource allocation and assessing performance. TriMas has five operating segments involved in the manufacture and sale of products described below. Within these operating segments, there are no individual products or product families for which reported revenues accounted for more than 10% of the Company s consolidated revenues.

Packaging Systems Steel and plastic closure caps, drum enclosures, rings and levers, and dispensing systems for industrial and consumer markets, as well as flame-retardant facings, jacketings and insulation tapes used with fiberglass insulation as vapor barriers in commercial, industrial, and residential construction applications.

Energy Products Engines and engine replacement parts for the oil and gas industry as well as metallic and non-metallic industrial gaskets and fasteners for the petroleum refining, petrochemical and other industrial markets.

Industrial Specialties A diverse range of industrial products for use in niche markets within the aerospace, industrial, automotive, defense, and medical equipment markets. Its products include highly engineered specialty fasteners for the aerospace industry, high-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, specialty fasteners for the automotive

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industry, specialty precision tools such as center drills, cutters, end mills, reamers, master gears, punches, and specialty ordnance components and steel cartridge cases.

RV & Trailer Products **Custom-engineered** trailer products including trailer couplers, winches, jacks, trailer brakes and brake control solutions, lighting accessories and roof racks for the recreational vehicle, agricultural/utility, marine, automotive and commercial trailer markets.

Recreational Accessories **Towing** products, functional vehicle accessories and cargo management solutions including vehicle hitches and receivers, sway controls, weight distribution and fifth-wheel hitches, hitch-mounted accessories, and other accessory components.

The Company s management uses Adjusted Earnings Before Interest, Taxes, Depreciation and Amortization (Adjusted EBITDA) as a primary indicator of financial operating performance and as a measure of cash generating capability. Adjusted EBITDA is defined as net income (loss) before cumulative effect of accounting change, interest, taxes, depreciation, amortization, non-cash asset and goodwill impairment write-offs and non-cash losses on sale-leaseback of property and equipment.

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Segment activity is as follows:

	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
	(dollars in thousands)			
Net Sales				
Packaging Systems	$ 56,700	$ 53,940	$ 110,450	$ 105,040
Energy Products	41,020	38,720	82,600	78,670
Industrial Specialties	56,010	47,070	108,850	91,510
RV & Trailer Products	53,070	51,480	106,480	107,340
Recreational Accessories	84,030	88,430	169,140	170,110
Total	$ 290,830	$ 279,640	$ 577,520	$ 552,670
Operating Profit				
Packaging Systems	$ 10,820	$ 9,850	$ 19,820	$ 18,030
Energy Products	5,660	5,550	12,070	11,470
Industrial Specialties	12,640	9,860	24,910	18,270
RV & Trailer Products	6,010	6,380	12,470	14,650
Recreational Accessories	7,360	6,210	12,500	10,350
Corporate expenses and management fees	(20,790)	(6,890)	(26,730)	(13,150)
Total	$ 21,700	$ 30,960	$ 55,040	$ 59,620
Adjusted EBITDA				
Packaging Systems	$ 14,100	$ 13,300	$ 26,390	$ 25,030
Energy Products	6,260	6,160	13,360	12,700
Industrial Specialties	13,810	11,120	27,060	20,930
RV & Trailer Products	7,840	8,310	16,360	18,400
Recreational Accessories	9,680	9,050	17,420	15,920
Corporate expenses and management fees	(21,350)	(7,900)	(28,230)	(15,150)
Subtotal from continuing operations	30,340	40,040	72,360	77,830
Discontinued operations		(6,830)	(1,290)	(9,020)
Total company	$ 30,340	$ 33,210	$ 71,070	$ 68,810

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The following is a reconciliation of our net income to Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(dollars in thousands)			
Net income (loss)	$ (3,190)	$ 2,510	$ 3,860	$ 6,100
Income tax expense (benefit)	(1,870)	440	3,110	2,620
Interest expense	18,340	20,030	37,200	39,950
Debt extinguishment costs	7,440		7,440	
Depreciation and amortization	9,620	10,230	19,460	20,140
Adjusted EBITDA, total company	$ 30,340	$ 33,210	$ 71,070	$ 68,810
Negative Adjusted EBITDA, discontinued operations		6,830	1,290	9,020
Adjusted EBITDA, continuing operations	$ 30,340	$ 40,040	$ 72,360	$ 77,830

13. Stock Options and Awards

The TriMas Corporation 2002 Long Term Equity Incentive Plan (the Plan), provides for the issuance of equity-based incentives in various forms, of which a total of 2,222,000 stock options have been approved for issuance under the Plan. As of June 30, 2007, the Company has 2,011,268 stock options outstanding, each of which may be used to purchase one share of the Company s common stock. The options have a 10-year life and the exercise prices range from $20 to $23. Eighty percent of the options vest ratably over three years from the date of grant, while the remaining twenty percent vest after seven years from the date of grant or on an accelerated basis over three years based upon achievement of specified performance targets, as defined in the Plan. The options become exercisable upon the later of: (1) the normal vesting schedule as described above, or (2) upon the occurrence of a qualified public equity offering as defined in the Plan, one half of the vested options become exercisable 180 days following such public equity offering, and the other one half of vested options become exercisable on the first anniversary following consummation of such public offering.

The Company accounts for these stock options under Statement of Financial Accounting Standards No. 123R (SFAS No. 123R), *Share-Based Payment*, using the Modified Prospective Application (MPA) method, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values.

The Company recognized stock-based compensation expense of $0.06 million and $0.1 million before income taxes for the three and six months ended June 30, 2007, respectively, and $0.4 million and $0.8 million before income taxes for the three and six months ended June 30, 2006, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations. The fair value of options which vested during the three and six months ended June 30, 2007 was $0.1 million and $0.4 million, respectively. The fair value of options which vested during the three and six months ended June 30, 2006 was $0.3 million and $0.4 million, respectively. As of June 30, 2007, the Company had $0.3 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted average period of 1.4 years.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Information related to stock options at June 30, 2007, is as follows:

	Number of Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007	2,008,201	$ 20.89		
Granted	4,000	23.00		
Exercised				
Cancelled	(933)	23.00		
Outstanding at June 30, 2007	2,011,268	$ 20.89	6.1	$

14. Earnings per Share

The Company reports earnings per share in accordance with FASB Statement of Financial Standards No. 128 (SFAS No. 128), *Earnings per Share*. Basic and diluted earnings per share amounts were computed using weighted average shares outstanding for the three and six months ended June 30, 2007 and 2006, respectively, and considered an outstanding warrant to purchase 750,000 shares of common stock at par value of $.01 per share, which was exercised on September 15, 2006. The warrant was exercised using a cashless exercise provision, which increased the outstanding number of shares of common stock by 749,500. Options to purchase approximately 2,011,268 and 1,952,066 shares of common stock were outstanding at June 30, 2007 and 2006, respectively, but were excluded from the computation of net earnings (loss) per share because to do so would have been anti-dilutive for the periods presented.

15. Defined Benefit Plans

In September 2006, the Financial Accounting Standard Board (FASB) issued Statement of Financial Accounting Standards No. 158 (SFAS No. 158), Employers Accounting for Defined Benefit Pension and Other Post-retirement Plans an amendment of FASB Statements 87, 88, 106 and 132(R), which requires an employer to recognize in its balance sheet the funded status of its defined benefit pension and post-retirement benefit plans (collectively, benefit plans), measured as the difference between the fair value of the plan assets and the benefit obligation. Employers are also required to recognize as a component of other comprehensive income, net of tax, the actuarial and experience gains and losses and prior service costs and credits, to measure the fair value of plan assets and benefit obligations as of the date of the plan sponsor s fiscal year-end, and to provide additional disclosures.

The required date of adoption of the recognition and disclosure provisions of SFAS No. 158 is different for an employer that is an issuer of publicly traded equity securities (as defined) and an employer that is not. An employer with publicly traded equity securities was required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. Because the Company had an S-1 Registration Statement pending with the Securities and Exchange Commission for the sale of common equity securities, the Company was required to adopt the requirement to recognize the funded status of its benefit plans and the disclosure requirements of SFAS 158 in its financial statements for the year ended December 31, 2006, but failed to do so. However, the Company concluded that the impact of not recognizing the funded status of its benefit plans in its balance sheet as of December 31, 2006 was immaterial as the impact was to understate

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reported liabilities by approximately $3.6 million, or 0.3% of total liabilities, and to overstate accumulated other comprehensive income by approximately $2.2 million, or 0.9% of total shareholders equity.

The Company adopted the recognition provisions of SFAS No. 158 effective March 31, 2007. The effect of adopting SFAS No. 158 on the Company s financial condition as of March 31, is summarized below:

	Pension Benefit		Postretirement Benefit	
	March 31, 2007	December 31, 2006	March 31, 2007	December 31, 2006
	(dollars in thousands)			
Net asset (liability) recognized prior to impact of adopting FAS 158	(4,050)	(4,300)	(6,070)	(5,950)
Net adjustment to record difference between fair value of plan assets and benefit obligations	(1,770)		(1,800)	
Net asset (liability) recognized, as adjusted	$ (5,820)	$ (4,300)	$ (7,870)	$ (5,950)

Net periodic pension and postretirement benefit costs for TriMas defined benefit pension plans and postretirement benefit plans, covering foreign employees, union hourly employees and certain salaried employees include the following components for the three and six months ended June 30, 2007 and 2006:

	Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(dollars in thousands)			
Service costs	$ 140	$ 160	$ 280	$ 310
Interest costs	410	400	810	800
Expected return on plan assets	(490)	(460)	(970)	(920)
Amortization of net loss	110	130	220	260
Net periodic benefit cost	$ 170	$ 230	$ 340	$ 450

	Other Postretirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2007	2006	2007	2006
	(dollars in thousands)			
Service costs	$ 20	$ 20	$ 40	$ 50
Interest costs	110	130	210	250
Gain on settlement of postretirement plan	(190)		(190)	
Amortization of net loss	20	30	50	50
Net periodic benefit cost	$ (40)	$ 180	$ 110	$ 350

During the second quarter of 2007, the Company settled its obligation outstanding under one of its postretirement benefit plans, resulting in the recognition of a previously deferred gain of approximately $0.2 million.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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The Company expects to contribute approximately $2.2 million to its defined benefit pension plans in 2007. During the three and six months ending June 30, 2007 the Company contributed approximately $0.6 million and $1.1 million, respectively.

16. Supplemental Guarantor Condensed Consolidating Financial Information

Under an indenture dated September 6, 2002, TriMas Corporation (Parent), issued 97⁄8% Senior Subordinated Notes due 2012 in a total principal amount of $437.8 million (face value), of which $100.0 million was subsequently retired in the second quarter of 2007 in connection with the Company s initial public offering. The remaining outstanding Notes are guaranteed by substantially all of the Company s domestic subsidiaries (Guarantor Subsidiaries). All of the Guarantor Subsidiaries are 100% owned by the Parent and their guarantee is full, unconditional, joint and several. The Company s non-domestic subsidiaries and TSPC, Inc. have not guaranteed the Notes (Non-Guarantor Subsidiaries). The Guarantor Subsidiaries have also guaranteed amounts outstanding under the Company s Credit Facility.

The accompanying supplemental guarantor condensed, consolidating financial information is presented using the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the Company s share in the subsidiaries cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate primarily to the elimination of investments in subsidiaries and associated intercompany balances and transactions.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Supplemental Guarantor
Condensed Financial Statements
Consolidating Balance Sheet
(dollars in thousands)

	June 30, 2007				
	Parent	**Guarantor**	**Non-Guarantor**	**Eliminations**	**Consolidated Total**
Assets					
Current assets:					
Cash and cash equivalents	$	$ 250	$ 2,470	$	$ 2,720
Trade receivables, net		88,290	26,130		114,420
Receivables, intercompany		370		(370)	
Inventories		147,150	25,230		172,380
Deferred income taxes		23,710	600		24,310
Prepaid expenses and other current assets		5,220	1,320		6,540
Total current assets		264,990	55,750	(370)	320,370
Investments in subsidiaries	682,700	148,310		(831,010)	
Property and equipment, net		127,240	59,140		186,380
Goodwill		429,700	97,800		527,500
Intangibles and other assets	16,350	250,530	8,470	(8,870)	266,480
Total assets	$ 699,050	$ 1,220,770	$ 221,160	$ (840,250)	$ 1,300,730
Liabilities and Shareholders Equity					
Current liabilities:					
Current maturities, long-term debt	$	$ 3,030	$ 5,930	$	$ 8,960
Accounts payable, trade		101,440	20,800		122,240
Accounts payable, intercompany			370	(370)	
Accrued liabilities	1,400	57,180	10,070		68,650
Total current liabilities	1,400	161,650	37,170	(370)	199,850
Long-term debt	336,890	258,980	17,140		613,010
Deferred income taxes		81,560	16,680	(8,870)	89,370
Other long-term liabilities		35,880	1,860		37,740
Total liabilities	338,290	538,070	72,850	(9,240)	939,970
Total shareholders equity	360,760	682,700	148,310	(831,010)	360,760
Total liabilities and shareholders equity	$ 699,050	$ 1,220,770	$ 221,160	$ (840,250)	$ 1,300,730

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Supplemental Guarantor
Condensed Financial Statements
Consolidating Balance Sheet
(dollars in thousands)

	December 31, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 460	$ 3,140	$	$ 3,600
Receivables, net		80,490	18,750		99,240
Receivables, intercompany		320		(320)	
Inventories, net		145,140	20,220		165,360
Deferred income taxes		23,750	560		24,310
Prepaid expenses and other current assets		6,050	1,270		7,320
Assets of discontinued operations held for sale		11,770			11,770
Total current assets		267,980	43,940	(320)	311,600
Investments in subsidiaries	645,290	164,040		(809,330)	
Property and equipment, net		109,780	55,420		165,200
Goodwill		417,150	112,580		529,730
Intangibles and other assets	25,950	249,230	19,600	(15,250)	279,530
Total assets	$ 671,240	$ 1,208,180	$ 231,540	$ (824,900)	$ 1,286,060
Liabilities and Shareholders Equity					
Current liabilities:					
Current maturities, long-term debt	$	$ 3,620	$ 6,080	$	$ 9,700
Accounts payable, trade		81,860	18,210		100,070
Accounts payable, intercompany			320	(320)	
Accrued liabilities	1,920	61,070	8,980		71,970
Liabilities of discontinued operations		23,530			23,530
Total current liabilities	1,920	170,080	33,590	(320)	205,270
Long-term debt	436,540	270,500	17,750		724,790
Deferred income taxes		89,030	16,160	(15,250)	89,940
Other long-term liabilities		33,280			33,280
Total liabilities	438,460	562,890	67,500	(15,570)	1,053,280
Total shareholders equity	232,780	645,290	164,040	(809,330)	232,780
Total liabilities and shareholders equity	$ 671,240	$ 1,208,180	$ 231,540	$ (824,900)	$ 1,286,060

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Supplemental Guarantor
Condensed Financial Statements
Consolidating Statement of Operations
(dollars in thousands)

	Three Months Ended June 30, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	$	$ 241,860	$ 64,100	$ (15,130)	$ 290,830
Cost of sales		(172,350)	(52,310)	15,130	(209,530)
Gross profit		69,510	11,790		81,300
Selling, general and administrative expenses		(39,550)	(6,120)		(45,670)
Advisory services agreement termination fee		(10,000)			(10,000)
Costs for early termination of operating leases		(4,230)			(4,230)
Gain on dispositions of property and equipment		290	10		300
Operating profit		16,020	5,680		21,700
Other income (expense), net:					
Interest expense	(10,680)	(6,850)	(810)		(18,340)
Debt extinguishment costs	(7,440)				(7,440)
Other, net	(410)	270	(840)		(980)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(18,530)	9,440	4,030		(5,060)
Income tax (expense) benefit	7,070	(3,590)	(1,610)		1,870
Equity in net income (loss) of subsidiaries	8,270	2,420		(10,690)	
Net income (loss)	$ (3,190)	$ 8,270	$ 2,420	$ (10,690)	$ (3,190)

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Supplemental Guarantor
Condensed Financial Statements
Consolidating Statement of Operations
(dollars in thousands)

	Three Months Ended June 30, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	$	$ 242,010	$ 49,950	$ (12,320)	$ 279,640
Cost of sales		(178,230)	(38,670)	12,320	(204,580)
Gross profit		63,780	11,280		75,060
Selling, general and administrative expenses		(38,500)	(5,680)		(44,180)
Gain on dispositions of property and equipment		80			80
Operating profit		25,360	5,600		30,960
Other income (expense), net:					
Interest expense	(10,570)	(8,240)	(1,220)		(20,030)
Other, net	(780)	(410)	50		(1,140)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(11,350)	16,710	4,430		9,790
Income tax (expense) benefit	5,170	(7,570)	(850)		(3,250)
Equity in net income (loss) of subsidiaries	8,690	3,580		(12,270)	
Income (loss) from continuing operations	2,510	12,720	3,580	(12,270)	6,540
Loss from discontinued operations		(4,030)			(4,030)
Net income (loss)	$ 2,510	$ 8,690	$ 3,580	$ (12,270)	$ 2,510

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Supplemental Guarantor
Condensed Financial Statements
Consolidating Statement of Operations
(dollars in thousands)

	Six Months Ended June 30, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	$	$ 483,960	$ 124,800	$ (31,240)	$ 577,520
Cost of sales		(345,840)	(102,330)	31,240	(416,930)
Gross profit		138,120	22,470		160,590
Selling, general and administrative expenses		(79,890)	(11,560)		(91,450)
Advisory services agreement termination fee		(10,000)			(10,000)
Costs for early termination of operating leases		(4,230)			(4,230)
Gain (loss) on dispositions of property and equipment		150	(20)		130
Operating profit		44,150	10,890		55,040
Other income (expense), net:					
Interest expense	(21,570)	(13,970)	(1,660)		(37,200)
Debt extinguishment costs	(7,440)				(7,440)
Other, net	3,910	(5,210)	(840)		(2,140)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(25,100)	24,970	8,390		8,260
Income tax (expense) benefit	8,870	(9,010)	(2,920)		(3,060)
Equity in net income (loss) of subsidiaries	20,090	5,470		(25,560)	
Income (loss) from continuing operations	3,860	21,430	5,470	(25,560)	5,200
Loss from discontinued operations		(1,340)			(1,340)
Net income (loss)	$ 3,860	$ 20,090	$ 5,470	$ (25,560)	$ 3,860

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Supplemental Guarantor
Condensed Financial Statements
Consolidating Statement of Operations
(dollars in thousands)

	Six Months Ended June 30, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	$	$ 483,980	$ 94,190	$ (25,500)	$ 552,670
Cost of sales		(356,070)	(73,700)	25,500	(404,270)
Gross profit		127,910	20,490		148,400
Selling, general and administrative expenses		(77,820)	(10,860)		(88,680)
Loss on dispositions of property and equipment		(100)			(100)
Operating profit		49,990	9,630		59,620
Other income (expense), net:					
Interest expense	(21,260)	(16,350)	(2,340)		(39,950)
Other, net	990	(3,210)	300		(1,920)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(20,270)	30,430	7,590		17,750
Income tax (expense) benefit	8,460	(12,650)	(2,090)		(6,280)
Equity in net income (loss) of subsidiaries	17,910	5,500		(23,410)	
Income (loss) from continuing operations	6,100	23,280	5,500	(23,410)	11,470
Loss from discontinued operations		(5,370)			(5,370)
Net income (loss)	$ 6,100	$ 17,910	$ 5,500	$ (23,410)	$ 6,100

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Supplemental Guarantor
Condensed Financial Statements
Consolidating Statement of Cash Flows
(dollars in thousands)

	Six Months Ended June 30, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Cash Flows from Operating Activities:					
Net cash provided by operating activities	$ (21,890)	$ 7,380	$ 40,450	$	$ 25,940
Cash Flows from Investing Activities:					
Capital expenditures		(10,880)	(3,980)		(14,860)
Acquisition of leased assets		(29,960)			(29,960)
Net proceeds from disposition of businesses and other assets		5,850			5,850
Net cash used for investing activities		(34,990)	(3,980)		(38,970)
Cash Flows from Financing Activities:					
Proceeds from sale of common stock in connection with the Company s initial public offering, net of issuance costs	126,460				126,460
Repayments of borrowings on senior credit facilities		(1,300)	(430)		(1,730)
Proceeds from borrowings on revolving credit facilities		243,510	4,860		248,370
Repayments of borrowings on revolving credit facilities		(254,300)	(6,650)		(260,950)
Retirement of senior subordinated notes	(100,000)				(100,000)
Intercompany transfers (to) from subsidiaries	(4,570)	39,490	(34,920)		
Net cash provided by (used for) financing activities	21,890	27,400	(37,140)		12,150
Cash and Cash Equivalents:					
Decrease for the period		(210)	(670)		(880)
At beginning of period		460	3,140		3,600
At end of period	$	$ 250	$ 2,470	$	$ 2,720

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

Supplemental Guarantor
Condensed Financial Statements
Consolidating Statement of Cash Flows
(dollars in thousands)

	Six Months Ended June 30, 2006				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Cash Flows from Operating Activities:					
Net cash provided by (used for) operating activites	$ (21,620)	$ 1,930	$ 37,030	$	$ 17,340
Cash Flows from Investing Activities:					
Capital expenditures		(8,310)	(2,860)		(11,170)
Acquisition of leased assets		(3,140)			(3,140)
Net proceeds from disposition of businesses and other assets		930			930
Net cash used for investing activities		(10,520)	(2,860)		(13,380)
Cash Flows from Financing Activities:					
Repayments of borrowings on senior credit facilities		(1,290)	(70)		(1,360)
Proceeds from borrowings on revolving credit facilities		375,990			375,990
Repayments of borrowings on revolving credit facilities		(375,610)	(5,310)		(380,920)
Intercompany transfers (to) from subsidiaries	21,620	8,160	(29,780)		
Net cash provided by (used for) financing activities	21,620	7,250	(35,160)		(6,290)
Cash and Cash Equivalents:					
Decrease for the period		(1,340)	(990)		(2,330)
At beginning of period		250	3,480		3,730
At end of period	$	$ (1,090)	$ 2,490	$	$ 1,400

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

The following discussion and analysis of our financial condition contains forward-looking statements regarding industry outlook and our expectations regarding the performance of our business. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under the heading Forward Looking Statements, at the beginning of this report. Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the Company s reports on file with the Securities and Exchange Commission.

Introduction

We are an industrial manufacturer of highly engineered products serving niche markets in a diverse range of commercial, industrial and consumer applications. We currently have five operating segments: Packaging Systems, Energy Products, Industrial Specialties, RV & Trailer Products and Recreational Accessories. In reviewing our financial results, consideration should be given to certain critical events, including acquisitions and recent consolidation, integration and restructuring efforts.

Key Factors and Risks Affecting our Reported Results. Critical factors affecting our ability to succeed include: our ability to successfully pursue organic growth through product development, cross-selling and extending product-line offerings, our ability to quickly and cost-effectively introduce new products; our ability to acquire and integrate companies or products that will supplement existing product lines, add new distribution channels, expand our geographic coverage or enable us to better absorb overhead costs; our ability to manage our cost structure more efficiently through improved supply base management, internal sourcing and/or purchasing of materials, selective outsourcing and/or purchasing of support functions, working capital management, and greater leverage of our administrative and overhead functions. If we are unable to do any of the foregoing successfully, our financial condition and results of operations could be materially and adversely impacted.

Our businesses and results of operations depend upon general economic conditions and we serve some customers in highly cyclical industries that are highly competitive and themselves adversely impacted by unfavorable economic conditions. There is some seasonality in the business of our Recreational Accessories and RV & Trailer Products operating segments as well. Sales of towing and trailering products within these business segments are generally stronger in the second and third quarters, as trailer original equipment manufacturers (OEMs), distributors and retailers acquire product for the selling season. No other operating segment experiences significant seasonal fluctuation in its business. We do not consider sales order backlog to be a material factor in our business. A growing portion of our sales may be derived from international sources, which exposes us to certain risks, including currency risks. The demand for some of our products, particularly in the Recreational Accessories and RV & Trailer Products segments, is influenced by consumer sentiment, which could be negatively impacted by increased costs to consumers as a result of higher interest rates and energy costs, among other things.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, aluminum, polyethylene and other resins and energy. We have experienced increasing costs of steel and resin and have worked with our suppliers to manage cost pressures and disruptions in supply. We have also initiated pricing programs to pass increased steel, copper, aluminum and resin costs to customers. Although we have experienced delays in our ability to implement price increases, we generally recover such increased costs. Although we have not experienced disruptions in the supply of steel since 2005, we may experience disruptions in supply in the future and we may not be able to pass along higher costs associated with such disruptions to our customers in the form of price increases. We will continue to take actions as necessary to manage risks associated with increasing steel or other raw material costs however; such increased costs may adversely impact our earnings.

The Company reports shipping and handling expenses associated with Recreational Accessories sales distribution network as an element of selling, general and administrative expenses in its consolidated statement of operations. As such, gross margins for the Recreational Accessories segment may not be comparable to other companies which include all costs related to their distribution network in cost of sales.

We have substantial debt, interest and lease payment requirements that may restrict our future operations and impair our ability to meet our obligations and, in a rising interest rate environment, our performance may be adversely affected by our degree of leverage.

Key Indicators of Performance. In evaluating our business, our management considers Adjusted EBITDA as a key indicator of financial operating performance and as a measure of cash generating capability. We define Adjusted EBITDA as net income (loss) before cumulative effect of accounting change, interest, taxes, depreciation, amortization, non-cash asset and goodwill impairment charges and write-offs and non-cash losses on sale-leaseback of property and equipment. In evaluating Adjusted EBITDA, our management deems it important to consider the quality of our underlying earnings by separately identifying certain costs undertaken to improve our results, such as costs related to consolidating facilities and businesses in an effort to eliminate duplicative costs or achieve efficiencies, costs related to integrating acquisitions and restructuring costs related to expense reduction efforts. Although we may undertake new consolidation, restructuring and integration efforts in the future as a result of our acquisition activity, our management separately considers these costs in evaluating underlying business performance. Caution must be exercised in considering these items as they include substantially (but not necessarily entirely) cash costs and there can be no assurance that we will ultimately realize the benefits of these efforts. Moreover, even if the anticipated benefits are realized, they may be offset by other business performance or general economic issues.

Management believes that consideration of Adjusted EBITDA together with a careful review of our results reported under GAAP is the best way to analyze our ability to service and/or incur indebtedness, as we are a highly leveraged company. We use Adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period and company to company by excluding potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the impact of purchase accounting and FASB Statement of Financial Accounting Standards No. 142 (SFAS No. 142), *Goodwill and Other Intangible Assets* (affecting depreciation and amortization expense). Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use Adjusted EBITDA for business planning purposes, to incent and compensate our management personnel, in measuring our performance relative to that of our competitors and in evaluating acquisition opportunities.

In addition, we believe Adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies and other interested parties as a measure of financial performance and debt-service capabilities. Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

- it does not reflect our cash expenditures for capital equipment or other contractual commitments;
- although depreciation, amortization and asset impairment charges and write-offs are non-cash charges, the assets being depreciated, amortized or written off may have to be replaced in the future, and Adjusted EBITDA does not reflect cash capital expenditure requirements for such replacements;
- it does not reflect changes in, or cash requirements for, our working capital needs;

- it does not reflect the significant interest expense or the cash requirements necessary to service interest or principal payments on our indebtedness;

- it does not reflect certain tax payments that may represent a reduction in cash available to us;

- it includes amounts resulting from matters we consider not to be indicative of underlying performance of our fundamental business operations, as discussed in Management s Discussion and Analysis of Financial Condition and Results of Operations, and;

- other companies, including companies in our industry, may calculate these measures differently and as the number of differences in the way two different companies calculate these measures increases, the degree of their usefulness as a comparative measure correspondingly decreases.

Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally. We carefully review our operating profit margins (operating profit as a percentage of net sales) at a segment level, which are discussed in detail in our year-to-year comparison of operating results.

The following is a reconciliation of our net income (loss) to Adjusted EBITDA and cash flows from operating activities for the three and six months ended June 30, 2007 and 2006:

	Three months ended June 30,		**Six months ended June 30,**	
	2007	**2006**	**2007**	**2006**
	(dollars in thousands)			
Net income (loss)	$ (3,190)	$ 2,510	$ 3,860	$ 6,100
Income tax expense (benefit)	(1,870)	440	3,110	2,620
Interest expense	18,340	20,030	37,200	39,950
Debt extinguishment costs	7,440		7,440	
Depreciation and amortization	9,620	10,230	19,460	20,140
Adjusted EBITDA, total company	$ 30,340	$ 33,210	$ 71,070	$ 68,810
Interest paid	(27,880)	(28,640)	(34,510)	(33,920)
Taxes paid	(2,750)	(1,800)	(5,010)	(6,730)
(Gain) loss on dispositions of property and equipment	(310)	3,030	70	3,130
Receivables sales and securitization, net	4,580	(7,020)	33,330	18,100
Net change in working capital	(4,980)	7,550	(39,010)	(32,050)
Cash flows provided by (used for) operating activities	$ (1,000)	$ 6,330	$ 25,940	$ 17,340

The following details certain items relating to our consolidation, restructuring and integration efforts and the costs and expenses incurred in connection with our initial public offering and use of proceeds therefrom that are included in the determination of net income under GAAP and are not added back to net income in determining Adjusted EBITDA, but that we would consider in evaluating the quality of our Adjusted EBITDA:

	Three months ended June 30, 2007	2006	Six months ended June 30, 2007	2006
	(dollars in thousands)			
Facility and business consolidation costs(a)	$ 260	$ 20	$ 370	$ 40
Business unit restructuring costs(b)		90		180
Acquisition integration costs(c)		290		490
Advisory services agreement termination fee(d)	10,000		10,000	
Costs for early termination of operating leases(e)	4,230		4,230	
	$ 14,490	$ 400	$ 14,600	$ 710

(a) Includes employee training, severance and relocation costs, equipment move and plant rearrangement costs associated with facility and business consolidations.

(b) Includes principally employee severance costs associated with business unit restructuring and other cost reduction activities.

(c) Includes equipment move and other facility closure costs, excess and obsolete inventory reserve charges related to brand rationalization, employee training, and other organization costs associated with the integration of acquired operations.

(d) Expense associated with the termination of our advisory services agreement with Heartland.

(e) Costs associated with the early termination of operating leases and purchase of underlying machinery and equipment assets.

Segment Information and Supplemental Analysis

The following table summarizes financial information of continuing operations for our five business segments for the three months ended June 30, 2007 and 2006:

	Three Months Ended June 30,			
	2007	As a Percentage of Net Sales	2006	As a Percentage of Net Sales
	(dollars in thousands)			
Net Sales:				
Packaging Systems	$ 56,700	19.5 %	$ 53,940	19.3 %
Energy Products	41,020	14.1 %	38,720	13.8 %
Industrial Specialties	56,010	19.3 %	47,070	16.8 %
RV & Trailer Products	53,070	18.2 %	51,480	18.4 %
Recreational Accessories	84,030	28.9 %	88,430	31.6 %
Total	$ 290,830	100.0 %	$ 279,640	100.0 %
Gross Profit:				
Packaging Systems	$ 17,450	30.8 %	$ 16,240	30.1 %