

TRIMAS CORP
Form 10-Q
August 07, 2008

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UNITED STATES
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 June 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 333-100351

TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of
incorporation or organization)

38-2687639
(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 ☒ No ☐

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 ☐ 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 Exchange Act). Yes ☐ No ☒

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As of August 6, 2008, 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," "estimate" and 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 these 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 or customers 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 have significant goodwill and intangible assets. We incurred a significant impairment of our goodwill in 2007 and 2006. If we experience declines in sales and operating profit, do not meet our current and forecasted operating budget, or experience significant declines in our stock price, we may be subject to future impairment charges. Future impairment of our goodwill and intangible assets could have a material adverse impact on our financial results;

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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 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, 2008	December 31, 2007
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,860	\$ 4,800
Receivables, net	127,470	89,3700
Inventories, net	186,200	190,590
Deferred income taxes	18,860	18,860
Prepaid expenses and other current assets	6,280	7,010
Assets of discontinued operations held for sale	2,760	3,330
Total current assets	348,430	313,960
Property and equipment, net	197,840	195,120
Goodwill	384,270	377,340
Other intangibles, net	209,320	214,290
Other assets	25,250	27,280
Total assets	\$ 1,165,110	\$ 1,127,990
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	\$ 9,900	\$ 8,390
Accounts payable	140,440	121,860
Accrued liabilities	63,950	71,830
Liabilities of discontinued operations	1,170	1,450
Total current liabilities	215,460	203,530
Long-term debt	606,500	607,600
Deferred income taxes	73,950	73,280
Other long-term liabilities	35,630	35,090
Total liabilities	931,540	919,500
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 shares at June 30, 2008 and December 31, 2007, respectively	330	330
Paid-in capital	526,840	525,960
Accumulated deficit	(356,650)	(373,970)
Accumulated other comprehensive income	63,050	56,170
Total shareholders' equity	233,570	208,490
Total liabilities and shareholders' equity	\$ 1,165,110	\$ 1,127,990

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

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TriMas Corporation

Consolidated Statement of Operations

(Unaudited dollars in thousands, except for per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
Net sales	\$ 297,080	\$ 287,670	\$ 576,640	\$ 572,110
Cost of sales	(218,330)	(208,020)	(424,550)	(414,460)
Gross profit	78,750	79,650	152,090	157,650
Selling, general and administrative expenses	(48,790)	(45,320)	(93,910)	(90,860)
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	(110)	280	(220)	110
Operating profit	29,850	20,380	57,960	52,670
Other expense, net:				
Interest expense	(13,880)	(18,340)	(28,590)	(37,200)
Debt extinguishment costs		(7,440)		(7,440)
Other, net	(1,340)	(1,060)	(2,530)	(2,220)
Other expense, net	(15,220)	(26,840)	(31,120)	(46,860)
Income (loss) from continuing operations before income tax benefit (expense)	14,630	(6,460)	26,840	5,810
Income tax benefit (expense)	(5,250)	2,400	(9,670)	(2,120)
Income (loss) from continuing operations	9,380	(4,060)	17,170	3,690
Income from discontinued operations, net of income tax benefit	70	870	150	170
Net income (loss)	\$ 9,450	\$ (3,190)	\$ 17,320	\$ 3,860
Earnings (loss) per share basic:				
Continuing operations	\$ 0.28	\$ (0.15)	\$ 0.51	\$ 0.16
Discontinued operations, net of income tax expense		0.03		
Net income (loss) per share	\$ 0.28	\$ (0.12)	\$ 0.51	\$ 0.16
Weighted average common shares basic	33,409,500	26,223,236	33,409,500	23,506,461
Earnings (loss) per share diluted:				
Continuing operations	\$ 0.28	\$ (0.15)	\$ 0.51	\$ 0.16
Discontinued operations, net of income tax expense		0.03		
Net income (loss) per share	\$ 0.28	\$ (0.12)	\$ 0.51	\$ 0.16
Weighted average common shares diluted	33,642,907	26,223,236	33,597,276	23,506,461

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,	
	2008	2007
Net income	\$ 17,320	\$ 3,860
Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition impact:		
Loss on dispositions of property and equipment	90	70
Depreciation	13,900	11,660
Amortization of intangible assets	7,800	7,800
Amortization of debt issue costs	1,220	3,970
Deferred income taxes		770
Non-cash compensation expense	880	120
Net proceeds from (reductions in) sale of receivables and receivables securitization	(3,630)	33,330
Increase in receivables	(33,290)	(48,230)
(Increase) decrease in inventories	4,950	(7,850)
Decrease in prepaid expenses and other assets	1,910	2,630
Increase in accounts payable and accrued liabilities	10,090	16,500
Other, net	2,020	1,310
Net cash provided by operating activities, net of acquisition impact	23,260	25,940
Cash Flows from Investing Activities:		
Capital expenditures	(13,530)	(14,860)
Acquisition of leased assets		(29,960)
Acquisition of businesses, net of cash acquired	(6,190)	
Net proceeds from disposition of businesses and other assets	340	5,850
Net cash used for investing activities	(19,380)	(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
Repayments of borrowings on senior credit facilities	(2,930)	(1,730)
Proceeds from borrowings on term loan facilities	490	
Proceeds from borrowings on revolving credit facilities	269,200	248,370
Repayments of borrowings on revolving credit facilities	(268,580)	(260,950)
Retirement of senior subordinated notes		(100,000)
Net cash (used for) provided by financing activities	(1,820)	12,150
Cash and Cash Equivalents:		
Increase (decrease) for the period	2,060	(880)
At beginning of period	4,800	3,600
At end of period	\$ 6,860	\$ 2,720
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 27,100	\$ 34,510
Cash paid for taxes	\$ 5,330	\$ 5,010

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

TriMas Corporation

Consolidated Statement of Shareholders' Equity

Six Months Ended June 30, 2008

(Unaudited dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balances, December 31, 2007	\$ 330	\$ 525,960	\$ (373,970)	\$ 56,170	\$ 208,490
Comprehensive income:					
Net income			17,320		17,320
Amortization of defined benefit plan deferred losses (net of tax of \$0.06 million) (Note 16)				110	110
Foreign currency translation				6,690	6,690
Change in fair value of cash flow hedge (net of tax of \$0.05 million) (Note 10)				80	80
Total comprehensive income					24,200
Non-cash compensation expense		880			880
Balances, June 30, 2008	\$ 330	\$ 526,840	\$ (356,650)	\$ 63,050	\$ 233,570

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 and distributor 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, engine replacement parts and other well site products 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 gasses, spinal and trauma implant products for the medical industry, specialty fasteners for the automotive industry, specialty precision tools such as center drills, cutters, end mills, reamers, master gears, punches, and specialty ordnance components. 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.

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 2007 Annual Report on Form 10-K.

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 to retire \$100.0 million of senior subordinated notes, to early terminate \$21.7 million of operating leases, to terminate the Company's advisory services agreement with Heartland Industrial Partners ("Heartland") for \$10.0 million and for the call premium of \$4.9 million associated with the retirement of the senior subordinated notes.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

3. Discontinued Operations and Assets Held for Sale

During the fourth quarter of 2007, the Company committed to a plan to sell its rocket launcher and property management lines of business, both of which were part of the Industrial Specialties operating segment. The Company sold the assets of the rocket launcher business in December 2007.

During the fourth quarter of 2005, the Company committed to a plan to sell three operating locations within its industrial fastening business. Two of the operating locations were sold in December 2006 and the third, the Frankfort operating location, was sold in February 2007.

The results of the Frankfort operating location, the rocket launcher business and the property management business are reported as discontinued operations for all periods presented.

Results of discontinued operations are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands)		(dollars in thousands)	
Net sales	\$ 730	\$ 3,160	\$ 1,660	\$ 11,960
Income from discontinued operations before income tax expense	\$ 90	\$ 1,400	\$ 230	\$ 1,160
Income tax expense	(20)	(530)	(80)	(990)
Income from discontinued operations, net of income tax expense	\$ 70	\$ 870	\$ 150	\$ 170

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

	June 30, 2008	December 31, 2007
	(dollars in thousands)	
Receivables, net	\$ 360	\$ 940
Inventories, net		60
Property and equipment, net	2,400	2,330
Total assets	\$2,760	\$ 3,330
Accounts payable	\$ 30	\$ 60
Accrued liabilities and other	1,140	1,390
Total liabilities	\$1,170	\$ 1,450

4. Huntsville Plant Closure

In October 2007, the Company announced plans to close its manufacturing facility in Huntsville, Ontario, Canada and consolidate its operations into the Company's Goshen, Indiana manufacturing facility. These actions were substantially complete as of December 31, 2007. As a result of these actions, the Company recorded a pre-tax charge within its Recreational Accessories segment of approximately \$9.0 million in the fourth quarter of 2007, of which approximately \$5.6 million related to cash costs incurred as a part of the closure as determined under the provisions of Statement of

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

4. Huntsville Plant Closure (Continued)

Financial Accounting Standards ("SFAS") No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," primarily relating to severance benefits to approximately 160 employees terminated as a part of the closure. The remaining \$3.4 million of the pre-tax charge related to impairment of assets recorded in accordance with SFAS No. 144, "Accounting for the Impairment or Disposal of Long-Lived Assets," to reduce the book value of the building and building improvements and certain machinery and equipment assets that the Company will no longer utilize to management's estimate of net realizable value. As of June 30, 2008, the Company has paid approximately \$5.2 million of the cash costs of the facility closure, with the remaining \$0.4 million expected to be paid during 2008.

In addition, the Company expects to incur approximately \$0.7 million in estimated costs and expenses in 2008 resulting from completion of the consolidation into the Goshen facility and recording severance and other benefits for approximately 10 key employees remaining with the Company until the closure is finalized. The Company recorded approximately \$0.1 million and \$0.6 million, respectively, of such charges during the three and six month periods ended June 30, 2008.

5. Acquisitions

In January 2008, the Company acquired Parkside Towbars, Pty. Ltd. ("Parkside"), located in Western Australia, strengthening the Company's position in international markets and expanding the Company's towing and truck accessory product offering. Parkside is included in the Company's RV & Trailer Products segment.

During the third quarter of 2007, the Company completed two acquisitions. On July 12, 2007, the Company acquired certain assets from Quest Technologies LLC, expanding the Company's fifth-wheel product offerings in its Recreational Accessories segment. In addition, on August 1, 2007, the Company acquired all of the capital stock of DEW Technologies, Inc., a manufacturer of specialty, high-precision spinal and trauma implant products serving the orthopedic device industry. DEW Technologies is included in the Company's Industrial Specialties segment and broadens the Company's product offerings in the medical device industry.

The allocation of purchase price for the these acquisitions is subject to refinement of management estimates. The purchase price for these acquisitions is also subject to adjustments resulting from earn-out clauses based on future operating results, for which the Company paid the former owners of these businesses a combined approximately \$3.9 million during 2008 (see Note 6). These earn-out clauses extend up to five years.

The results of operations of the aforementioned acquisitions are not significant compared to the overall results of operations of the Company.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

6. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the six months ended June 30, 2008 are summarized as follows:

	Packaging Systems	Energy Products	Industrial Specialties	RV & Trailer Products	Recreational Accessories	Total
	(dollars in thousands)					
Balance, December 31, 2007	\$ 190,690	\$ 46,050	\$ 64,950	\$ 42,190	\$ 33,460	\$ 377,340
Goodwill from acquisitions			3,380	470	80	3,930
Foreign currency translation and other	2,900	(150)		250		3,000
Balance, June 30, 2008	\$ 193,590	\$ 45,900	\$ 68,330	\$ 42,910	\$ 33,540	\$ 384,270

SFAS No. 142, "Goodwill and Other Intangible Assets," requires the completion of an impairment test for goodwill and other indefinite-lived intangible assets as of an annual date, and between annual tests if an event occurs or circumstances change that would more likely than not reduce the fair value of a reporting unit below its carrying value. The Company's accounting policy was to conduct the annual impairment test as of December 31st, with the most recent annual impairment test completed as of December 31, 2007. Effective in the second quarter of 2008, the Company changed its accounting policy to conduct the annual impairment test as of October 1st, with the testing to be conducted during the fourth quarter of each year. This change is preferable as it provides the Company additional time to complete the required testing and evaluate the results prior to the yearend closing and reporting activities and better enables the Company to comply with required reporting dates as an accelerated filer. The change in impairment test dates had no impact on the Company's financial results or financial position for any period presented.

The gross carrying amounts and accumulated amortization of the Company's other intangibles as of June 30, 2008 and December 31, 2007 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, 2008		As of December 31, 2007	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Customer relationships:				
6 12 years	\$ 29,910	\$ (19,080)	\$ 27,980	\$ (17,910)
15 25 years	169,190	(53,790)	169,190	(49,190)
Total customer relationships	199,100	(72,870)	197,170	(67,100)
Technology and other:				
1 15 years	27,360	(19,960)	26,630	(18,190)
17 30 years	41,220	(13,660)	40,830	(12,690)
Total technology and other	68,580	(33,620)	67,460	(30,880)
Trademark/Trade names (indefinite life)	52,540	(4,410)	51,990	(4,350)
	\$ 320,220	\$ (110,900)	\$ 316,620	\$ (102,330)

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

6. Goodwill and Other Intangible Assets (Continued)

Amortization expense related to technology and other intangibles was approximately \$1.0 million for each of the three months ended June 30, 2008 and 2007, respectively, and \$2.0 million and \$2.1 million for the six months ended June 30, 2008 and 2007, respectively. These amounts are included in cost of sales in the accompanying consolidated statement of operations. Amortization expense related to customer intangibles was \$2.9 million and \$2.8 million, and \$5.8 million and \$5.7 million for the three and six months ended June 30, 2008 and 2007, respectively. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

7. 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. The Company renewed this facility in February 2008, with the most significant changes being reducing the committed funding from \$125.0 million to \$90.0 million and reducing the usage fee from 1.35% to 1.05%. Renewal costs approximated \$0.3 million.

TSPC from time to time may sell an undivided fractional ownership interest in the pool of receivables up to approximately \$90.0 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 \$0.6 million and \$1.1 million, and \$1.3 million and \$1.9 million for the three and six months ended June 30, 2008 and 2007, respectively. Such amounts are included in other, net in the accompanying consolidated statement of operations. As of June 30, 2008 and December 31, 2007, the Company's funding under the facility was approximately \$33.0 million and \$41.5 million, respectively, with an additional \$27.0 million and \$5.0 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 \$73.0 million and \$34.1 million at June 30, 2008 and December 31, 2007, respectively. The usage fee under the facility is 1.05%. In addition, the Company is required to pay a fee of 0.5% on the unused portion of the facility. This facility expires on February 20, 2009.

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 a commercial paper-based rate as prescribed under the terms of the securitization agreement. As of June 30, 2008 and 2007, the financing costs were based on an average liquidation period of the portfolio of approximately 1.3 months and 1.2 months, respectively, and an average discount rate of 2.3% and 3.1%, at June 30, 2008 and 2007, respectively.

In the three and six months ended June 30, 2008 and 2007, the Company sold an undivided interest in approximately \$4.9 million and \$4.1 million, and \$8.9 million and \$8.0 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 2.1% and 1.9%, and 2.1% and 1.8%, respectively. Costs associated with these transactions were approximately \$0.10 million and \$0.08 million, and \$0.18 million and \$0.14 million, respectively, and are included in other, net in the accompanying consolidated statement of operations.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

8. Inventories

Inventories consist of the following:

	June 30, 2008	December 31, 2007
	(dollars in thousands)	
Finished goods	\$ 109,160	\$ 117,680
Work in process	30,490	28,310
Raw materials	46,550	44,600
Total inventories	\$ 186,200	\$ 190,590

9. Property and Equipment, Net

Property and equipment consists of the following:

	June 30, 2008	December 31, 2007
	(dollars in thousands)	
Land and land improvements	\$ 5,780	\$ 5,430
Buildings	47,540	45,430
Machinery and equipment	289,250	273,410
	342,570	324,270
Less: Accumulated depreciation	144,730	129,150
Property and equipment, net	\$ 197,840	\$ 195,120

Depreciation expense was \$7.0 million and \$5.7 million, and \$13.8 million and \$11.6 million for each of the three and six months ended June 30, 2008 and 2007, respectively.

10. Long-term Debt

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

	June 30, 2008	December 31, 2007
	(dollars in thousands)	
U.S. bank debt	\$ 255,450	\$ 257,410
Non-U.S. bank debt and other	23,910	21,610
9 ⁷ / ₈ % senior subordinated notes, due June 2012	337,040	336,970
	616,400	615,990
Less: Current maturities, long-term debt	9,900	8,390
Long-term debt	\$ 606,500	\$ 607,600

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

10. Long-term Debt (Continued)

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). Under the Credit Facility, 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, 2008 and December 31, 2007, the Company had letters of credit of approximately \$33.1 million and \$35.5 million, respectively, issued and outstanding. The weighted average interest rate on borrowings under the Credit Facility was 5.64% and 7.84% at June 30, 2008 and December 31, 2007, respectively.

At June 30, 2008, the Company had no outstanding balance under its revolving credit facility and had \$116.9 million potentially available after giving effect to the \$33.1 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 \$143.9 million of capacity available to it under its revolving credit facility and receivables securitization for general corporate purposes.

During 2008, the Company entered into an interest rate swap agreement to fix the LIBOR-based variable portion of its interest rate on \$125.0 million notional amount of its term loan facility at 2.73%. The swap extends through October 2009. The Company has designated this swap agreement as a cash flow hedge and accounts for it in accordance with SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," whereby the effective portion of the hedge gains and losses are deferred in accumulated other comprehensive income (loss) until the hedged transactions occur, at which time the deferred gains or losses are reclassified into earnings to match the change in cost of the transaction. The Company believes the cash flow hedge is "effective" as defined in SFAS No. 133, as changes in the cash flows of the interest rate swap are expected to exactly offset the changes in the cash flows of variable rate debt attributable to fluctuation in the LIBOR rate. The fair value of this swap agreement at June 30, 2008 was approximately \$0.1 million.

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 \$559.9 million and \$528.4 million at June 30, 2008 and December 31, 2007, respectively, are presented in the financial information in Note 18, "*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

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

10. Long-term Debt (Continued)

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, 2008.

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 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, 2008, the balance outstanding under this agreement was \$2.7 million at an interest rate of 5.48%. At December 31, 2007, the balance outstanding under this agreement was approximately \$4.0 million at an interest rate of 5.5%.

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, 2008, the balance outstanding under this agreement was \$20.6 million at a weighted average interest rate of 7.38%. At December 31, 2007, the balance outstanding under this agreement was approximately \$17.5 million at an interest rate of approximately 7.1%.

In Mexico, the Company's subsidiary is party to an unsecured loan agreement which matures July 3, 2008. At June 30, 2008, the balance outstanding under this agreement was \$0.5 million at an interest rate of 10.2%. At December 31, 2007, there was no balance outstanding under this agreement.

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.

The Notes indenture contains negative and affirmative covenants and other requirements that are comparable to those contained in the Credit Facility. At June 30, 2008, the Company was in compliance with all such covenant requirements.

11. 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

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

11. Commitments and Contingencies (Continued)

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, 2008, we were a party to approximately 817 pending cases involving an aggregate of approximately 7,704 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, 2007	10,551	619	1,484	142	\$ 9,243	\$4,982,000
Six months ended June 30, 2008	9,544	415	2,208	47	\$ 2,509	\$2,161,000

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 7,704 claims pending at June 30, 2008, 174 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 141 of the 174 claims sought between \$1.0 million and \$5.0 million in total damages (which includes compensatory and punitive damages), 31 sought between \$5.0 million and \$10.0 million in total damages (which includes compensatory and punitive damages) and two sought over \$10.0 million (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 145 of the 174 claims sought between \$50,000 and \$600,000, 27 sought between \$1.0 million and \$5.0 million and two sought over \$5.0 million. Solely with respect to punitive damages, 142 of the 174 claims sought between \$0 and \$2.5 million, 31 sought between \$2.5 and \$5.0 million and one sought over \$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.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

11. Commitments and Contingencies (Continued)

Total settlement costs (exclusive of defense costs) for all such cases, some of which were filed over 20 years ago, have been approximately \$5.2 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.

12. Related Parties

Metaldyne Corporation

In connection with the Company's reorganization in June 2002, TriMas assumed approximately \$37.0 million of liabilities and obligations of Metaldyne Corporation ("Metaldyne"), mainly comprised of contractual obligations to former TriMas employees, tax related matters, benefit plan liabilities and reimbursements to Metaldyne for normal course payments made on TriMas' behalf. The remaining contractual obligations to Metaldyne were approximately \$6.2 million and \$6.0 million at June 30, 2008 and December 31, 2007, respectively, and are classified as accrued liabilities in the accompanying consolidated balance sheet.

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. In addition, as a result of the merger, it has been asserted that Metaldyne may be obligated to accelerate funding and payment of actuarially determined amounts owing to seven former Metaldyne executives under a supplemental executive retirement plan ("SERP"). Under the stock purchase agreement between Metaldyne and Heartland, TriMas is required to reimburse Metaldyne, when billed, for its allocated portion of the amounts due to certain Metaldyne SERP participants, as defined. At June 30, 2008, TriMas has accrued an estimated liability to Metaldyne on its reported balance sheet of approximately \$5.1 million (included in the remaining \$6.2 million of contractual obligations above). However, if Metaldyne is required to accelerate funding of the SERP liability, TriMas may be obligated to

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

12. Related Parties (Continued)

reimburse Metaldyne up to approximately \$7.5 million, which could result in future charges to the Company's statement of operations of up to \$2.4 million. The Company is currently reviewing the validity of these assertions.

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 \$10.0 million to terminate its existing advisory services agreement. The advisory services had been provided for an annual fee of \$4.0 million plus expenses. Heartland was paid \$1.0 million and \$2.1 million for the three and six months ended June 30, 2007, respectively, for advisory services provided under this agreement prior to its termination. Such amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

13. 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 industry, spinal and trauma implant products for the medical industry, specialty precision tools such as center drills, cutters, end mills, reamers, master gears, punches, and specialty ordnance components.

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.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

13. Segment Information (Continued)

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. Segment activity is as follows:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands)			
Net Sales				
Packaging Systems	\$ 57,410	\$ 56,700	\$ 111,980	\$ 110,450
Energy Products	53,160	41,020	101,960	82,600
Industrial Specialties	56,210	52,850	109,680	103,440
RV & Trailer Products	49,730	53,070	100,400	106,480
Recreational Accessories	80,570	84,030	152,620	169,140
Total	\$ 297,080	\$ 287,670	\$ 576,640	\$ 572,110
Operating Profit				
Packaging Systems	\$ 9,150	\$ 10,820	\$ 18,030	\$ 19,820
Energy Products	8,590	5,660	16,500	12,070
Industrial Specialties	11,480	11,220	22,640	22,440
RV & Trailer Products	2,060	6,010	4,810	12,470
Recreational Accessories	6,490	7,360	9,120	12,500
Corporate expenses and management fees	(7,920)	(20,690)	(13,140)	(26,630)
Total	\$ 29,850	\$ 20,380	\$ 57,960	\$ 52,670
Adjusted EBITDA				
Packaging Systems	\$ 12,780	\$ 14,100	\$ 25,670	\$ 26,390
Energy Products	9,190	6,260	17,820	13,360
Industrial Specialties	12,960	12,350	25,600	24,500
RV & Trailer Products	3,940	7,840	8,470	16,360
Recreational Accessories	8,860	9,680	13,910	17,420
Corporate expenses and management fees	(8,320)	(21,350)	(14,440)	(28,230)
Subtotal from continuing operations	39,410	28,880	77,030	69,800
Discontinued operations	190	1,460	430	1,270
Total company	\$ 39,600	\$ 30,340	\$ 77,460	\$ 71,070

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

13. Segment Information (Continued)

The following is a reconciliation of the Company's net income (loss) to Adjusted EBITDA:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands)			
Net income (loss)	\$ 9,450	\$ (3,190)	\$ 17,320	\$ 3,860
Income tax expense (benefit)	5,270	(1,870)	9,750	3,110
Interest expense	13,930	18,340	28,690	37,200
Debt extinguishment costs		7,440		7,440
Depreciation and amortization	10,950	9,620	21,700	19,460
Adjusted EBITDA, total company	\$ 39,600	\$ 30,340	\$ 77,460	\$ 71,070
Adjusted EBITDA, discontinued operations	190	1,460	430	1,270
Adjusted EBITDA, continuing operations	\$ 39,410	\$ 28,880	\$ 77,030	\$ 69,800

14. Equity Awards

2006 Plan

The TriMas Corporation 2006 Long Term Equity Incentive Plan (the "2006 Plan") provides for the issuance of equity-based incentives in various forms for up to an aggregate of 1,200,000 shares of the Company's common stock, of which up to 500,000 shares may be granted as incentive stock options. In general, stock options and stock appreciation rights have a fungible ratio of one-to-one (one granted option/appreciation right counts as one share against the aggregate available to issue), while other forms of equity grants, including restricted shares of common stock, have a fungible ratio of two-to-one. No shares issued under the 2006 Plan were exercisable as of June 30, 2008.

During the second quarter of 2008, the Company granted 381,000 restricted shares of its common stock to certain employees, which vest ratably over three years from date of grant but are contingent upon certain service and performance conditions. Of the 381,000 restricted shares granted, 111,500 shares are subject to a service provision, where the only condition to the share vesting is that the employee remains with the Company for the vesting period. The remaining 269,500 shares granted are subject to both a service provision (same as above) and a performance provision. These shares vest in the same manner as the service provision grants only if the Company attains and/or exceeds a certain EBITDA target for the year ended December 31, 2008.

In September 2007, the Company granted 390,610 restricted shares of its common stock to certain employees, which vest ratably over three years from date of grant but were contingent upon certain service and performance conditions. Of the 390,610 restricted shares granted, 145,750 shares were subject to a service provision, where the only condition to the share vesting was that the employee remained with the Company for the vesting period. The remaining 244,860 shares granted were subject to both a service provision (same as above) and a performance provision, where these shares would vest in the same manner as the service provision-only grants if the Company attained and/or exceeded a certain EBITDA target for the year ended December 31, 2007, or would otherwise be cancelled. The

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

14. Equity Awards (Continued)

Company did not meet or exceed this EBITDA target, resulting in the cancellation of 244,860 restricted shares of its common stock.

The Company recognized approximately \$0.6 million and \$0.8 million of stock-based compensation expense related to the 2006 Plan during the three and six months ended June 30, 2008, respectively.

Information related to the 2006 Plan at June 30, 2008 is as follows:

	Number of Unvested Restricted Shares	Weighted Average Grant Date Fair Value	Average Remaining Vesting Period (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2008	142,145	\$ 12.26		
Granted	381,000	6.28		
Exercised				
Cancelled	(61,971)	8.30		
Outstanding at June 30, 2008	461,174	\$ 7.85	1.6	\$2,762,432

As of June 30, 2008, there was approximately \$2.4 million of unrecognized compensation cost related to unvested shares granted under the 2006 Plan.

2002 Plan

The TriMas Corporation 2002 Long Term Equity Incentive Plan (the "2002 Plan"), provides for the issuance of equity-based incentives in various forms, of which a total of 2,022,000 stock options have been approved for issuance under the Plan. As of June 30, 2008, the Company has 1,728,706 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 (November 14, 2007), and the other one half of vested options become exercisable on the first anniversary following consummation of such public offering (May 14, 2008). As of June 30, 2008, 1,314,256 stock options were exercisable under the 2002 Plan.

The Company accounts for these stock options under 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 related to the 2002 Plan of \$0.02 million and \$0.05 million for the three and six months ended June 30, 2008, respectively, and \$0.06 million and \$0.1 million for the three and six months ended June 30, 2007, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

14. Equity Awards (Continued)

accompanying statements of operations. The fair value of options which vested during the three and six months ended June 30, 2008 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, 2007 was \$0.1 million and \$0.4 million, respectively. As of June 30, 2008, the Company had \$0.1 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted average period of 1.2 years.

Information related to stock options at June 30, 2008, is as follows:

	Number of Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2008	2,000,481	\$ 20.89		
Granted				
Exercised				
Cancelled	(271,775)	20.55		
Outstanding at June 30, 2008	1,728,706	\$ 20.94	5.1	\$

15. Earnings per Share

The Company reports earnings per share in accordance with 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, 2008 and 2007, respectively. Diluted earnings per share for the three and six months ended June 30, 2008 included 220,549 shares of restricted stock granted under the 2006 Plan. Options to purchase approximately 1,728,706 and 2,011,268 shares of common stock were outstanding at June 30, 2008 and 2007, respectively, but were excluded from the computation of net income per share because to do so would have been anti-dilutive for the periods presented.

16. Defined Benefit Plans

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, 2008 and 2007:

	Pension Plans			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands)			
Service costs	\$ 140	\$ 140	\$ 270	\$ 280
Interest costs	420	410	840	810
Expected return on plan assets	(460)	(490)	(920)	(970)
Amortization of net loss	80	110	160	220
Net periodic benefit cost	\$ 180	\$ 170	\$ 350	\$ 340

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

16. Defined Benefit Plans (Continued)

	Other Postretirement Benefits			
	Three Months Ended June 30,		Six Months Ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands)			
Service costs	\$ 20	\$ 20	\$ 40	\$ 40
Interest costs	100	110	210	210
Gain on settlement of postretirement plan		(190)		(190)
Amortization of net loss	10	20	20	50
Net periodic benefit cost	\$ 130	\$ (40)	\$ 270	\$ 110

The Company contributed approximately \$0.5 million and \$1.0 million to its defined benefit pension plans during the three and six months ended June 30, 2008, respectively. The Company expects to contribute approximately \$1.9 million to its defined benefit pension plans for the full year 2008.

17. New Accounting Pronouncements

In December 2007, the Financial Accounting Standards Board ("FASB") issued SFAS No. 141(R), "Business Combinations," which revises the current accounting practices for business combinations. Significant changes as a result of issuance of SFAS No. 141(R) include a revised definition of a business, expensing of acquisition-related transaction costs, and a change in how acquirers measure consideration, identifiable assets, liabilities assumed and goodwill acquired in a business combination. SFAS No. 141(R) is effective for business combinations occurring in fiscal years beginning after December 15, 2008, and may not be retroactively applied. There is no impact on the Company's current consolidated financial statements as a result of this pronouncement.

In September 2006, the FASB issued SFAS No. 157, "Fair Value Measurements," which defines fair value, establishes a framework for measuring fair value in generally accepted accounting principles ("GAAP"), and expands disclosures about fair value measurements. For financial assets and liabilities, this statement is effective for fiscal periods beginning after November 15, 2007 and does not require new fair value measurements. In February 2008, the FASB released Staff Position No. 157-2, which delayed the effective date of SFAS No. 157 to fiscal years ending after November 15, 2008 for nonfinancial assets and liabilities, except for items that are recognized or disclosed at fair value in the Company's financial statements on a recurring basis (at least annually), which was effective for the Company effective January 1, 2008. The adoption of SFAS No. 157 did not have a material effect on the consolidated financial statements.

In February 2007, the FASB issued SFAS No. 159, "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115," which permits entities to choose to measure certain financial instruments and other items at fair value. This statement is effective for financial statements issued for fiscal years beginning after November 15, 2007, including interim periods within that fiscal year. The Company did not elect the fair value option for any of its existing financial instruments as of June 30, 2008 and the Company has made no determination whether or not it will elect this option for financial instruments it may acquire in the future.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

17. New Accounting Pronouncements (Continued)

In December 2007, the FASB issued SFAS No. 160, "Noncontrolling Interests in Consolidated Financial Statements," which establishes requirements for identification, presentation and disclosure of noncontrolling interests, and requires accounting for such non-controlling interests as a separate component of shareholder's equity. SFAS No. 160 is effective prospectively for fiscal years beginning after December 15, 2008. However, the presentation and disclosure requirements are required to be retrospectively applied to comparative financial statements. There is no impact on the Company's current consolidated financial statements as a result of this pronouncement.

In March 2008, the FASB issued SFAS No. 161, "Disclosures about Derivative Instruments and Hedging Activities, an amendment of FASB Statement No. 133." SFAS No. 161 amends and expands the disclosure requirements of SFAS No. 133 to provide users of financial statements with an enhanced understanding of derivative instruments, how they are accounted for and their impact on a company's financial position and performance. SFAS No. 161 is effective for financial statements issued for fiscal years and interim periods beginning after November 15, 2008, with early application encouraged. The Company is currently assessing the impact of the adoption of SFAS No. 161 on its consolidated financial statements.

In May 2008, the FASB issued SFAS No. 162, "The Hierarchy of Generally Accepted Accounting Principles," which is intended to improve financial reporting by identifying a consistent hierarchy for selecting accounting principles to be used in preparing financial statements that are prepared in conformance with generally accepted accounting principles. The statement is effective 60 days following the SEC's approval of the Public Company Accounting Oversight Board amendments to AU Section 411, "The Meaning of Present Fairly in Conformity with GAAP." There is no impact on the Company's current consolidated financial statements as a result of this pronouncement.

18. 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.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

**Supplemental Guarantor
Condensed Financial Statements
Consolidating Balance Sheet
(dollars in thousands)**

	Parent	Guarantor	June 30, 2008 Non- Guarantor	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	\$	\$ 1,920	\$ 4,940	\$	\$ 6,860
Trade receivables, net		98,100	29,370		127,470
Receivables, intercompany			320	(320)	
Inventories, net		156,640	29,560		186,200
Deferred income taxes		18,010	850		18,860
Prepaid expenses and other current assets		4,820	1,460		6,280
Assets of discontinued operations held for sale		2,760			2,760
Total current assets		282,250	66,500	(320)	348,430
Investments in subsidiaries	559,920	152,530		(712,450)	
Property and equipment, net		140,290	57,550		197,840
Goodwill		295,460	88,810		384,270
Intangibles and other assets	12,080	222,240	6,380	(6,130)	234,570
Total assets	\$ 572,000	\$ 1,092,770	\$ 219,240	\$ (718,900)	\$ 1,165,110
Liabilities and Shareholders' Equity					
Current liabilities:					
Current maturities, long-term debt	\$	\$ 2,630	\$ 7,270	\$	\$ 9,900
Accounts payable, trade		116,910	23,530		140,440
Accounts payable, intercompany		320		(320)	
Accrued liabilities	1,390	52,740	9,820		63,950
Liabilities of discontinued operations		1,170			1,170
Total current liabilities	1,390	173,770	40,620	(320)	215,460
Long-term debt	337,040	252,890	16,570		606,500
Deferred income taxes		72,190	7,890	(6,130)	73,950
Other long-term liabilities		34,000	1,630		35,630
Total liabilities	338,430	532,850	66,710	(6,450)	931,540
Total shareholders' equity	233,570	559,920	152,530	(712,450)	233,570
Total liabilities and shareholders' equity	\$ 572,000	\$ 1,092,770	\$ 219,240	\$ (718,900)	\$ 1,165,110

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

**Supplemental Guarantor
Condensed Financial Statements
Consolidating Balance Sheet
(dollars in thousands)**

	December 31, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	\$	\$ 550	\$ 4,250	\$	\$ 4,800
Trade receivables, net		69,760	19,610		89,370
Receivables, intercompany			1,700	(1,700)	
Inventories, net		162,800	27,790		190,590
Deferred income taxes		17,960	900		18,860
Prepaid expenses and other current assets		5,870	1,140		7,010
Assets of discontinued operations held for sale		3,330			3,330
Total current assets		260,270	55,390	(1,700)	313,960
Investments in subsidiaries	528,420	139,880		(668,300)	
Property and equipment, net		139,580	55,540		195,120
Goodwill		291,990	85,350		377,340
Intangibles and other assets	18,430	230,430	4,430	(11,720)	241,570
Total assets	\$ 546,850	\$ 1,062,150	\$ 200,710	\$ (681,720)	\$ 1,127,990
Liabilities and Shareholders' Equity					
Current liabilities:					
Current maturities, long-term debt	\$	\$ 3,300	\$ 5,090	\$	\$ 8,390
Accounts payable, trade		102,920	18,940		121,860
Accounts payable, intercompany		1,700		(1,700)	
Accrued liabilities	1,390	58,820	11,620		71,830
Liabilities of discontinued operations		1,450			1,450
Total current liabilities	1,390	168,190	35,650	(1,700)	203,530
Long-term debt	336,970	254,210	16,420		607,600
Deferred income taxes		77,890	7,110	(11,720)	73,280
Other long-term liabilities		33,440	1,650		35,090
Total liabilities	338,360	533,730	60,830	(13,420)	919,500
Total shareholders' equity	208,490	528,420	139,880	(668,300)	208,490
Total liabilities and shareholders' equity	\$ 546,850	\$ 1,062,150	\$ 200,710	\$ (681,720)	\$ 1,127,990

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

	Three Months Ended June 30, 2008				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	\$	\$ 239,730	\$ 71,330	\$ (13,980)	\$ 297,080
Cost of sales		(175,130)	(57,180)	13,980	(218,330)
Gross profit		64,600	14,150		78,750
Selling, general and administrative expenses		(42,890)	(5,900)		(48,790)
Gain (loss) on dispositions of property and equipment		(140)	30		(110)
Operating profit		21,570	8,280		29,850
Other income (expense), net:					
Interest expense	(8,780)	(4,650)	(450)		(13,880)
Other, net		1,000	(2,340)		(1,340)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(8,780)	17,920	5,490		14,630
Income tax (expense) benefit	3,060	(6,620)	(1,690)		(5,250)
Equity in net income (loss) of subsidiaries	15,170	3,800		(18,970)	
Income (loss) from continuing operations	9,450	15,100	3,800	(18,970)	9,380
Income from discontinued operations		70			70
Net income (loss)	\$ 9,450	\$ 15,170	\$ 3,800	\$ (18,970)	\$ 9,450

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

**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	\$	\$ 238,700	\$ 64,100	\$ (15,130)	\$ 287,670
Cost of sales		(170,840)	(52,310)	15,130	(208,020)
Gross profit		67,860	11,790		79,650
Selling, general and administrative expenses		(39,200)	(6,120)		(45,320)
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		270	10		280
Operating profit		14,700	5,680		20,380
Other income (expense), net:					
Interest expense	(10,680)	(6,850)	(810)		(18,340)
Debt extinguishment costs	(7,440)				(7,440)
Other, net	(410)	190	(840)		(1,060)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(18,530)	8,040	4,030		(6,460)
Income tax (expense) benefit	7,070	(3,060)	(1,610)		2,400
Equity in net income (loss) of subsidiaries	8,270	2,420		(10,690)	
Income (loss) from continuing operations	(3,190)	7,400	2,420	(10,690)	(4,060)
Income from discontinued operations		870			870
Net income (loss)	\$ (3,190)	\$ 8,270	\$ 2,420	\$ (10,690)	\$ (3,190)

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

	Six Months Ended June 30, 2008				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	\$	\$ 471,420	\$ 131,220	\$ (26,000)	\$ 576,640
Cost of sales		(347,150)	(103,400)	26,000	(424,550)
Gross profit		124,270	27,820		152,090
Selling, general and administrative expenses		(81,920)	(11,990)		(93,910)
Gain (loss) on dispositions of property and equipment		(310)	90		(220)
Operating profit		42,040	15,920		57,960
Other income (expense), net:					
Interest expense	(17,530)	(10,170)	(890)		(28,590)
Other, net		1,630	(4,160)		(2,530)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(17,530)	33,500	10,870		26,840
Income tax (expense) benefit	6,130	(12,390)	(3,410)		(9,670)
Equity in net income (loss) of subsidiaries	28,720	7,460		(36,180)	
Income (loss) from continuing operations	17,320	28,570	7,460	(36,180)	17,170
Income from discontinued operations		150			150
Net income (loss)	\$ 17,320	\$ 28,720	\$ 7,460	\$ (36,180)	\$ 17,320

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

**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	\$	\$ 478,550	\$ 124,800	\$ (31,240)	\$ 572,110
Cost of sales		(343,370)	(102,330)	31,240	(414,460)
Gross profit		135,180	22,470		157,650
Selling, general and administrative expenses		(79,300)	(11,560)		(90,860)
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		130	(20)		110
Operating profit		41,780	10,890		52,670
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	(5,290)	(840)		(2,220)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	(25,100)	22,520	8,390		5,810
Income tax (expense) benefit	8,870	(8,070)	(2,920)		(2,120)
Equity in net income (loss) of subsidiaries	20,090	5,470		(25,560)	
Income (loss) from continuing operations	3,860	19,920	5,470	(25,560)	3,690
Income from discontinued operations		170			170
Net income (loss)	\$ 3,860	\$ 20,090	\$ 5,470	\$ (25,560)	\$ 3,860

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

	Six Months Ended June 30, 2008				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Cash Flows from Operating Activities:					
Net cash provided by (used for) operating activities	\$ (16,680)	\$ 32,200	\$ 7,740	\$	\$ 23,260
Cash Flows from Investing Activities:					
Capital expenditures		(10,600)	(2,930)		(13,530)
Acquisition of businesses, net of cash acquired		(3,460)	(2,730)		(6,190)
Net proceeds from disposition of businesses and other assets		200	140		340
Net cash used for investing activities		(13,860)	(5,520)		(19,380)
Cash Flows from Financing Activities:					
Repayments of borrowings on senior credit facilities		(1,300)	(1,630)		(2,930)
Proceeds from borrowings on term loan facilities			490		490
Proceeds from borrowings on revolving credit facilities		263,110	6,090		269,200
Repayments of borrowings on revolving credit facilities		(263,800)	(4,780)		(268,580)
Intercompany transfers to (from) subsidiaries	16,680	(14,980)	(1,700)		
Net cash provided by (used for) financing activities	16,680	(16,970)	(1,530)		(1,820)
Cash and Cash Equivalents:					
Increase for the period		1,370	690		2,060
At beginning of period		550	4,250		4,800
At end of period	\$	\$ 1,920	\$ 4,940	\$	\$ 6,860

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

18. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

**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 (used for) operating activities	\$ (21,890)	\$ 44,570	\$ 3,260	\$	\$ 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)	2,300	2,270		
Net cash provided by (used for) financing activities	21,890	(9,790)	50		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

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, particularly our initial public offering ("IPO") in May 2007 and expenses related thereto, and previous consolidation, integration and restructuring efforts in several of our business operations.

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 businesses of our Recreational Accessories and RV & Trailer Products operating segments as well. Sales of towing and trailering products within these operating segments are generally stronger in the second and third quarters, as trailer original equipment manufacturers (OEMs), distributors and retailers acquire product for the spring and summer selling seasons. 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 confidence, which could be negatively impacted by increased costs to consumers as a result of an uncertain credit market and interest rate environment 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. Historically, we have experienced increasing costs of steel and resin and have worked with our suppliers to manage cost pressures and disruptions in supply. More recently, we have also experienced increasing costs for freight and products sourced to lower-cost countries. We have initiated pricing programs to pass increased steel, copper, aluminum, resin and foreign-sourced costs to customers. Although we may experience delays in our ability to implement price increases, we generally are able to recover such increased costs. Although there have been no significant 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, other raw material, and foreign-sourced costs. However, such increased costs may adversely impact our earnings.

We report shipping and handling expenses associated with Recreational Accessories' sales distribution network as an element of selling, general and administrative expenses in our 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;

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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 Company. 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 to Adjusted EBITDA and cash flows from operating activities for the three and six months ended June 30, 2008 and 2007:

	Three months ended June 30,		Six months ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands)			
Net income	\$ 9,450	\$ (3,190)	\$ 17,320	\$ 3,860
Income tax expense	5,270	(1,870)	9,750	3,110
Interest expense	13,930	18,340	28,690	37,200
Debt extinguishment costs		7,440		7,440
Depreciation and amortization	10,950	9,620	21,700	19,460
Adjusted EBITDA, total company	\$ 39,600	\$ 30,340	\$ 77,460	\$ 71,070
Interest paid	(21,170)	(27,880)	(27,100)	(34,510)
Taxes paid	(2,940)	(2,750)	(5,330)	(5,010)
(Gain) loss on dispositions of property and equipment	(20)	(310)	90	70
Receivables sales and securitization, net	(22,460)	4,580	(3,630)	33,330
Net change in working capital	20,560	(4,980)	(18,230)	(39,010)
Cash flows provided by (used for) operating activities	\$ 13,570	\$ (1,000)	\$ 23,260	\$ 25,940

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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,		Six months ended June 30,	
	2008	2007	2008	2007
	(dollars in thousands)		(dollars in thousands)	
Facility and business consolidation costs(a)	\$	\$ 260	\$ 720	\$ 370
Business unit restructuring costs(b)	2,260		2,260	
Advisory services agreement termination fee(c)	10,000		10,000	
Costs for early termination of operating leases(d)	4,230		4,230	
	\$ 2,260	\$ 14,490	\$ 2,980	\$ 14,600

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- (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) Expense associated with the termination of our advisory services agreement with Heartland.
- (d) Costs associated with the early termination of operating leases and purchase of underlying machinery and equipment assets.

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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, 2008 and 2007:

	Three Months Ended June 30,			
	2008	As a Percentage of Net Sales	2007	As a Percentage of Net Sales
	(dollars in thousands)			
Net Sales:				
Packaging Systems	\$ 57,410	19.3%	\$ 56,700	19.7%
Energy Products	53,160	17.9%	41,020	14.3%
Industrial Specialties	56,210	18.9%	52,850	18.4%
RV & Trailer Products	49,730	16.8%	53,070	18.4%
Recreational Accessories	80,570	27.1%	84,030	29.2%
Total	\$ 297,080	100.0%	\$ 287,670	100.0%
Gross Profit:				
Packaging Systems	\$ 16,910	29.5%	\$ 17,450	30.8%
Energy Products	15,500	29.2%	11,790	28.7%
Industrial Specialties	16,520	29.4%	15,590	29.5%
RV & Trailer Products	8,320	16.7%	12,010	22.6%
Recreational Accessories	21,500	26.7%	22,810	27.1%
Total	\$ 78,750	26.5%	\$ 79,650	27.7%
Selling, General and Administrative:				
Packaging Systems	\$ 7,800	13.6%	\$ 6,950	12.3%
Energy Products	6,920	13.0%	6,120	14.9%
Industrial Specialties	4,960	8.8%	4,370	8.3%
RV & Trailer Products	6,180	12.4%	5,980	11.3%
Recreational Accessories	15,010	18.6%	15,430	18.4%
Corporate expenses and management fees	7,920	N/A	6,470	N/A
Total	\$ 48,790	16.4%	\$ 45,320	15.8%
Operating Profit:				
Packaging Systems	\$ 9,150	15.9%	\$ 10,820	19.1%
Energy Products	8,590	16.2%	5,660	13.8%
Industrial Specialties	11,480	20.4%	11,220	21.2%
RV & Trailer Products	2,060	4.1%	6,010	11.3%
Recreational Accessories	6,490	8.1%	7,360	8.8%
Corporate expenses and management fees	(7,920)	N/A	(20,690)	N/A
Total	\$ 29,850	10.0%	\$ 20,380	7.1%
Adjusted EBITDA:				
Packaging Systems	\$ 12,780	22.3%	\$ 14,100	24.9%
Energy Products	9,190	17.3%	6,260	15.3%
Industrial Specialties	12,960	23.1%	12,350	23.4%
RV & Trailer Products	3,940	7.9%	7,840	14.8%
Recreational Accessories	8,860	11.0%	9,680	11.5%
Corporate expenses and management fees	(8,320)	N/A	(21,350)	N/A
Subtotal from continuing operations	39,410	13.3%	28,880	10.0%
Discontinued operations	190	N/A	1,460	N/A

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Total company	\$ 39,600	13.3%	\$ 30,340	10.5%
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