TRIMAS CORP
Form 10-Q
May 01, 2007

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2007

or

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

For the Transition Period from to .

Commission File Number 333-100351

TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

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

39400 Woodward Avenue, Suite 130
Bloomfield Hills, Michigan 48304

(Address of principal executive offices, including zip code)

(248) 631-5450

(Registrant s telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes o No x.

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

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

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

As of May 1, 2007, the number of outstanding shares of the Registrant s common stock, $.01 par value, was 20,759,500 shares.

TriMas Corporation

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Forward-Looking Statements

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TriMas Corporation
Consolidated Balance Sheet
(Unaudited dollars in thousands)

	March 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 3,900	$ 3,600
Receivables, net	122,700	99,240
Inventories, net	170,240	165,360
Deferred income taxes	24,300	24,310
Prepaid expenses and other current assets	6,940	7,320
Assets of discontinued operations held for sale		11,770
Total current assets	328,080	311,600
Property and equipment, net	166,890	165,200
Goodwill	529,130	529,730
Other intangibles, net	236,550	240,120
Other assets	39,500	39,410
Total assets	$1,300,150	$ 1,286,060
Liabilities and Shareholders Equity		
Current liabilities:		
Current maturities, long-term debt	$ 8,230	$ 9,700
Accounts payable	131,770	100,070
Accrued liabilities	77,300	71,970
Liabilities of discontinued operations		23,530
Total current liabilities	217,300	205,270
Long-term debt	715,290	724,790
Deferred income taxes	89,260	89,940
Other long-term liabilities	38,980	33,280
Total liabilities	1,060,830	1,053,280
Preferred stock, $0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None		
Common stock, $0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 20,759,500 shares	210	210
Paid-in capital	399,140	399,070
Accumulated deficit	(208,290)	(215,220)
Accumulated other comprehensive income	48,260	48,720
Total shareholders equity	239,320	232,780
Total liabilities and shareholders equity	$1,300,150	$ 1,286,060

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

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

	Three months ended March 31, 2007	2006
Net sales	$ 286,690	$ 273,030
Cost of sales	(207,400)	(199,690)
Gross profit	79,290	73,340
Selling, general and administrative expenses	(45,780)	(44,500)
Loss on dispositions of property and equipment	(170)	(180)
Operating profit	33,340	28,660
Other expense, net:		
Interest expense	(18,860)	(19,920)
Other, net	(1,160)	(780)
Other expense, net	(20,020)	(20,700)
Income from continuing operations before income taxes	13,320	7,960
Income tax expense	(4,930)	(3,020)
Income from continuing operations	8,390	4,940
Loss from discontinued operations, net of income taxes	(1,340)	(1,340)
Net income	$ 7,050	$ 3,600
Earnings (loss) per share basic:		
Continuing operations	$ 0.40	$ 0.25
Discontinued operations, net of income taxes	(0.06)	(0.07)
Net income per share	$ 0.34	$ 0.18
Weighted average common shares basic	20,759,500	20,010,000
Earnings (loss) per share diluted:		
Continuing operations	$ 0.40	$ 0.24
Discontinued operations, net of income taxes	(0.06)	(0.07)
Net income per share	$ 0.34	$ 0.17
Weighted average common shares diluted	20,759,500	20,760,000

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

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

	Three months ended March 31, 2007	2006
Cash Flows from Operating Activities:		
Net income	$ 7,050	$ 3,600
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on dispositions of property and equipment	380	100
Depreciation	5,930	5,910
Amortization of intangible assets	3,910	4,020
Amortization of debt issue costs	730	1,360
Deferred income taxes	660	(240)
Non-cash compensation expense	70	420
Net proceeds from sale of receivables and receivables securitization	28,750	25,120
Increase in receivables	(51,930)	(29,630)
Increase in inventories	(5,700)	(14,490)
Decrease in prepaid expenses and other assets	1,910	200
Increase in accounts payable and accrued liabilities	35,910	14,320
Other, net	(730)	320
Net cash provided by operating activities	26,940	11,010
Cash Flows from Investing Activities:		
Capital expenditures	(19,480)	(5,290)
Net proceeds from disposition of businesses and other assets	4,000	640
Net cash used for investing activities	(15,480)	(4,650)
Cash Flows from Financing Activities:		
Repayment of term loan facilities	(860)	(700)
Proceeds from borrowings on revolving credit facilities	144,150	167,710
Repayments of borrowings on revolving credit facilities	(154,450)	(175,390)
Net cash used for financing activities	(11,160)	(8,380)
Cash and Cash Equivalents:		
Increase (decrease) for the period	300	(2,020)
At beginning of period	3,600	3,730
At end of period	$ 3,900	$ 1,710
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 6,630	$ 5,280
Cash paid for taxes	$ 2,260	$ 4,930

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

TriMas Corporation
Consolidated Statement of Shareholders Equity
Three Months Ended March 31, 2007
(Unaudited dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balances, December 31, 2006	$ 210	$ 399,070	$ (215,220)	$ 48,720	$ 232,780
Comprehensive income:					
Net income			7,050		7,050
Foreign currency translation				1,770	1,770
Total comprehensive income					8,820
Non-cash compensation expense		70			70
Cumulative impact of change in accounting for benefit plans (net of tax of $1.3 million) (Note 14)				(2,230)	(2,230)
Cumulative impact of change in accounting for uncertainties in income taxes (Note 3)			(120)		(120)
Balances, March 31, 2007	$ 210	$ 399,140	$ (208,290)	$ 48,260	$239,320

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

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

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

During the fourth quarter of 2005, the Company committed to a plan to sell its industrial fasteners business. The industrial fastening business consisted of three locations: Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. The Wood Dale and Lakewood operating locations were sold in December 2006. The Frankfort operating location was sold in February 2007. The industrial fastening business is presented as discontinued operations. See Note 2, *Discontinued Operations and Assets Held for Sale*.

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

2. Discontinued Operations and Assets Held for Sale

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

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

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

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

Results of discontinued operations are summarized as follows:

	Three months ended March 31, 2007	2006
	(dollars in thousands)	
Net sales	$ 6,550	$ 25,720
Loss from discontinued operations before income tax (expense) benefit	$ (1,290)	$ (2,190)
Income tax (expense) benefit	(50)	850
Loss from discontinued operations, net of income tax (expense) benefit	$ (1,340)	$ (1,340)

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

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

3. Income Taxes

Effective January 1, 2007, the Company adopted Financial Accounting Standards Board Interpretation No. 48 Accounting for Uncertainty in Income Taxes (FIN 48). FIN 48 specifies the way companies are to account for uncertainty in income tax reporting, and prescribes a methodology for recognizing, reversing, and measuring the tax benefits of a tax position taken, or expected to be taken, in a tax return.

As a result of adopting FIN 48, the Company recorded a net increase of $0.1 million to reserves for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of accumulated deficit. Including the impact of the cumulative effect adjustment, as of January 1, 2007, the Company had unrecognized tax benefits of approximately $5.4 million. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense. As of January 1, 2007, the Company had $0.8 million of accrued interest and penalties included in the reported amount of unrecognized tax benefits. Included in our unrecognized tax benefits are $5.4 million of uncertain tax positions that would impact our effective tax rate if recognized. We do not expect any significant increases or decreases to our unrecognized tax benefits within twelve months of this reporting date.

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

As of January 1, 2007, the Company is subject to U.S. Federal income tax examinations for the tax years 2002 through 2006, and to non-U.S. income tax examinations for tax years 2000 through 2006. In addition, the Company is subject to state and local income tax examinations for the tax years 2002 through 2006. There are no income tax examinations currently in process.

4. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the three months ended March 31, 2007 are summarized as follows:

	Packaging Systems	Energy Products	Industrial Specialties	RV & Trailer Products	Recreational Accessories	Total
	(dollars in thousands)					
Balance, December 31, 2006	$ 186,680	$ 45,190	$ 62,720	$ 140,830	$ 94,310	$ 529,730
Adjustment to tax contingencies established in purchase accounting				(450)	(1,060)	(1,510)
Foreign currency translation	540	50		40	280	910
Balance, March 31, 2007	$ 187,220	$ 45,240	$ 62,720	$ 140,420	$ 93,530	$ 529,130

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

Intangible Category by Useful Life	As of March 31, 2007 Gross Carrying Amount	Accumulated Amortization	As of December 31, 2006 Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Customer relationships:				
6 12 years	$ 26,500	$ (16,380)	$ 26,500	$ (15,900)
15 25 years	172,040	(43,100)	171,920	(40,730)
Total customer relationships	198,540	(59,480)	198,420	(56,630)
Technology and other:				
1 15 years	26,020	(16,730)	26,010	(16,170)
17 30 years	40,360	(11,240)	40,180	(10,780)
Total technology and other	66,380	(27,970)	66,190	(26,950)
Trademark/Trade names (indefinite life)	63,430	(4,320)	63,400	(4,310)
	$ 328,350	$ (91,770)	$ 328,010	$ (87,890)

Amortization expense related to technology and other intangibles was approximately $1.0 million for each of the three months ended March 31, 2007 and 2006, respectively. These amounts are included in cost of sales in the accompanying consolidated statement of operations. Amortization expense related to customer intangibles was $2.8 million and $3.0 million for the three months ended March 31, 2007 and 2006, respectively. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

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

5. Accounts Receivable Securitization

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

TSPC from time to time may sell an undivided fractional ownership interest in the pool of receivables up to approximately $125.0 million to a third party multi-seller receivables funding company. The net proceeds of sales are less than the face amount of accounts receivable sold by an amount that approximates the purchaser s financing costs, which amounted to a total of $0.8 million and $0.9 million for the three months ended March 31, 2007 and 2006, respectively. Such amounts are included in other, net in the accompanying consolidated statement of operations. As of March 31, 2007 and December 31, 2006, the Company s funding under the facility was approximately $44.4 million and $19.6 million, respectively, with an additional $8.8 million and $29.0 million, respectively, available but not utilized. When the Company sells receivables under this arrangement, the Company retains a subordinated interest in the receivables sold. The retained interest in receivables sold is included in receivables in the accompanying balance sheet and approximated $56.2 million and $71.6 million at March 31, 2007 and December 31, 2006, respectively. The usage fee under the facility is 1.35%. In addition, the Company is required to pay a fee of 0.5% on the unused portion of the facility. This facility expires on December 31, 2007.

The financing costs are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on historical collection experience and a discount rate representing a spread over LIBOR as prescribed under the terms of the securitization agreement. As of March 31, 2007 and 2006, the financing costs were based on an average liquidation period of the portfolio of approximately 1.2 months and 1.3 months, respectively, and an average discount rate of 3.2% for both periods.

In the three months ended March 31, 2007 and 2006, the Company sold an undivided interest in approximately $3.9 million and $2.8 million, respectively, of accounts receivable under a factoring arrangement at three of its European subsidiaries. These transactions were accounted for as a sale and the receivables were sold at a discount from face value approximating 1.6%. Costs associated with these transactions were approximately $0.06 million and $0.04 million, respectively, and are included in other, net in the accompanying consolidated statement of operations.

6. Inventories

Inventories consist of the following:

	March 31, 2007	December 31, 2006
	(dollars in thousands)	
Finished goods	$ 104,160	$ 83,310
Work in process	23,150	23,070
Raw materials	42,930	58,980
Total inventories	$ 170,240	$ 165,360

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

7. Property and Equipment, Net

Property and equipment consists of the following:

	March 31, 2007	December 31, 2006
	(dollars in thousands)	
Land and land improvements	$ 5,280	$ 5,310
Buildings	45,680	45,130
Machinery and equipment	233,700	227,030
	284,660	277,470
Less: Accumulated depreciation	117,770	112,270
Property and equipment, net	$ 166,890	$ 165,200

Depreciation expense was $5.9 million for each of the three months ended March 31, 2007 and 2006, respectively.

8. Long-term Debt

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

	March 31, 2007	December 31, 2006
	(dollars in thousands)	
Bank debt	$ 264,340	$ 274,060
Non-U.S. bank debt and other	22,600	23,890
9⅞% subordinated notes, due June 2012	436,580	436,540
	723,520	734,490
Less: Current maturities, long-term debt	8,230	9,700
Long-term debt	$ 715,290	$ 724,790

U.S. Bank Debt

The Company is a party to a credit facility consisting of a $90.0 million revolving credit facility, a $60.0 million deposit-linked supplemental revolving credit facility and a $260.0 million term loan facility (collectively, the Credit Facility). Under the Credit Facility, the revolving credit facilities mature on August 2, 2011, while the term loan matures on August 2, 2013 (or February 28, 2012 if the Company s existing senior subordinated notes are still outstanding as of that date). The Company is also able to issue letters of credit, not to exceed $65.0 million in aggregate, against its revolving credit facility commitments. At March 31, 2007 and December 31, 2006, the Company had letters of credit of approximately $35.7 million and $45.0 million, respectively, issued and outstanding. The weighted average interest rate on borrowings under the Credit Facility was 7.98% and 8.22% at March 31, 2007 and December 31, 2006, respectively.

At March 31, 2007, the Company had $5.6 million outstanding under its revolving credit facility and had an additional $108.7 million potentially available after giving effect to the $35.7 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

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

approximately $88.9 million of borrowing capacity available to it under its revolving credit facility and receivables securitization for general corporate purposes.

The bank debt is an obligation of the Company and its subsidiaries. Although the terms of the Credit Facility do not restrict the Company s subsidiaries from making distributions to it in respect of its 97⁄8% senior subordinated notes, it does contain certain other limitations on the distribution of funds from TriMas Company LLC, the principal subsidiary, to the Company. The restricted net assets of the guarantor subsidiaries, of approximately $676.6 million and $645.3 million at March 31, 2007 and December 31, 2006, respectively, are presented in the financial information in Note 15, *Supplemental Guarantor Condensed Consolidating Financial Information*. The Credit Facility also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries, including: restrictions on incurrence of debt, except for permitted acquisitions and subordinated indebtedness, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset dispositions, sale-leaseback transactions greater than $90.0 million if sold at fair market value, hedging agreements, dividends and other restricted junior payments, stock repurchases, transactions with affiliates, restrictive agreements and amendments to charters, by-laws, and other material documents. The Credit Facility also requires the Company and its subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined), interest expense ratio (consolidated EBITDA, as defined, over cash interest expense, as defined) and a capital expenditures covenant. The Company was in compliance with its covenants at March 31, 2007.

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

Non-U.S. bank debt

In the United Kingdom, the Company s subsidiary is party to a revolving debt agreement which is secured by a letter of credit under the Credit Facility. At March 31, 2007, the balance outstanding under this arrangement was $0.5 million at an interest rate of 6.45%.

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 March 31, 2007, the balance outstanding under this agreement was $5.6 million at an interest rate of 4.48%.

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 March 31, 2007, the balance outstanding under this agreement was $16.4 million at a weighted average interest rate of 6.8%.

Notes

The 97⁄8% senior subordinated notes due 2012 (Notes) indenture contains negative and affirmative covenants and other requirements that are comparable to those contained in the Credit Facility. At March 31, 2007, the Company was in compliance with all such covenant requirements.

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

9. Commitments and Contingencies

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

As of March 31, 2007, we were a party to approximately 1,650 pending cases involving an aggregate of approximately 10,229 claimants alleging personal injury from exposure to asbestos containing materials formerly used in gaskets (both encapsulated and otherwise) manufactured or distributed by certain of our subsidiaries for use primarily in the petrochemical refining and exploration industries. The following chart summarizes the number of claimants, number of claims filed, number of claims dismissed, number of claims settled, the average settlement amount per claim and the total defense costs, exclusive of amounts reimbursed under our primary insurance, at the applicable date and for the applicable periods:

	Claims pending at beginning of period	**Claims filed during period**	**Claims dismissed during period**	**Claims settled during period**	**Average settlement amount per claim during period**	**Total defense costs during period**
Fiscal year ended December 31, 2006	19,416	3,766	12,508	123	$ 5,613	$ 4,895,104
Three months ended March 31, 2007	10,551	125	417	30	$ 20,958	$ 1,258,145

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 10,229 claims pending at March 31, 2007, 156 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 128 of the 156 claims sought between $1.0 million and $5.0 million in

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total damages (which includes compensatory and punitive damages) and 28 sought between $5.0 million and $10.0 million in total damages (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 135 of the 156 claims sought between $50,000 and $600,000 and 21 sought between $1.0 million and $5.0 million. Solely with respect to punitive damages, 128 of the 156 claims sought between $1.0 million and $2.5 million and 28 sought $5.0 million. In addition, relatively few of the claims have reached the discovery stage and even fewer claims have gone past the discovery stage.

Total settlement costs (exclusive of defense costs) for all such cases, some of which were filed over 20 years ago, have been approximately $4.4 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.

10. Related Parties

Metaldyne Corporation

On January 11, 2007, Metaldyne merged into a subsidiary of Asahi Tec Corporation (Asahi) whereby Metaldyne became a wholly-owned subsidiary of Asahi. In connection with the consummation of the merger, Metaldyne dividended the 4,825,587 shares of the Company s common stock that it owned on a pro rata basis to the holders of Metaldyne s common stock at the time of such dividend. As a result of the merger, Metaldyne and the Company are no longer related parties. The remaining contractual obligations to Metaldyne, which previously were classified as Due to Metaldyne in the Company s balance sheet are now classified as accrued liabilities in the accompanying consolidated balance sheet and were approximately $4.1 million at March 31, 2007.

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Heartland Industrial Partners

The Company is party to an advisory services agreement with Heartland Industrial Partners (Heartland) at an annual fee of $4.0 million plus expenses. Heartland was paid $1.0 million for each of the three month periods ended March 31, 2007 and 2006, respectively, for such fees and expenses under this agreement. Such amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

Related Party Sales

The Company sold fastener products to Metaldyne in the amount of approximately $0.1 million in each of the three month periods ended March 31, 2007 and 2006, respectively. The Company also sold fastener products to affiliates of a shareholder in the amount of approximately $2.0 million in the three months ended March 31, 2006. These amounts are included in results of discontinued operations. See Note 2, *Discontinued Operations and Assets Held for Sale*.

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

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

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

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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, non-cash losses on sale-leaseback of property and equipment and write-off of equity offering costs.

Segment activity is as follows:

	Three Months Ended March 31, 2007	2006
	(dollars in thousands)	
Net Sales		
Packaging Systems	$ 53,750	$ 51,100
Energy Products	41,580	39,950
Industrial Specialties	52,840	44,440
RV & Trailer Products	53,410	55,860
Recreational Accessories	85,110	81,680
Total	$ 286,690	$ 273,030
Operating Profit		
Packaging Systems	$ 9,000	$ 8,190
Energy Products	6,410	5,920
Industrial Specialties	12,270	8,410
RV & Trailer Products	6,460	8,260
Recreational Accessories	5,140	4,140
Corporate expenses and management fees	(5,940)	(6,260)
Total	$ 33,340	$ 28,660
Adjusted EBITDA		
Packaging Systems	$ 12,290	$ 11,740
Energy Products	7,100	6,540
Industrial Specialties	13,250	9,810
RV & Trailer Products	8,520	10,090
Recreational Accessories	7,740	6,870
Corporate expenses and management fees	(6,880)	(7,250)
Subtotal from continuing operations	42,020	37,800
Discontinued operations	(1,290)	(2,180)
Total company	$ 40,730	$ 35,620

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

	Three Months Ended March 31, 2007	2006
	(dollars in thousands)	
Net income	$ 7,050	$ 3,600
Income tax expense	4,980	2,170
Interest expense	18,860	19,920
Depreciation and amortization	9,840	9,930
Adjusted EBITDA, total company	$ 40,730	$ 35,620
Negative Adjusted EBITDA, discontinued operations	1,290	2,180
Adjusted EBITDA, continuing operations	$ 42,020	$ 37,800

12. Stock Options and Awards

The TriMas Corporation 2002 Long Term Equity Incentive Plan (the Plan), provides for the issuance of equity-based incentives in various forms, of which a total of 2,222,000 stock options have been approved for issuance under the Plan. As of March 31, 2007, the Company has 2,007,268 stock options outstanding, each of which may be used to purchase one share of the Company s common stock. The options have a 10-year life and the exercise prices range from $20 to $23. Eighty percent of the options vest ratably over three years from the date of grant, while the remaining twenty percent vest after seven years from the date of grant or on an accelerated basis over three years based upon achievement of specified performance targets, as defined in the Plan. The options become exercisable upon the later of: (1) the normal vesting schedule as described above, or (2) upon the occurrence of a qualified public equity offering as defined in the Plan, one half of the vested options become exercisable 180 days following such public equity offering, and the other one half of vested options become exercisable on the first anniversary following consummation of such public offering.

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

The Company recognized stock-based compensation expense of $0.1 million and $0.4 million for the three months ended March 31, 2007 and 2006, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statements of operations. The fair value of options which vested during each of the three months ended March 31, 2007 and 2006 was $0.3 million. As of March 31, 2007, the Company had $0.3 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted average period of 1.4 years.

There were no options issued by the Company during the first three months of 2007 or 2006.

TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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Information related to stock options at March 31, 2007, is as follows:

	Number of Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007	2,008,201	$ 20.89		
Granted				
Exercised				
Cancelled	(933)	23.00		
Outstanding at March 31, 2007	2,007,268	$ 20.89	6.3	$

13. Earnings per Share

The Company reports earnings per share in accordance with FASB Statement of Financial Standards No. 128 (SFAS No. 128), *Earnings per Share*. Basic and diluted earnings per share amounts were computed using weighted average shares outstanding for the three months ended March 31, 2007 and 2006, respectively, and considers an outstanding warrant to purchase 750,000 shares of common stock at par value of $.01 per share, which was exercised on September 15, 2006. The warrant was exercised using a cashless exercise provision, which increased the outstanding number of shares of common stock by 749,500. Options to purchase approximately 2,007,268 and 1,994,956 shares of common stock were outstanding at March 31, 2007 and 2006, 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.

14. Defined Benefit Plans

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

The required date of adoption of the recognition and disclosure provisions of SFAS No. 158 is different for an employer that is an issuer of publicly traded equity securities (as defined) and an employer that is not. An employer with publicly traded equity securities was required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. Because the Company had an S-1 Registration Statement pending with the Securities and Exchange Commission for the sale of common equity securities, the Company was required to adopt the requirement to recognize the funded status of our benefit plans and the disclosure requirements of SFAS 158 in our financial statements for the year ended December 31, 2006, but failed to do so. However, the Company concluded that the impact of not recognizing the funded status of its benefit plans in its balance sheet as of December 31, 2006 was immaterial as the impact was to understate reported liabilities by approximately $3.6 million, or 0.3% of total liabilities, and to overstate accumulated other comprehensive income by approximately $2.2 million, or 0.9% of total shareholders equity. Further, the effect of adoption had no impact on the statements of operations or cash flows.

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NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
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TriMas adopted the recognition provisions of SFAS No. 158 effective March 31, 2007. The effect of adopting SFAS No. 158 on the Company s financial condition at March 31, which represents the amounts that would have been recorded as of December 31, 2006, is summarized below:

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

Net periodic pension and postretirement benefit costs for TriMas defined benefit pension plans and postretirement benefit plans, covering foreign employees, union hourly employees and certain salaried employees include the following components for the three months ended March 31, 2007 and 2006:

	Pension Benefit		Postretirement Benefit	
	Three months ended March 31,			
	2007	2006	2007	2006
	(dollars in thousands)			
Service costs	$ 140	$ 160	$ 20	$ 20
Interest costs	410	400	110	130
Expected return on plan assets	(490)	(460)		
Amortization of net loss	110	130	20	30
Net periodic benefit cost	$ 170	$ 230	$ 150	$ 180

The Company expects to contribute approximately $2.2 million to its defined benefit pension plans in 2007. During the three months ended March 31, 2007 the Company contributed approximately $0.5 million.

15. 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). These Notes are guaranteed by substantially all of the Company s domestic subsidiaries (Guarantor Subsidiaries). All of the Guarantor Subsidiaries are 100% owned by the Parent and their guarantee is full, unconditional, joint and several. The Company s non-domestic subsidiaries and TSPC, Inc. have not guaranteed the Notes (Non-Guarantor Subsidiaries). The Guarantor Subsidiaries have also guaranteed amounts outstanding under the Company s Credit Facility.

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

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

	March 31, 2007				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 380	$ 3,520	$	$ 3,900
Trade receivables, net		98,190	24,510		122,700
Receivables, intercompany					
Inventories		147,710	22,530		170,240
Deferred income taxes		23,730	570		24,300
Prepaid expenses and other current assets		5,640	1,300		6,940
Total current assets		275,650	52,430		328,080
Investments in subsidiaries	676,610	170,940		(847,550)	
Property and equipment, net		109,210	57,680		166,890
Goodwill		415,640	113,490		529,130
Intangibles and other assets	12,010	247,020	18,820	(1,800)	276,050
Total assets	$ 688,620	$ 1,218,460	$ 242,420	$ (849,350)	$ 1,300,150
Liabilities and Shareholders Equity					
Current liabilities:					
Current maturities, long-term debt	$	$ 2,350	$ 5,880	$	$ 8,230
Accounts payable, trade		108,650	23,120		131,770
Accounts payable, intercompany					
Accrued liabilities	12,720	56,270	8,310		77,300
Total current liabilities	12,720	167,270	37,310		217,300
Long-term debt	436,580	262,040	16,670		715,290
Deferred income taxes		75,420	15,640	(1,800)	89,260
Other long-term liabilities		37,120	1,860		38,980
Total liabilities	449,300	541,850	71,480	(1,800)	1,060,830
Total shareholders equity	239,320	676,610	170,940	(847,550)	239,320
Total liabilities and shareholders equity	$ 688,620	$ 1,218,460	$ 242,420	$ (849,350)	$ 1,300,150

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

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