

TRIMAS CORP
Form 10-K/A
May 02, 2007

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**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington D.C. 20549

Form 10-K/A

Amendment No. 1

(Mark One)

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

For the fiscal year ended December 31, 2006.

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)

Securities registered pursuant to Section 12(b) of the Act: **None**

Securities registered pursuant to Section 12(g) of the Act: **None**

Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes No

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 and Section 15(d) of the Act. Yes No

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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 if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of Registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K.

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act.

Large Accelerated Filer Accelerated Filer Non-accelerated Filer

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

There is currently no public market for the Registrant's common stock.

As of March 22, 2007, the number of outstanding shares of the Registrant's common stock, \$.01 par value, was 20,759,500 shares.

Explanatory Note

We are filing this Amendment No. 1 on Form 10-K/A ("Amendment") to amend and restate Item 11, "Executive Compensation," that was included in our original Annual Report on Form 10-K for the fiscal year ended December 31, 2006. We are restating Item 11 in connection with our responses to comments from the Staff of the Securities and Exchange Commission ("Staff") in the course of its review of our registration statement filed on Form S-1. This amendment restates portions of our Compensation Discussion and Analysis to expand disclosure of topics noted by the Staff, including our benchmarking process, targets relating to our Annual Value Creation Plan and our Chief Executive Officer's compensation.

For the convenience of the reader, this Amendment sets forth the entire Form 10-K for the fiscal year ended December 31, 2006. However, this Amendment amends and restates only Item 11 of the Form 10-K. The other Items are not being amended.

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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 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 a substantial number of our raw material or energy 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;

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

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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;

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; and

We have not yet completed implementing our current plans to improve internal controls over financial reporting and may be unable to remedy certain internal control weaknesses identified by our management and take other actions to maintain compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

We disclose important factors that could cause our actual results to differ materially from our expectations under Item 1A, "Risk Factors," and Item 7, "*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

Item 1. Business

We are a manufacturer of highly engineered products serving niche markets in a diverse range of commercial, industrial and consumer applications. Most of our businesses share important characteristics, including leading market shares, strong brand names, broad product offerings, established distribution networks, relatively high operating margins, relatively low capital investment requirements, product growth opportunities and strategic acquisition opportunities. We believe that a majority of our 2006 net sales were in markets in which our products enjoy the number one or number two market position within their respective product categories. In addition, we believe that in many of our businesses, we are one of only a few manufacturers in the geographic markets where we currently compete.

Our Business Segments

We operate through five business segments, which had net sales and operating profit (loss) in 2006 as follows: Packaging Systems (net sales: \$204.2 million; operating profit: \$33.8 million); Energy Products (net sales: \$157.0 million; operating profit: \$22.8 million); Industrial Specialties (net sales: \$182.0 million; operating profit: \$38.8 million); RV & Trailer Products (net sales: \$190.7 million; operating loss: \$79.7 million); and Recreational Accessories (net sales: \$286.6 million; operating loss: \$4.9 million).

In the fourth quarter of 2006, we recorded a non-cash goodwill impairment charge of \$97.5 million and \$19.0 million in our RV & Trailer Products and Recreational Accessories segments, respectively. The charge resulted from a decrease in the estimated fair value of these reporting units, primarily due to declining sales and/or profitability in 2006 as compared to sales and profitability levels in prior years and our operating plan and changes in their estimated market values.

In the fourth quarter of 2005, we reached a decision to sell our industrial fastening business. The industrial fastening business consisted of operating locations in Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. During the fourth quarter of 2006, we sold our Wood Dale, Illinois and Lakewood, Ohio operating locations of the industrial fastening business. We sold the remaining Frankfort, Indiana operating location of the industrial fastening business in February 2007. The information presented herein (information, amounts and description) excludes the business we decided to exit and these operations are presented as discontinued operations and assets held for sale.

Each segment has distinctive products, distribution channels, strengths and strategies, which are described below.

Packaging Systems

We believe Packaging Systems is a leading designer, manufacturer and distributor of specialty, highly engineered closure and dispensing systems for a range of niche end markets, including steel and plastic industrial and consumer packaging applications. We also manufacture specialty laminates, jacketings and insulation tapes used with fiberglass insulation as vapor retarders in commercial and industrial construction applications. We believe that Packaging Systems is one of the largest manufacturers of steel and plastic industrial container closures and dispensing products in North America and also has a significant presence in Europe and other international markets. Packaging Systems manufactures high performance, value-added products that are designed to enhance its customers' ability to store, ship, process and dispense various products in the industrial, agricultural, consumer and pharmaceutical markets. Similarly, Packaging Systems' vapor retarder products enable us to offer customers a complete systems approach to insulation installation. Packaging Systems' products include steel and plastic closure caps, drum enclosures, rings and levers, dispensing systems, such as

pumps and specialty sprayers, and flame retardant facings, insulation jacketings, and pressure-sensitive specialty tape products.

Our Packaging Systems brands, which include Rieke®, Englass®, Stolz® and Compac , are well established and recognized in their respective markets.

Rieke, located in Auburn, Indiana, designs and manufactures traditional industrial closures and dispensing products in North America and Asia. We believe Rieke has significant market share for many of its key products, such as steel drum enclosures, plastic drum closures and plastic pail dispensers and plugs.

Englass, located in the United Kingdom, focuses on pharmaceutical and personal care dispensers sold primarily in Europe, but its product and engineering "know-how" is applicable to the consumer dispensing market in North America and other regions, which we believe provides significant opportunities for growth.

We believe that Rieke Germany GmbH (Rieke Germany), which designs, manufactures and distributes products under our Stolz® brand, is a European leader in plastic enclosures for sub-20 liter sized containers used in automotive and chemical applications.

Rieke Italia, located in Italy, specializes in ring and lever closures that are used in the European industrial market. This specialty closure system is also sold into the North American Free Trade Agreement (NAFTA) markets.

Compac, located in Hackettstown, New Jersey, manufactures flame-retardant facings, insulation jacketings, and pressure-sensitive tapes used in conjunction with fiberglass insulation as vapor retarders. Combined with facing and jacketing products, pressure-sensitive specialty tapes enable us to offer customers a complete systems approach to insulation installation. A line of industrial pressure-sensitive tapes further extends Compac's presence into the industrial, automotive and electronic markets.

Competitive Strengths

We believe Packaging Systems benefits from the following competitive strengths:

Strong Product Innovation. We believe that Packaging Systems' research and development capability and new product focus is a competitive advantage. For more than 80 years, Packaging Systems' product development programs have provided innovative and proprietary product solutions, such as the ViseGrip® steel flange and plug closure, the Poly-ViseGrip plastic closure and the all-plastic, environmentally safe, self-venting FlexSpout® flexible pouring spout. Packaging Systems' emphasis upon highly engineered packaging solutions and research and development has yielded 135 issued and enforceable patents and 218 patent applications pending. Packaging Systems has approximately 18 technical employees responsible for new product development, improving existing products and designing automation equipment to assist in cost reductions, both internally and at our customers' locations.

Customized Solutions that Enhance Customer Loyalty. A significant portion of Packaging Systems' products are customized for end-users. For example, the installation in customer drum and pail plants of customized, patent protected, Rieke-designed insertion equipment and tools that are specially designed for use on Rieke manufactured closures and dispensers creates substantial switching costs. As a result, and because the equipment is located inside customers' plants, we are able to support favorable pricing and generate a high degree of customer loyalty. Rieke has also been successful in promoting the sale of complementary products in an effort to create preferred supplier status.

Leading Market Positions and Global Presence. We believe that Packaging Systems is a leading designer and manufacturer of vapor retarders, pressure sensitive tapes, steel and plastic closure caps, drum enclosures, rings and levers and dispensing systems, such as pumps and specialty sprayers. Packaging Systems maintains a global presence, reflecting its global opportunities and customer base. Packaging Systems' headquarters is located in Auburn, Indiana, which is also the site of Rieke's manufacturing and technology center. Rieke also has manufacturing operations in Mexico, England, Germany, Italy and China. Compac's manufacturing and technology center is located in Hackettstown, New Jersey. Rieke also maintains warehouse locations in Australia and France. All of Rieke's manufacturing facilities have technologically advanced injection molding machines required to manufacture industrial container closures and specialty dispensing and packaging products, as well as automated, high-speed assembly equipment for multiple component products.

Strong Customer Relationships. Packaging Systems benefits from long-standing relationships with many of its customers. We believe that Packaging Systems' high level of customer recognition is due to its emphasis on product development, product quality and performance characteristics and the maintenance of high customer service standards. Packaging Systems also provides extensive in-house design and development technical staff to provide solutions to customer requirements for closures, dispensing and insulation applications.

Strategies

We believe Packaging Systems has significant opportunities to grow, including:

New Product Applications. We believe that Packaging Systems has significant opportunities to apply its existing highly engineered product technology to new consumer products and pharmaceutical product applications, particularly in North America, and to develop new products. Rieke has focused its research and development capabilities on North American consumer applications requiring special packaging forms, and stylized containers and dispenser applications requiring a high degree of functionality and engineering. During calendar year 2006, we introduced three major new dispensing products into various markets. The first of these products is a specialty pump for the skin care markets. The second new offering was a dispenser, which targets the foods market. A third offering was a complete redesign of our 55-gallon drum closures. The new design provides anti-backoff features which are essential in the transport of liquid.

Product Cross-Selling Opportunities. Recently, Rieke began to cross-market successful European products, such as rings and levers, to a similar end-user customer base in the North American market utilizing its direct sales force. We believe that, as compared with its competitors, Rieke is able to offer a wider variety of products to its long-term North American customers at better pricing and with enhanced service and tooling support. Many of these customers have entered into supply agreements with Rieke on these broader product offerings.

Increased International Presence. Packaging Systems is seeking to increase its international manufacturing and sales presence. For example, Rieke opened a production and assembly facility in Hangzhou, China during the first quarter of 2004. This facility produces and assembles many of Rieke's recently introduced products and will manufacture certain of its anticipated new product launches as well. This location was selected since many of these new products have multiple components for which assembly is a major cost factor. Automation of the assembly process in certain of these products can be either technically difficult or costly. Rieke's facility in China provides it access to a skilled, but significantly lower-cost, labor market for assembly operations. In addition, Packaging Systems believes there is a growing market in the Far East for both Rieke's and Compac's products because many multinational customers require product

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availability throughout the world, including in the Asian market. During 2005, Packaging Systems' marketing plan for Asia was developed and is currently being implemented.

Acquisition Opportunities. We believe Packaging Systems has significant opportunities to grow its business through disciplined, strategic acquisitions. There are many companies participating in product and application markets that have similar product technologies and/or a common customer base. By acquiring such companies, Packaging Systems may obtain new product technologies to be sold to its existing customers, or new customers to whom the broader Packaging Systems product portfolio can be offered.

Marketing, Customers and Distribution

As of December 31, 2006, Packaging Systems employed approximately 33 salespeople throughout the world. Approximately 24 of these employees are located in the NAFTA and European regions. Packaging Systems also uses third-party agents and distributors in key geographic markets, including Europe, South America and Asia. Approximately 92% of Packaging Systems' net sales are originated by its employee sales force.

Rieke's agents and distributors primarily sell directly to container manufacturers and to users or fillers of containers. While the point of sale may be to a container manufacturer, Rieke, via a "pull through" strategy, calls on the container user or filler and suggests that it specify that a Rieke product be used on its container.

To support its "pull-through" strategy, Rieke offers more attractive pricing on Rieke products purchased directly from Rieke and Rieke products that the container users or fillers specify that the container manufacturer apply to the container. Users or fillers that use or specify Rieke's products include industrial chemical, agricultural chemical, petroleum, paint, personal care, pharmaceutical and sanitary supply chemical companies such as BASF, Bayer, Chevron, Dupont, General Electric, ICI Paints, Lucas Oil, Sherwin-Williams, and Warren Oil, among others.

Packaging Systems' primary customers include Berlin Packaging, Boots, Certainteed, Diversey, Ecolab, Knauf, Lyons Magnus, Manson Insulation, Owens-Corning, Pepsi, Pharmacia, Schering Plough, Shell Oil and Wings Foods as well as major container manufacturers around the world. Packaging Systems maintains a customer service center that provides technical support as well as other technical assistance to customers to reduce overall production costs.

Manufacturing

Rieke's manufacturing facilities are located in Auburn, Indiana; Hamilton, Indiana; Mexico City, Mexico; Leicester, England; Neunkirchen, Germany; Valmadrera, Italy; and Hangzhou, China. Compac's manufacturing facility is located in Hackettstown, New Jersey. Rieke's steel closure and dispensing production takes place at the Auburn, Indiana and Valmadrera, Italy sites, while the remaining Rieke production sites are plastic injection molding and assembly locations only. At Auburn, Indiana, there is also plastic molding machinery, while Compac's Hackettstown, New Jersey location focuses on the manufacture of vapor retarders and pressure-sensitive tapes. Our technology centers' equipment and product design, research and automation equipment is located in Auburn, Indiana and Hackettstown, New Jersey.

Rieke's steel closure and dispensing facilities include medium tonnage stamping machines using progressive dies. Ancillary production equipment includes high-speed internally designed automation equipment, paint and coating equipment and plating facilities.

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Rieke's injection-molded plastic manufacturing sites use a variety of resins including polyethylene, polypropylene and nylon raw materials. There is high-speed equipment at all locations except our China facility. This equipment is used to assemble multiple components into a finished product. Components of a finished product can range from two components to in excess of ten components.

Rieke also has equipment for pad printing on injection-molded products. Printing is desired by customers who want their company logos or other design work displayed on the closure or dispenser.

We maintain warehouse locations in Australia and France to facilitate the sale and distribution of products. The manufacturing facilities ship directly to the warehouses where inventory is held for distribution. In Canada, Singapore and Eastern Europe, we use distributors to deliver products to customers.

Competition

Since Rieke has a broad range of products in both closures and dispensing products, there are competitors in each of our product offerings. We do not believe that there is a single competitor that matches our entire product offering.

In the industrial steel closure product line our competitors within the NAFTA market include Greif Closure Systems and Technocraft. In the industrial plastic 55-gallon drum closure line, our primary competitor is Greif. In the 5-gallon container closure market, our primary competitors are Greif, Bericap and APC. Our primary competitors in the ring and lever product line are Self Industries and Technocraft. In the dispensing product lines, our major competitors are Calmar, Aptar, Airspray and Indesco.

In the European market, our industrial steel closure product lines compete with Greif Closure Systems and Technocraft. The industrial plastic 55-gallon drum closure lines compete with Greif and Mauser. The Rieke® 5-gallon container closure products compete with those of Greif and Bericap. Rieke's ring and lever products compete with those of Berger and Technocraft. Rieke's dispensing products compete with those of Jaycare, Calmar, WIKO and Airspray.

In the market for pressure-sensitive specialty tapes, Compac competes with 3M, MACtac, Venture and Scapa, while our principal competitor in vapor retarders is Lamtec.

Energy Products

We believe Energy Products is a leading designer, manufacturer and distributor of a variety of engines and engine replacement parts and accessory products for the oil and gas industry as well as metallic and non-metallic industrial sealant products and fasteners for the petroleum refining, petrochemical and other industrial markets. Our companies and brands which comprise this segment include Lamons® Gasket and Arrow® Engine.

Lamons manufactures and distributes metallic and nonmetallic industrial gaskets and complementary fasteners for refining, petrochemical and other industrial applications principally in the United States and Canada. Gaskets and complementary fasteners are supplied both for industrial original equipment manufacturers and maintenance repair operations.

Arrow Engine manufactures specialty engines, chemical pumps and engine replacement parts for the oil and natural gas extraction and other industrial engine markets, which are distributed through a worldwide distribution network with a particularly strong presence in the U.S. and Canada.

Competitive Strengths

We believe Energy Products benefits from the following competitive strengths:

Leading Market Positions and Strong Brand Names. We believe Lamons is the largest gasket supplier to the domestic petroleum industry, while Arrow Engine owns the original equipment manufacturing rights to distribute engines and replacement parts for four main engine lines and offers a full range of replacement parts for an additional seven engine lines, which are widely used in the energy industry and other industrial applications.

Broad Product Portfolio. Arrow Engine currently offers a broad range of products within the oil and gas industry and industrial engine markets. New product development and expanding complimentary product offerings to these existing markets are key initiatives for Arrow Engine while expanding into new energy markets through its distributors.

Application Engineering Expertise. Since its founding in 1955, Arrow Engine has been developing innovative products and product lines that add significant value in oil and gas industry markets. Recent examples include introduction of the A54 model engine which adds a standard configuration, multi-cylinder engine for pumpjack and progressive cavity pump applications. Additionally, we developed a new 6 horsepower single cylinder engine introduced to the market for smaller, pumpjack applications. In each instance, Arrow Engine enjoys exclusive distribution rights of these engine models in the oil and gas extraction markets.

Established and Extensive Distribution Channels. Our Energy Products businesses utilize an established hub-and-spoke distribution system whereby our primary manufacturing facility supplies product to our highly knowledgeable network of worldwide distributors, which are located in close proximity to our primary customers. This established network allows us to add new customers in various locations or to increase distribution to existing customers with relatively small increases in incremental costs. Our experienced in-house sales support team works with our network of distributors to create a strong market presence in all aspects of the oil and gas and petrochemical refining industries.

Strategies

We believe Energy Products has significant opportunities to grow through the introduction of new products, entry into new markets, and the development of new customer opportunities, as well as through strategic acquisitions.

Strong Product Innovation. Energy Products has a history of successfully creating and introducing new products. Arrow Engine has recently developed new products in the area of industrial engine spare parts for various industrial engines, including selected engines manufactured by Caterpillar, Waukesha, Ajax and Gemini. Lamons has developed a special spiral-wound WRI-LP gasket designed for the hydrochloric alkylation process at refineries.

Entry into New Markets and Development of New Customers. Energy Products has significant opportunities to grow its businesses by offering its products to new customers and new markets. Lamons is presently targeting both additional industries (pulp and paper, power plants, mining) and international expansion, including plans to ship directly from China, and plans to enter markets in Europe, Asia and South America. Arrow Engine continues to focus on expanding market share in the United States and Canadian markets for oilfield pumping and gas compression engines and expanding its marketing and distribution capabilities to new geographic regions outside the United States and Canada including, Russia, Eastern Europe, Asia and Africa.

Pursue Lower-Cost Manufacturing and Sourcing Initiatives. As the businesses in Energy Products expand and develop, we believe that there will be further opportunities to reduce their cost structures through streamlining manufacturing, overhead and administrative functions, global sourcing and selectively shifting manufacturing capabilities to countries with lower costs. In 2004, Lamons completed a major initiative to transfer several manufacturing facilities and consolidate distribution, sales and administrative functions into its Houston, Texas headquarters. More recently, Lamons has established manufacturing capability in Hangzhou, China to provide a lower cost manufacturing alternative for specific standard product lines and to provide support to current and potential customers that operate refineries in Asia. Arrow Engine has established an extensive sourcing capability in China and India to manufacture main engine components and various other engine parts and has increased related foreign parts purchases from \$6.5 million or 25.0% of total material purchases to \$8.9 million or 26.0% of total material purchases in the past two years.

Strategic Acquisitions. Energy Products has significant opportunities to expand its businesses with selected strategic acquisitions. The markets served by businesses in this segment tend to have relatively few competitors. As a result, strategic "bolt-on" acquisitions, in which the acquirer buys and consolidates another industry participant, are often available. Acquisitions can also facilitate new market entries, product line extensions and the development of new customers and/or distribution channels. An example of a strategic "bolt-on" acquisition in this segment was the acquisition of Haun Industries in 2002 by Arrow Engine.

Marketing, Customers and Distribution

Given the niche nature of many of our products, Energy Products relies upon a combination of direct sales forces and established networks of independent distributors with familiarity of the end users. The narrow end-user base of many of these products makes it possible for Energy Products to respond to customer-specific engineered applications and provide a high degree of customer service. Gasket sales are made directly from the factory to major customers through eleven sales and service facilities in major regional markets, or through a large network of independent distributors. Lamons' overseas sales are either through Lamons' licensees or through its many distributors. Arrow Engine markets product through a network of distributors, many with strong ties to larger energy companies that offer a wide range of products and services in the global oil and gas industry. In many of the markets this segment serves, its companies' brand names are virtually synonymous with product applications. Significant Energy Products' customers include BPAmoco, C.E. Franklin, Chevron, Dow, ExxonMobil, McJunkin Corporation, National Oilwell, Shearer, Weatherford Artificial Lift, and Wilson Supply.

Manufacturing

Within Energy Products, Lamons utilizes a complete assortment of advanced gasket fabricating technologies including laser cutting for metal products and water jet cutting for certain non-metallic gaskets. In addition, Lamons has a full range of CNC machining capabilities to fabricate API ring joint gaskets to a maximum diameter of 70 inches, while its Kammpro gaskets can be fabricated in whatever diameter size is required by its customers. Lamons also owns and continues to develop proprietary equipment to manufacture spiral wound and heat exchanger gaskets.

More recently, Lamons has established a manufacturing facility in Hangzhou, China. Within six months, this facility reached expected productivity targets on their initial product line, and provides a lower cost manufacturing alternative for specific product lines. The facility has been approved as a source for major Lamons customers and is expected to increase its share of production shipped to Asian and European customers in the near term.

Arrow Engine has its distribution and assembly processes at its principal facility in Tulsa, Oklahoma. A highly specialized network of machine shops and manufacturers serves as the supplier base with many engine components purchased as raw castings. Approximately, 35% of materials are purchased in a ready for shipment state, while 65% are assembled into marketable products such as engines, engine kits or chemical pumps.

Competition

Energy Products' primary competitors include Garlock (EnPro) and Flexitallic in gaskets; Waukesha Engine, CAT and Cummins in engines and engine replacement parts; and Texsteam and Williams Pumps in the chemical pump line. Energy Products' companies supply highly engineered, non-commodity, customer-specific products and most have large shares of small markets supplied by a limited number of competitors. In a significant number of areas, value-added design, finishing, warehousing, packaging, distribution and after-sales service have generated strong customer loyalty. This supplements lower cost manufacturing and relevant industry experience in promoting each of our business' competitiveness.

Industrial Specialties

We believe Industrial Specialties is a leading designer, manufacturer and distributor of a diverse range of industrial products for use in niche markets within the aerospace, industrial, defense and medical equipment markets. This segment's products include aerospace fasteners, high-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, precision tools, tube nuts and fittings, military ordnance components and steel cartridge cases. In general, these products are highly-engineered, customer-specific items that are sold into niche markets with few competitors.

Industrial Specialties' brands, including Monogram Aerospace Fasteners, Norris Cylinder, Hi-Vol Products, Keo® Cutters and Richards Micro-Tool, are well established and recognized in their respective markets.

Monogram Aerospace Fasteners. We believe Monogram is a leading manufacturer of permanent blind bolt and temporary fasteners used in commercial and military aircraft construction and assembly. Monogram currently has nine active patents worldwide. We believe Monogram is a leader in the development of blind bolt fastener technology for the aerospace industry. Its Visu-Lok®, Visu-Lok®II and Radial-Lok® blind bolts allow sections of aircraft to be joined together when access is limited to only one side of the airframe, providing certain cost efficiencies over conventional two piece fastening devices. Monogram's Composi-Lok® and Composi-Lok®II blind bolts are designed to solve unique fastening problems associated with the assembly of composite aircraft structures, and are therefore particularly well suited to take advantage of the increasing use of composite materials in aircraft construction.

Norris Cylinder. Norris is one of the few manufacturers in North America that provide a complete line of large and intermediate size, high-pressure and low-pressure steel cylinders for the transportation, storage and dispensing of compressed gases. Norris' large high-pressure seamless compressed gas cylinders are used principally for shipping, storing and dispensing oxygen, nitrogen, argon, helium and other gases for industrial and health-care markets. In addition, Norris offers a complete line of low-pressure steel cylinders used to contain and dispense acetylene gas for the welding and cutting industries. Other products Norris manufactures include seamless low-pressure chlorine cylinders and ASME-approved accumulator cylinders primarily used for storing breathing air and nitrogen. Norris markets cylinders primarily to major industrial gas producers and distributors, welding equipment distributors and buying groups as well as equipment manufacturers.

Precision Tool Company. Precision Tool Company produces a variety of specialty precision tools such as combined drills and countersinks, NC spotting drills, key seat cutters, end mills, reamers, master gears and gauges. Markets served by these products include the industrial, aerospace, automotive and medical equipment industries. We believe Precision Tool Company's Keo® brand is the market share leader in the industrial combined drill and countersink niche. We believe Richards Micro-Tool is a leading supplier of miniature end mills to the tool-making industry. Richards Micro-Tool has also been successful in providing the growing medical device market with bone drills and reamers.

Hi-Vol Products. We believe Hi-Vol Products (Hi-Vol) is a market leading supplier of tube nuts and other cold formed parts to the automotive and industrial markets of North America. The products supplied by Hi-Vol are engineered to exacting specifications that are used in any number of fluid handling applications, including power steering lines, brake lines and transmission and oil cooling lines. Hi-Vol's market leading position is attributable to its long standing reputation for quality and innovation in the area of male tube nuts.

NI Industries. NI Industries manufactures large diameter shell casings provided to the United States government and rocket launchers sold to foreign defense markets. We believe NI Industries is a leading manufacturer in its product markets, due in part to its capabilities in the entire metal-forming process from the acquisition of raw material to the design and fabrication of the final product. This gives NI Industries the flexibility and capacity to fully address the varied requirements of the munitions industry. The ability to form alloyed metals into the complex configurations needed to meet precise specifications in producing quality parts is a strength of this business. We believe that NI Industries is the only manufacturer in North America currently making deep-drawn steel cartridge cases. NI Industries has the capability to manufacture mortar shells and projectiles as well as rocket and missile casings using both hot and cold forming methods. In the third quarter of 2005, the Riverbank, California facility of NI was named on the final Base Realignment and Closure (BRAC) list. NI Industries is working with military and government personnel to provide continuing services at the ultimate location of the production lines currently managed by NI in Riverbank.

Strategies

Industrial Specialties' businesses have opportunities to grow through the introduction of new products, entry into new markets, and the development of new customer opportunities, as well as through strategic acquisitions.

Strong Product Innovation. The Industrial Specialties segment has a history of successfully creating and introducing new products and there are currently several significant product initiatives underway. For instance, Monogram developed the OSI-Bolt® fastener, the first aerospace blind fastener approved to replace traditional two piece fasteners in certain applications on the primary aircraft structure. Monogram is also working with current customers on the rollout of application specific fasteners including the Ti-OSI , a light-weight titanium version of the OSI-Bolt ® fastener, and the next generation Composi-Lok®, which offers a flush break control, eliminating the need for the customer to perform a costly shaving/trimming operation. We believe the strategy of offering a variety of custom engineered variants has been very well received by Monogram's customer base and is increasing our share of custom-engineered purchases. Norris Cylinder has recently developed a lightweight, high volume acetylene cylinder for trailer applications. Precision Tool Company is developing new products for use in the medical tool market. In recent periods, Hi-Vol has been able to achieve growth through a combination of effectively marketing their differentiated male tube nut designs to end customers, bundling complimentary products with their core male tube nut product line and working with customer engineering organizations to convert high cost screw machine products

that are supplied by competitors to similar products that are manufactured by Hi-Vol using the cold forming process.

Entry into New Markets and Development of New Customers. The Industrial Specialties segment has significant opportunities to grow its businesses by offering its products to new customers and new markets. In the last several years, Hi-Vol secured an exclusive global license to a specific thread configuration that has been used successfully by a number of its customers to minimize the occurrence of cross-threading during the assembly of brake and steering systems. In addition, Hi-Vol has more recently developed its own proprietary design for a male tube nut variation that is designed to eliminate all instances of cross-threading during the assembly process. Precision Tool Company continues to expand its offerings and capabilities in the market for medical equipment tools.

Strategic Acquisitions. The Industrial Specialties segment has opportunities to expand its businesses with selected strategic acquisitions. The markets served by this group tend to have relatively few competitors. Additionally, strategic complementary acquisitions, in which the acquirer buys and consolidates another industry participant, are often available. Acquisitions can also facilitate new market entries, product line extensions and the development of new customers and/or distribution channels.

Marketing, Customers and Distribution

Industrial Specialties' customers operate primarily in the aerospace, industrial, commercial, defense, transportation, and medical equipment industries. Given the niche nature of many of our products, the Industrial Specialties segment relies upon a combination of direct sales forces and established networks of independent distributors with familiarity of the end-users. For example, Monogram's aerospace fasteners and Hi-Vol's automotive fasteners are sold through internal sales personnel and independent sales representatives. Although the overall market for fasteners and metallurgical services is highly competitive, these businesses provide products and services primarily for specialized markets, and compete principally as quality and service-oriented suppliers in their respective markets. Monogram's products are sold to manufacturers and distributors within the commercial and military aerospace industry, both domestic and foreign. Monogram works directly with aircraft manufacturers to develop and test new products and improve existing products. This close working relationship is a necessity given the critical safety nature and regulatory environment of its customers' products. Hi-Vol sells its products to distributors and manufacturers in automotive markets. In many of the markets this segment serves, its companies' brand names are virtually synonymous with product applications. The narrow end-user base of many of these products makes it possible for this segment to respond to customer-specific engineered applications and provide a high degree of customer service. Industrial Specialties' OEM and aftermarket customers include Airbus, Air Liquide, Boeing, Cooper-Standard Automotive, Honeywell, Kaplan Industries, Martinrea, Medtronic, MSC Industrial, Peerless, TI Automotive, Wesco, Western International and Worthington Cylinders.

Manufacturing

Industrial Specialties employs various manufacturing processes including CNC machining and stamping, fluting, forging, coating, and cold heading and forming. Monogram manufactures and assembles highly-engineered specialty fasteners for the domestic and international aerospace industry in its Commerce, California facility. Hi-Vol manufactures tube nuts and fittings for the automotive industry in its Livonia, Michigan facility. Norris uses a hot billet pierce process to produce a seamless steel cylinder with integral bottom and sides for high-pressure applications in accordance with DOT 3AA and other international specifications in its Longview, Texas facility. In addition, Norris provides service in massing operations of acetylene cylinders where we produce monolithic porous filler for use per DOT 8/TC 8WM or DOT 8AL/TC 8WAM specifications. Precision Tool Company manufactures

millions of precision tools every year in its Warren, Michigan and Plymouth, Massachusetts facilities. The process includes CNC high-speed, high-precision grinding, turning and milling.

Competition

This segment's primary competitors include Cherry (PCC) and Fairchild Fasteners (Alcoa) in aerospace fasteners and H&L (Chicago Rivet) and Nagano in tube nuts and fittings. We believe that Monogram is a leader in the blind bolt market with significant market share in all blind fastener product categories in which they compete. Other competitors include Harsco and Worthington in cylinders; Lavalin and Chamberlain in shell casings; and Niagara Moon Cutters, Whitney Tool and Magafor in precision tools. Industrial Specialties' companies supply highly engineered, non-commodity, customer-specific products and most have large shares of small markets supplied by a limited number of competitors.

RV & Trailer Products

We believe RV & Trailer Products is a leading designer, manufacturer and distributor of a wide variety of high-quality, custom-engineered trailer products, lighting accessories and roof racks for the trailer original equipment manufacturer, recreational vehicle, agricultural/utility, marine and commercial trailer markets. We believe that RV & Trailer Products' brand names and product lines are among the most recognized and extensive in the industry.

RV & Trailer Products' brands and main product categories are sold through a wide range of distribution channels and are described below:

The Fulton® and Bulldog® brands include trailer products and accessories, such as jacks, winches, couplers, trailer wiring, converters, ramps and fenders. These brands are sold through independent installers, trailer OEMs and distributor channels serving the marine, agricultural, industrial and horse/livestock market sectors.

The Tekonsha® brand is the most recognized name in brake controls and related brake components. These products are sold through automotive, recreational vehicle and agricultural distributors and OEMs.

The Bargman® and Wesbar® brands are recognized names for recreational vehicle and marine lighting, respectively. Bargman®-branded products include interior and exterior recreational vehicle lighting products and accessories, such as license plate lights and brackets, porch and utility lights, assist bars, door locks and latches, and access doors, while Wesbar®-branded products include submersible and utility trailer lighting. These brands and products are sold through independent installers, trailer and recreational vehicle OEMs and wholesale distributors, and marine retail specialty stores.

Competitive Strengths

We believe RV & Trailer Products benefits from the following competitive strengths, including:

Leading Market Positions. RV & Trailer Products primarily competes in highly fragmented niche markets where no single competitor possesses a comparable breadth of products and distribution. We believe that we are one of the leading designers and manufacturers of aftermarket products to outfit and accessorize light trucks, recreational vehicles and trailers for both recreational and commercial use. We believe RV & Trailer is one of the largest suppliers of trailer products to its primary channels, including the independent installer and wholesale distributor channels. Also, we supply products to the recreational vehicle aftermarket and RV OEMs. The group's Performance Products division is a major player in national marine, horse livestock and general agricultural markets.

Strong Brand Names. We believe RV & Trailer Products' brands include many of the leading names in its respective product categories and markets. This segment's brand portfolio includes such well established names as Bulldog®, Tekonsha®, Fulton®, Wesbar®, ROLA , Hayman-Reese and Bargman®. We believe that such recognized brands provide the RV & Trailer Products segment with a significant competitive advantage. RV & Trailer Products has positioned its brands to create pricing options for entry-level through premium product offerings across all of our distribution channels. We believe that no other competitor features a comparable array of brand names and tiered-pricing strategy.

Diverse Product Portfolio. The RV & Trailer Products segment benefits from a diverse range of product offerings and does not rely upon any single product. By offering a wide range of products, RV & Trailer Products is able to provide a complete solution to satisfy its customers' needs. This segment's electrical product offerings feature a broad range of lighting components including incandescent, LED, halogen and fluorescent lighting, T-connectors and wiring harnesses. RV & Trailer Products also offers a range of braking products including proportional, timed, inertial and electrical brake controls for automotive applications and related brake components. This segment's trailer product portfolio includes winches, jacks, couplers, fenders, trailer brakes and ramps.

Flexible Manufacturing Capability. As a result of significant restructuring activity completed over the last two years, RV & Trailer Products has improved the flexibility of its manufacturing capability. RV & Trailer Products has the ability to produce, quickly and efficiently, low-volume, customized products in-house at its manufacturing facilities while outsourcing high-volume production to lower cost foreign manufacturers. RV & Trailer Products has in-house wiring harness design and manufacturing capabilities, and one of the industry's largest research and development facilities for both testing and design.

Strategies

We believe that RV & Trailer Products has significant opportunities to grow through new product introductions, cross-selling products across channels, and providing complete product solutions.

Strong Product Innovation. Historically, RV & Trailer Products has developed and successfully launched new products and presently is developing a range of product innovations. In trailer- related products, new introductions include pivot tongue couplers, heavy-duty jacks and winches. In electrical products there have been innovations in auto leveling brake controls, LED lighting and electrical accessories.

Cross-Selling Products Across Distribution Channels. We believe that RV & Trailer Products has significant opportunities to introduce products into new channels of distribution that traditionally concentrated in other products or product lines. For example, Recreational Accessories' retail channel now offers a range of trailer products and accessories, including ramps that have traditionally been available only in the trailer distributor and OE channels. RV & Trailer Products has also developed strategies to introduce its products into new markets, including the local Thailand market where this segment's Australian operation recently launched a new plant.

Provide Trailering Solutions. As a result of its broad product portfolio, RV & Trailer Product is well positioned to provide customers with complete solutions for trailering needs. Due to this segment's product breadth and depth, RV & Trailer Products believes it can provide customers with compelling value propositions with superior features and convenience. In many instances, RV & Trailer Products can offer more competitive pricing by providing complete sets of products rather than underlying components separately. We believe this merchandising strategy also enhances the segment's ability to better compete in markets where its competitors have narrower product lines and are unable to provide "one stop shopping" to customers.

Marketing, Customers and Distribution

As of December 31, 2006, the RV & Trailer Products group employs 35 professionals in sales, marketing and product management activities to support all customer channels. Of these professionals, there are 23 strategic market representatives, with focused sales and account management responsibilities with specific customer relationships. RV & Trailer Products' product offerings are distributed through a variety of channels. The segment employs a dedicated sales force in each of the primary channels, including the national accounts, automotive and recreational vehicle OEMs, installer/distributor, trailer OEM and trailer aftermarket/distributor channels.

RV & Trailer Products' product offerings are distributed through a variety of channels. These channels include installer/distributor (automotive, recreational vehicle and trailer) and OEMs (automotive, recreational vehicle, and trailer). RV & Trailer Products' Fulton®, Bulldog® and Wesbar®-branded trailer and related accessory products are sold directly to major trailer OEMs and recreational vehicle distributors. In general, the trailer OEM industry is highly fragmented and specialized, and is generally a low value-added assembly industry. RV & Trailer Products relies upon strong historical relationships, significant brand heritage and its broad product offerings to bolster its trailer and accessory products sales through the OEM channel and in various aftermarket segments. End-users include owners of personal watercraft and large commercial-industrial trailer users, as well as horse and livestock trailering customers.

In 2005, RV & Trailer Products re-focused its electrical products business unit and trailer products business unit into a newly formed "center of excellence" to provide service and value into the marine, agricultural, industrial, horse/livestock trailer and recreational vehicle markets. We believe this reorganization has improved RV & Trailer Products' deployment of sales, marketing, brand management, product management and distribution functions that currently serve the broad-based trailer aftermarket and OEM market segments. The combination of these businesses advances RV & Trailer Products towards a single customer interface and provides an integrated solution to better synchronize the breadth and depth of its product offerings and outstanding service performance for its customers, while also capitalizing on additional economies of scale. Moreover, this reorganization will enable further refinement of business processes to increase organizational flexibility and better enable RV & Trailer Products to meet the dynamic business needs of its customers and the evolving demands of the diverse market segments which it serves.

Manufacturing

In 2006, RV & Trailer Products continued to source certain finished products via our partners in China and Taiwan. Additionally, we began manufacturing activities in our new Thailand facility. We believe that both of these initiatives will further improve our cost structure and support our growth expectations within regions we currently serve and further our expansion into Asia.

In 2005, RV & Trailer Products concluded the remaining significant integration projects across its North American manufacturing base. These projects included relocation of our Albion, Indiana wiring operation to Reynosa, Mexico, and the announced construction of our new Thailand manufacturing facility that began operation in late 2006 and manufactures towing and trailering products and related accessories in support of the local Thailand market and our existing Australian business.

Prior to 2005, RV & Trailer Products actively integrated several acquired manufacturing facilities. In conjunction with the HammerBlow and Highland acquisitions in early 2003, we continued to streamline our manufacturing and warehousing processes to exploit beneficial economies of scale. The acquisition of HammerBlow's Juarez, Mexico facility provided RV & Trailer Products with a modern, lower cost facility, enabling optimization of the segment's entire manufacturing system. Juarez is a key component in the post-acquisition consolidation of the manufacturing system, enabling the migration of

higher labor content products currently produced in Mosinee, Wisconsin to the lower cost labor environment in Juarez, Mexico.

RV & Trailer Products' Mosinee, Wisconsin facility contains a wide range of manufacturing, distribution and research and development capabilities. Major processes at this facility include metal stamping, a steel tube mill, thread rolling and riveting, high-volume welding and assembly, significant in-house mechanical and electrical engineering capabilities and in-house tool, die and equipment maintenance capabilities. We believe these capabilities provide RV & Trailer Products with strategic cost advantages relative to our competition. During the first half of 2004, RV & Trailer Products also completed the consolidation of the Wausau, Wisconsin trailering products manufacturing facility, acquired in the HammerBlow transaction, into the Mosinee, Wisconsin facility.

The Tekonsha, Michigan electrical products facility contains world-class manufacturing of proprietary electrical brake-control and accessory products, as well as broad engineering capacity to support all of RV & Trailer Products' electrical and brake control product categories.

As of December 31, 2006, RV & Trailer Products employs 62 professionals in their engineering function and invests approximately 1.9% of its revenue in engineering resources and product development. RV & Trailer Products conducts extensive testing of its products in an effort to assure high quality and reliable product performance. Engineering, product design and fatigue testing are performed utilizing computer-aided design and finite element analysis. Product testing programs are intended to maintain and improve product reliability, and to reduce manufacturing costs.

RV & Trailer Products' Australian facilities in Melbourne, Sydney and Brisbane contain manufacturing, engineering, design and research and development capabilities. These facilities manufacture, market and distribute products throughout the Australian region as Hayman Reese -branded trailering and towing products and accessories, and ROLA -branded roof racks and roof rack accessories to the aftermarket and automotive OEM channels. In the fourth quarter 2004, in order to improve customer support and execution in the OE and aftermarket segments, the Australian operation initiated a reorganization effort to consolidate three operating units into two separate customer focused business units: aftermarket and TriMotive. Each unit has dedicated sales, engineering, manufacturing and logistic functions. The aftermarket segment includes installers, distributors and retailers. The TriMotive automotive OE segment includes a wide array of global automotive customers, including Ford, Toyota and GM Holden. We believe the creation of these two distinct businesses better focuses resources to improve service and delivery to the customer and will enhance organizational flexibility to meet the dynamic, yet distinct, business requirements of the aftermarket and OE segments. This new organization also provides a platform for the pursuit of future business and additional economies of scale.

RV & Trailer Products' raw material costs represent approximately 43.7% of its net sales. Steel is this segment's single largest commodity, is used in the majority of its products and is delivered to its plants on a just-in-time basis from service centers. See "Materials and Supply Arrangements" below for further discussion of the impact of commodity price increases on our businesses.

Competition

The competitive environment for trailer products is highly fragmented and is characterized by numerous smaller suppliers, even the largest of which tends to focus in narrow product categories. For instance, we believe that, across the various product categories that RV & Trailer Products offers, only a few competitors maintain a significant or number-one market share in more than one specific product category. By comparison, RV & Trailer Products competes on the basis of its broader range of products, the strength of its brands and distribution channels, as well as quality and price. This segment's trailer products competitors include Dutton-Lainson, Peterson, Atwood and Shelby, each of whom competes within one or at most a few categories of RV & Trailer Products' broad trailer

products portfolio. RV & Trailer Products' competitors for electrical products include Hopkins Manufacturing, Peterson Industries, Optronics, Grote and Hayes-Lemmerz, though each is positioned in a niche product line, as opposed to the group's broad product array in the electrical products category.

Recreational Accessories

We believe Recreational Accessories is a leading designer, manufacturer and distributor of a wide range of aftermarket cargo management products, towing and hitch systems and accessories and vehicle protection products used to outfit and accessorize light trucks, sport utility vehicles and passenger cars. Recreational Accessories' products offer customers the widest possible range of solutions to efficiently "Get Their Gear on the Road ." We believe that Recreational Accessories' product lines and brand names are among the most recognized and extensive in the transportation/recreational accessories industry.

Recreational Accessories' brands, which include Draw-Tite®, Reese®, Hidden Hitch®, Highland "The Pro's Brand®" and ROLA , and main product categories are sold through a wide range of channels as described below:

The Draw-Tite®, Reese® and Hidden Hitch® brands represent towing products and accessories, such as hitches, weight distribution systems, fifth-wheel hitches, ball mounts, draw bars, gooseneck hitches, brake controls, wiring harnesses and T-connectors and are sold to independent installers and distributor channels for automotive, truck and recreational vehicles. Similar towing accessory products are sold to the retail channel under the Reese Towpower and Reese Outfitter® brand names.

Highland "The Pro's Brand®" and ROLA comprise our brand presence in the cargo management product category. Cargo management products include bike racks, cargo carriers, luggage boxes, tie-downs and soft travel-cargo carriers which are sold through independent installers, wholesale distributors and retail channels.

Competitive Strengths

We believe Recreational Accessories benefits from several important competitive strengths, including:

Leading Market Position. We believe that Recreational Accessories is one of the leading designers and manufacturers of aftermarket products to outfit and accessorize light trucks, cross-over utility vehicles (CUVs), SUVs, recreational vehicles and passenger cars for recreational use. Recreational Accessories competes primarily in highly fragmented niche markets where no single competitor possesses a comparable breadth of product offerings and distribution. We also believe Recreational Accessories is one of the largest suppliers of towing products to its primary channels, including the independent installer, wholesale distributor and recreational aftermarket distributor channels. We also supply to mass merchants such as Wal-Mart, Lowe's and Home Depot, and specialty auto retailers such as Pep Boys, Advanced Auto and AutoZone.

Strong Brand Names. We believe Recreational Accessories' brands include many of the leading names in its industry. The group's brand portfolio includes such well established names as Reese®, Draw-Tite®, Hidden Hitch®, Highland "The Pro's Brand"® and ROLA . We believe that such recognized brands provide us with a significant competitive advantage. Recreational Accessories has positioned its brands to create pricing options for entry-level through premium product offerings across all of our distribution channels. We believe that no other competitor features a comparable array of brand names and products.

Diverse Product Portfolio. Recreational Accessories benefits from a diverse range of product offerings and does not rely upon any single product. By offering a wide range of products, Recreational Accessories is able to provide a complete solution to satisfy its customers' needs. Its towing products and accessories offerings feature ball mounts and draw bars, hitch receivers, fifth-wheel hitches, weight distribution systems and an array of "accessory" products. We believe that our towing products business offers more hitch applications over 1,500 different vehicle hitches, including front mounts than any of our competitors. In addition, Recreational Accessories offers a large variety of cargo management and vehicle protection accessories, including tie-downs and soft-travel cargo carriers, floor mats, cargo liners, bike racks, hood protection products and many other accessories.

Established and Extensive Distribution Channels. Recreational Accessories utilizes several distribution channels for its sales, including specialty retailers, independent wholesale distributors, mass merchants and independent installers. In 2006, approximately 38% of Recreational Accessories' products were sold through the highly fragmented installer/distributor channels. Mass retailers accounted for approximately 26% of sales in 2006 while RV distributors accounted for 12% in 2006. The remainder of this segment's sales were through other retail and OE distribution channels. Recreational Accessories utilizes a "hub and spoke" distribution system with capability to meet delivery requirements specified by our customers.

Flexible Manufacturing Capability. Recreational Accessories' customers generally require manufacturing in small batches and in significant variety to maintain aftermarket inventory and maintenance of designs for 10 to 15 years of light vehicle models. Accordingly, we seek to maintain a lean, "quick change" manufacturing culture and system.

Strategies

We believe that Recreational Accessories has significant opportunities to grow through new product introductions, cross-selling products across channels, and providing complete product solutions.

Strong Product Innovation. Recreational Accessories has developed and successfully launched new products in the past and presently is developing a range of product innovations. New products include an enhanced fifth-wheel hitch design, fifth-wheel accessories, cargo carriers and a range of cargo management and point of purchase accessories. The group has patents pending on products called Signature Series fifth-wheel and slider, InterLock ball mount and related towing and vehicle accessories. In addition, it is continually refreshing its existing retail products with new designs and features and innovative packaging and merchandising.

Cross-Selling Products Across Distribution Channels. We believe that Recreational Accessories has significant opportunities to introduce products into new channels of distribution that traditionally concentrated in other products or product lines. For example, the Recreational Accessories' retail channel now offers a range of trailer products and accessories, including ramps that have traditionally been available only in the trailer distributor and OE channels, as well as providing hitches traditionally offered through the independent installer channel. Similarly, the group's installer channel is selling Highland "The Pro's Brand®" branded tie-downs, stretch cords, floor mats and splash guards, which were previously only available through the retail channel. Recreational Accessories has also developed strategies to introduce its products into new channels, including the Asian automotive manufacturer "port of entry" market, the retail sporting goods market and select international markets.

Provide Towing Solutions. As a result of its broad product portfolio, Recreational Accessories is well-positioned to provide customers with complete solutions for towing and cargo management needs. Due to its product breadth and depth, we believe Recreational Accessories can provide customers with compelling value propositions with superior features and convenience. In many

cases, Recreational Products can offer more competitive pricing by providing complete sets of products rather than underlying components separately. We believe this merchandising strategy also enhances Recreational Accessories' ability to compete with competitors who have narrower product lines and are unable to provide "one stop shopping" to customers.

Marketing, Customers and Distribution

As of December 31, 2006, Recreational Accessories employs 52 professionals in sales, marketing and product management activities to support all customer channels. Of these professionals, this segment has 38 strategic market representatives, with focused sales and account management responsibilities with specific customer relationships. Recreational Accessories' products are distributed through a variety of channels and has a dedicated sales force in each of the primary channels, including the retail, national accounts, automotive OEMs and installer/distributor channels.

Recreational Accessories' products are distributed through a variety of channels. These channels include installer/distributor (automotive and recreational vehicle), OEMs and retail channels (i.e., mass merchants, auto specialty, marine specialty, hardware/home centers, and catalogs). For example, as of December 31, 2006, the towing products business principally distributes to approximately 180 independent distributors and 3,170 independent installers under the Draw-Tite®, Hidden Hitch® and Reese® brands. In addition, 380 of the towing products business' customers position Draw-Tite® and Reese® branded traditional towing products as an exclusive or preferred line, while the Reese® branded heavy-duty towing products are positioned to the heavy-duty professional towing segment. Recreational Accessories is well represented in retail stores through mass merchants, such as Wal-Mart, hardware home centers, such as Lowe's and Home Depot, and specialty auto retailers, such as Pep Boys, AutoZone, Advanced Auto and CSK Auto.

In 2006, approximately 40% of Recreational Accessories' products were sold through its installer/distributor channels, traditional recreational vehicle distributors accounted for approximately 15% of the group's sales and mass retailers accounted for approximately 22% of sales, with the remainder of Recreational Accessories' business in other retail and OEM distribution.

Manufacturing

In 2006, Recreational Accessories continued its sourcing initiatives with our supplier partners in China and Taiwan. We believe that the timely execution of these sourcing projects, both now and in the future, will continue to drive market expansion and enhance operating margins.

In 2005, Recreational Accessories concluded the remaining significant integration projects across its North American industrial base. These projects included the integration of our Elkhart, Indiana plastics operation into our Goshen, Indiana facility, and integration of our Sheffield, Pennsylvania distribution and manufacturing facility into our South Bend, Indiana distribution center while certain manufacturing was outsourced. In addition, within its towing products business, Recreational Accessories consolidated its distribution facilities from eleven locations to eight.

Prior to 2005, Recreational Accessories actively integrated several manufacturing facilities and distribution-related activities. These included: combining towing products' Canton, Michigan and Elkhart, Indiana manufacturing facilities and a southeast Michigan warehouse into a single, approximately 350,000 square foot, efficient flow manufacturing and master warehouse center in Goshen, Indiana. The consolidation of these facilities was completed in the first quarter of 2003. In conjunction with the HammerBlow and Highland acquisitions in early 2003, Recreational Accessories continued to streamline its manufacturing and warehousing processes to exploit beneficial economies of scale. In the third quarter of 2003, Recreational Accessories completed the consolidation of its Sheridan, Arkansas towing products manufacturing facility, acquired in the HammerBlow transaction, into its Goshen, Indiana facility. In 2004, actions were initiated to close the Concord, Ontario 22,000

square-foot distribution and customer service center and consolidate the Oakville, Ontario 73,000 square-foot manufacturing facility into the Goshen, Indiana and Huntsville, Ontario facilities. Coincident with these moves, Oakville became Recreational Accessories' Canadian distribution center. The manufacturing facility consolidation was completed in the fourth quarter of 2004. During the second quarter of 2005, the consolidation of distribution and customer-service activities for all Canadian customers was completed.

As of December 31, 2006, Recreational Accessories employs 33 professionals in the engineering function and invests approximately 0.6% of its revenue in engineering resources and product development. This segment conducts extensive testing of its products in an effort to assure high quality and reliable product performance. Engineering, product design and fatigue testing are performed utilizing computer-aided design and finite element analysis. In addition, on-road performance research is conducted on hitches with instrumentation-equipped trailers and towing vehicles. Product testing programs are intended to maintain and improve product reliability and to reduce manufacturing costs.

Recreational Accessories' material costs represent approximately 50% of its net sales. Steel is this segment's single largest commodity, is used in the majority of its products and is delivered to its plants on a just-in-time basis from service centers. See "Materials and Supply Arrangements" below for further discussion of the impact of raw materials cost and availability with respect to our results of operations.

Competition

We believe that Recreational Accessories is one of the largest North American manufacturers and distributors of towing systems. The competitive environment for towing products is highly fragmented and is characterized by numerous smaller suppliers, even the largest of which tends to focus in narrow product categories. For instance, we believe that, across the various products that Recreational Accessories offers, only a few competitors maintain a significant or number-one market share in more than one specific product category. By comparison, Recreational Accessories competes on the basis of its broader range of products, the strength of its brands and distribution channels, as well as quality and price. Recreational Accessories' most significant competitors in towing products include Valley Automotive (AAS), Putnam Hitch Products and Curt Manufacturing. The retail channel presents a different set of competitors that are typically not seen in our installer and distributor channels, including Masterlock, Buyers, Allied, Keeper, Bell and Axius. As Recreational Accessories grows in the cargo management product category, it will face a different set of competitors. These competitors include Thule, Yakima and Sportrack.

Materials and Supply Arrangements

Our largest raw materials purchases are for steel, copper, aluminum, polyethylene and other resins, and energy. Raw materials and other supplies used in our operations are normally available from a variety of competing suppliers.

Steel is purchased primarily from steel mills and service centers with pricing contracts principally in the three to six month time frame. Changing global dynamics for steel production and supply will continue to present a challenge to our business. We experienced significant increases in steel pricing during 2005, as well as disruptions in supply, although pricing increases and overall price levels abated somewhat at the end of 2005. Polyethylene is generally a commodity resin with multiple suppliers capable of providing product. While both steel and polyethylene are readily available from a variety of competing suppliers, our business has experienced, and we believe will continue to experience, sharp increases in the costs of these raw materials.

Employees and Labor Relations

As of December 31, 2006, we employed approximately 5,100 people, of which approximately 19% were unionized and approximately 19% were located outside the United States. We currently have union contracts covering nine facilities worldwide for our continuing operations, six of which are in the United States. One of the union contracts, which covers workers in the United States, is scheduled to expire before February 2008 but has not been renewed. Separately, on July 19, 2006 approximately 150 workers at our Monogram Aerospace Fasteners business unit commenced a strike. On July 27, 2006 the strike ended following ratification of a new three-year contract. Employee relations have otherwise generally been satisfactory. We cannot predict the impact of any further unionization of our workplace.

Seasonality; Backlog

There is some seasonality in our Recreational Accessories and RV & Trailer Products segments. Sales of towing and trailer products within these business segments are generally stronger in the second and third quarters as trailer 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.

Environmental Matters

Our operations are subject to federal, state, local and foreign laws and regulations pertaining to pollution and protection of the environment, health and safety, governing among other things, emissions to air, discharge to waters and the generation, handling, storage, treatment and disposal of waste and other materials, and remediation of contaminated sites. We have been named as a potentially responsible party under CERCLA, the federal Superfund law, or similar state laws at several sites requiring clean-up related to the disposal of wastes we generate. These laws generally impose liability for costs to investigate and remediate contamination without regard to fault and under certain circumstances liability may be joint and several resulting in one responsible party being held responsible for the entire obligation. Liability may also include damages to natural resources. We have entered into consent decrees relating to two sites in California along with the many other co-defendants in these matters. We have incurred substantial expenses for these sites over a number of years, a portion of which has been covered by insurance. See "Legal Proceedings" below. In addition to the foregoing, our businesses have incurred and likely will continue to incur expenses to investigate and clean up existing and former company-owned or leased property, including those properties made the subject of sale-leaseback transactions for which we have provided environmental indemnities to the lessors.

At our currently owned property located in Vernon, California, we expect to incur expenses to investigate the environmental conditions associated with historical operations of NI Industries and/or its tenants. Preliminary site assessment information indicates that further investigation will be necessary in order to determine whether remediation or controls will be required beyond those that had been previously approved by the governing regulatory authority, and if so, to develop an estimate of the likely costs thereof.

In 1992, Rieke Packaging Systems and numerous other companies entered into a consent decree with the United States Environmental Protection Agency (EPA) and the State of Indiana under which Rieke and the other companies agreed to remediate contaminated soil and groundwater at the Wayne Reclamation and Recycling Site near Columbia City, Indiana. Contractors for the group of companies completed construction of the remediation systems required by the consent decree in 1995, and have operated them since then under the oversight of the EPA and the State of Indiana. The remediation systems have successfully removed substantial amounts of contaminants from the soil and the groundwater; however, some contaminants remain at concentrations above the performance standards set by the consent decree, and are still being removed. Consultants to the group of companies expect

that some or all of the remediation systems will be required to operate indefinitely. A 2004 report by the EPA concluded that operation of the existing systems is "protective of human health and the environment." The agreement among the companies provides that Rieke's share is approximately 9% of total remediation costs for the site.

We believe that our business, operations and facilities are being operated in compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. Based on information presently known to us and accrued environmental reserves, we do not expect environmental costs or contingencies to have a material adverse effect on us. The operation of manufacturing plants entails risks in these areas, however, and we may incur material costs or liabilities in the future that could adversely affect us. Potentially material expenditures could be required in the future. For example, we may be required to comply with evolving environmental and health and safety laws, regulations or requirements that may be adopted or imposed in the future or to address newly discovered information or conditions that require a response.

Intangibles and Other Assets

Our identified intangible assets, consisting of customer relationships, trademarks and trade names and technology, are valued at approximately \$240.1 million at December 31, 2006, net of accumulated amortization. We utilized an independent valuation firm to assist us in valuing our intangible assets in connection with the acquisition of such intangible assets. The valuation of each of the identified intangibles was performed using broadly accepted valuation methodologies and techniques. As of December 31, 2006 we had 351 registered patents and 102 patents pending in the U.S. and 166 registered patents and 175 patents pending outside of the U.S. (non-U.S. patents and patents pending relate primarily to the same technology as U.S. patents and patents pending).

Customer Relationships. We have developed and maintained stable, long-term selling relationships with customer groups for specific branded products and/or niche market product offerings within each of our operating group segments. Useful lives assigned to customer relationship intangibles range from 6 to 25 years and have been estimated using historic customer retention and turnover data. Other factors considered in evaluating estimated useful lives include the diverse nature of niche markets and products of which we have significant share, how customers in these markets make purchases and these customers' position in the supply chain. We also monitor and evaluate the impact of other evolving risks including the threat of lower cost competitors and evolving technology. Effective January 1, 2006, we reduced estimated useful lives assigned to certain customer relationship intangibles as follows: 40 years to 25 or 20 years, 25 years to 20 years, and 15 years to 12 years. We determined that a reduction in estimated useful lives assigned to certain of our customer relationship intangibles was warranted as of that date to reflect our updated evaluation of the period of expected future benefit derived from these customer relationship intangibles. Customer relationship intangibles are amortized over periods ranging from 6 to 25 years. Future changes in our business or the markets for our products could result in further reductions in estimated remaining useful lives for customer relationship intangible assets and other definite-lived intangible assets that might be required to be recorded in future periods.

Trademarks and Trade Names. Each of our operating groups designs and manufactures products for niche markets under various trade names and trademarks including Draw-Tite®, Reese®, Hidden Hitch®, Bulldog®, Tekonsha®, Highland "The Pro's Brand"®, Fulton®, Wesbar®, Visu-Lok®, ViseGrip® and FlexSpout®, among others. Our trademark/trade name intangibles are well-established and considered long-lived assets that require maintenance through advertising and promotion expenditures. Because it is our practice and intent to maintain and to continue to support, develop and market these trademarks/trade names for the foreseeable future, we consider our rights in these trademarks/trade names to have an indefinite life, except as otherwise dictated by applicable law.

Technology

We hold a number of United States and foreign patents, patent applications, and unpatented or proprietary product and process oriented technologies within all five of our operating segments. We have, and will continue to dedicate, technical resources toward the further development of our products and processes in order to maintain our competitive position in the transportation, industrial and commercial markets that we serve. Estimated useful lives for our technology intangibles range from one to thirty years and are determined in part by any legal, regulatory or contractual provisions that limit useful life. For example, patent rights have a maximum limit of twenty years in the United States. Other factors considered include the expected use of the technology by the operating groups, the expected useful life of the product and/or product programs to which the technology relates, and the rate of technology adoption by the industry.

Quarterly, or as conditions may warrant, we assess whether the value of our identified intangibles has been impaired. Factors considered in performing this assessment include current operating results, business prospects, customer retention, market trends, potential product obsolescence, competitor activities and other economic factors. We continue to invest in maintaining customer relationships, trademarks and trade names, and the design, development and testing of proprietary technologies that we believe will set our products apart from those of our competitors.

International Operations

Approximately 17.3% of our net sales for the fiscal year ended December 31, 2006 were derived from sales by our subsidiaries located outside of the United States, and we may significantly expand our international operations through acquisitions. In addition, approximately 24.3% of our operating net assets as of December 31, 2006 were located outside of the United States. We operate manufacturing facilities in Australia, Thailand, Canada, China, the United Kingdom (U.K.), Italy, Germany and Mexico. Within Australia, we operate three facilities that manufacture and distribute hitches, towing accessories, roof rack systems and other accessories for the caravan market, with approximately 280 employees. Our new facility in Thailand will support our operations in Asia and currently has approximately 30 employees. We believe this facility will eventually replace one facility in Australia. Our Canadian operations, with approximately 200 employees, include the production and distribution of towing products through Recreational Accessories, distribution of closures and dispensing products through Rieke's U.S. operations and the manufacturing and distribution of gaskets produced in one gasket facility within the Energy Products segment. Rieke's China operations produce consumer dispensing products and has approximately 115 employees. Lamons Gasket manufactures spiral-wound gaskets at its facility in Hangzhou, China, which has approximately 60 employees. Within the United Kingdom, Rieke Packaging Systems Ltd. has approximately 60 employees. Englass produces specialty sprayers, pumps and related products in one facility in the U.K. Rieke Italia, a manufacturer of specialty steel industrial container closures, operates in one location in Italy with approximately 100 employees. In Germany, Rieke Germany has one facility that manufactures a wide variety of closures for industrial packaging markets with approximately 50 employees. In Juarez, Mexico, we manufacture electrical products and accessories, as well as metal fabrication, with approximately 240 employees. In Reynosa, Mexico, we manufacture and assemble lighting and wiring components, with approximately 310 employees. Additionally, Rieke's Mexico City operations produce plastic drum closures and dispensing products in one factory, with approximately 110 employees. For information pertaining to the net sales and operating net assets attributed to our international operations, refer to Note 18, "Segment Information," to the audited financial statements for the years ended December 31, 2006, 2005 and 2004 included in this report.

Sales outside of the United States, particularly sales to emerging markets, are subject to various risks that are not present in sales within U.S. markets, including governmental embargoes or foreign trade restrictions such as antidumping duties, changes in U.S. and foreign governmental regulations,

tariffs and other trade barriers, the potential for nationalization of enterprises, foreign exchange risk and other political, economic and social instability. In addition, there are tax inefficiencies in repatriating portions of our cash flow from non-U.S. subsidiaries.

Item 1A. Risk Factors

You should carefully consider each of the risks described below, together with information included elsewhere in this Annual Report on Form 10-K and other documents we file with the SEC. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial may also impact our business operations, financial results and liquidity.

We have a history of net losses.

We incurred net losses of \$128.9 million, \$45.9 million and \$2.2 million for the years ended December 31, 2006, 2005 and 2004, respectively. The loss in 2006 principally resulted from a non-cash goodwill impairment charge of \$116.5 million and the loss from discontinued operations of \$20.7 million. The losses in 2005 and 2004 principally resulted from the loss from discontinued operations. In addition, high interest expense associated with our highly leveraged capital structure, non-cash expenses such as depreciation and amortization of intangible assets and other asset impairments also contributed to our net losses. We may continue to experience net losses in the future.

Our businesses depend upon general economic conditions and we serve some customers in highly cyclical industries; as such we are subject to the loss of sales and margins due to an economic downturn or recession.

Our financial performance depends, in large part, on conditions in the markets that we serve in both the U.S. and global economies. Some of the industries that we serve are highly cyclical, such as the automotive, construction, industrial equipment, energy, aerospace and electrical equipment industries. We may experience a reduction in sales and margins as a result of a downturn in economic conditions or other macroeconomic factors. Lower demand for our products may also negatively affect the capacity utilization of our production facilities, which may further reduce our operating margins.

Many of the markets we serve are highly competitive, which could limit the volume of products that we sell and reduce our operating margins.

Many of our products are sold in competitive markets. We believe that the principal points of competition in our markets are product quality and price, design and engineering capabilities, product development, conformity to customer specifications, reliability and timeliness of delivery, customer service and effectiveness of distribution. Maintaining and improving our competitive position will require continued investment by us in manufacturing, engineering, quality standards, marketing, customer service and support of our distribution networks. We may have insufficient resources in the future to continue to make such investments and, even if we make such investments, we may not be able to maintain or improve our competitive position. 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 driven as a consequence of this competition to increase our investment overseas. Making overseas investments can be highly complicated and we may not always realize the advantages we anticipate from any such investments. Competitive pressure may limit the volume of products that we sell and reduce our operating margins.

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

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. Prices for these products fluctuate with market conditions and we have experienced sporadic increases recently. We may be unable to completely offset the impact with price increases on a timely basis due to outstanding commitments to our customers, competitive considerations or our customers resistance to accepting such price increases and our financial performance may be adversely impacted by further price increases. A failure by our suppliers to continue to supply us with certain raw materials or component parts on commercially reasonable terms, or at all, would have a material adverse effect on us. To the extent there are energy supply disruptions or material fluctuations in energy costs, our margins could be materially adversely impacted.

We may be unable to successfully implement our business strategies. Our ability to realize our business strategies may be limited.

Our businesses operate in relatively mature industries and it may be difficult to successfully pursue our growth strategies and realize material benefits therefrom. Even if we are successful, other risks attendant to our businesses and the economy generally may substantially or entirely eliminate the benefits. While we have successfully utilized some of these strategies in the past, our growth has principally come through acquisitions.

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

We believe that our customers rigorously evaluate their suppliers on the basis of product quality, price competitiveness, technical expertise and development capability, new product innovation, reliability and timeliness of delivery, product design capability, manufacturing expertise, operational flexibility, customer service and overall management. Our success depends on our ability to continue to meet our customers' changing expectations with respect to these criteria. We anticipate that we will remain committed to product research and development, advanced manufacturing techniques and service to remain competitive, which entails significant costs. We may be unable to address technological advances, implement new and more cost-effective manufacturing techniques, or introduce new or improved products, whether in existing or new markets, so as to maintain our businesses' competitive positions or to grow our businesses as desired.

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

Our success will depend, in part, on the efforts of our senior management, including our Chief Executive Officer. Our future success will also depend on, among other factors, our ability to attract and retain other qualified personnel. The loss of the services of any of our key employees or the failure to attract or retain employees could have a material adverse effect on us. In addition, our largest stockholder, Heartland, has provided us with valuable strategic, financial and operational support pursuant to arrangements that may terminate in connection with a qualifying public offering. The loss of such services could adversely affect us.

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

We continue to have indebtedness that is substantial in relation to our shareholders' equity. As of December 31, 2006, we have approximately \$734.5 million of outstanding debt and approximately \$232.8 million of shareholders' equity. Approximately 41% of our debt bears interest at variable rates

and we may experience material increases in our interest expense as a result of increases in interest rate levels generally. Our debt service payment obligations in 2006 were approximately \$72.5 million and based on amounts outstanding as of December 31, 2006 a 1% increase in the per annum interest rate for our variable rate debt would increase our interest expense by approximately \$3.0 million annually. Our degree of leverage and level of interest expense may have important consequences, including:

our leverage may place us at a competitive disadvantage as compared with our less leveraged competitors and make us more vulnerable in the event of a downturn in general economic conditions or in any of our businesses;

our flexibility in planning for, or reacting to, changes in our business and the industry in which we operate may be limited;

our ability to obtain additional financing in the future for working capital, capital expenditures, acquisitions, business development efforts, general corporate or other purposes may be impaired;

a substantial portion of our cash flow from operations will be dedicated to the payment of interest and principal on our indebtedness, thereby reducing the funds available to us for other purposes, including our operations, capital expenditures, future business opportunities or obligations to pay rent in respect of our operating leases; and

our operations are restricted by our debt instruments, which contain material financial and operating covenants, and those restrictions may limit, among other things, our ability to borrow money in the future for working capital, capital expenditures, acquisitions, rent expense or other purposes.

Our ability to service our debt and other obligations will depend on our future operating performance, which will be affected by prevailing economic conditions and financial, business and other factors, many of which are beyond our control. Our business may not generate sufficient cash flow, and future financings may not be available to provide sufficient net proceeds, to meet these obligations or to successfully execute our business strategies. See "*Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources.*"

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

Our credit facility and the indenture governing our senior subordinated notes contain covenants that restrict our ability to:

pay dividends or redeem or repurchase capital stock;

incur additional indebtedness and grant liens;

make acquisitions and joint venture investments;

sell assets; and

make capital expenditures.

Our credit facility also requires us to comply with financial covenants relating to, among other things, interest coverage and leverage. Our accounts receivable facility contains covenants similar to those in our credit facility and includes additional requirements regarding our receivables. We may not be able to satisfy these covenants in the future or be able to pursue our strategies within the constraints of these covenants. Substantially all of our assets and the assets of our domestic subsidiaries (other than our special purpose receivables subsidiary) are pledged as collateral pursuant to the terms of our credit facility. A breach of a covenant contained in our debt instruments could result in an event

of default under one or more of our debt instruments, our accounts receivable facility and our lease financing arrangements. Such breaches would permit the lenders under our credit facility to declare all amounts borrowed thereunder to be due and payable, and the commitments of such lenders to make further extensions of credit could be terminated. In addition, such breach may cause a termination of our accounts receivable facility. Each of these circumstances could materially and adversely impair our liquidity.

We may face liability associated with the use of products for which patent ownership or other intellectual property rights are claimed.

We may be subject to claims or inquiries regarding alleged unauthorized use of a third party's intellectual property. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, reengineer, or rebrand certain products or packaging, any of which could affect our business, financial condition and operating results. If we are required to seek licenses under patents or other intellectual property rights of others, we may not be able to acquire these licenses on acceptable terms, if at all. In addition, the cost of responding to an intellectual property infringement claim, in terms of legal fees and expenses and the diversion of management resources, whether or not the claim is valid, could have a material adverse effect on our business, results of operations and financial condition.

We may be unable to adequately protect our intellectual property.

While we believe that our patents, trademarks and other intellectual property have significant value, it is uncertain that this intellectual property or any intellectual property acquired or developed by us in the future, will provide a meaningful competitive advantage. Our patents or pending applications may be challenged, invalidated or circumvented by competitors or rights granted thereunder may not provide meaningful proprietary protection. Moreover, competitors may infringe on our patents or successfully avoid them through design innovation. Policing unauthorized use of our intellectual property is difficult and expensive, and we may not be able to, or have the resources to, prevent misappropriation of our proprietary rights, particularly in countries where the laws may not protect such rights as fully as in the United States. An adverse outcome in any intellectual property litigation could subject us to significant liabilities to third parties, require us to license technology or other intellectual property rights from others, require us to comply with injunctions to cease marketing or using certain products or brands, or require us to redesign, reengineer, or re-brand certain products or packaging. Further, we may incur costs in terms of legal fees and expenses, whether or not the claim is valid, to respond to intellectual property infringement claims. These or other liabilities or claims may increase or otherwise have a material adverse effect on our financial condition and future results of operations.

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

We are subject to a variety of litigation incidental to our businesses, including claims for damages arising out of use of our products, claims relating to intellectual property matters and claims involving employment matters and commercial disputes.

We currently carry insurance and maintain reserves for potential product liability claims. However, our insurance coverage may be inadequate if such claims do arise and any liability not covered by insurance could have a material adverse effect on our business. Although, we have been able to obtain insurance in amounts we believe to be appropriate to cover such liability to date, our insurance premiums may increase in the future as a consequence of conditions in the insurance business generally

or our situation in particular. Any such increase could result in lower net income or cause the need to reduce our insurance coverage. In addition, a future claim may be brought against us that could have a material adverse effect on us. Any product liability claim may also include the imposition of punitive damages, the award of which, pursuant to certain state laws, may not be covered by insurance. Our product liability insurance policies have limits that if exceeded, may result in material costs that would have an adverse effect on our future profitability. In addition, warranty claims are generally not covered by our product liability insurance. Further, any product liability or warranty issues may adversely affect our reputation as a manufacturer of high-quality, safe products, divert management's attention, and could have a material adverse effect on our business.

In addition, one of our Energy Products segment subsidiaries is a party to lawsuits related to asbestos contained in gaskets formerly manufactured by it or its predecessors. Some of this litigation includes claims for punitive and consequential as well as compensatory damages. We are not able to predict the outcome of these matters given that, among other things, claims may be initially made in jurisdictions without specifying the amount sought or by simply stating the minimum or maximum permissible monetary relief, and may be amended to alter the amount sought. Of the 10,551 claims pending at December 31, 2006, 143 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 119 of the 143 claims sought between \$1.0 million and \$5.0 million in total damages (which includes compensatory and punitive damages) and 24 sought between \$5.0 million and \$10.0 million in total damages (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 119 of the 143 claims sought between \$50,000 and \$600,000 and 24 sought between \$1.0 million and \$5.0 million. Solely with respect to punitive damages, 111 of the 143 claims specifying damages sought between \$1.0 million and \$2.5 million and 32 sought \$5.0 million. Total defense costs from January 1, 2003 to December 31, 2006 were approximately \$19.2 million and total settlement costs (exclusive of defense costs) for all asbestos cases since inception have been approximately \$3.8 million. To date, approximately 50% of our costs related to defense and settlement of asbestos litigation have been covered by our primary insurance. However, in the future we may incur significant litigation costs in defending these matters and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our businesses. See "Legal Proceedings" for a discussion of these matters.

Our business may be materially and adversely affected by compliance obligations and liabilities under environmental laws and regulations.

We are subject to federal, state, local and foreign environmental laws and regulations which impose limitations on the discharge of pollutants into the ground, air and water and establish standards for the generation, treatment, use, storage and disposal of solid and hazardous wastes, and remediation of contaminated sites. We may be legally or contractually responsible or alleged to be responsible for the investigation and remediation of contamination at various sites, and for personal injury or property damages, if any, associated with such contamination. We have been named as potentially responsible parties under CERCLA (the federal Superfund law) or similar state laws in several sites requiring clean-up related to disposal of wastes we generated. These laws generally impose liability for costs to investigate and remediate contamination without regard to fault and under certain circumstances liability may be joint and several resulting in one responsible party being held responsible party being held responsible for the entire obligation. Liability may also include damages to natural resources. We have entered into consent decrees relating to two sites in California along with the many other co-defendants in these matters. We have incurred substantial expenses for all these sites over a number of years, a portion of which has been covered by insurance. See "Legal Proceedings" for a discussion of these matters. In addition to the foregoing, our businesses have incurred and likely will continue to incur expenses to investigate and clean up existing and former company-owned or leased property, including those properties made the subject of sale-leaseback transactions for which we have provided environmental indemnities to the lessors. Additional sites may be identified at which we are a

potentially responsible party under the federal Superfund law or similar state laws. We must also comply with various health and safety regulations in the U.S. and abroad in connection with our operations.

We believe that our business, operations and facilities are being operated in compliance in all material respects with applicable environmental and health and safety laws and regulations, many of which provide for substantial fines and criminal sanctions for violations. Based on information presently known to us and accrued environmental reserves, we do not expect environmental costs or contingencies to have a material adverse effect on us. The operation of manufacturing plants entails risks in these areas, however, and we may incur material costs or liabilities in the future that could adversely affect us. There can be no assurance that we have been or will be at all times in substantial compliance with environmental health and safety laws. Failure to comply with any of these laws could result in civil, criminal, monetary and non-monetary penalties and damage to our reputation. In addition, potentially material expenditures could be required in the future. For example, we may be required to comply with evolving environmental and health and safety laws, regulations or requirements that may be adopted or imposed in the future or to address newly discovered information or conditions that require a response.

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.

One of our principal growth strategies is to pursue strategic acquisition opportunities. A substantial portion of our historical growth has been derived from acquisitions. Since our separation from Metaldyne in June 2002, we have completed seven acquisitions. Each of these acquisitions required integration expense and actions that negatively impacted our results of operations and that could not have been fully anticipated beforehand. In addition, attractive acquisition candidates may not be identified and acquired in the future, financing for acquisitions may be unavailable on satisfactory terms and we may be unable to accomplish our strategic objectives in effecting a particular acquisition. We may encounter various risks in acquiring other companies, including the possible inability to integrate an acquired business into our operations, diversion of management's attention and unanticipated problems or liabilities, some or all of which could materially and adversely affect our business strategy and financial condition and results of operations.

We have significant operating lease obligations and our failure to meet those obligations could adversely affect our financial condition.

We lease many of our manufacturing facilities and certain capital equipment. Our annualized rental expense under these operating leases approximates \$20.4 million. A failure to pay our rental obligations would constitute a default allowing the applicable landlord to pursue any remedy available to it under applicable law, which would include taking possession of our property and, in the case of real property, evicting us. These leases are categorized as operating leases and are not considered indebtedness for purposes of our debt instruments.

We have significant goodwill and intangible assets, and future impairment of our goodwill and intangible assets could have a material negative impact on our financial results.

At December 31, 2006 our goodwill and intangible assets were approximately \$769.9 million, and represented approximately 59.9% of our total assets. Our net loss of \$128.9 million for the year ended December 31, 2006 included a charge of \$116.5 million for impairment of goodwill in our RV & Trailer Products and Recreational Accessories segments. The 2006 net loss also included a charge of \$15.3 million related to the further impairment of property and equipment within our industrial fastening business which is held for sale and is reported as discontinued operations. If we continue to

experience declines in sales and operating profit in our RV & Trailer Products and Recreational Accessories segments, we may be subject to future goodwill impairments. Because of the significance of our goodwill and intangible assets, any future impairment of these assets could have a material adverse effect on our financial results.

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

As of December 31, 2006, approximately 19% of our work force in our continuing operations was unionized under several different unions and bargaining agreements. If our unionized workers or those of our customers or suppliers were to engage in a strike, work stoppage or other slowdown in the future, we could experience a significant disruption of our operations. In addition, if a greater percentage of our work force becomes unionized, our labor costs and risks associated with strikes, work stoppages or other slowdowns may increase. On July 19, 2006, approximately 150 workers at our Monogram Aerospace Fasteners business unit commenced a strike, which lasted until July 27, 2006. Many of our direct or indirect customers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or their suppliers could result in slowdowns or closures of assembly plants where our products are included. In addition, organizations responsible for shipping our customers' products may be impacted by occasional strikes or other activity. Any interruption in the delivery of our customers' products could reduce demand for our products and could have a material adverse effect on us.

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

We maintain a range of healthcare benefits for our active employees and a limited number of retired employees pursuant to labor contracts and otherwise. Healthcare benefits for active employees and certain retirees are provided through comprehensive hospital, surgical and major medical benefit provisions or through health maintenance organizations, all of which are subject to various cost-sharing features. Some of these benefits are provided for in fixed amounts negotiated in labor contracts with the respective unions. If our costs under our benefit programs for active employees and retirees exceed our projections, our business and financial results could be materially adversely affected. Additionally, foreign competitors and many domestic competitors provide fewer benefits to their employees and retirees, and this difference in cost could adversely impact our competitive position.

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 and impact our ability to service debt.

Approximately 17.3% of our net sales for the fiscal year ended December 31, 2006 were derived from sales by our subsidiaries located outside of the United States. We may significantly expand our international operations through internal growth and acquisitions. Sales outside of the United States, particularly sales to emerging markets, and foreign manufacturing are subject to various other risks which are not present within U.S. markets, including governmental embargoes or foreign trade restrictions such as antidumping duties, changes in U.S. and foreign governmental regulations, tariffs and other trade barriers, the potential for nationalization of enterprises, foreign exchange risk and other political, economic and social instability. In addition, there are tax inefficiencies in repatriating cash flow from non-U.S. subsidiaries that could affect our financial results and reduce our ability to service debt.

Item 1B. Unresolved Staff Comments

Not applicable. However, we note that we have filed a registration statement on Form S-1, which is subject to continuing review and possible further comment by the Staff.

Item 2. Properties

Our principal manufacturing facilities range in size from approximately 10,000 square feet to approximately 380,000 square feet. Except as set forth in the table below, all of our manufacturing facilities are owned. The leases for our manufacturing facilities have initial terms that expire from 2009 through 2024 and are all renewable, at our option, for various terms, provided that we are not in default under the lease agreements. Substantially all of our owned U.S. real properties are subject to liens under our amended and restated credit facility. Our executive offices are located in Bloomfield Hills, Michigan under a lease assumed by us from Heartland and subsequently amended in March 2004 extending the term to January 2010. See "Certain Relationships and Related Transactions." Our buildings, machinery and equipment have been generally well maintained, are in good operating condition and are adequate for current production requirements. We may enter into leases for equipment in lieu of making capital expenditures to acquire such equipment or to reduce debt.

The following list sets forth the location of our principal owned and leased manufacturing and other facilities used in continuing operations and identifies the principal operating segment utilizing such facilities, as of December 31, 2006.

Packaging Systems	Energy Products	Industrial Specialties	RV & Trailer Products	Recreational Accessories
<i>United States:</i> Indiana: Auburn Hamilton(1) New Jersey: Hackettstown(1) <i>International:</i> Germany: Neunkirchen Italy: Valmadrera Mexico: Mexico City United Kingdom: Leicester China: Hangzhou(1)	<i>United States:</i> Oklahoma: Tulsa Texas: Houston(1) <i>International:</i> Canada: Sarnia, Ontario(1) China: Hangzhou(1)	<i>United States:</i> California: Riverbank(2) Vernon Commerce(1) Massachusetts: Plymouth(1) Michigan: Warren(1) Livonia(1) Texas: Longview	<i>United States:</i> Michigan: Tekonsha(1) Wisconsin: Mosinee(1) Schofield(1) <i>International:</i> Australia: Dandenong, Victoria Lyndhurst, Victoria Regents Park, New South Wales(1) Wakerley, Queensland(1) Mexico: Juarez(1) Reynosa Thailand: Chon Buri(1)	<i>United States:</i> Indiana: Goshen(1) South Bend(1) Michigan: Plymouth(1) Ohio: Solon(1) <i>International:</i> Canada: Huntsville, Ontario Oakville, Ontario

(1) Represents a leased facility. All such leases are operating leases.

(2) Owned by the U.S. Government and operated by our NI Industries business under a facility maintenance contract.

During 2002, we entered into sale-leaseback transactions with respect to nine real properties in the United States and Canada. During 2003, we entered into additional sale-leaseback transactions with respect to three real properties in the United States. The term of these leases is 15 years, with the right to extend. Rental payments are due monthly. All of the foregoing leases are accounted for as operating

leases. During 2004, one sale-leaseback transaction was terminated. In general, pursuant to the terms of each sale-leaseback transaction, we transferred title of the real property to a purchaser and, in turn, entered into separate leases with the purchaser having a 20-year basic lease term plus two separate ten-year renewal options. The renewal option must be exercised with respect to all, and not less than all, of the property locations.

Item 3. Legal Proceedings

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 December 31, 2006, we were a party to approximately 1,708 pending cases involving an aggregate of approximately 10,551 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, 2004	32,571	5,319	18,910	96	\$ 5,921	\$ 4,378,125
Fiscal year ended December 31, 2005	18,884	2,596	1,998	66	\$ 8,660	\$ 5,324,407
Fiscal year ended December 31, 2006	19,416	3,766	12,508	123	\$ 5,613	\$ 4,895,104

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 10,551 claims pending at December 31, 2006, 143 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 119 of the 143 claims sought between \$1.0 million and \$5.0 million in total damages (which includes compensatory and punitive damages) and

24 sought between \$5.0 million and \$10.0 million in total damages (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 119 of the 143 claims sought between \$50,000 and \$600,000 and 24 sought between \$1.0 million and \$5.0 million. Solely with respect to punitive damages, 111 of the 143 claims sought between \$1.0 million and \$2.5 million and 32 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 \$3.8 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.

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

None.

PART II

Item 5. Market for Registrant's Common Equity, Related Stockholder Matters and Issuer Purchases of Equity Securities

No trading market for the Company's common stock exists. We did not pay dividends in 2005 or 2006. Our current policy is to retain earnings to repay debt and finance our operations and acquisitions. In addition, our credit facility restricts the payment of dividends on common stock. See the discussion under Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations Liquidity and Capital Resources*" and Note 12 to the Company's financial statements captioned "*Long-term Debt*," included in Item 8 of this report.

As of March 22, 2007, there were 644 holders of record of our common stock.

Please see Item 12, "*Security Ownership of Certain Beneficial Owners and Management and Related Stockholder Matters*" for securities authorized for issuance under equity compensation plans.

Item 6. Selected Financial Data

The following table sets forth our selected historical financial data from continuing operations for the five years ended December 31, 2006. The financial data for the fiscal years ended December 31, 2006, 2005, 2004 and 2003 has been audited by KPMG LLP and has been derived from our audited financial statements and notes to those financial statements.

In reviewing the following information, it should be noted that on June 6, 2002, Metaldyne issued approximately 66.0% of our then fully diluted common equity to an investor group led by Heartland. We did not establish a new basis of accounting as a result of this common equity issuance due to the continuing contractual control by Heartland. Our combined financial information for the periods prior to June 6, 2002 includes allocations and estimates of direct and indirect Metaldyne corporate administrative costs attributed to us, which are deemed by management to be reasonable but are not necessarily reflective of the costs which we thereafter incurred or may incur on an ongoing basis. Prior to June 6, 2002, we were wholly-owned by Metaldyne.

In 2003, we acquired three significant businesses: (1) HammerBlow Acquisition Corp. on January 30, 2003, (2) Highland Group Corporation on February 21, 2003 and (3) an automotive manufacturing business from Metaldyne, which we refer to as the Hi-Vol acquisition, on May 9, 2003. The historical financial information for 2003 includes the results of the HammerBlow and Highland businesses subsequent to the date of their acquisition. The Hi-Vol acquisition was accounted for as a reorganization of entities under common control because of Heartland's interests in Metaldyne and us. As a result, historical periods have been revised to include the effects of the Hi-Vol acquisition as if Hi-Vol had been owned by us for all periods presented. The following data should be read in conjunction with Item 7. "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" and our audited financial statements included elsewhere in this report.

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Year ended December 31,

	2006	2005	2004	2003	2002
					(unaudited)

(dollars and shares in thousands, except per share data)

Statement of Operations Data:

Net sales	\$ 1,020,530	\$ 1,000,860	\$ 931,400	\$ 807,330	\$ 647,660
Gross profit	273,520	246,990	256,530	227,820	190,040
Impairment of goodwill	(116,500)			(7,600)	
Operating profit (loss)	(13,620)	84,320	88,520	51,170	74,270
Income (loss) from continuing operations	(108,180)	1,010	13,910	(17,170)	5,670

Per Share Data:

Basic:					
Continuing operations	\$ (5.35)	\$ 0.05	\$ 0.70	\$ (0.85)	
Weighted average shares	20,230	20,010	20,010	20,047	
Diluted:					
Continuing operations	\$ (5.35)	\$ 0.05	\$ 0.67	\$ (0.85)	
Weighted average shares	20,230	20,760	20,760	20,047	

Year ended December 31,

	2006	2005	2004	2003	2002
					(unaudited)

(dollars in thousands)

Statement of Cash Flows Data:

Cash flows provided by (used for)					
Operating activities	\$ 15,880	\$ 29,890	\$ 42,620	\$ 41,360	\$ (22,000)
Investing activities	(22,160)	(16,640)	(46,840)	(161,280)	(39,090)
Financing activities	6,150	(12,610)	530	26,260	157,750

Balance Sheet Data:

Total assets	\$ 1,286,060	\$ 1,428,510	\$ 1,522,200	\$ 1,500,030	\$ 1,426,060
Total debt	734,490	727,680	738,020	735,980	696,180
Goodwill and other intangibles	769,850	900,000	925,280	938,550	751,800

Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations

The statements in the discussion and analysis regarding industry outlook, our expectations regarding the performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. 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 Item 8, "Financial Statements and Supplementary Data."

Introduction

We are an industrial manufacturer of highly engineered products serving niche markets in a diverse range of commercial, industrial and consumer applications. During the first quarter of 2006, we realigned our operating segments and management structure to better focus our various businesses' product line offerings by industry, end customer markets and related channels of distribution. 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 separation from Metaldyne in June 2002, and subsequent acquisitions and recent consolidation, integration and restructuring efforts.

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

Our businesses and results of operations depend upon general economic conditions and we serve some customers in highly cyclical industries that are highly competitive and themselves adversely impacted by unfavorable economic conditions. There is some seasonality in the business of our Recreational Accessories and RV & Trailer Products operating segments as well. Sales of towing and trailering products within these 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 sentiment, which could be negatively impacted by increased costs to consumers as a result of higher interest rates and energy costs, among other things.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, aluminum, polyethylene and other resins and energy. We have experienced increasing costs of steel and resin and have worked with our suppliers to manage cost pressures and disruptions in supply. We have also initiated pricing programs to pass increased steel, copper, aluminum and resin costs to customers. Although we have experienced delays in our ability to implement price increases, we generally recover such increased costs. Although disruptions in the supply of steel abated in 2005, we may experience disruptions in supply in the future and we may not

be able to pass along higher costs associated with such disruptions to our customers in the form of price increases. We will continue to take actions as necessary to manage risks associated with increasing steel or other raw material costs. However, such increased costs may adversely impact our earnings.

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.

Our June 2002 Recapitalization and Separation from Metaldyne. On June 6, 2002, we undertook a recapitalization that resulted in our separation from Metaldyne. Heartland and other investors invested approximately \$265.0 million in us and acquired approximately 66.0% of our fully diluted common stock. Metaldyne retained or received approximately 34.0% of our fully diluted common stock. As part of this recapitalization: (1) we entered into a credit facility that then consisted of a \$150.0 million revolving credit facility and a \$260.0 million term loan facility; (2) we entered into a \$125.0 million receivables securitization facility; and (3) we issued approximately \$352.8 million in aggregate principal amount of senior subordinated notes. We used the proceeds from these financings to pay a cash dividend to Metaldyne that had been declared immediately prior to the recapitalization and to repay our obligations in respect of Metaldyne financing arrangements. In total, we declared and paid a cash dividend to Metaldyne equal to \$840.0 million, less the aggregate amount of such debt repayment and receivables repurchase.

See the information under the heading "Certain Relationships and Related Transactions" for additional information concerning the June 2002 transactions.

We operated as an independent public company from 1989 through 1997. In 1998, we were acquired by Metaldyne (formerly MascoTech, Inc.) and in November 2000 Metaldyne was acquired by an investor group led by Heartland. In early 2001, we hired a new senior management team to increase our operating efficiency and develop a focused growth strategy.

Our Prior Acquisitions. Since our separation from Metaldyne in June 2002, we have completed seven acquisitions. The most significant of these were the HammerBlow, Highland and Hi-Vol acquisitions. We also completed four smaller acquisitions: Haun Engine in August 2002, Cutting Edge Technologies in January 2003, Chem-Chrome in October 2003, and Bargman in January 2004.

On January 30, 2003, within our RV & Trailer Products and Recreational Accessories segments, we acquired all of the capital stock of HammerBlow Acquisition Corp., a manufacturer and distributor of towing, trailer and other vehicle accessories throughout North America, for a purchase price of approximately \$145.2 million. Of this amount, \$7.2 million of the purchase price was deferred and paid in January 2004.

On February 21, 2003, within our Recreational Accessories segment, we acquired all of the capital stock of Highland Group Corporation, a manufacturer of cargo management and vehicle protection products, for a purchase price of approximately \$73.5 million.

On May 9, 2003, within our Industrial Specialties segment, we acquired an automotive fasteners manufacturing business from Metaldyne, a related party at the time, for approximately \$22.7 million on a debt-free basis (Hi-Vol Acquisition). In connection with the Hi-Vol Acquisition, we agreed to sublease Metaldyne's Livonia, Michigan facility, at which the acquired business was and continues to be located. Because we and Metaldyne were under the common control of Heartland at the time of the

acquisition, this transaction was accounted for as a reorganization of entities under common control and, accordingly, we did not establish a new basis of accounting in the assets or liabilities of Hi-Vol. Our reported results for prior periods have been revised to include the financial results of Hi-Vol, including the allocation of certain charges to Hi-Vol by Metaldyne. Examples of such allocations include amounts charged or allocated by Metaldyne for corporate-level services and interest expense attributed to Hi-Vol. See "Certain Relationships and Related Transactions."

Recent Consolidation, Integration and Restructuring Activities. We have undertaken significant consolidation, integration and other cost-savings programs to enhance our efficiency and achieve cost reduction opportunities arising from our acquisitions. These programs were essentially completed as of December 31, 2004. In addition to these major projects, there were also a series of other smaller initiatives to eliminate duplicative and excess manufacturing and distribution facilities, sales forces, and back office and other support functions, some of which have extended into 2005 and 2006 in order to continue to optimize our cost structure in response to competitor actions and market conditions. The aggregate costs of these actions for 2006, 2005 and 2004 were approximately \$1.6 million, \$2.6 million and \$8.0 million, respectively. In 2004, we completed the establishment of our stand-alone corporate office.

The key elements of our completed consolidation, integration and other cost-savings programs are summarized below:

In 2002, our electrical products manufacturing plant in Indiana within the RV & Trailer Products segment was closed and consolidated into an existing lower-cost contract manufacturing plant in Mexico. In addition, as part of an integration and consolidation plan that was executed in the second half of 2002 within the Recreational Accessories segment, two towing products manufacturing facilities, each with its own separate master distribution warehouse, were consolidated into a single manufacturing and master warehouse facility in Goshen, Indiana. We finalized these actions, including receipt of proceeds from real estate disposals of the closed facilities, during 2003.

In 2003, we began integrating facilities that were acquired from HammerBlow and Highland. In the third quarter of 2003, within the Recreational Accessories segment we closed one of the HammerBlow towing products manufacturing facilities and consolidated its operations into our Goshen, Indiana plant. Within RV & Trailer Products, we began consolidating the HammerBlow trailer products manufacturing facility in Wausau, Wisconsin into our Mosinee, Wisconsin facility during the fourth quarter of 2003 and completed this action in the third quarter of 2004.

In 2003, we began to consolidate two Compac facilities within the Packaging Systems segment that manufacture pressure-sensitive tape and insulation products into a single facility, and we initiated a capital expenditure program to modernize and provide expansion room for certain projected product growth. We completed these actions during the fourth quarter of 2004.

In the first of quarter 2004, the Recreational Accessories segment opened a new distribution center in South Bend, Indiana to further consolidate distribution activities and better serve our retail and aftermarket installer, wholesale and distributor customers. Recreational Accessories completed the consolidation of distribution activities in South Bend, Indiana during the fourth quarter of 2004. Also, in May 2004, Recreational Accessories announced its decision to cease manufacturing in Oakville, Ontario, and consolidated distribution activities for all Canadian customers in that location. The manufacturing operations were consolidated into our existing facility located in Goshen, Indiana as of the end of the third quarter of 2004, and we completed consolidation of the distribution activities for all Canadian customers during the second quarter of 2005.

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In the second quarter of 2005, the Recreational Accessories and RV & Trailer Products segments implemented an initiative to further rationalize back office engineering, marketing and general administrative support personnel at certain of its locations. This action resulted in the elimination of 30 positions as of June 30, 2005. The associated severance costs were fully paid as of September 30, 2005.

In the fourth quarter of 2005, the RV & Trailer Products segment completed the integration of its Elkhart, Indiana plastics operation into our Goshen, Indiana facility and relocated its Albion, Indiana wiring operation to our facilities in Reynosa, Mexico. The Recreational Accessories segment also closed its Sheffield, Pennsylvania distribution/manufacturing facility and consolidated distribution activities in our South Bend, Indiana distribution center and outsourced the manufacturing activities.

In the fourth quarter of 2006, the RV & Trailer Products segment opened a lower cost manufacturing facility in the Phanthong District of Thailand and began the process of closing its Wakerley, Australia plant. The plant closure is expected to be completed in the middle of 2007. Also, in the fourth quarter of 2006, RV & Trailer Products ceased plating operations at its facility in Schofield, Wisconsin and began sourcing plating services to third-party suppliers.

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, non-cash losses on sale-leaseback of property and equipment and write-off of equity offering costs. In evaluating Adjusted EBITDA, our management deems it important to consider the quality of our underlying earnings by separately identifying certain costs undertaken to improve our results, such as costs related to consolidating facilities and businesses in an effort to eliminate duplicative costs or achieve efficiencies, costs related to integrating acquisitions and restructuring costs related to expense reduction efforts. Although we may undertake new consolidation, restructuring and integration efforts in the future as a result of our acquisition activity, our management separately considers these costs in evaluating underlying business performance. Caution must be exercised in considering these items as they include substantially (but not necessarily entirely) cash costs and there can be no assurance that we will ultimately realize the benefits of these efforts. Moreover, even if the anticipated benefits are realized, they may be offset by other business performance or general economic issues.

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

In addition, we believe Adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies and other interested parties as a measure of financial performance and debt-service capabilities. Our use of Adjusted EBITDA has limitations as an analytical tool, and

you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

it does not reflect our cash expenditures for capital equipment or other contractual commitments;

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

it does not reflect changes in, or cash requirements for, our working capital needs;

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

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

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

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

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

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The following is a reconciliation of our Adjusted EBITDA to net loss before effect of cumulative accounting change and cash flows from operating activities for the three years ended December 31:

	Year ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Net loss before effect of cumulative accounting change	\$ (128,910)	\$ (45,460)	\$ (2,190)
Income tax benefit(1)	(6,520)	(30,580)	(4,290)
Interest expense	79,060	75,210	67,650
Debt extinguishment costs	8,610		
Change in asset retirement obligation of discontinued operations	(550)		
Impairment of assets(2)	15,760	73,220	10,650
Impairment of goodwill(3)	116,500		
Write-off of deferred equity offering costs			1,140
Depreciation and amortization(4)	38,740	40,750	44,510
Adjusted EBITDA	\$ 122,690	\$ 113,140	\$ 117,470
Interest paid	(69,880)	(70,550)	(61,650)
Taxes paid	(14,050)	(12,630)	(10,220)
Legacy stock award payments			(5,400)
Loss on disposition of plant and equipment	3,530	300	790
Payments to Metaldyne to fund contractual liabilities	(4,340)	(2,900)	(4,610)
Receivables sales and securitization, net	(14,120)	(9,580)	47,960
Net change in working capital	(7,950)	12,110	(41,720)
Cash flows provided by operating activities	15,880	29,890	42,620

- (1) Includes add-back of income tax benefit related to discontinued operations. See Note 5, "Discontinued Operations and Assets Held for Sale," to the financial statements attached hereto for further information.
- (2) Includes asset impairments related to continuing operations of approximately \$0.5 million, \$3.0 million and \$2.4 million in 2006, 2005 and 2004, respectively. Also includes impairment charges of \$15.3 million, \$70.3 million and \$8.3 million in 2006, 2005 and 2004, respectively, related to our industrial fastening business which is reported as discontinued operations.
- (3) Goodwill impairment charge of \$97.5 million and \$19.0 million in our RV & Trailer Products and Recreational Accessories segments, respectively, in 2006.
- (4) Includes depreciation and amortization related to discontinued operations in the amounts of \$0.2 million, \$3.7 million, and \$8.3 million in 2006, 2005 and 2004, respectively.

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The following details certain items relating to our consolidation, restructuring and integration efforts that are included in the determination of net income (loss) under GAAP and are not added back to net income (loss) in determining Adjusted EBITDA, but that we separately consider in evaluating our Adjusted EBITDA:

	Year ended December 31,		
	2006	2005	2004
	(dollars in thousands)		
Facility and business consolidation costs(a)	\$ 200	\$ 200	\$ 280
Business unit restructuring costs(b)	430	1,130	6,250
Acquisition integration costs(c)	970	1,290	1,510
	\$ 1,600	\$ 2,620	\$ 8,040

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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) Principally employee severance costs associated with business unit restructuring and other cost reduction activities.
- (c) Includes equipment move and other facility closure costs, excess and obsolete inventory reserve charges related to brand rationalization, employee training, and other organization costs associated with the integration of acquired operations.

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Segment Information and Supplemental Analysis

The following table summarizes financial information for our five current operating segments:

Year ended December 31,

	2006	As a Percentage of Net Sales	2005	As a Percentage of Net Sales	2004	As a Percentage of Net Sales
(dollars in thousands)						
Net Sales:						
Packaging Systems	\$ 204,230	20.0%	\$ 189,910	19.0%	\$ 183,470	19.7%
Energy Products	156,990	15.4%	131,020	13.1%	103,010	11.1%
Industrial Specialties	182,030	17.8%	164,700	16.4%	133,620	14.3%
RV & Trailer Products	190,700	18.7%	209,030	20.9%	196,990	21.1%
Recreational Accessories	286,580	28.1%	306,200	30.6%	314,310	33.8%
Total	\$ 1,020,530	100.0%	\$ 1,000,860	100.0%	\$ 931,400	100.0%
Gross Profit:						
Packaging Systems	\$ 59,780	29.3%	\$ 54,510	28.7%	\$ 57,000	31.1%
Energy Products	45,690	29.1%	35,420	27.0%	28,250	27.4%
Industrial Specialties	54,810	30.1%	47,580	28.9%	36,800	27.5%
RV & Trailer Products	38,700	20.3%	48,200	23.1%	49,110	24.9%
Recreational Accessories	74,540	26.0%	61,300	20.0%	85,440	27.2%
Allocated/Corporate expenses		N/A	(20)	N/A	(70)	N/A
Total	\$ 273,520	26.8%	\$ 246,990	24.7%	\$ 256,530	27.5%
Selling, General and Administrative:						
Packaging Systems	\$ 26,010	12.7%	\$ 23,810	12.5%	\$ 26,330	14.4%
Energy Products	22,720	14.5%	20,180	15.4%	19,080	18.5%
Industrial Specialties	16,250	8.9%	15,880	9.6%	14,960	11.2%
RV & Trailer Products	20,200	10.6%	20,520	9.8%	22,920	11.6%
Recreational Accessories	60,540	21.1%	56,610	18.5%	59,060	18.8%
Corporate expenses and management fees	24,450	N/A	22,020	N/A	21,930	N/A
Total	\$ 170,170	16.7%	\$ 159,020	15.9%	\$ 164,280	17.6%
Impairment of Goodwill and Other Assets:						
Packaging Systems	\$	0.0%	\$	0.0%	\$ 2,280	1.2%
RV & Trailer Products	98,010	51.4%	310	0.2%	100	0.1%
Recreational Accessories	19,000	6.6%	2,650	0.9%		0.0%
Total	\$ 117,010	11.5%	\$ 2,960	0.3%	\$ 2,380	0.3%
Operating Profit (Loss):						
Packaging Systems	\$ 33,770	16.5%	\$ 30,590	16.1%	\$ 27,940	15.2%
Energy Products	22,790	14.5%	15,210	11.6%	9,160	8.9%
Industrial Specialties	38,830	21.3%	31,650	19.2%	21,810	16.3%
RV & Trailer Products	(79,650)	-41.8%	26,790	12.8%	25,560	13.0%
Recreational Accessories	(4,910)	-1.7%	2,120	0.7%	26,050	8.3%

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Year ended December 31,

Corporate expenses and management fees	(24,450)	N/A	(22,040)	N/A	(22,000)	N/A
Total	\$ (13,620)	-1.3%	\$ 84,320	8.4%	\$ 88,520	9.5%

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Adjusted EBITDA:									
Packaging Systems	\$	46,680	22.9%	\$	40,350	21.2%	\$	41,370	22.5%
Energy Products		25,070	16.0%		17,550	13.4%		11,700	11.4%
Industrial Specialties		43,510	23.9%		36,660	22.3%		26,490	19.8%
RV & Trailer Products		26,050	13.7%		34,280	16.4%		33,370	16.9%
Recreational Accessories		24,540	8.6%		14,930	4.9%		36,880	11.7%
Corporate expenses and management fees		(28,110)	N/A		(25,490)	N/A		(22,680)	N/A
<hr/>									
Subtotal from continuing operations	\$	137,740	13.5%	\$	118,280	11.8%	\$	127,130	13.6%
Discontinued operations		(15,050)	N/A		(5,140)	N/A		(9,660)	N/A
<hr/>									
Total	\$	122,690	12.0%	\$	113,140	11.3%	\$	117,470	12.6%
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Results of Operations

Year Ended December 31, 2006 Compared with Year Ended December 31, 2005

The principal factors impacting us during the year ended December 31, 2006 compared with the year ended December 31, 2005 were:

continued economic expansion and a strong industrial economy, which impacted end user demand across our Packaging Systems, Energy Products and Industrial Specialties business segments;

the impact of significant competitive pricing pressures within the retail market channels of our Recreational Accessories and RV & Trailer Products segments, and reduced demand for trailering components within our RV & Trailer Products segment which, in conjunction with a cyclical market decline, resulted in a non-cash goodwill impairment charge of \$97.5 million and \$19.0 million in our RV & Trailer Products and Recreational Accessories segments, respectively; and

the impact of varying raw material costs and availability of some commodities, between years and across segments, such as certain types of steel, aluminum, copper, and polyethylene and polypropylene resins.

Overall, net sales increased \$19.7 million, or approximately 2.0%, in 2006 as compared with 2005. Of this increase, approximately \$16.6 million is attributed to organic growth, and approximately \$3.1 million is due to currency exchange as our reported results in U.S. dollars benefited from stronger foreign currencies. Packaging Systems' net sales increased \$14.3 million, or approximately 7.5%, in 2006 as compared with 2005 due to increases in core product sales, new product sales and the favorable effects of currency exchange. Net sales within Energy Products increased \$26.0 million, or 19.8%, in 2006 as compared with 2005 as businesses in this segment benefited from high levels of oil and gas drilling activity in North America due to elevated oil prices and higher levels of turnaround activity at petroleum refineries and petrochemical facilities. Net sales within our Industrial Specialties segment increased \$17.3 million, or 10.5%, in 2006 as compared with 2005 due to improved demand across all businesses in the segment and recovery of steel cost increases, most notably in our industrial cylinder and precision tool businesses. RV & Trailer Products' net sales decreased \$18.3 million, or approximately 8.8%, in 2006 as compared with 2005 due to decreased demand across most of its market channels and pricing pressure as a result of increased foreign competition. Recreational

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Accessories' net sales decreased \$19.6 million, or approximately 6.4%, in 2006 as compared with 2005 due to reduced sales activity in our towing products business' early order program and reduced demand across its market channels due to high gasoline prices and a continued uncertain interest rate environment.

Gross profit margin (gross profit as a percentage of sales) approximated 26.8% and 24.7% for 2006 and 2005, respectively. Packaging Systems' gross profit margin increased to approximately 29.3% in 2006 from 28.7% in 2005 primarily due to higher sales volumes and reduced material costs. Energy Products' gross profit margin increased to 29.1% in 2006 compared to 27.0% in 2005 as this segment's margin benefited primarily from higher sales volumes between years. Gross profit margin within our Industrial Specialties segment increased in 2006 to 30.1% compared to 28.9% in 2005 due generally to higher sales volumes and proportionately greater sales of higher margin aerospace fasteners between years. RV & Trailer Products' gross profit margin decreased to 20.3% in 2006 from 23.1% in 2005 due primarily to the reduced sales levels, lower material margins, increased competitive pricing pressures and startup costs associated with our new manufacturing facility in Thailand. Recreational Accessories' gross profit margin increased to 26.0% in 2006 from 20.0% in 2005. The increase is due primarily to material margin improvements in our towing and retail sales channels, purchasing savings initiatives, additional manufacturing efficiencies and material management improvement initiatives. These improvements were partially offset by the decline in sales between years.

Operating profit margin (operating profit as a percentage of sales) decreased from 8.4% in 2005 to (1.3)% in 2006. Operating profit declined approximately \$97.9 million, to an operating loss of \$13.6 million in 2006, compared to operating profit of \$84.3 million in 2005. Of this decline, \$116.5 million was due to a non-cash goodwill impairment charge related to our RV & Trailer Products and Recreational Accessories segments, which is partially offset by \$18.6 million of additional margin earned on increased sales and as a result of other operational improvements. Packaging Systems' operating profit margin was 16.5% and 16.1% in 2006 and 2005, respectively. Operating profit increased \$3.2 million in 2006 as compared with 2005 due primarily to higher sales levels, improved material margins as a result of moderating raw material costs and flat selling and administrative costs as a percentage of sales between years. Energy Products' operating profit margin was 14.5% and 11.6% in 2006 and 2005, respectively. Operating profit improved \$7.6 million in 2006 compared to 2005 as increases in margin earned due to higher sales levels and margin improvement in our specialty gasket business were partially offset by higher selling, general and administrative expenses, which principally increased due to \$0.9 million of higher asbestos litigation defense costs. Industrial Specialties' operating profit margin was 21.3% and 19.2% in 2006 and 2005, respectively. Operating profit increased \$7.2 million in 2006 compared to 2005 due to increased sales levels in all of the businesses in this segment and improved material margins, partially offset by higher selling, general and administrative expenses. RV & Trailer Products' operating profit decreased \$106.4 million in 2006, from an operating profit of \$26.8 million in 2005 to an operating loss of \$79.6 million in 2006, principally due to a non-cash goodwill impairment charge of \$97.5 million. The remaining decrease in operating profit of approximately \$8.9 million is primarily the result of the decline in sales and lower material margins. Recreational Accessories' operating profit decreased \$7.0 million in 2006, from an operating profit of \$2.1 million to an operating loss of \$4.9 million in 2006, principally due to the non-cash goodwill impairment charge of \$19.0 million. The effect of the goodwill impairment charge was partially offset by approximately \$12.0 million of additional operating profit resulting primarily from increased material margins, improved productivity and purchasing cost savings initiatives, partially offset by increased selling, general and administrative expenses, mainly in our retail advertising and promotional expenses.

Adjusted EBITDA margin (Adjusted EBITDA as a percentage of sales) approximated 13.5% and 11.8% in 2006 and 2005, respectively. The increase in Adjusted EBITDA margin was consistent with the increase in operating profit margin in our Energy Products and Industrial Specialties segments. The Adjusted EBITDA margin for Packaging Systems improved to 22.9% in 2006 from 21.2% in 2005. In

addition to the improvement in operating profit margin, the increase in Packaging Systems' Adjusted EBITDA margin from 2005 to 2006 was partially due to \$1.8 million in net losses on transactions denominated in foreign currencies in 2005 that did not recur in 2006. The Adjusted EBITDA margins in our RV & Trailer Products and Recreational Accessories segments were significantly higher than the operating profit margins due to the add-back of the non-cash goodwill impairment charges of \$97.5 million and \$19.0 million, respectively. Before consideration of these charges, the increase in Adjusted EBITDA margin in our Recreational Accessories segment and the decrease in Adjusted EBITDA margin in our RV & Trailer Products segment was consistent with the related changes in operating profit margin.

Packaging Systems. Net sales increased \$14.3 million, or approximately 7.5%, to \$204.2 million in 2006 compared to \$189.9 million in 2005. Overall, the increase in sales is a result of strong demand for our products in the general industrial, commercial construction and metal building markets due to overall economic expansion and the introduction of new products. Of the increase in sales, approximately \$4.4 million was due to increased sales of specialty tapes, laminates and insulation products, \$5.2 million was due to increased sales of industrial closures, rings and levers and \$4.2 million was due to increased sales of new consumer-oriented specialty dispensing products. In addition, the increase in sales included approximately \$0.5 million of currency exchange gains.

Packaging Systems' gross profit increased approximately \$5.3 million to \$59.8 million, or 29.3% of sales, in 2006 from \$54.5 million, or 28.7% of sales, in 2005. Of the increase in gross profit between years, approximately \$4.1 million is attributed to the sales level increase between years and approximately \$1.4 million is attributed to improved material margins as a result of moderating raw material costs, offset in part by higher period operating costs resulting from the increased sales levels.

Packaging Systems' selling, general and administrative costs increased approximately \$2.2 million to \$26.0 million, or 12.7% of sales, in 2006 as compared to \$23.8 million, or 12.5% of sales, in 2005. The increase in selling, general and administrative expenses was consistent with the increase in sales.

Packaging Systems' operating profit increased \$3.2 million to \$33.8 million, or 16.5% of sales, in 2006 from \$30.6 million, or 16.1% of sales, in 2005. The increase in operating profit is due primarily to higher sales levels, improved material margins as a result of moderating raw material costs and flat selling and administrative costs as a percentage of sales between years.

Packaging Systems' Adjusted EBITDA increased \$6.3 million to \$46.7 million, or 22.9% of sales, in 2006 from \$40.5 million, or 21.2% of sales, in 2005. Of this amount, approximately \$3.2 million is consistent with the improvement in operating profit. Of the remaining change, \$1.9 million of the increase resulted from changes in foreign currency gains and losses, as there was a \$0.1 million gain on transactions denominated in foreign currencies in 2006 compared to \$1.8 million in losses on such similar transactions in 2005. In addition, there was approximately \$0.8 million higher amortization of customer intangible assets in 2006 than in 2005.

Energy Products. Net sales for 2006 increased \$26.0 million, or 19.8%, to \$157.0 million compared to \$131.0 million in 2005. Of this amount, approximately \$11.8 million represents increased demand from existing customers for slow speed and compressor engines and related products, as a result of continued favorable market conditions for oil and gas producers in the United States and Canada, and approximately \$3.7 million represents market share gains due to extended product line offerings of existing engine models, principally in Canada, and expanded replacement parts offerings internationally. Sales of specialty gaskets increased \$10.2 million as a result of increased demand from existing customers due to continued high levels of turn-around activity at petrochemical refineries, incremental business with existing customers and increased demand for replacement parts as a result of severe weather in the United States Gulf Coast region in the second half of 2005. In addition, \$0.3 million is due to increased international sales of specialty gaskets, principally in Latin America, the Far East and Europe.

Gross profit within Energy Products increased \$10.3 million to \$45.7 million, or 29.1% of sales in 2006, from \$35.4 million, or 27.0% of sales in 2005. Of this amount, approximately \$7.0 million is attributed to the sales level increase between years. The remaining improvement is due to improved material margins in both businesses, which in our engine business relates to on-going efforts to source slow speed and compressor engine products to suppliers in lower cost manufacturing countries, and better absorption of fixed overhead costs, given the increased sales volumes in 2006 as compared to 2005.

Selling, general and administrative expenses within Energy Products increased \$2.5 million to \$22.7 million, or 14.5% of net sales in 2006, from \$20.2 million, or 15.4% of net sales in 2005. Of the increase, approximately \$1.2 million relates to increased sales compensation and commission expenses, consistent with the increase in sales and \$0.9 million is due to increased asbestos litigation defense costs in our specialty gasket business. Energy Products achieved higher sales levels with only a modest increase in selling and administrative costs due to the relatively fixed cost nature of this segment's existing distribution network, particularly with respect to sales of specialty gaskets.

Overall, operating profit within Energy Products increased \$7.6 million to \$22.8 million, or 14.5% of sales in 2006, from \$15.2 million, or 11.6% of sales, in 2005 due principally to significantly higher sales levels.

Energy Products' Adjusted EBITDA increased \$7.5 million to \$25.1 million or 16.0% of sales for the year ended December 31, 2006 from \$17.6 million, or 13.4% of sales, for the year ended December 31, 2005, consistent with the improvement in operating profit between years.

Industrial Specialties. Net sales in 2006 increased \$17.3 million, or approximately 10.5%, to \$182.0 million from \$164.7 million in 2005. The increase in sales is a result of strong demand for our products in the general industrial, aerospace and automotive markets due to market share gains, new products, and economic expansion. Notably, our aerospace fastener business continues to experience strong market demand, with a sales increase of approximately 14.2% in 2006 as compared to 2005 due to continued strong commercial and business jet build rates. As compared to 2005, 2006 sales within our industrial cylinders business increased 14.5%, sales of specialty automotive fittings improved 3.2% and sales of precision cutting tools improved 5.7%, while sales within our defense business were slightly above 2005 levels. We estimate that steel cost increases recovered from customers via pricing increases during 2006, principally within our industrial cylinder and precision tool businesses, were comparable to 2005.

Gross profit within Industrial Specialties increased \$7.2 million to \$54.8 million, or 30.1% of sales, in 2006 as compared to \$47.6 million, or 28.9% of sales, in 2005. Of the increase in gross profit, approximately \$5.0 million is attributed to the sales level increase between years. The remainder of the increase is attributed to operational improvements which resulted in reductions in material, labor and overhead costs as a percentage of sales, with increased material margins comprising the majority of the improvement at approximately \$1.2 million.

Selling, general and administrative expenses increased \$0.4 million to \$16.3 million, or 8.9% of sales, in 2006 as compared to \$15.9 million, or 9.6% of sales, in 2005, due primarily to increases in professional fees and certain personnel expenses.

Operating profit increased \$7.2 million to \$38.8 million, or 21.3% of sales, in 2006 as compared to \$31.6 million, or 19.2% of sales, in 2005, due primarily to increased sales levels in each of the businesses in this segment and improved material margins, which were offset in part by slightly higher selling, general and administrative spending.

Industrial Specialties' Adjusted EBITDA increased \$6.8 million to \$43.5 million, or 23.9% of sales, in 2006 from \$36.7 million, or 22.3% of sales, in 2005, consistent with the improvement in operating profit between years.

RV & Trailer Products. Net sales decreased \$18.3 million, or 8.8%, to \$190.7 million in 2006, from \$209.0 million in 2005. This decrease is due principally to reduced demand across all market channels and market pricing pressures which resulted from increased foreign competition, particularly in the agriculture and industrial markets. In addition, approximately \$0.7 million of the decrease in sales is due to currency exchange rates, as our reported results in U.S. dollars were reduced as a result of a weaker Australian dollar.

RV & Trailer Products' gross profit decreased \$9.5 million to \$38.7 million, or 20.3% of net sales in 2006, from \$48.2 million, or 23.1% of net sales, in 2005. Of the decrease in gross profit, approximately \$4.2 million is attributed to the sales level decrease between years and approximately \$4.3 million is attributed to lower product margins as a result of competitive pricing pressures, higher commodity costs and a less favorable mix of product sales, primarily in our Australian business. In addition, approximately \$1.0 million is attributed to startup costs incurred in 2006 associated with our new manufacturing facility in Thailand.

RV & Trailer Products' selling, general and administrative expenses decreased \$0.3 million to \$20.2 million, or 10.6% of sales in 2006, from \$20.5 million, or 9.8% of sales in 2005, as selling, general and administrative spending and expenses decreased due to lower sales levels.

RV & Trailer Products' operating profit decreased \$106.4 million in 2006, from an operating profit of \$26.8 million in 2005 to an operating loss of \$79.6 million in 2006, principally due to the non-cash goodwill impairment charge of \$97.5 million. The remaining decrease in operating profit of approximately \$8.9 million is primarily related to the decline in sales and lower material margins.

RV & Trailer Products' Adjusted EBITDA decreased \$8.2 million to \$26.1 million, or 13.7% of sales in 2006, from \$34.3 million, or 16.4% of sales, in 2005, which, after considering the effect of the goodwill impairment charge, is consistent with the decline in operating profit margin between years.

Recreational Accessories. Net sales decreased \$19.6 million, or approximately 6.4%, to \$286.6 million in 2006, from \$306.2 million in 2005. The net decrease in sales between years was principally the result of reduced consumer demand due to high gasoline prices, a continued uncertain interest rate environment and an effort by the installer and distributor customer groups to reduce inventory levels due to the softening of end-consumer markets. These decreases were offset by approximately \$2.8 million due to currency exchange as our reported sales in U.S. dollars benefited from stronger foreign currencies during 2006.

Recreational Accessories' gross profit increased \$13.2 million to \$74.5 million, or 26.0% of net sales in 2006, from \$61.3 million, or 20.0% of net sales in 2005. Of this increase in gross profit, approximately \$5.7 million is attributed to material margin improvements in our retail sales channel as a result of sourcing initiatives and \$5.2 million is attributed to savings resulting from the decision to purchase certain products that we previously manufactured. An additional \$5.0 million is attributed to material margin improvements in our towing products business due to pricing actions and net favorable material usage variances at our Goshen, Indiana manufacturing facility, resulting from manufacturing efficiency and material management improvement initiatives. Gross profit was also favorably impacted by savings associated with cost reduction initiatives implemented at our Goshen, Indiana manufacturing facility in 2006. These improvements were offset by \$3.9 million in lower gross profit attributed to the decline in sales between years.

Recreational Accessories' selling, general and administrative expenses increased approximately \$3.9 million to \$60.5 million, or 21.1% of sales in 2006, from \$56.6 million, or 18.5% of sales in 2005. The increase in selling and administrative expenses between years is due to increased advertising and promotion expenses which were necessary to support our retail channel sales activities, costs associated with the closure of our Sheffield, Pennsylvania operations and increased distribution costs from our South Bend facility associated, in part, with the exit from our Sheffield operations.

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Recreational Accessories' operating profit decreased \$7.0 million in 2006, from an operating profit of \$2.1 million to an operating loss of \$4.9 million in 2006, principally due to the non-cash goodwill impairment charge of \$19.0 million. The effect of the goodwill impairment charge is partially offset by approximately \$12.0 million of additional operating profit as a result of increased material margins, improved productivity and purchasing cost savings initiatives, which were partially offset by increased promotion costs in our retail channel, increased costs associated with closure of our Sheffield operation and increased distribution costs from our South Bend distribution facility.

Recreational Accessories' Adjusted EBITDA increased \$9.6 million to \$24.5 million, or 8.6% of sales in 2006, from \$14.9 million, or 4.9% of sales, in 2005, which, after considering the effect of the goodwill impairment charge, is consistent with the increase in operating profit margin between years.

Corporate Expenses and Management Fees. Corporate expenses and management fees included in operating profit and Adjusted EBITDA consist of the following:

	Year ended December 31,	
	2006	2005
	(dollars in millions)	
Corporate operating expenses	\$ 11.4	\$ 10.4
Employee costs and related benefits	8.9	7.4
Management fees and expenses	4.1	4.2
	24.4	22.0
Corporate expenses and management fees operating profit		
Receivables securitization expenses	4.1	4.2
Depreciation	(0.1)	(0.2)
Other, net	(0.3)	(0.5)
	28.1	25.5
Corporate expenses and management fees Adjusted EBITDA	\$	\$

Corporate expenses and management fees approximated \$24.4 million and \$22.0 million in 2006 and 2005, respectively. The increase in corporate operating expenses is primarily the result of increased professional fees for services utilized in 2006. The increase in employee costs and related benefits is due primarily to increased incentive stock compensation expense as a result of implementation of SFAS No. 123R, "Accounting for Stock-Based Compensation."

Interest Expense. Interest expense increased approximately \$3.9 million to \$79.1 million in 2006 from \$75.2 million in 2005. The increase is primarily the result of an increase in our weighted average interest rate on variable rate borrowings to approximately 8.2% in 2006 from approximately 6.9% in 2005, which was partially offset by a reduction in weighted average variable rate borrowings of approximately \$324.9 million during 2006 from approximately \$357.6 million during 2005.

In connection with the refinancing of our credit facilities in August 2006, we incurred debt extinguishment costs of \$8.6 million, of which \$7.9 million was a non-cash charge due to the write-off of debt issuance costs.

Other Expense, Net. Other expense, net decreased approximately \$1.9 million to \$4.2 million in 2006 from \$6.1 million in 2005. The decrease is principally due to a gain in 2006 of approximately \$0.1 million on transactions denominated in foreign currencies other than the local currency of the subsidiary that is a party to the transaction as compared to a loss on such transactions in 2005 of approximately \$2.3 million.

Income Taxes. The effective income tax rate for 2006 was (2.6)% compared to 66.6% for 2005. In 2006, we reported foreign pre-tax income of approximately \$16.2 million and a domestic pre-tax loss of

approximately \$121.6 million. The loss in 2006 is primarily the result of a goodwill impairment charge of \$116.5 million, for which we received an income tax benefit of only \$1.2 million. In 2006, we also recorded a tax benefit of approximately \$0.5 million in accordance with SFAS 109 due to the change in the Texas tax law signed into effect on May 19, 2006, recorded a valuation allowance of \$1.7 million against certain deferred tax assets associated with a dual consolidated tax loss, certain state NOL's and a foreign tax credit carryforward, and recorded a tax benefit of \$0.6 million related to extraterritorial income exclusions (ETI). The ETI tax deduction is based on the amount of export sales by domestic entities and has minimal relationship with net income (loss). In 2005, foreign operations reported pre-tax income of approximately \$10.6 million compared to a reported domestic pre-tax loss of \$7.6 million. In 2005, we recorded a valuation allowance of \$2.2 million against certain deferred tax assets associated with a dual consolidated tax loss, certain state NOL's and a foreign tax credit carryforward and recorded a tax benefit of \$1.0 million related to extraterritorial income exclusions (ETI). In addition, in 2005, certain of our foreign subsidiaries made a dividend distribution of approximately \$55.8 million from accumulated earnings and profits. The 2005 dividend resulted in our recording additional tax expense of approximately \$0.4 million related to federal taxes on foreign accumulated earnings and profits.

Discontinued Operations. In fourth quarter 2005, our Board of Directors authorized management to move forward with its plan to sell our industrial fasteners operations, which consisted of operations located in Frankfort, Indiana; Wood Dale, Illinois; and Lakewood, Ohio. During the fourth quarter of 2006, we completed the sale of the Wood Dale and Lakewood operations of the industrial fasteners business. During the second quarter of 2006, we sold our asphalt-coated paper line of business, which was part of our Packaging Systems operating segment. The loss from discontinued operations, net of income tax benefit, was \$20.7 million compared to a loss from discontinued operations, net of income tax benefit, of \$46.5 million in 2005. See Note 5, "Discontinued Operations and Assets Held for Sale," to the financial statements attached herein.

Cumulative Effect of Change in Accounting Principle. In the fourth quarter 2005, we adopted FASB Interpretation No. 47 (FIN 47), "Accounting for Conditional Asset Retirement Obligation." We adopted FIN 47 as of December 31, 2005 and recorded a cumulative effect of change in accounting principle of approximately \$0.4 million, net of income tax benefit of \$0.3 million. Pro forma balance sheet information has not been provided as the impact to the balance sheet is not material.

Year Ended December 31, 2005 Compared with Year Ended December 31, 2004

The principal factors impacting us during the year ended December 31, 2005 compared with the year ended December 31, 2004 were:

a stronger industrial economy in 2005, which impacted end-user demand across our Industrial Specialties and Packaging Systems segments;

the impact of significant competitive pricing pressures in the towing products business of our Recreational Accessories segment, most notably in our retail market channel; and

the impact of higher material costs and availability of some commodities, including the effects of higher steel costs within our Recreational Accessories and RV & Trailer Products segments and higher polyethylene and polypropylene resin costs within our Packaging Systems segment.

Overall, net sales increased \$69.5 million, or approximately 7.5%, in 2005 as compared with 2004. Of this increase, approximately \$46.5 million is attributed to organic growth, and approximately \$6.0 million is due to currency exchange as our reported results in U.S. dollars benefited from stronger foreign currencies. In addition, we estimate that approximately \$17.0 million of additional sales in 2005 was the result of recovery of steel cost increases that were passed through to customers. Packaging Systems' net sales increased \$6.4 million, or approximately 3.5%, in 2005 as compared with 2004 due to

new product sales, the favorable effects of currency exchange and partial recovery of increased steel costs, offset in part by slightly lower sales of core products such as rings, closures and plastic plugs. Net sales within Energy Products increased \$28.0 million, or 27.2%, in 2005 as compared with 2004 as businesses in this segment benefited from high levels of oil and gas drilling activity in North America due to elevated oil prices and higher levels of turnaround activity at petroleum refineries and petrochemical facilities. Net sales within our Industrial Specialties segment increased \$31.1 million, or 23.2%, in 2005 as compared with 2004 due to improved demand across all businesses in the segment and recovery of steel cost increases, most notably in our industrial cylinder business. RV & Trailer Products' net sales increased \$12.0 million, or approximately 6.1%, in 2005 as compared with 2004. After consideration of the favorable impacts of currency exchange of \$2.0 million, net sales increased approximately \$10.0 million in 2005 from 2004. Recreational Accessories' net sales decreased \$8.1 million, or approximately 2.6%, in 2005 as compared with 2004. After consideration of the favorable effects of currency exchange of \$3.1 million and the beneficial impact of steel cost increases recovered from customers of approximately \$14.6 million, net sales decreased approximately \$25.8 million in 2005 from 2004.

Gross profit margin (gross profit as a percentage of sales) approximated 24.7% and 27.5% in 2005 and 2004, respectively. Most notably, Recreational Accessories' gross profit margin declined to approximately 20.0% in 2005 from approximately 27.2% in 2004 due principally to reduced sales volumes of towing and trailer products in the higher margin wholesale distributor and installer channels, significant competitive pricing pressures in all market channels, but especially retail, and insufficient recovery of steel and other material cost increases via pricing. Packaging Systems' gross profit margin declined to 28.7% in 2005 from 31.1% in 2004. The decline in gross profit margins is due principally to the impact of resin cost increases, steel cost recovery issues related to certain products in Europe and other cost increases not able to be fully recovered from customers. Within Energy Products, gross profit margin declined slightly to approximately 27.0% in 2005 from approximately 27.4% in 2004. Gross profit margin within Industrial Specialties improved to 28.9% in 2005 from 27.5% in 2004 due principally to increased sales of higher margin aerospace fasteners. Within RV & Trailer Products, gross profit margins declined to approximately 23.1% in 2005 from approximately 24.9% in 2004, due primarily to competitor-driven pricing pressures in the trailer products business.

Operating profit margin (operating profit as a percentage of sales) approximated 8.4% and 9.5% for the years ended December 31, 2005 and 2004, respectively. The decline in operating profit margin is due principally to reduced profit margin within Recreational Accessories. Within Recreational Accessories, operating profit decreased \$23.9 million in 2005 compared to 2004 as this business segment had lower sales levels, margin erosion due to competitor-driven pricing pressures, and overall lower gross profits due to inability to recover material cost increases from customers. Operating profit margin at Packaging Systems increased to 16.1% in 2005 from 15.2% in 2004. The impact of increased steel, resin and other material cost increases which were not able to be fully recovered from customers were more than offset by reduced operating expenses. Also in the first half of 2004, our Compac business unit incurred higher costs and operational inefficiencies associated with the consolidation of manufacturing facilities into its new Hackettstown, New Jersey facility, which did not recur in 2005. Within Energy Products, operating profit margin improved to 11.6% in 2005 from 8.9% in 2004 as this segment benefited from significantly higher sales with only a nominal increase in related selling and other fixed costs. Within the Industrial Specialties segment, operating profit increased to 19.2% in 2005 from 16.3% in 2004 as businesses in this segment benefited from significantly increased sales levels. Within RV & Trailer Products, operating profit margin decreased marginally to 12.8% in 2005 from 13.0% in 2004.

Adjusted EBITDA margin (Adjusted EBITDA as a percentage of sales) decreased to 11.8% for the year ended December 31, 2005 from 13.6% for the year ended December 31, 2004, respectively, consistent with the overall decrease in operating profit margin between years. See discussion of

operating results by segment for further explanation of changes in segment Adjusted EBITDA between years.

Packaging Systems. Net sales increased \$6.4 million, or approximately 3.5%, to \$189.9 million in 2005 compared to \$183.5 million in 2004. Of this amount, \$9.6 million relates to increased sales of new specialty dispensing products, \$1.8 million is due to higher sales of pressure sensitive tapes and insulation products, and \$0.5 million is due to the favorable impact of foreign currency exchange as a result of a weaker U.S. dollar. These increases were in part offset by an approximate \$5.5 million decrease in sales of core products, including industrial closures, rings and levers, compared to 2004.

Packaging Systems' gross profit margin declined to approximately 28.7% during 2005 from approximately 31.1% in 2004, and gross profit declined \$2.5 million in 2005 from 2004. The beneficial impact of higher sales levels and favorable impact of currency exchange were more than offset by increased resin, steel and other materials cost increases not able to be recovered from customers and higher energy costs, resulting in the decrease in gross profit margin in 2005 from 2004.

Packaging Systems' selling, general and administrative costs were \$23.8 million or approximately 12.5% of sales in 2005 compared to \$26.3 million or approximately 14.4% of sales in 2004. Increased costs associated with launch and sales ramp-up activities related to sale of Rieke's specialty pump dispensing products for consumer applications were approximately offset by costs incurred in the first half 2004 related to employee severance and maintaining compliance with various health and safety requirements at a European manufacturing facility. Also in 2004, we estimate we incurred approximately \$4.1 million of costs in connection with the consolidation of Compac's Netcong and Edison, New Jersey facilities into a new facility in Hackettstown, New Jersey. These consolidation actions were essentially completed in fourth quarter 2004 and related costs did not recur in 2005.

Overall, Packaging Systems' operating profit margin increased to approximately 16.1% in 2005 as compared to 15.2% in 2004. The impact of increased sales levels, the favorable effect of stronger foreign currencies on results reported in U.S. dollars, and facility consolidations and certain employee-related and other regulatory health and safety costs that did not recur in 2005 more than offset increased resin, steel and other material cost increases not able to be fully recovered from customers and increased costs associated with the launch of new specialty dispensing products.

Packaging Systems' Adjusted EBITDA decreased approximately \$1.0 million to \$40.4 million, or 21.2% of sales for the year ended December 31, 2005 from \$41.4 million, or 22.5% of sales for the year ended December 31, 2004. Compared to 2004, Adjusted EBITDA in 2005 was reduced \$2.1 million due to net losses on transactions denominated in foreign currencies while in 2004 Adjusted EBITDA was \$0.4 million higher due to net gains on transactions denominated in foreign currencies. In 2004, Adjusted EBITDA also included the add-back of a \$2.3 million asset impairment charge related to the consolidation of operating facilities.

Energy Products. Net sales for 2005 increased \$28.0 million, or 27.2%, to \$131.0 million compared to \$103.0 million in 2004. Of this amount, approximately \$8.4 million represents increased demand from existing customers for slow speed and compressor engines and products as a result of continued favorable market conditions for oil and gas producers in the United States and Canada and approximately \$5.2 million represents market share gains due to extended product line offerings of existing engine models, principally in Canada, and expanded replacement parts offerings internationally. Sales of specialty gaskets increased \$13.1 million as a result of increased demand from existing customers due to continued high levels of turn-around activity at petrochemical refineries, incremental business with existing customers and increased demand for replacement parts as a result of severe weather in the United States Gulf Coast region in the second half of 2005. In addition, \$1.3 million is due to increased international sales of specialty gaskets, principally in Latin America, the Far East and Europe.

Gross profit within Energy Products increased \$7.2 million to \$35.4 million or 27.0% of sales in 2005 from \$28.3 million or 27.4% of sales in 2004. Of this amount, approximately \$7.7 million is attributed to the sales level increase which was marginally offset by net material cost increases not able to be recovered from customers or otherwise offset. Increased costs of steel for bolts used in our specialty gasket business were approximately offset by sourcing initiatives.

Selling, general and administrative expenses at Energy Products increased \$1.1 million to \$20.2 million or 15.4% of net sales in 2005 from \$19.1 million or 18.5% of net sales in 2004. Selling, general and administrative costs as a percentage of net sales improved 3.1% in 2005 from 2004 as Energy Products achieved higher sales levels with only a modest increase in selling and administrative costs due to the relatively fixed cost nature of this segment's existing distribution network, particularly with respect to sales of specialty gaskets.

Overall, operating profit within Energy Products increased \$6.0 million to \$15.2 million or 11.6% of sales in 2005 from \$9.2 million or 8.9% of sales in 2004 due principally to significantly higher sales levels.

Energy Products' Adjusted EBITDA increased \$5.9 million to \$17.6 million or 13.4% of sales for the year ended December 31, 2005 from \$11.7 million or 11.4% of sales for the year ended December 31, 2004, consistent with the improvement in operating profit between years.

Industrial Specialties. Net sales during 2005 increased \$31.1 million, or approximately 23.2% to \$164.7 million compared to \$133.6 million in 2004. Of this amount, approximately \$27.1 million is a result of increasing demand for our products in the aerospace, general industrial, and defense markets due to new products, market share gains and economic expansion. We estimate approximately \$4 million is due to additional recovery of steel cost increases passed through to customers, principally within our industrial cylinder and precision tooling businesses.

Gross profit within our Industrial Specialties segment increased \$10.8 million to \$47.6 million or 28.9% of sales in 2005 from \$36.8 million, or 27.5% of sales in 2004. The improvement in gross margin is primarily the result of a more profitable product mix due to proportionately greater sales of higher margin aerospace fasteners and overall higher sales levels.

Selling, general and administrative expenses increased \$0.9 million to \$15.9 million or 9.6% of sales in 2005 from \$15.0 million or 11.2% of sales in 2004 as the Industrial Specialties businesses were able to achieve higher sales levels without increasing selling and administrative costs to do so.

Overall, operating profit within Industrial Specialties increased \$9.9 million to \$31.7 million, or 19.2% of net sales in 2005, from \$21.8 million, or 16.3% of net sales in 2004. The increase is due primarily to increased sales volumes across all of this segment's businesses and the result of proportionately greater sales of higher margin aerospace fasteners.

Industrial Specialties' Adjusted EBITDA increased \$10.2 million to \$36.7 million or 22.3% of sales for the year ended December 31, 2005, from \$26.5 million or 19.8% of sales for the year ended December 31, 2004, consistent with the improvement in operating profit between years.

RV & Trailer Products. Net sales increased \$12.0 million or 6.1%, to \$209.0 million in 2005 from \$197.0 million in 2004. After consideration of the favorable impacts of currency exchange of \$2.0 million, net sales increased approximately \$10.0 million in 2005 from 2004. This increase is due principally to an increase in unit volume within our electrical products business unit.

RV & Trailer Products' gross profit decreased \$0.9 million to \$48.2 million, or 23.1% of net sales in 2005, from \$49.1 million or 24.9% of net sales in 2004. The decline in gross profit is due to significant competitive pricing pressures in our trailering products business.

RV & Trailer Products' selling, general and administrative expenses decreased \$2.4 million to \$20.5 million or 9.8% of sales in 2005, from \$22.9 million or 11.6% of sales in 2004, as RV & Trailer Products reduced selling, general and administrative expenses in response to lower gross profits.

Overall, RV & Trailer Products' operating profit increased \$1.2 million to \$26.8 million, or 12.8% of net sales, in 2005, from \$25.6 million, or 13.0% of net sales in 2004. The increase in operating profit is primarily the result of reductions in selling, general and administrative expenses in response to lower gross margins earned as a result of pricing pressures in its trailering products business.

RV & Trailer Products' Adjusted EBITDA increased \$0.9 million to \$34.3 million or 16.4% of sales for the for the year ended December 31, 2005 from \$33.4 million or 16.9% of sales for the year ended December 31, 2004, consistent with the change in operating profit between years.

Recreational Accessories. Net sales decreased \$8.1 million, or approximately 2.6%, to \$306.2 million in 2005 from \$314.3 million in 2004. After consideration of the favorable impacts of currency exchange of \$3.1 million and steel cost increases recovered from customers of approximately \$14.6 million, net sales decreased approximately \$25.8 million in 2005 from 2004. This decrease is due to lower market demand in 2005 compared to 2004 and the impact of customer inventory adjustments, primarily within our towing products business unit, as well as significant price competition in all market channels, but especially retail due to increasing competition from manufacturers in lower cost countries.

Recreational Accessories' gross profit decreased \$24.1 million to \$61.3 million, or 20.0% of net sales in 2005, from \$85.4 million or 27.2% of net sales in 2004. Of this decline in gross profit, we estimate approximately \$23.5 million is attributed to a decline in material margins due to inability to fully recover steel and other material cost increases through pricing in our towing products businesses, and significant competitive pricing pressures in all market channels, but especially retail. This decline in material margins was offset in part by reductions in direct labor costs and variable spending of approximately \$5.3 million. The remaining decline in gross profit is due to loss of incremental margin on an estimated \$25.8 million of lower sales in 2005 when compared to 2004.

Recreational Accessories' selling, general and administrative expenses decreased \$2.5 million to \$56.6 million or 18.5% of sales in 2005, from \$59.1 million or 18.8% of sales in 2004, as Recreational Accessories reduced selling, general and administrative expenses in response to lower sales and gross profits. In 2004, Recreational Accessories incurred approximately \$1.2 million in higher costs related to the consolidation of certain businesses distribution activities in South Bend, Indiana and ramp-up of that facility's operations. These costs did not recur in 2005.

In 2005, operating profit was reduced an additional \$2.7 million as Recreational Accessories incurred asset impairment charges related to the closure of its Elkhart, Indiana plastics operation, which was merged into our Goshen, Indiana facility, and the shutdown of our Consumer Products business unit's distribution/manufacturing facility located in Sheffield, Pennsylvania, which was merged into our South Bend, Indiana distribution center.

Overall, Recreational Accessories' operating profit decreased \$23.9 million to \$2.1 million, or 0.7% of net sales in 2005, from \$26.1 million, or 8.3% of net sales in 2004. The decline in operating profit in 2005 from 2004 is the result of lower sales levels, principally in the towing products business, and margin erosion in all market channels due to severe competitor pricing pressures and inability to recover fully steel and other material cost increases through pricing. These negative impacts to operating profit were partially offset by reductions in selling, general and administrative expenses in response to reduced levels of sales activity and lower gross profits. Operating profit was also impacted by \$2.7 million in asset impairment charges associated with closure and merger of facilities into other existing Recreational Accessories operations.

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Recreational Accessories' Adjusted EBITDA decreased approximately \$22.0 million to \$14.9 million or 4.9% of sales for the year ended December 31, 2005 from \$36.9 million or 11.7% of sales for the year ended December 31, 2004. Compared to 2004, the decrease in Adjusted EBITDA in 2005 was less than the decline in operating profit in 2005 due primarily to the add-back of a \$2.7 million asset impairment charge related to the consolidation and closure of two operating facilities.

Corporate Expenses and Management Fees. Corporate expenses and management fees included in operating profit and Adjusted EBITDA consist of the following:

	Year ended December 31,	
	2005	2004
	(dollars in millions)	
Corporate operating expenses	\$ 10.4	\$ 10.9
Employee costs and related benefits	7.4	6.9
Management fees and expenses	4.2	4.2
	22.0	22.0
Corporate expenses and management fees operating profit	22.0	22.0
Receivables securitization expenses	4.2	1.9
Depreciation	(0.2)	(0.2)
Deferred equity offering costs		(1.1)
Other, net	(0.5)	0.1
	25.5	22.7
Corporate expenses and management fees Adjusted EBITDA	\$ 25.5	\$ 22.7

Corporate expenses and management fees approximated \$22.0 million in 2005 and 2004, respectively. In 2005, increases in group medical and workers compensation insurance expense and higher costs associated with operating our Asian Sourcing Office were approximately offset by the \$1.1 million write-off of deferred equity offering costs in 2004 that did not recur in 2005.

Interest Expense. Interest expense increased approximately \$7.6 million in 2005 as compared to 2004 due to an increase in our weighted average interest rate from 5.69% at December 31, 2004 to 7.2% at December 31, 2005. We also incurred greater borrowings on our revolving credit facility in the first half of 2005 to fund increasing levels of investment in working capital, which were offset in part by reductions in borrowings on our revolving credit facility in the second half of 2005, as we partially paid down amounts outstanding on our revolver in addition to scheduled principal payments of \$2.9 million on our term loan facility.

Other Expense, Net. Other expense, net increased approximately \$5.0 million to \$6.1 million in 2005 from \$1.1 million in 2004. Of this amount, approximately \$1.0 million relates to greater expenses incurred as a result of increased use of our receivables securitization facility, \$0.5 million in expense related to the sale of receivables at one business and under a factoring arrangement at certain European subsidiaries to fund working capital needs and \$0.6 million is due to expenses incurred in connection with renewal of our receivables securitization facility in July 2005. The remaining increase is primarily due to net losses on transactions denominated in foreign currencies other than the local currency of the company subsidiary that is a party to the transaction of \$2.3 million in 2005, compared to net gains on foreign currency transactions of \$0.7 mil