TRIMAS CORP
Form 10-K
March 13, 2008

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington D.C. 20549

Form 10-K

(Mark One)

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

For the fiscal year ended December 31, 2007.

Or

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

For the transition period from to
Commission file number 001-10716

TRIMAS CORPORATION

(Exact Name of Registrant as Specified in Its Charter)

Delaware	**38-2687639**
(State or Other Jurisdiction of Incorporation or Organization)	(IRS Employer Identification No.)

39400 Woodward Avenue, Suite 130
Bloomfield Hills, Michigan 48304
(Address of Principal Executive Offices, Including Zip Code)

(248) 631-5450
(Registrant's telephone number, including area code)

Securities registered pursuant to Section 12(b) of the Act: Common stock, $0.01 par value
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 o No ý

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 o No ý

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 ý No o

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. ý

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 o	Accelerated Filer o	Non-accelerated Filer ý (Do not check if a smaller reporting company)	Smaller Reporting Company o

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

The aggregate market value of the voting common equity held by non-affiliates of the Registrant as of June 30, 2007 was approximately $221.3 million, based upon the closing sales price of the Registrant's common stock, $0.01 par value, reported for such date on the New York Stock Exchange. For purposes of this calculation only, directors, executive officers and the principal controlling shareholder or entities controlled by such controlling shareholder are deemed to be affiliates of the Registrant.

As of March 13, 2008, the number of outstanding shares of the Registrant's common stock, $.01 par value, was 33,409,500 shares.

Portions of the Registrant's Proxy Statement for the 2008 Annual Meeting of Stockholders are incorporated herein by reference in Part III of this Annual Report on Form 10-K to the extent stated herein.

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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;

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

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

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

- We have significant goodwill and intangible assets. We incurred a significant impairment of our goodwill and/or indefinite-lived intangible assets in 2007 and 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 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 2007 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 2007 as follows: Packaging Systems (net sales: $211.8 million; operating profit: $29.8 million), Energy Products (net sales: $163.5 million; operating profit: $22.9 million), Industrial Specialties (net sales: $204.6 million; operating profit: $41.8 million), RV & Trailer Products (net sales: $198.8 million; operating loss: $81.2 million), and Recreational Accessories (net sales: $289.6 million; operating loss: $64.2 million).

In the fourth quarter of 2007, we recorded pre-tax, non-cash goodwill and indefinite-lived intangible asset impairment charges of $100.8 million and $70.4 million in our RV & Trailer Products and Recreational Accessories segments, respectively. In the fourth quarter of 2006, we recorded a pre-tax, non-cash goodwill impairment charges of $97.5 million and $19.0 million, respectively, in our RV& Trailer Products and Recreational Accessories segments. The impairment charges in 2007, were primarily the result of continued weak end markets in these businesses, an uncertain economic outlook, declining consumer confidence and declines in our stock price during late 2007. The 2006 impairment charges resulted from declining sales and/or profitability as compared to sales and profitability levels in prior years and our operating plan and changes in their estimated market values. The goodwill impairment charges are more fully described in Note 8, "Goodwill and Other Intangible Assets," of the financial statements attached hereto.

In the fourth quarter of 2007, we reached a decision to sell the N.I. Industries rocket launcher and property management businesses within our Industrial Specialties segment. We sold the rocket launcher business in December 2007. The information presented herein (information, amounts and description) excludes the businesses we decided to exit and these operations are presented as discontinued operations and assets held for sale.

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, 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 85 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 155 issued and enforceable patents and 195 patent applications pending. Packaging Systems has approximately 15 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 2007, we introduced three major new dispensing products into various markets: an AUTOGRIP lever system for 55-gallon containers, an airless dispensing system for dosing hygienic solutions such as lotions, creams and gels, and an airless high viscosity dispensing system (HVDS).

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 availability throughout the world, including in the Asian market.

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, 2007, Packaging Systems employed approximately 36 salespeople throughout the world. Approximately 33 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 90% 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.

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 Closure Systems. In the 5-gallon container closure market, our primary competitors are Greif Closure Systems, 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 Closure Systems and Mauser. The Rieke® 5-gallon container closure products compete with those of Greif Closure Systems 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, compressors, gas production equipment 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 the introduction of a new line of compressor and associated gas production equipment, both launched in 2007. In both instances, Arrow Engine expects the expansion of their product offerings to existing customers to fuel future growth.

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. The company has also launched an offering of customizable compressors and gas production equipment, which are used by existing end customers in the natural gas extraction market.

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 related products.

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 2006, Lamons 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. The next phase of this expansion is the duplication of the hub-and-spoke model by adding branches in China to provide local customers with custom requirement and quicker turnaround on orders. Arrow Engine has established an extensive sourcing capability in China and India to manufacture engines, engine components and code vessels and has increased related foreign parts purchases from $6.5 million, or 26.0% of total material purchases in 2005, to $9.7 million, or 34.0% of total material purchases in 2007. Additionally, Arrow has granted rights to a vendor in China to produce gas production vessels under the Arrow ASME code stamp.

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. The evaluation of potential acquisition candidates is an on-going process.

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 CNC knife 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 new Kammpro gasket production equipment gives Lamons the unique ability to manufacture gaskets in more complex, non-circular shapes. Lamons also owns and continues to develop proprietary equipment to manufacture spiral wound, Kammpro and heat exchanger gaskets.

In 2006, Lamons 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. In 2007, the CMG gasket product line was added to the Hangzhou facility. Market acceptance has reached a stage where Lamons is in the process of establishing its first branch in China, expected to open in 2008.

Arrow Engine has its distribution and assembly processes at its principal facility in Tulsa, Oklahoma. In 2007, two satellite facilities were opened to handle the expected growth in the compressor and gas production equipment product lines, and to handle the upfit of engine bases sourced from overseas. A highly specialized network of machine shops and manufacturers located globally 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, medical implants for spinal and trauma applications, 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 Aerospace Fasteners (Monogram) is a leading manufacturer of permanent blind bolt and temporary fasteners used in commercial and military aircraft construction and assembly. Monogram currently has six active patents worldwide, and another six pending. 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 and Ti-OSI 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 Cylinder 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 Cylinder's 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 Cylinder 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 Cylinder manufactures include seamless low-pressure chlorine cylinders and ASME-approved accumulator cylinders primarily used for storing breathing air and nitrogen. Norris Cylinder 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 and reamers. 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. 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 Industries 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 Industries in Riverbank.

Dew Technologies. Dew Technologies is a contract manufacturer in the high-growth orthopedic device market. Dew Technologies was acquired on August 1, 2007 and serves mid-tier orthopedic companies specializing in spinal implants and trauma plates. Dew Technologies works with its customers' engineers to transform product concepts into manufacturable devices, and then produces these items to the exacting tolerances required in the medical industry. We believe this market has growth characteristics that Dew Technologies is well positioned to exploit through continued product expansion and future acquisitions.

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. Monogram has developed the next generation Composi-Lok® offering a flush break upon installation, and is testing an enlarged foot-print version of the Composi-Lok® offering improved clamping force on composite structures. The company is also working on the next generation of temporary fastener which is targeted to have load clamping capabilities in the range of a permanent fastener. 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 process for manufacturing ISO cylinders capable of holding higher pressure gases, and has been awarded a U.N. certification for its

ISO cylinders, making Norris the first manufacturer approved to distribute ISO cylinders domestically. Precision Tool Company is developing new products for use in the medical tool market. In recent periods, Hi-Vol has had success expanding its product offerings, and has been awarded a contract to produce a line of cold formed, machined fuel system components. Hi-Vol continues to work 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 been awarded a contract from a transplant tier 2 supplier for a line of fuel system components that represents a significant expansion from the traditional product line and customers served by this company. Precision Tool Company continues to expand its offerings and capabilities in the market for medical and dental 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 and device 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, Worthington Cylinders and Nuvasive.

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, ISO and other international specifications in its Longview, Texas facility. In addition, Norris Cylinder 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. Dew Technologies conducts precision machining, turning and assembly of orthopedic devices in its Fairborn, Ohio facility.

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. Dew Technologies competes in a fragmented market of contract manufacturers serving the orthopedic device industry, although they represent a significant source of supply for the customers they serve. 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 industrial 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.

The Hayman-Reese brand of towing products has strong brand awareness in the Australian marketplace where it is well established at both the wholesale and retail levels of the aftermarket.

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.

Flexibility in Supply. As a result of significant restructuring activity completed over the last two years, RV & Trailer Products has improved its cost structure and supply flexibility. Complemented with its continued sourcing initiatives with supply partners in both China and Taiwan, this enhanced manufacturing capability allows RV and Trailer Products the opportunity to maximize its product offerings. 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 supplier partners. 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 opportunities to grow through new product introductions, cross-selling products across channels, niche acquisitions, providing complete product solutions and international expansion into Thailand.

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 F-2 aluminum jack and RV landing gear. In electrical products there have been innovations in brake controls (P3), custom harnesses, 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.

Provide Trailering Solutions. As a result of its broad product portfolio, RV & Trailer Products 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.

International Expansion into Thailand. RV & Trailer Products has successfully introduced its products into the local market in Thailand where this segment's Australian operation launched a new plant in 2006.

Marketing, Customers and Distribution

As of December 31, 2007, the RV & Trailer Products group employs 37 professionals in sales, marketing and product management activities to support all customer channels. Of these professionals, there are 24 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 2007, RV & Trailer Products completed a major restructuring of our Australian operations, shifting additional manufacturing into our facilities in Melbourne and Thailand, allowing the closure of facilities in both Brisbane and Sydney.

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, 2007, RV & Trailer Products employs 66 professionals in their engineering function and invests approximately 1.8% 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, 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 47% 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 provide a similar array of products and services in multiple product categories. 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 1,700 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 2007, approximately 32% of Recreational Accessories' products were sold through the highly fragmented installer/distributor channels. Mass retailers accounted for approximately 24% of sales in 2007 while RV distributors accounted for 11% in 2007. 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.

Flexibility in Supply. 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. Additionally, in 2007, 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 protect operating margins.

Strategies

We believe that Recreational Accessories has significant opportunities to grow through new product introductions, niche acquisitions, 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 a plug and play brake controller and a heavy duty towing weight distribution with sway control unit. Future product innovation will also be a focus in the cargo management side of our business, funded through renewed investment in 2007. The group has patents pending on products called Goose Hitch Assembly with Method, US Modular Cargo Carrier Assembly and WO PT Semi Rigid Cargo Carrier.. In addition, it is continually refreshing its existing retail products with new designs and features and innovative packaging and merchandising.

Niche Acquisitions. In 2007, Recreational Accessories expanded its product offering through the acquisition of the 'Fifth Gear product line' from Quest Technologies LLC. The addition of the Fifth Gear product line complemented the segment's portfolio of products targeting the recreational vehicle market, utilizing its Reese(R) brand, while expanding the company's leadership position in the growing fifth wheel trailer market.

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, 2007, Recreational Accessories employs 51 professionals in sales, marketing and product management activities to support all customer channels. Of these professionals, this segment has 41 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). As of December 31, 2007, the towing products business principally distributes to approximately 240 independent distributors and 3,200 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.

Manufacturing

In 2007, the segment's towing operation successfully integrated all North American hitch manufacturing into its Goshen, Indiana plant allowing the closure of its Huntsville, Ontario facility. In addition, Recreational Accessories further consolidated its distribution from eight locations to seven.

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, 2007, Recreational Accessories employs 36 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 58% 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 Thule, 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, 2007, we employed approximately 5,100 people, of which approximately 18% were unionized and approximately 35% were located outside the United States. We currently have Collective Bargaining Agreements covering seven facilities worldwide for our continuing operations, five of which are in the United States. Three of the union contracts are scheduled to be renegotiated during 2008. Employee relations have otherwise generally been satisfactory. We are currently engaged in a dispute with the Steelworkers' Union regarding whether a neutrality agreement that we presently have with the Union, which commits us to remain generally neutral in union organizing drives, applies to most company facilities in the United States and Canada, as the Union believes, or just four facilities (one since closed), as the Company believes. An arbitration is scheduled in April 2008 to determine this issue. We are not aware of any present active union organizing drivers at any if our facilities in any case. 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 N.I. 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 $214.3 million at December 31, 2007, 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, 2007 we had 364 registered patents and 104 patents pending in the U.S., and 154 registered patents and 208 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 16.4% of our net sales for the fiscal year ended December 31, 2007 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 27.8% of our operating net assets as of December 31, 2007 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 250 employees. Our new facility in Thailand will support our operations in Asia and currently has approximately 80 employees. We believe this facility will eventually replace one facility in Australia. Our Canadian operations, with approximately 70 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 550 employees. Lamons Gasket manufactures spiral-wound gaskets at its facility in Hangzhou, China, which has approximately 80 contract 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 40 employees. In Juarez, Mexico, we manufacture electrical products and accessories, as well as metal fabrication, with approximately 220 employees. In Reynosa, Mexico, we manufacture and assemble lighting and wiring components, with approximately 330 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 19, "Segment Information," to the audited financial statements for the years ended December 31, 2007, 2006 and 2005 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 $158.4 million, $128.9 million and $45.9 million for the years ended December 31, 2007, 2006 and 2005, respectively. The losses in 2007 and 2006 principally resulted from pre-tax, non-cash goodwill and indefinite-lived impairment charges of $171.2 million and $116.5 million, respectively. The losses in 2006 and 2005 were also impacted by a loss from discontinued operations of $19.1 million and $45.1 million, respectively. In addition, 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.

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, 2007, we have approximately $616.0 million of outstanding debt and approximately $208.5 million of shareholders' equity. Approximately 45% 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 2007 were approximately $66.3 million and based on amounts outstanding as of December 31, 2007 a 1% increase in the per annum interest rate for our variable rate debt would increase our interest expense by approximately $2.8 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 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.

We test goodwill and indefinite-lived intangible assets for impairment on an annual basis as required by Statement of Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), by comparing the estimated fair value of each of our reporting units to their respective carrying values on our balance sheet. More frequent evaluations could become required under SFAS No. 142 if we experience changes in our business conditions. In assessing the recoverability of goodwill and indefinite-lived intangible assets, we estimate the fair value of each of our reporting units by calculating the present value of their expected future cash flows and other valuation measures. We then compare the estimates of fair value with the reporting unit's net asset carrying value on our balance sheet. If carrying value exceeds fair value, then a possible impairment of goodwill exists and further evaluation is performed. Goodwill is evaluated for impairment annually as of December 31 using management's operating budget and internal five-year forecast to estimate expected future cash flows. Projecting discounted future cash flows requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate. The projections also take into account several factors including current and estimated economic trends and outlook, costs of raw materials, consideration of our market capitalization in comparison to the estimated fair values of our reporting units determined using discounted cash flow analyses and other factors which are beyond our control..

At December 31, 2007 our goodwill and intangible assets were approximately $591.6 million, and represented approximately 52.4% of our total assets. Our net loss of $158.4 million and $128.9 million in 2007 and 2006, respectively, included charges of $171.2 million and $116.5 million, respectively, for impairment of goodwill and indefinite-lived intangible assets in our RV & Trailer Products and Recreational Accessories segments. If we experience declines in sales and operating profit or do not meet our current and forecasted operating budget in our RV & Trailer Products and Recreational Accessories segments, we may be subject to future goodwill impairments. In addition, while the fair value of our remaining goodwill exceeds its carrying value, significantly different assumptions regarding future performance of our businesses or significant declines in our stock price could result in additional impairment losses. 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 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 9,544 claims pending at December 31, 2007, 172 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 146 of the 172 claims sought between $1.0 million and $5.0 million in total damages (which includes compensatory and punitive damages) and 26 sought between $5.0 million and $10.0 million in total damages (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 151 of the 172 claims sought between $50,000 and $600,000 and 21 sought between $1.0 million and $5.0 million. Solely with respect to punitive damages, 146 of the 172 claims specifying damages sought between $1.0 million and $2.5 million and 26 sought $5.0 million. Total defense costs from January 1, 2003 to December 31, 2007 were approximately $24.1 million and total settlement costs (exclusive of defense costs) for all asbestos cases since inception have been approximately $5.1 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 nine 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 $15.4 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 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, 2007, approximately 18% 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. We are currently engaged in a dispute with the Steelworkers' Union regarding whether a neutrality agreement that we presently have with the Union, which commits us to remain generally neutral in union organizing drives, applies to most company facilities in the United States and Canada, as the Union believes, or just four facilities (one since closed), as the Company believes. An arbitration is scheduled in April 2008 to determine this issue. We are not aware of any present active union organizing drivers at any if our facilities in any case. 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 16.4% of our net sales for the fiscal year ended December 31, 2007 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.

Our stock price may be subject to significant volatility due to our own results or market trends.

If our revenue, earnings or cash flows in any quarter fail to meet the investment community's expectations, there could be an immediate negative impact on our stock price. Our stock price could also be impacted by broader market trends and world events unrelated to our performance.

Item 1B. Unresolved Staff Comments

None.

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 October 2007 extending the term to June 2015. 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, 2007.

Packaging Systems	Energy Products	Industrial Specialties	RV & Trailer Products	Recreational Accessories
United States: Indiana: Auburn Hamilton(1) New Jersey: Hackettstown(1) *International:* Germany: Neunkirchen Italy: Valmadrera Mexico: Mexico City United Kingdom: Leicester China: Hangzhou(1)	*United States:* Oklahoma: Tulsa Texas: Houston(1) *International:* Canada: Sarnia, Ontario(1) China: Hangzhou(1)	*United States:* California: Riverbank(2) Commerce(1) Massachusetts: Plymouth(1) Michigan: Warren(1) Livonia(1) Ohio: Fairborn(1) Texas: Longview	*United States:* Michigan: Tekonsha(1) Wisconsin: Mosinee(1) *International:* Australia: Dandenong, Victoria Lyndhurst, Victoria Regents Park, New South Wales(1) Mexico: Juarez(1) Reynosa Thailand: Chon Buri(1)	*United States:* Indiana: Goshen(1) South Bend(1) Michigan: Plymouth(1) Ohio: Solon(1) *International:* Canada: 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, 2007, we were a party to approximately 1,681 pending cases involving an aggregate of approximately 9,544 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 setttled during period	Average settlement amount per claim during period	Total defense costs during period
Fiscal year ended December 31, 2005	18,884	2,596	1,998	66	$ 8,660	$ 5,324,000
Fiscal year ended December 31, 2006	19,416	3,766	12,508	123	$ 5,613	$ 4,895,000
Fiscal year ended December 31, 2007	10,551	619	1,484	142	$ 9,243	$ 4,982,000

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

We may be subjected to significant additional asbestos-related claims in the future, the cost of settling cases in which product identification can be made may increase, and we may be subjected to further claims in respect of the former activities of our acquired gasket distributors. We note that we are unable to make a meaningful statement concerning the monetary claims made in the asbestos cases given that, among other things, claims may be initially made in some jurisdictions without specifying the amount sought or by simply stating the requisite or maximum permissible monetary relief, and may be amended to alter the amount sought. The large majority of claims do not specify the amount sought. Of the 9,544 claims pending at December 31, 2007, 172 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 146 of the 172 claims sought between $1.0 million and $5.0 million in total damages (which includes compensatory and punitive damages) and 26 sought between $5.0 million and $10.0 million in total damages (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 151 of the 172 claims sought between $50,000 and $600,000 and 21 sought between $1.0 million and $5.0 million. Solely with respect to punitive damages, 146 of the 172 claims sought between $1.0 million and $2.5 million and 26 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 $5.1 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.

Item 4A. Executive Officers of the Registrant

Set forth below is certain information with respect to our executive officers:

Name	Age	Title
Samuel Valenti III	62	Executive Chairman
Grant H. Beard	47	President and Chief Executive Officer
E.R. (Skip) Autry Jr	53	Chief Financial Officer
Lynn A. Brooks	55	President, Packaging Systems Group
Dwayne M. Newcom	47	Vice President, Human Resources
Jeffrey B. Paulsen	47	President, Energy Products and Industrial Specialties Groups
Edward L. Schwartz	46	President, RV & Trailer Products and Recreational Accessories Groups
Joshua A. Sherbin	45	General Counsel and Secretary
Robert J. Zalupski	49	Vice President Finance and Treasurer

Samuel Valenti III. Mr. Valenti was elected as Chairman of our Board of Directors in June 2002 and became Executive Chairman of our board in November 2005. Since 1988, Mr. Valenti has been President and a member of the board of Masco Capital Corporation. Mr. Valenti is Chairman of Valenti Capital LLC. Mr. Valenti was formerly Vice President Investments of Masco Corporation from May 1974 to October 1998. Mr. Valenti has been employed by Masco Corporation since 1968. Until November 2005, Mr. Valenti served as a special advisor to Heartland. Until July 2006, Mr. Valenti served as a director of Metaldyne.

Grant H. Beard. Mr. Beard was appointed as our President and Chief Executive Officer in March 2001 and was appointed as a director in June 2002. From August 2000 to March 2001, Mr. Beard was President, Chief Executive Officer and Chairman of HealthMedia, Inc. From January 1996 to August 2000, he was President of the Preferred Technical Group of Dana Corporation, a manufacturer of tubular fluid routing products sold to vehicle manufacturers. He served as Vice President of Sales, Marketing and Corporate Development for Echlin, Inc., before the acquisition of Echlin by Dana in late 1998. Mr. Beard has experience at two private equity/merchant banking groups, Anderson Group and Oxford Investment Group, where he was actively involved in corporate development, strategy and operations management.

E.R. (Skip) Autry, Jr. Mr. Autry was appointed our Chief Financial Officer in January 2005, prior to which he had been our Corporate Controller since joining us in June 2003. Prior to joining TriMas Corporation, Mr. Autry had been the Vice President, Finance for Freudenberg NOK since September 2001. From May 2000 until joining Freudenberg, Mr. Autry served as the Vice President, Finance for INTERMET Corporation, prior to which he had spent five years with Key Plastics LLC as Vice President, Operations from July 1997 to May 2000 and Vice President, Finance and Chief Financial Officer from June 1994. Key Plastics filed a petition under the federal bankruptcy laws in 2000. Prior to joining Key Plastics, Mr. Autry held a number of financial positions of increasing responsibility at the former Chrysler Corporation, and was senior manager at PricewaterhouseCoopers.

Lynn A. Brooks. Mr. Brooks has been President of Packaging Systems since July 1996. He joined Rieke in May 1978. Prior to his current position, his responsibilities at Rieke included Assistant Controller, Corporate Controller, and Vice President-General Manager of Rieke. Before joining Rieke, he served with Ernst & Young in the Toledo, Ohio and Fort Wayne, Indiana offices.

Dwayne M. Newcom. Mr. Newcom was appointed our Vice President of Human Resources in June 2002, prior to which he was the Director of Human Resources for the Metaldyne Diversified Industrials Group beginning in April 2001. From May 1998 to April 2001, Mr. Newcom served as the Director of Human Resources for the Preferred Technical Group, later the Coupled Products Group, of Dana Corporation. Prior to that, Mr. Newcom held a number of human resources positions, including division human resources manager, with the Clorox Company, from November 1996 to May 1998, and with Federal Mogul Corporation from May 1985 to November 1996.

Jeffrey B. Paulsen. Mr. Paulsen was appointed President of our Energy and Industrial Specialties Groups in January 2007, prior to which he was employed by Stryker Corporation, a leading global medical technology company, from 1996 to 2005. From 2004 to 2006, Mr. Paulsen served as the President of Stryker Corporation's Reconstructive Orthopedic Implant Division, which was responsible for global research, product development and manufacturing, as well as U.S. sales and marketing operations for Stryker Corporation's orthopedic implant business. From 2001 to 2003, Mr. Paulsen was Senior Vice President and Chief Operating Officer of such division, where he led a global, multi-site manufacturing, distribution, quality and R&D organization to deliver high levels of performance.

Edward L. Schwartz. Mr. Schwartz was appointed President of our Recreational Accessories Group and RV & Trailer Products Group in April 2005. Previously, he served as President of our Industrial Specialties Group from February 2003 and assumed additional responsibility as President of our Fastening Systems Group from November 2003. Prior to joining us, he was Executive Vice President of Philips Electronic LG Display ("Philips") Americas region from December 2001 until January 2003 where his responsibilities included managing CRT commercial and industrial activities in North/South America. From February 2000 until November 2001, Mr. Schwartz worked for Philips as Vice President in Hasselt, Belgium and Eindhoven, The Netherlands, where he led various projects in support of Philips patent portfolio efforts of CD/DVD technology. From September 1998 until January 2000, Mr. Schwartz was General Manager for Philips in Wetzlar, Germany, where he managed commercial/industrial activities in Europe for automotive components.

Joshua A. Sherbin. Mr. Sherbin was appointed our General Counsel and Secretary in March 2005, prior to which he was employed as the North American Corporate Counsel and Corporate Secretary for Valeo, a diversified Tier 1 international automotive supplier headquartered in Europe. Prior to joining Valeo in 1997, Mr. Sherbin was Senior Counsel, Assistant Corporate Secretary for Kelly Services, Inc., an employment staffing company, from 1995 to 1997, where he provided support to mergers and acquisitions, international operations and sales. From 1988 until 1995, he was an associate with Butzel Long's general business practice focusing on mergers and acquisitions, federal and state securities compliance, commercial lending and general commercial matters.

Robert J. Zalupski. Mr. Zalupski was appointed our Vice President, Finance and Treasurer in January 2003. He joined us as Director of Finance and Treasury in July 2002, prior to which he worked in the Detroit office of Arthur Andersen. From August 1996 through November 2001, Mr. Zalupski was a partner in the audit and business advisory services practice of Arthur Andersen providing audit, business consulting, and risk management services to both public and privately held companies in the manufacturing, defense and automotive industries. Prior to August 1996, Mr. Zalupski held various positions of increasing responsibility within the audit practice of Arthur Andersen serving public and privately held clients in a variety of industries.

PART II

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

In the second quarter of 2007, we completed our initial public offering of common stock ("IPO"), issuing 12,650,000 shares at a price of $11 per share. Prior to our IPO, there was no trading market for our common stock.

Our common stock, par value $0.01 per share, is listed for trading on the New York Stock Exchange under the symbol "TRS." As of March 12, 2008, there were 575 holders of record of our common stock.

We did not pay dividends in 2006 or 2007. Our current policy is to retain earnings to repay debt and finance our operations and acquisitions. In addition, our credit facility and the indenture governing our outstanding senior subordinated notes restrict 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 13 to the Company's financial statements captioned "*Long-term Debt,"* included in Item 8 of this report.

The high and low sales prices per share of our common stock by quarter subsequent to our IPO, as reported on the New York Stock Exchange, for 2007 are shown below:

	Price range of common stock	
	High Price	**Low Price**
Year Ended December 31, 2007		
4th Quarter	$ 16.15	$ 10.22
3rd Quarter	$ 13.44	$ 11.58
2nd Quarter	$ 12.85	$ 11.70
1st Quarter	N/A	N/A

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.

Performance Graph

The following graph compares the cumulative total stockholder return from the date of our IPO through December 31, 2007 for TriMas' common stock, the Russell 2000 Index and peer group(1) of companies we have selected for purposes of this comparison. We have assumed that dividends have been reinvested and returns have been weighted-averaged based on market capitalization. The graph assumes that $100 was invested in each of TriMas' common stock, the stocks comprising the Russell 2000 Index and the stocks comprising the peer group.

(1) Includes Actuant Corporation, Carlisle Companies Inc., Crane, Co., Dover Corporation, IDEX Corporation, Illinois Tool Works, Inc., Kaydon Corporation, SPX Corporation and Teleflex, Inc.

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, 2007. The financial data for each of the five years presented has been audited by KPMG LLP and has been derived from our audited financial statements and notes to those financial statements.

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 Corporation ("Metaldyne"), our former owner, 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 Heartland Industrial Partners' ("Heartland"), our majority shareholder, interest 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.

	Year ended December 31,				
	2007	2006	2005	2004	2003
	(dollars and shares in thousands, except per share data)				
Statement of Operations Data:					
Net sales	$ 1,068,270	$ 1,013,910	$ 992,890	$ 924,520	$ 800,910
Gross profit	288,890	270,360	243,620	253,950	224,920
Impairment of goodwill and indefinte-lived intangible assets	(171,210)	(116,500)			(7,600)
Operating profit (loss)	(91,770)	(16,250)	82,150	86,510	48,810
Income (loss) from continuing operations	(159,320)	(109,770)	(340)	12,680	(18,700)
Per Share Data:					
Basic:					
Continuing operations	$ (5.59)	$ (5.43)	$ (0.02)	$ 0.63	$ (0.93)
Weighted average shares	28,499	20,230	20,010	20,010	20,047
Diluted:					
Continuing operations	$ (5.59)	$ (5.43)	$ (0.02)	$ 0.61	$ (0.93)
Weighted average shares	28,499	20,230	20,010	20,760	20,047

	Year ended December 31,				
	2007	2006	2005	2004	2003
	(dollars in thousands)				
Statement of Cash Flows Data:					
Cash flows provided by (used for)					
Operating activities	$ 64,970	$ 15,880	$ 29,890	$ 42,620	$ 41,360
Investing activities	(68,910)	(22,160)	(16,640)	(46,840)	(161,280)
Financing activities	5,140	6,150	(12,610)	530	26,260
Balance Sheet Data:					
Total assets	$ 1,127,990	$ 1,286,060	$ 1,428,510	$ 1,522,200	$ 1,500,030
Total debt	615,990	734,490	727,680	738,020	735,980
Goodwill and other intangibles	591,630	769,850	900,000	925,280	938,550

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. We have five operating segments: Packaging Systems, Energy Products, Industrial Specialties, RV & Trailer Products and Recreational Accessories. In reviewing our financial results, consideration should be given to certain critical events, particularly our initial public offering in May 2007 and expenses related thereto, and previous consolidation, integration and restructuring efforts in several of our business operations.

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

Our businesses and results of operations depend upon general economic conditions and we serve some customers in highly cyclical industries that are highly competitive and themselves adversely impacted by unfavorable economic conditions. There is some seasonality in the 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 an uncertain credit market and interest rate environment and energy costs, among other things.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, aluminum, polyethylene and other resins and energy. Historically, we have experienced increasing costs of steel and resin and have worked with our suppliers to manage cost pressures and disruptions in supply. We have also initiated pricing programs to pass increased steel, copper, aluminum and resin costs to customers. Although we may experience delays in our ability to implement price increases, we generally are able to recover such increased costs. Although there have been no significant disruptions in the supply of steel since 2005, we may experience disruptions in supply in the future and we may not be able to pass along higher costs associated with such disruptions to our customers in the form of price increases. We will continue to take actions as necessary to manage risks associated with increasing steel 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 Prior Acquisitions. We have completed nine acquisitions since our separation from Metaldyne in June 2002. The most significant of these were the HammerBlow, Highland and Hi-Vol acquisitions.

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 that time, for approximately $22.7 million on a debt-free basis (Hi-Vol Acquisition). 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 and liabilities of Hi-Vol.

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. In addition to these major projects, there have also been a series of other smaller initiatives to eliminate duplicative and excess manufacturing and distribution facilities, sales forces, and back office and other support functions in order to continue to optimize our cost structure in response to competitor actions and market conditions. The aggregate costs of these actions for 2007, 2006 and 2005 were approximately $7.4 million, $1.6 million and $2.6 million, respectively.

The key elements of our completed consolidation, integration and other cost-savings programs in 2005 included the closure of our Sheffield, Pennsylvania distribution/manufacturing facility, the outsourcing of certain manufacturing activities, the integration of our Elkhart, Indiana plastics operation into our Goshen, Indiana facility and the consolidation of distribution activities in our South Bend, Indiana distribution center, all within our Recreational Accessories segment. We also completed the relocation of our Albion, Indiana wiring operation into our facilities in Reynosa, Mexico within our RV & Trailer Products segment, and rationalization of back office engineering, marketing and general administrative support personnel at certain of our locations within our Recreational Accessories and RV & Trailer Products segments.

The key elements of our completed consolidation, integration and other cost-savings programs in 2006 include the opening of a lower cost manufacturing facility in the Phanthong District of Thailand, initiating the closure of our Wakerley, Australia plant (which was completed in the third quarter of 2007), and the cessation of plating operations at our Schofield, Wisconsin facility, all within our RV & Trailer Products segment. Costs and expenses for the Australia plant closing and Thailand consolidation were incurred through August 2007.

The key element of our completed consolidation, integration and other cost-savings programs in 2007 included the closure of our manufacturing facility in Huntsville, Ontario, Canada, and consolidation its operations into our Goshen, Indiana manufacturing facility.

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

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

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

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

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

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

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

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

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

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

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

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

	Year ended December 31,		
	2007	**2006**	**2005**
	(dollars in thousands)		
Net loss before effect of cumulative accounting change	$ (158,430)	$ (128,910)	$ (45,460)
Income tax benefit(1)	(10,410)	(6,520)	(30,580)
Interest expense	68,310	79,060	75,210
Debt extinguishment costs	7,440	8,610	
Change in asset retirement obligation of discontinued operations		(550)	
Impairment of assets(2)	3,370	15,760	73,220
Impairment of goodwill(3)	171,210	116,500	
Depreciation and amortization(4)	41,350	38,740	40,750
Adjusted EBITDA	$ 122,840	$ 122,690	$ 113,140
Interest paid	(63,690)	(69,880)	(70,550)
Taxes paid	(8,660)	(14,050)	(12,630)
Gain (loss) on disposition of plant and equipment(5)	(630)	3,530	300
Receivables sales and securitization, net	25,980	(14,120)	(9,580)
Net change in working capital	(10,870)	(12,290)	9,210
Cash flows provided by operating activities	$ 64,970	$ 15,880	$ 29,890

(1) Includes add-back of income tax (benefit) expense 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 $3.4 million, $0.5 million and $3.0 million in 2007, 2006 and 2005, respectively. Also includes impairment charges of $15.3 million and $70.2 million in 2006 and 2005, respectively, related to our industrial fastening business which is reported as discontinued operations.

(3) Goodwill and indefinite-lived intangible asset impairment charges of $171.2 million and $116.5 million in our RV & Trailer Products and Recreational Accessories segments in 2007 and 2006, respectively.

(4) Includes depreciation and amortization related to discontinued operations in the amounts of \$0.2 million, \$0.4 million and \$3.8 million in 2007, 2006 and 2005, respectively.

(5) Includes gain (loss) on disposition of plant and equipment related to discontinued operations in the amounts of \$2.7 million, \$4.0 million and \$1.0 million in 2007, 2006 and 2005, respectively.

The following details certain items relating to our consolidation, restructuring and integration efforts, the use of proceeds from our initial public offering of common stock and other one-time charges that are included in the determination of net loss under GAAP and are not added back to net loss in determining Adjusted EBITDA, but that we separately consider in evaluating our Adjusted EBITDA:

	Year ended December 31,		
	2007	2006	2005
	(dollars in thousands)		
Facility and business consolidation costs(a)	$ 7,390	$ 200	$ 200
Business unit restructuring costs(b)		430	1,130
Acquisition integration costs(c)		970	1,290
Advisory services agreement termination fee(d)	10,000		
Costs for early termination of operating leases(e)	4,230		
Settlement of Canadian benefit plan liability(f)	3,870		
	$ 25,490	$ 1,600	$ 2,620

(a) Includes 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.

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

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

(f) Non-cash expense associated with a settlement of our Canadian defined benefit pension plan liability, resulting from the closure of a distribution facility in 1997, for which the ultimate resolution and related accounting for distribution of surplus assets of the plan was not approved by Canadian authorities until 2007.

Segment Information and Supplemental Analysis

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

	Year ended December 31,					
(dollars in thousands)	2007	As a Percentage of Net Sales	2006	As a Percentage of Net Sales	2005	As a Percentage of Net Sales
Net Sales:						
Packaging Systems	$ 211,820	19.8%	$ 204,230	20.1%	$ 189,910	19.1%
Energy Products	163,470	15.3%	156,990	15.5%	131,020	13.2%
Industrial Specialties	204,630	19.2%	175,410	17.3%	156,730	15.8%
RV & Trailer Products	198,790	18.6%	190,700	18.8%	209,030	21.1%
Recreational Accessories	289,560	27.1%	286,580	28.3%	306,200	30.8%
Total	$ 1,068,270	100.0%	$ 1,013,910	100.0%	$ 992,890	100.0%
Gross Profit:						
Packaging Systems	$ 61,380	29.0%	$ 59,780	29.3%	$ 54,510	28.7%
Energy Products	47,600	29.1%	45,690	29.1%	35,420	27.0%
Industrial Specialties	60,210	29.4%	51,650	29.4%	44,210	28.2%
RV & Trailer Products	43,480	21.9%	38,700	20.3%	48,200	23.1%
Recreational Accessories	76,220	26.3%	74,540	26.0%	61,300	20.0%
Allocated/Corporate expenses		N/A		N/A	(20)	N/A
Total	$ 288,890	27.0%	$ 270,360	26.7%	$ 243,620	24.5%
Selling, General and Administrative						
Packaging Systems	$ 28,260	13.3%	$ 26,010	12.7%	$ 23,810	12.5%
Energy Products	24,550	15.0%	22,720	14.5%	20,180	15.4%
Industrial Specialties	18,150	8.9%	15,130	8.6%	14,680	9.4%
RV & Trailer Products	23,420	11.8%	20,200	10.6%	20,520	9.8%
Recreational Accessories	66,310	22.9%	60,540	21.1%	56,610	18.5%
Corporate expenses and management fees	25,220	N/A	24,450	N/A	22,020	N/A
Total	$ 185,910	17.4%	$ 169,050	16.7%	$ 157,820	15.9%
Impairment of Assets and Goodwill:						
RV & Trailer Products	$ 100,780	50.7%	$ 98,010	51.4%	$ 310	0.2%
Recreational Accessories	73,800	25.5%	19,000	6.6%	2,650	0.9%
Total	$ 174,580	16.3%	$ 117,010	11.5%	$ 2,960	0.3%
Operating Profit (Loss):						
Packaging Systems	$ 29,760	14.0%	$ 33,770	16.5%	$ 30,590	16.1%
Energy Products	22,860	14.0%	22,790	14.5%	15,210	11.6%
Industrial Specialties	41,770	20.4%	36,200	20.6%	29,480	18.8%

	Year ended December 31,					
RV & Trailer Products	(81,230)	(40.9)%	(79,650)	(41.8)%	26,790	12.8%
Recreational Accessories	(64,200)	(22.2)%	(4,910)	(1.7)%	2,120	0.7%
Corporate expenses and management fees	(40,730)	N/A	(24,450)	N/A	(22,040)	N/A
Total	$ (91,770)	(8.6)%	$ (16,250)	(1.6)%	$ 82,150	8.3%
Adjusted EBITDA:						
Packaging Systems	$ 43,800	20.7%	$ 46,680	22.9%	$ 40,350	21.2%
Energy Products	25,430	15.6%	25,070	16.0%	17,550	13.4%
Industrial Specialties	46,870	22.9%	40,690	23.2%	34,310	21.9%
RV & Trailer Products	27,620	13.9%	26,050	13.7%	34,280	16.4%
Recreational Accessories	20,340	7.0%	24,540	8.6%	14,930	4.9%
Corporate expenses and management fees	(43,980)	N/A	(28,110)	N/A	(25,490)	N/A
Subtotal from continuing operations	$ 120,080	11.2%	$ 134,920	13.3%	$ 115,930	11.7%
Discontinued operations	2,760	N/A	(12,230)	N/A	(2,790)	N/A
Total	$ 122,840	11.5%	$ 122,690	12.1%	$ 113,140	11.4%

Results of Operations

Year Ended December 31, 2007 Compared with Year Ended December 31, 2006

The principal factors impacting us during the year ended December 31, 2007 compared with the year ended December 31, 2006 were:

- continued economic expansion and a strong industrial economy which impacted end user demand in our specialty gasket business in our Energy Products business segment and across our Industrial Specialties business segment;

- the continued impact of soft end-market demand and significant competitive pricing pressures within certain sales channels in our Recreational Accessories and RV & Trailer Products segments, which, in conjunction with a cyclical market decline, resulted in a non-cash goodwill and indefinite-lived intangible asset impairment charge of $100.8 million and $97.5 million in 2007 and 2006, respectively, in our RV & Trailer Products segment, and $70.4 million and $19.0 million in 2007 and 2006, respectively, in our Recreational Accessories segments;

- the impact of economic weakness in the paint and chemical industries, resulting in pricing pressure and flat end-market demand for our industrial closure, ring and lever products in our Packaging Systems segment;

- completion of our initial public offering of our common stock ("IPO") and use of proceeds therefrom to retire $100.0 million face value of senior subordinated notes, to effect early termination of operating leases and acquire underlying machinery and equipment assets and to terminate an advisory services agreement;

Overall, net sales increased $54.4 million, or approximately 5.4%, in 2007 as compared with 2006. Of this increase, approximately $13.8 million is due to currency exchange as our reported results in U.S. dollars benefited from stronger foreign currencies. Packaging Systems' net sales increased $7.6 million, or approximately 3.7%, in 2007 as compared with 2006 due to increases in our specialty dispensing products and new product introductions and the favorable effects of currency exchange. Net sales within Energy Products increased $6.5 million, or 4.1%, in 2007 as compared with 2006, due to continued high levels of turnaround activity at petroleum refineries and petrochemical facilities, partially offset by decreased sales of slow speed and compressor engines and related parts. Net sales within our Industrial Specialties segment increased $29.2 million, or 16.7%, in 2007 as compared with 2006, due to improved demand across the majority of the businesses in the segment, most notably in our aerospace fastener, industrial cylinder and defense businesses. RV & Trailer Products' net sales increased $8.1 million, or approximately 4.2%, in 2007 as compared with 2006, due primarily to new product sales in our electrical products business and the favorable effects of currency exchange, partially offset by continued soft demand in certain trailering products end markets and in our Australian business. Recreational Accessories' net sales increased $3.0 million, or approximately 1.0%, in 2007 as compared with 2006, due to sales resulting from new programs in our retail business and the favorable effects of currency exchange, partially offset by reduced sales activity in our towing products business due to continued softness of its end-customer market.

Gross profit margin (gross profit as a percentage of sales) approximated 27.0% and 26.7% for 2007 and 2006, respectively. Packaging Systems' gross profit margin decreased to approximately 29.0% in 2007, from 29.3% in 2006, primarily due a less favorable product sales mix. Energy Products' gross profit margin remained flat at 29.1% in 2007 and 2006, as increases in sales volumes and improved material margins in our specialty gasket business were offset by decreased sales volumes and a less favorable product sales mix in our engine business. Gross profit margin within our Industrial Specialties segment remained flat at 29.4% in 2007 and 2006, as the higher sales volumes and related margins in our aerospace, industrial cylinder and defense businesses were offset by declines in sales and gross margin within our specialty fitting business. RV & Trailer Products' gross profit margin increased to 21.9% in 2007, from 20.3% in 2006, due primarily to increased sales and a more favorable product sales mix in our electrical business and improved material margins within our Australian business, partially offset by continued pricing pressure in our trailering business and duplicative costs in our Australian operations corresponding with start-up costs of new programs in our Thailand facility. Recreational Accessories' gross profit margin increased to 26.3% in 2007, from 26.0% in 2006. The increase is due primarily to material margin improvements in towing products and retail sales channels, purchasing savings initiatives, additional manufacturing efficiencies and material management improvement initiatives.

Operating profit margin (operating profit as a percentage of sales) decreased from negative 1.6% in 2006 to negative 8.6% in 2007. Operating profit decreased approximately $75.5 million, to an operating loss of $91.8 million in 2007, compared to an operating loss of $16.3 million in 2006. In 2007, we recorded a non-cash goodwill and indefinite-lived intangible asset impairment charge of $171.2 million in our RV & Trailer Products and Recreational Accessories segments. In 2006, we recorded a non-cash goodwill impairment charge of $116.5 million in these segments. In addition to the increase in impairment charges, during 2007, we utilized proceeds from our IPO to fund a $10.0 million fee to Heartland for agreeing to a contractual settlement of its right to receive a $4.0 million annual fee under its advisory services agreement and $4.2 million of costs and expenses related to the early termination of operating leases. In 2007, we also recorded approximately $9.0 million related to the closure of our Huntsville, Ontario, Canada facility within our Recreational Accessories segment and a non-cash settlement of a benefit plan liability of approximately $3.9 million in our Packaging Systems segment. Packaging Systems' operating profit margin was 14.0% and 16.5% in 2007 and 2006, respectively. Operating profit decreased $4.0 million in 2007 as compared with 2006, due primarily to the aforementioned non-cash charge for settlement of a defined benefit pension plan settlement liability of $3.9 million. Energy Products' operating profit margin was 14.0% and 14.5% in 2007 and 2006, respectively. Operating profit improved $0.1 million in 2007 compared to 2006 as increases in margin earned due to higher sales levels and margin improvement in our specialty gasket business were mostly offset by reductions in operating profit in our engine business due to lower sales volumes and costs incurred to introduce new programs. Industrial Specialties' operating profit margin was 20.4% and 20.6% in 2007 and 2006, respectively. Operating profit increased $5.6 million in 2007 compared to 2006 due to increased sales levels in the majority of the businesses in this segment, partially offset by higher selling, general and administrative expenses as a result of increased investment in sales resources and product development. RV & Trailer Products' operating profit decreased $1.6 million in 2007, from an operating loss of $79.6 million in 2006 to an operating loss of $81.2 million in 2007, principally due to a non-cash goodwill and indefinite-lived intangible asset impairment charge of $100.8 million in 2007, as compared to a goodwill impairment charge of $97.5 million in 2006. Partially offsetting this increase in impairment charge year-over-year was increased operating profit resulting from increased sales volumes. Recreational Accessories' operating profit decreased $59.3 million in 2007, from an operating loss of $4.9 million in 2006 to an operating loss of $64.2 million in 2007, due primarily to a non-cash goodwill and indefinite-lived intangible asset impairment charge of $70.4 million in 2007, as compared to a goodwill impairment charge of $19.0 million in 2006. In addition, we recorded charges of approximately $9.0 million related to the closure of the Huntsville, Ontario, Canada facility in the fourth quarter of 2007. These increases in charges were partially offset by higher sales volumes in our retail business resulting from new program introductions and savings resulting from continued operational improvements and our Asian sourcing initiatives.

Adjusted EBITDA margin (Adjusted EBITDA as a percentage of sales) approximated 11.2% and 13.3% in 2007 and 2006, respectively. The increase in Adjusted EBITDA margin in our Energy Products segment was consistent with the increase in operating profit margin. The Adjusted EBITDA margin for Packaging Systems and Industrial Specialties decreased to 20.7% and 22.9% in 2007, respectively, from 22.9% and 23.2% in 2006, respectively. In 2007, Packaging Systems and Industrial Specialties recorded increased depreciation expense of approximately $1.4 million and $0.5 million, respectively, primarily as a result of the acquisition of previously leased machinery and equipment assets with IPO proceeds. The remaining change in Adjusted EBITDA margin for both Packaging Systems and Industrial Specialties was consistent with the decrease in operating profit margin. The Adjusted EBITDA margins in our RV & Trailer Products and Recreational Accessories segments were significantly higher than the operating profit margins in 2007 and 2006 due to the add-back of the non-cash goodwill and indefinite-lived intangible asset impairment charges of $100.8 million and $70.4 million, respectively, in 2007, and $97.5 million and $19.0 million, respectively, in 2006. In addition, our Recreational Accessories segment recorded a $3.4 million fixed asset impairment charge in 2007 related to the closure of the Huntsville facility. After consideration of the goodwill, intangible asset and Huntsville charges, the remaining change in Adjusted EBITDA was consistent with the change in operating profit margin for both RV & Trailer Products and Recreational Accessories.

Packaging Systems. Net sales increased $7.6 million, or approximately 3.7%, to $211.8 million in 2007, as compared to $204.2 million in 2006. Overall, approximately $5.6 million of the increase in sales is due to favorable currency exchange as our reported results in U.S. dollars were positively impacted as a result of stronger foreign currencies. In addition, approximately $2.6 million of the increase is due to continued strong demand for our specialty dispensing products and new product introductions. These increases in sales were partially offset by decreases in sales of our specialty tapes, laminates and insulation products of approximately $0.6 million. Sales of our industrial closures, rings and levers were essentially flat year-over-year.

Packaging Systems' gross profit increased approximately $1.6 million to $61.4 million, or 29.0% of sales, in 2007, as compared to $59.8 million, or 29.3% of sales, in 2006. The increase in gross profit between years is primarily attributed to favorable currency exchange, as incremental margin from increased sales levels was substantially offset by a less favorable product sales mix.

Packaging Systems' selling, general and administrative costs increased approximately $2.3 million to $28.3 million, or 13.3% of sales, in 2007, as compared to $26.0 million, or 12.7% of sales, in 2006. The increase in selling, general and administrative expenses is a result of increased spending related to sales growth initiatives and realigning of certain manufacturing equipment between our facilities.

Packaging Systems' operating profit decreased $4.0 million to $29.8 million, or 14.0% of sales, in 2007, as compared to $33.8 million, or 16.5% of sales, in 2006. The decrease in operating profit is due primarily recognition of a $3.9 million non-cash charge related to settlement of a defined benefit plan liability resulting from the closure of a distribution facility in 1997, for which the ultimate resolution and related accounting for distribution of surplus assets of the plan was not approved by Canadian authorities until 2007. The other components of the change were an increase in operating profit due to favorable currency exchange, offset by a less favorable product sales mix, increased selling costs in support of our sales growth initiatives and the realignment of certain manufacturing equipment between our facilities.

Packaging Systems' Adjusted EBITDA decreased $2.9 million to $43.8 million, or 20.7% of sales, in 2007, as compared to $46.7 million, or 22.9% of sales, in 2006. In 2007, Packaging Systems had an increased depreciation expense add-back of approximately $1.4 million, primarily due to the acquisition of previously leased assets with the use of proceeds from our initial public offering in May 2007. The remaining change is consistent with the decrease in operating profit.

Energy Products. Net sales for 2007 increased $6.5 million, or 4.1%, to $163.5 million, as compared to $157.0 million in 2006. Sales of specialty gaskets and related fastening hardware increased approximately $14.6 million as compared to 2006 as a result of increased demand from existing customers due to continued high levels of turn-around activity at petrochemical refineries and increased demand for replacement parts as refineries continue to operate at capacity. Sales of slow speed and compressor engines and related products decreased approximately $9.4 million in 2007 as compared to 2006 due to lower gas commodity prices persisting for most of 2007 and the impact of lower rig count activity in the Canadian natural gas market.

Gross profit within Energy Products increased $1.9 million to $47.6 million, or 29.1% of sales in 2007, as compared to $45.7 million, or 29.1% of sales in 2006. Gross profit increased approximately $6.4 million in our specialty gasket business in 2007 as compared to 2006, approximately $4.2 million of which resulted from increased sales volumes. The remainder of the increase in gross profit compared to 2006 was due to improved material margins and a more favorable product sales mix. Gross profit decreased by $4.5 million in our engine business in 2007 as compared to 2006, approximately $2.7 million of which was driven by the decrease in sales volumes year over year. The remainder of the decrease was due to lower margins resulting from a less favorable mix of engine sales, increased labor and overhead spending associated with investments in developing infrastructure for its new compressor products and the loss of operating leverage due to lower sales volumes compared to 2006.

Selling, general and administrative expenses within Energy Products increased $1.8 million to $24.5 million, or 15.0% of net sales in 2007, as compared to $22.7 million, or 14.5% of net sales in 2006. Of this increase, approximately $1.7 million was due to increased compensation, commission and launch expenses in support of increased sales in our specialty gasket business and new product introduction in our engine business.

Overall, operating profit within Energy Products increased $0.1 million to $22.9 million, or 14.0% of sales in 2007, as compared to $22.8 million, or 14.5% of sales, in 2006. Overall, increases in operating profit in our specialty gasket business due to higher sales volumes and other operational improvements were mostly offset by reductions in operating profit in our engine business due to lower sales volumes resulting from lower gas commodity prices, lower rig count activity in the Canadian natural gas market and increased spending in support of new product development.

Energy Products' Adjusted EBITDA increased $0.4 million to $25.4 million, or 15.6% of sales, in 2007, as compared to $25.0 million, or 16.0% of sales, in 2006, consistent with the improvement in operating profit between years.

Industrial Specialties. Net sales in 2007 increased $29.2 million, or approximately 16.7%, to $204.6 million, from $175.4 million in 2006. Net sales in 2007 increased 20.8% in our aerospace fastener business as compared to 2006, as we continued to benefit from share gains as well as strong market demand, and 17.3% in our industrial cylinders business, as demand for our new ISO cylinder continued to increase. In addition, net sales increased 23.3% in our defense business as compared to 2006, as our customers built-up their inventory of cartridge cases, and 4.3% in our precision cutting tools business due to increased sales of medical and special products to new customers and markets. Sales within our specialty fittings business declined approximately 11.2% in 2007 as compared to 2006 due to continued softness in domestic automotive market demand. Finally, this segment benefited from the acquisition of a medical device manufacturer in August 2007.

Gross profit within Industrial Specialties increased $8.6 million to $60.2 million, or 29.4% of sales, in 2007, from $51.6 million, or 29.4% of sales, in 2006. The increase in gross profit is primarily attributed to the sales level increase between years and the acquisition of the medical device manufacturer.

Selling, general and administrative expenses increased $3.0 million to $18.1 million, or 8.9% of sales, in 2007, as compared to $15.1 million, or 8.6% of sales, in 2006, as this segment increased its investment in sales resources and product development, primarily in its aerospace business.

Operating profit increased $5.6 million to $41.8 million, or 20.4% of sales, in 2007, as compared to $36.2 million, or 20.6% of sales, in 2006, due primarily to higher sales levels between years, partially offset by our increased investment in sales resources and product development.

Industrial Specialties' Adjusted EBITDA increased $6.2 million to $46.9 million, or 22.9% of sales, in 2007, as compared to $40.7 million, or 23.2% of sales, in 2006, In 2007, Industrial Specialties had increased depreciation expense of approximately $0.5 million, primarily as the result of the acquisition of previously leased assets with the use of proceeds from our initial public offering in May 2007. The remaining change is consistent with the change in operating profit.

RV & Trailer Products. Net sales increased $8.1 million, or 4.2%, to $198.8 million in 2007, from $190.7 million in 2006. Net sales were favorably impacted by approximately $5.9 million of currency exchange, as our reported results in U.S. dollars were positively impacted as a result of a stronger Australian dollar. In addition, net sales in our electrical products business increased approximately $7.7 million in 2007 as compared to 2006, due mainly to sales of new brake controller products. These increases were partially offset by declines in 2007 in our trailering products business due to continued soft demand in certain end-markets, particularly in the horse/livestock market, and, more generally, pricing pressure across all market channels. Our Australian business' sales declined in 2007 primarily due to slow sales of aftermarket products until the second half of the year. While our trailering products business has experienced declines in sales, we believe that our rate of decline has been at a lesser rate than the overall market due to certain market share gains made during 2007.

RV & Trailer Products' gross profit increased $4.8 million to $43.5 million, or 21.9% of net sales in 2007, from $38.7 million, or 20.3% of net sales, in 2006. Of the increase in gross profit between years, $1.6 million is attributed to the higher sales volumes, primarily in our electrical products business, and $1.3 million is attributed the aforementioned currency exchange impact. The remaining increase in gross profit is due to the impact of improved operating margins within our Australian business, primarily due to improved material margins. These increases in gross profit were partially offset by continued weak demand and pricing pressures in our trailering products business, and inefficiencies and duplication of labor and overhead costs in our Australian operations associated with the closure of one Australian facility and a corresponding start-up of new programs in our Thailand facility. The closing of our Australian facility was completed in the third quarter of 2007.

RV & Trailer Products' selling, general and administrative expenses increased $3.2 million to $23.4 million, or 11.8% of sales in 2007, from $20.2 million, or 10.6% of sales in 2006. This increase was due to higher sales-related support activities associated with the start-up of our new Thailand facility, increased promotional expenses in attempts to boost sales volumes and increased litigation defense costs.

RV & Trailer Products' operating loss was $81.2 million in 2007, compared to an operating loss of $79.6 million in 2006. In 2007, we recognized a non-cash goodwill and indefinite-lived intangible asset impairment charge of $100.8 million due to continued declines in the fair value of this business, compared to a non-cash goodwill impairment charge in 2006 of $97.5 million. Aside from these charges, the change in year-over-year operating loss is due to an increase in sales volumes and improved material margins, mostly offset by higher sales-related support costs, higher promotional expenses, increased litigation defense costs, and costs associated with our Australia and Thailand operations.

RV & Trailer Products' Adjusted EBITDA increased $1.6 million to $27.6 million, or 13.9% of sales in 2007, from $26.0 million, or 13.7% of sales, in 2006, which, after considering the effect of the goodwill and indefinite-lived intangible asset impairment charges in 2007 and 2006, and consideration of increased depreciation expense of approximately $0.8 million, primarily as the result of the acquisition of previously leased assets with the use of proceeds from our initial public offering in May 2007, is consistent with the increase in operating profit margin between years.

Recreational Accessories. Net sales increased $3.0 million, or approximately 1.0%, to $289.6 million in 2007, from $286.6 million in 2006. This segment benefited from an approximate 11% sales increase in our retail channel, primarily driven by new programs with our specialty automotive customers and new customers, and by approximately $1.6 million of favorable currency exchange, as our reported results in U.S. dollars were positively impacted as a result of stronger foreign currencies. These increases were partially offset by an approximate 6% reduction in sales of our towing products business to our installer and original equipment customer groups, as a result of the continued softening of the end-customer market.

Recreational Accessories' gross profit increased $1.7 million to $76.2 million, or 26.3% of net sales in 2007, from $74.5 million, or 26.0% of net sales in 2006, due primarily to approximately $0.8 million of increased profit resulting from higher sales volumes. The remainder of the increase is due to continued operational improvements in our towing products business and continued benefits related to sourcing of products from Asia and the related cost savings associated with such sourcing initiatives in both our towing and retail businesses.

Recreational Accessories' selling, general and administrative expenses increased approximately $5.8 million to $66.3 million, or 22.9% of sales in 2007, from $60.5 million, or 21.1% of sales in 2006. The increase in selling and administrative expenses between years is due primarily to an approximate $4.8 million of expense related to severance and other costs associated with the aforementioned closure of our Huntsville facility. In addition, we experienced additional selling and promotional spending in our retail channel in connection with the new business awarded during 2007. These increases were partially offset by continued reductions in selling and distribution expenses in our towing products business as a result of further consolidation of warehouses and lower discretionary spending corresponding with the decline in sales to our installer and original equipment customer groups.

Recreational Accessories' operating loss was $64.2 million in 2007, compared to an operating loss of $4.9 million 2006. In 2007, we recognized a non-cash goodwill and indefinite-lived intangible asset impairment charge of $70.4 million due to continued declines in the fair value of this business, compared to a non-cash goodwill impairment charge in 2006 of $19.0 million. In addition, during 2007, we incurred approximately $9.0 million in charges recorded associated with the closure of our Huntsville, Canada, Ontario facility, of which $4.8 relates primarily to severance and other benefit costs, $3.4 million relates to the impairment of fixed assets and $0.8 million relates to facility and other costs. These decreases in operating loss were partially offset by continued operational improvements and reductions in selling and distribution expenses in our towing products business and continued benefits and savings related to sourcing products from Asia.

Recreational Accessories' Adjusted EBITDA decreased $4.2 million to $20.3 million, or 7.0% of sales in 2007, from $24.5 million, or 8.6% of sales, in 2006, which is primarily attributed to the severance and other costs associated with the Huntsville facility closure, partially offset by increases in profit due to increases in sales and margins due to continued sourcing initiatives and lower discretionary spending.

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, 2007	Year ended December 31, 2006
	(in millions)	
Corporate operating expenses	$ 14.8	$ 11.4
Employee costs and related benefits	9.6	8.9
Costs for early termination of operating leases	4.2	
Management fees and expenses	12.1	4.1
Corporate expenses and management fees operating profit	$ 40.7	$ 24.4
Receivables sales and securitization expenses	4.4	4.6
Depreciation	(0.1)	(0.1)
Other, net	(1.0)	(0.8)
Corporate expenses and management fees Adjusted EBITDA	$ 44.0	$ 28.1

Corporate operating expenses increased by approximately $3.4 million to $14.8 million in 2007, from $11.4 million in 2006, due to increased professional fees expense related to our ongoing efforts to comply with the requirements of Sarbanes-Oxley, increased costs for directors and officers insurance as a result of completing our IPO and higher operating expenses associated with our Asian sourcing office. Employee costs and related benefits increased by approximately $0.7 million to $9.6 million in 2007, from $8.9 million in 2006, primarily due to higher incentive compensation costs. The remaining increase between years is attributed to the impact of the use of IPO proceeds, including payment of a $10.0 million termination fee to Heartland for agreeing to a contractual settlement of its right to receive a $4.0 million annual fee under its advisory services agreement and $4.2 million of costs and expenses related to the early termination of operating leases.

Interest Expense. Interest expense, including debt extinguishment costs of approximately $7.4 million and $8.6 million in 2007 and 2006, respectively, decreased approximately $11.9 million to $75.8 million in 2007, from $87.7 million in 2006. Of the decrease, approximately $4.9 million is due to lower borrowings in the second half of 2007 as compared to the second half of 2006 resulting from the retirement of $100.0 million senior subordinated notes in June 2007 with our IPO proceeds. The decrease is also a result of a decrease in our weighted-average U.S. variable-rate on U.S. borrowings of 7.8% in 2007, from 8.5% in 2006. Weighted-average borrowings on U.S. variable-rate debt were approximately flat year-over-year.

Other Expense, Net. Other expense, net decreased approximately $0.3 million to $3.9 million in 2007, from $4.2 million in 2006. The decrease is principally due to income in 2007 of approximately $0.6 million as a result of investing $100.0 million of IPO proceeds prior to retirement of the senior subordinated notes, partially offset by a change in gains and losses on transactions denominated in foreign currencies, from a gain of $0.1 million in 2006 to a loss of $0.2 million in 2007.

Income Taxes. The effective income tax rate for 2007 was 7.0% compared with (1.6)% for 2006. In 2007, we reported foreign pre-tax income of approximately $6.6 million and a domestic pre-tax loss of approximately $178.0 million. The loss in 2007 is primarily the result of a goodwill and indefinite-lived intangible asset impairment charge of $171.2 million, for which we received an income tax benefit of approximately $11.3 million. In 2007, we recorded a $1.4 million tax benefit associated with changes in statutory tax rates and tax law as required by SFAS 109. The Company reduced its net deferred income tax liabilities for the tax law changes that were signed into effect during 2007. In addition, the Company recorded a valuation allowance of $0.9 million against certain state NOL's. 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 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 to net income (loss).

Discontinued Operations. The results of discontinued operations consist of our industrial fastening business through February 2007, when the sale of the business was completed, our asphalt-coated paper business through June 2006, when the sale of that business was completed and our N.I. Industries rocket launcher and property management lines of business through December 2007, when the sale of the rocket launcher business was completed. The results of operations also include a charge in 2007 related to our Wood Dale leased manufacturing facility, which was part of our industrial fastening business, for the estimated unrecoverable future minimum lease obligations. Income from discontinued operations, net of income tax expense, was $0.9 million in 2007, as compared to a loss from discontinued operations, net of income tax benefit, of $19.1 million in 2006. See Note 5, "Discontinued Operations and Assets Held for Sale," to the financial statements attached herein.

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 $21.0 million, or approximately 2.1%, in 2006 as compared with 2005. Of this increase, approximately $17.9 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 $18.7 million, or 11.9%, 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 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 26.7% and 24.5% 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 29.4%, compared to 28.2% 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 8.3% in 2005 to (1.6)% in 2006. Operating profit declined approximately $98.4 million, to an operating loss of $16.3 million in 2006, compared to operating profit of $82.1 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 20.6% and 18.8% in 2006 and 2005, respectively. Operating profit increased $6.7 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 13.3% and 11.7% 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 $18.7 million, or approximately 11.9%, to $175.4 million, from $156.7 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 $7.4 million to $51.6 million, or 29.4% of sales, in 2006 as compared to $44.2 million, or 28.2% 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 $15.1 million, or 8.6% of sales, in 2006, as compared to $14.7 million, or 9.4% of sales, in 2005, due primarily to increases in professional fees and certain personnel expenses.

Operating profit increased $6.7 million to $36.2 million, or 20.6% of sales, in 2006 as compared to $29.5 million, or 18.8% 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 $6.4 million to $40.7 million, or 23.2% of sales, in 2006 from $34.3 million, or 21.9% 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.

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	Year ended December 31, 2005
	(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
Corporate expenses and management fees operating profit	$ 24.4	$ 22.0
Receivables sales and securitization expenses	4.6	4.2
Depreciation	(0.1)	(0.2)
Other, net	(0.8)	(0.5)
Corporate expenses and management fees Adjusted EBITDA	$ 28.1	$ 25.5

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 U.S. variable rate borrowings to approximately 8.5% in 2006 from approximately 6.9% in 2005, which was partially offset by a reduction in weighted average variable rate borrowings of approximately $297.6 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 (1.6)% compared with 140% for 2005. 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 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 to 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 $9.8 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 ETI exclusions. 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. The results of discontinued operations consist of our industrial fastening business through February 2007, when the sale of the business was completed, our asphalt-coated paper business through June 2006, when the sale of that business was completed and our N.I. Industries rocket launcher and property management lines of business through December 2007, when the sale of the rocket launcher business was completed. The results of operations also include a charge in 2007 related to our Wood Dale leased manufacturing facility, which was part of our industrial fastening business, for the estimated unrecoverable future minimum lease obligations. Income from discontinued operations, net of income tax expense, was $0.9 million in 2007, as compared to a loss from discontinued operations, net of income tax benefit, of $19.1 million in 2006. 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.

Liquidity and Capital Resources

Cash Flows

Cash provided by operating activities in 2007 was approximately $65.0 million, as compared to $15.9 million in 2006. The improvement between years is primarily the result of improved working capital management during 2007 as compared to 2006, principally in higher levels of accounts payable and accrued liabilities and lower levels of accounts receivable and prepaid and other assets. These sources of cash were partially offset by increased investment in inventory in 2007 as compared to 2006, primarily as a result of increased safety stock due to longer lead times in sourcing of production from Asia.

Net cash used for investing activities in 2007 was approximately $68.9 million, as compared to $22.2 million in 2006. During 2007, capital expenditures were approximately $12.2 million greater than in 2006 to support our growth initiatives. During 2007, using proceeds from our initial public offering, we purchased approximately $17.1 million of machinery and equipment subject to operating leases, and also paid approximately $12.9 million for certain machinery and equipment subject to operating leases in connection with the disposition of our Frankfort, Indiana industrial fastening business, which was sold in February 2007. In addition, during 2007, we paid approximately $13.5 million to acquire certain assets from Quest Technologies, Inc., expanding the Company's fifth-wheel product offerings in our Recreational Accessories segment, and all of the capital stock of DEW Technologies, Inc., a medical device manufacturer, which is reported in our Industrial Specialties segment. We also generated cash proceeds in 2007 of approximately $7.1 million on the disposition of businesses and other assets, $4.0 million associated with the sale of the Frankfort, Indiana industrial fastening business in February 2007, and $3.1 million associated with the sale of our rocket launcher business in December 2007. In 2006, we acquired approximately $7.4 million of machinery and equipment subject to operating leases and generated cash proceeds of approximately $7.7 million, primarily related to the sale of our Lakewood, Ohio, Wood Dale, Illinois and Edison, New Jersey business operations.

Net cash provided by financing activities in 2007 was approximately $5.1 million, as compared to cash provided by financing activities of approximately $6.2 million in 2006. During 2007, we received net proceeds from the initial public offering of our common stock of approximately $126.5 million, which we used to retire $100.0 million of senior subordinated notes. In addition, we reduced our net borrowings under our credit facilities by approximately $21.4 million. In 2006, we increased our net borrowings under our credit facilities by approximately $13.7 million due to our credit facility refinancing and additional borrowing requirements on our revolving credit facility, partially offset by a reduction in our non-U.S. debt of approximately $7.1 million.

Our Debt and Other Commitments

Our credit facility is comprised of a $90.0 million revolving credit facility, a $60.0 million deposit-linked supplemental revolving credit facility and a $260.0 million term loan facility. At December 31, 2007, approximately $256.7 million was outstanding on the term loan and $0.7 million was outstanding on the revolving credit facility. Under the credit facility, up to $90.0 million in the aggregate of our revolving credit facility is available to be used for one or more permitted acquisitions subject to certain conditions and other outstanding borrowings and issued letters of credit. Our credit facility also provides for an uncommitted $100.0 million incremental term loan facility that, subject to certain conditions, is available to fund one or more permitted acquisitions or to repay a portion of our senior subordinated notes.

During the third quarter of 2006, the Company amended and restated the Credit Facility, primarily extending the maturity dates and reducing the interest rate margins on both its revolving credit facility and term loan. In conjunction with the refinancing, the Company incurred debt extinguishment costs of approximately $8.6 million, of which $7.9 million was a non-cash charge from the write-off of debt issuance costs.

Amounts drawn under our revolving credit facilities fluctuate daily based upon our working capital and other ordinary course needs. Availability under our revolving credit facilities depends upon, among other things, compliance with our credit agreement's financial covenants. Our credit facilities contain negative and affirmative covenants and other requirements affecting us and our subsidiaries, including among others: restrictions on incurrence of debt (except for permitted acquisitions and subordinated indebtedness), liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset dispositions, sale-leaseback transactions, hedging agreements, dividends and other restricted junior payments, stock repurchases, transactions with affiliates, restrictive agreements and amendments to charters, by-laws, and other material documents. The terms of our credit agreement require us and our subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined), interest expense ratio (consolidated EBITDA, as defined, over cash interest expense, as defined) and a capital expenditures covenant. The most restrictive of these financial covenants and ratios is the leverage ratio. Our permitted leverage ratio under our amended and restated credit agreement is 5.25 to 1.00 for October 1, 2007 to June 30, 2008, 5.00 to 1.00 for July 1, 2008 to June 30, 2009, 4.75 to 1.00 for July 1, 2009 to September 30, 2009, 4.50 to 1.00 for October 1, 2009 to June 30, 2010, 4.25 to 1.00 for July 1, 2010 to September 30, 2011 and 4.00 to 1.00 from October 1, 2011 and thereafter. Our actual leverage ratio was 4.08 to 1.00 at December 31, 2007 and we were in compliance with our covenants as of that date.

The following is the reconciliation of net income, which is a GAAP measure of our operating results, to Consolidated Bank EBITDA, as defined in our credit agreement as in effect on December 31, 2007, for the year ended December 31, 2007.

	Year ended December 31, 2007
	(dollars in thousands)
Net Loss, as reported	$ (158,430)
Bank stipulated adjustments:	
Interest expense, net (as defined)	68,310
Income tax benefit(1)	(10,410)
Depreciation and amortization	41,350
Extraordinary non-cash charges(2)	178,450
Monitoring fees(3)	12,000
Interest equivalent costs(4)	4,230
Non-cash expenses related to equity grants(5)	570
Other non-cash expenses or losses	4,450
Losses on early termination of operating leases from net proceeds of an IPO	4,230
Non-recurring expenses or costs for cost savings projects(6)	6,630
Permitted dispositions(7)	240
Permitted acquisitions(8)	1,980
Debt extinguishment costs(9)	7,440
Consolidated Bank EBITDA, as defined	$ 161,040

		December 31, 2007
		(dollars in thousands)
Total long-term debt	$	615,990
Aggregate funding under the receivables securitization facility		41,500
Total Consolidated Indebtedness, as defined	$	657,490
Consolidated Bank EBITDA, as defined	$	161,040
Actual leverage ratio		4.08x
Covenant requirement		5.25x

(1) Amount includes tax benefits associated with discontinued operations and cumulative effect of accounting change.

(2) Non-cash charges associated with tangible and intangible asset impairments, including goodwill.

(3) Represents management fees and expenses paid to Heartland pursuant to the former Advisory Agreement and Advisory Agreement termination.

(4) Interest-equivalent costs associated with the Company's receivables securitization facility.

(5) Non-cash expenses resulting from the grant of restricted shares of common stock and common stock options.

(6) Non-recurring costs and expenses relating to cost savings projects, including restructuring and severance expenses, not to exceed $50,000,000 in the aggregate.

(7) EBITDA from permitted dispositions, as defined.

(8) EBITDA from permitted acquisitions, as defined.

(9) Includes approximately $4.9 million call premium, $2.3 million write-off of debt issue costs and $0.3 million accretion of net discount, all incurred in connection with the retirement of $100.0 million face value of our senior subordinated notes in the second quarter of 2007.

Three of our international businesses are also parties to loan agreements with banks, denominated in their local currencies. In the United Kingdom, we are party to a revolving debt agreement with a bank which is secured by a letter of credit under our credit facilities. At December 31, 2007, there was no balance outstanding under this agreement. In Italy, we are party to a €5.0 million note agreement with a bank (approximately $4.0 million outstanding at December 31, 2007) with a term of seven years, which expires December 12, 2012 and is secured by land and buildings of our local business unit. In Australia, we are party to a debt agreement with a bank in the amount of $20 million Australian dollars (approximately $17.5 million outstanding at December 31, 2007) for a term of five years which expires December 31, 2010. Borrowings under this arrangement are secured by substantially all the assets of the local business which is also subject to financial ratio and reporting covenants. Financial ratio covenants include: capital adequacy ratio (tangible net worth over total tangible assets), interest coverage ratio (EBIT over gross interest cost). In addition to the financial ratio covenants there are other financial restrictions such as: restrictions on dividend payments, U.S. parent loan repayments, negative pledge and undertakings with respect to related entities. As of December 31, 2007, total borrowings in the amount of $21.5 million were outstanding under these arrangements.

Another important source of liquidity is our $125.0 million accounts receivable securitization facility, under which we have the ability to sell eligible accounts receivable to a third-party multi-seller receivables funding company. At December 31, 2007, we had $41.5 million utilized under our accounts receivable facility and $5.0 million of available funding based on eligible receivables and after consideration of leverage restrictions. At December 31, 2007, we also had $0.7 million outstanding under our revolving credit facility and had an additional $113.8 million potentially available after giving effect to approximately

$35.5 million of letters of credit issued to support our ordinary course needs and after consideration of leverage restrictions. At December 31, 2007, we had aggregate available funding under our accounts receivable facility and our revolving credit facility of $118.8 million after consideration of the aforementioned leverage restrictions. The letters of credit are used for a variety of purposes, including to support certain operating lease agreements, vendor payment terms and other subsidiary operating activities, and to meet various states' requirements to self-insure workers' compensation claims, including incurred but not reported claims.

We also have $337.8 million (face value) $9^7/_8$% senior subordinated notes, which are due in 2012, following our $100.0 million retirement effective in the second quarter of 2007.

Principal payments required under our amended and restated credit facility term loan are: $0.7 million due each calendar quarter through June 30, 2013, and $242.5 million due on August 2, 2013 (or February 28, 2012 if the Company's existing senior subordinated notes are still outstanding as of that date).

Our credit facility is guaranteed on a senior secured basis by us and all of our domestic subsidiaries, other than our special purpose receivables subsidiary, on a joint and several basis. In addition, our obligations and the guarantees thereof are secured by substantially all the assets of us and the guarantors.

Our exposure to interest rate risk results from the variable rates under our credit facility. Borrowings under the credit facility bear interest, at various rates, as more fully described in Note 13, "Long-term Debt," to the accompanying consolidated financial statements as of December 31, 2007. Based on amounts outstanding at December 31, 2007, a 1% increase or decrease in the per annum interest rate for borrowings under our U.S. and foreign revolving credit facilities would change our interest expense by approximately $2.8 million annually.

We have other cash commitments related to leases. We account for these lease transactions as operating leases and annual rent expense related thereto approximates $18.4 million. We expect to continue to utilize leasing as a financing strategy in the future to meet capital expenditure needs and to reduce debt levels.

Annual rent expense for the fiscal year ended December 31, 2007 related to these lease transactions is as follows (in millions):

Operating lease	**Transaction**	**Annual lease cost**
Real properties (7 properties)*	2002	$ 2.1
Real properties (2 properties)*	2003	0.9
Personal properties (plant and equipment)*	2002	0.9
Personal properties (plant and equipment)*	2003	2.2
Real properties	various	10.2
Personal properties (plant and equipment)	various	2.1
Total		$ 18.4

* These leases are sale-leaseback transactions.

In connection with the sales of our industrial fastening and asphalt-coating lines of business during 2006 and February 2007, we purchased approximately $19.8 million of machinery and equipment under operating leases which was included as a part of the sales transactions. In the second quarter of 2007, using proceeds from our initial public offering, we purchased an additional approximate $17.1 million of machinery and equipment subject to operating leases. The buyback of these machinery and equipment assets resulted in an annual reduction in our lease expense of approximately $8.0 million.

Market Risk

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies. We do not currently use derivative financial instruments to manage these risks. The functional currencies of our foreign subsidiaries are the local currency in the country of domicile. We manage these operating activities at the local level and revenues and costs are generally denominated in local currencies; however, results of operations and assets and liabilities reported in U.S. dollars will fluctuate with changes in exchange rates between such local currencies and the U.S. dollar.

As a result of our credit facility and senior subordinated notes, we are highly leveraged. In addition to normal capital expenditures, we may incur significant amounts of additional debt and further burden cash flow in pursuit of our internal growth and acquisition strategies.

We believe that our liquidity and capital resources, including anticipated cash flows from operations, will be sufficient to meet our debt service, capital expenditure and other short-term and long-term obligation needs for the foreseeable future, but we are subject to unforeseeable events and risks.

Off-Balance Sheet Arrangements

During 2007, we were party to an agreement to sell, on an ongoing basis, the trade accounts receivable of certain business operations to a wholly-owned, bankruptcy-remote, special purpose subsidiary, TSPC, Inc. ("TSPC"). TSPC, subject to certain conditions, may from time to time sell an undivided fractional ownership interest in the pool of domestic receivables, up to approximately $125.0 million, to a third party multi-seller receivables funding company, or conduit. The proceeds of the sale are less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing costs. Upon sale of receivables, our subsidiaries that originated the receivables retain a subordinated interest. Under the terms of the agreement, new receivables can be added to the pool as collections reduce receivables previously sold. The facility is an important source of liquidity. At December 31, 2007, we had $41.5 million utilized and $5.0 million available under this facility based on eligible receivables and after consideration of leverage restrictions.

The facility is subject to customary termination events, including, but not limited to, breach of representations or warranties, the existence of any event that materially adversely affects the collectibility of receivables or performance by a seller and certain events of bankruptcy or insolvency. On December 31, 2007, the Company and TSPC amended the receivables transfer agreement to extend the expiration date to February 29, 2008 and reduce funding commitments under the facility to $75.0 million. On February 22, 2008, the Company completed the renewal of its receivables securitization facility. Key terms of the renewal include a customary 364-day term, committed funding of up to $90.0 million and a cost of funds under the facility equal to a commercial paper-based rate plus a usage fee of 1.05%. In future periods, if we are unable to renew or replace this facility, it could materially and adversely affect our liquidity.

Commitments and Contingencies

Under various agreements, we are obligated to make future cash payments in fixed amounts. These include payments under our long-term debt agreements, rent payments required under operating lease agreements for [21] facilities and certain capital equipment, our allocable share of certain compensation and benefit obligations to Metaldyne and interest obligations on our senior secured term loan and senior subordinated notes. Interest on our credit facility term loan is based on LIBOR plus 225 basis points, which equaled 7.2% at December 31, 2007, and this rate was used to estimate our future interest obligations with respect to the term loan included in the table below.

The following table summarizes our expected fixed cash obligations over various future periods related to these items as of December 31, 2007.

	Payments Due by Periods (dollars in thousands)				
	Total	Less than One Year	1 - 3 Years	3 - 5 Years	More than 5 Years
Contractual cash obligations:					
Long-term debt	$ 616,800	$ 8,390	$ 19,950	$ 344,710	$ 243,750
Lease obligations	139,660	15,360	27,040	19,880	77,380
Benefit obligations	4,060	350	710	710	2,290
Interest obligations:					
Term loan	99,120	18,440	36,330	35,570	8,780
Subordinated notes	153,020	33,290	66,570	53,160	
Total contractual obligations	$ 1,012,660	$ 75,830	$ 150,600	$ 454,030	$ 332,200

As of December 31, 2007, we had a $90.0 million revolving credit facility and a $75.0 million accounts receivable facility (subsequently increased to $90.0 million on February 22, 2008). Throughout the year, outstanding balances under these facilities fluctuate and we incur additional interest (or, in the case of the accounts receivable facility, interest-like charges) obligations on such variable outstanding debt.

As of December 31, 2007, we are contingently liable for standby letters of credit totaling $35.5 million issued on our behalf by financial institutions under our revolving credit facility. These letters of credit are used for a variety of purposes, including to support certain operating lease agreements, vendor payment terms and other subsidiary operating activities, and to meet various states' requirements to self-insure workers' compensation claims, including incurred but not reported claims.

Credit Rating

We and certain of our outstanding debt obligations are rated by Standard & Poor's and Moody's. As of June 30, 2006, Standard & Poor's assigned our credit facilities, corporate credit and senior subordinated notes ratings of B+, B and CCC+ respectively, each with a stable outlook. As of June 30, 2006, Moody's assigned our credit facilities, corporate credit and senior subordinated notes ratings of B1, B2 and Caa1 respectively, each with a stable outlook. On September 27, 2006, Moody's upgraded the ratings on our credit facilities and senior subordinated notes from B1 to Ba2 and Caa1 to B3, respectively. This upgrade occurred in connection with Moody's changing the ratings on a number of high yield issues in the industrials and aerospace/defense sectors, as a result of the introduction of new rating methodology. In addition, in connection with the consummation of our initial public offering of common stock, as the ratings assigned to our credit facilities by Standard & Poor's remained at B+ (stable) or better and the ratings assigned to our credit facilities by Moody's remained at B1 (stable) or better, the applicable margin on all loans under our amended and restated credit agreement were reduced by 0.5% per annum.

If our credit ratings were to decline, our ability to access certain financial markets may become limited, the perception of us in the view of our customers, suppliers and security holders may worsen and as a result, we may be adversely affected.

Impact of New Accounting Standards

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 141(R) (SFAS No. 141(R)), "Business Combinations," which revises the current accounting practices for business combinations. Significant changes as a result of issuance of SFAS No. 141(R) include a revised definition of a business, expensing of acquisition-related transaction costs, and a change in how acquirers measure consideration, identifiable assets, liabilities assumed and goodwill acquired in a business combination. SFAS No. 141(R) is effective for business combinations occurring in fiscal years beginning after

December 15, 2008, and may not be retroactively applied. There is no impact on the Company's current consolidated financial statements.

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 (SFAS No. 160), "Noncontrolling Interests in Consolidated Financial Statements," which establishes requirements for identification, presentation and disclosure of noncontrolling interests, treating them as a separate component of stockholder's equity. SFAS No. 160 is effective prospectively for fiscal years beginning after December 31, 2008. However, the presentation and disclosure requirements are required to be retrospectively applied to comparative financial statements. The Company is currently evaluating the impact of adopting SFAS No. 160 on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS No. 159), "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115," which permits entities to choose to measure certain financial instruments and other items at fair value. SFAS No. 159 is required to be adopted for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS No. 159 on its consolidated financial statements.

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS No. 157), "Fair Value Measurements," which defines fair values, establishes a framework for measuring fair value in GAAP and requires enhanced disclosures about fair value measurements. This Statement applies when other accounting pronouncements require or permit fair value measurements. SFAS No. 157 is required to be adopted for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS No. 157 on its consolidated financial statements.

Critical Accounting Policies

The following discussion of accounting policies is intended to supplement the accounting policies presented in our audited financial statements included elsewhere in this prospectus. Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, our evaluation of business and macroeconomic trends, and information from other outside sources, as appropriate.

Accounting Basis for Transactions. Prior to June 6, 2002, we were owned by Metaldyne. On November 28, 2000, Metaldyne was acquired by an investor group led by Heartland. On June 6, 2002, Metaldyne issued approximately 66% of our fully diluted common stock to an investor group led by Heartland. As a result of the transactions, we did not establish a new basis of accounting as Heartland was the controlling shareholder for both us and Metaldyne at the time and the transactions were accounted for as a reorganization of entities under common control.

Receivables. Receivables are presented net of allowances for doubtful accounts of approximately $5.2 million at December 31, 2007. We monitor our exposure for credit losses and maintain adequate allowances for doubtful accounts. We determine these allowances based on historical write-off experience and/or specific customer circumstances and provide such allowances when amounts are reasonably estimable and it is probable a loss has been incurred. We do not have concentrations of accounts receivable with a single customer or group of customers and do not believe that significant credit risk exists due to our diverse customer base. Trade accounts receivable of substantially all domestic business operations may be sold, on an ongoing basis, to TSPC.

Depreciation and Amortization. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and buildings/land improvements, 10 to 40 years, and machinery and equipment, 3 to 15 years. Capitalized debt issuance costs are amortized over the underlying terms of the related debt securities. Customer relationship intangibles are amortized over periods ranging from 6 to 25 years, while technology and other intangibles are amortized over periods ranging from 1 to 30 years. See further discussion under "Goodwill and Other Intangibles" below.

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets. In accordance with Statement of Financial Accounting Standards No. 144, (SFAS No. 144), "*Accounting for the Impairment or Disposal of Long-Lived Assets,*" the Company reviews, on a quarterly basis, the financial performance of each business unit for indicators of impairment. An impairment loss is recognized when the carrying value of an asset group exceeds the future net undiscounted cash flows expected to be generated by that asset group. The impairment loss recognized is the amount by which the carrying value of the asset group exceeds its fair value.

In connection with our review of other long-lived assets, we review definite-lived intangible assets on a quarterly basis, or more frequently if events or changes in circumstances indicate that their carrying amounts may not be recoverable. The factors considered by management in performing these assessments include current operating results, business prospects, customer retention, market trends, potential product obsolescence, competitive activities and other economic factors. Effective January 1, 2006, we reduced the 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 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, while technology and other intangibles are amortized over periods ranging from 1 to 30 years. The effect of this change increased amortization expense approximately $2.4 million annually.

Goodwill and Indefinite-Lived Intangibles. We test goodwill and indefinite-lived intangible assets for impairment on an annual basis as required by Statement of Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), by comparing the estimated fair value of each of our reporting units to their respective carrying values on our balance sheet. More frequent evaluations could become required under SFAS No. 142 if we experience changes in our business conditions. In assessing the recoverability of goodwill and indefinite-lived intangible assets, we estimate the fair value of each of our reporting units by calculating the present value of their expected future cash flows and other valuation measures. We then compare the estimates of fair value with the reporting unit's net asset carrying value on our balance sheet. If carrying value exceeds fair value, then a possible impairment of goodwill exists and further evaluation is performed. Goodwill is evaluated for impairment annually as of December 31 using management's operating budget and internal five-year forecast to estimate expected future cash flows. Discounting future cash flows requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate. The projections also take into account several factors including current and estimated economic trends and outlook, costs of raw materials, consideration of our market capitalization in comparison to the estimated fair values of our reporting units determined using discounted cash flow analyses and other factors which are beyond our control. At December 31, 2007, fair values of our reporting units were determined based upon the expected future cash flows discounted at weighted average costs of capital ranging from 11% - 17% and estimated residual growth rates ranging from 1% to 4%.

Future declines in sales and/or operating profit, declines in the Company's stock price, or other changes in our business or the markets for our products could result in further reductions in remaining useful lives for customer relationship intangibles or in impairments of goodwill and other intangible assets.

Pension and Postretirement Benefits Other than Pensions. We account for pension benefits and postretirement benefits other than pensions in accordance with the requirements of FASB Statement of Financial Accounting Standards No. 87 (SFAS No. 87), "*Employer's Accounting for Pensions,"* No. 88 (SFAS No. 88), *"Employer's Accounting for Settlements and Curtailments of Defined Benefit Plans and for*

Terminated Benefits," No. 106 (SFAS No. 106), *"Employer's Accounting for Postretirement Benefits Other Than Pension,"* No. 132 (SFAS No. 132), "*Employer's Disclosures about Pensions and Other Postretirement Benefits an amendment of FASB Statements Nos. 87, 88, and 106"* and No. 158, "*Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans An Amendment of FASB Statements No. 87, 88, 106 and 132(R)."* Annual net periodic expense and accrued benefit obligations recorded with respect to our defined benefit plans are determined on an actuarial basis. We, together with our third-party actuaries, determine assumptions used in the actuarial calculations which impact reported plan obligations and expense. Annually, we and our actuaries review the actual experience compared to the most significant assumptions used and make adjustments to the assumptions, if warranted. The healthcare trend rates are reviewed with the actuaries based upon the results of their review of claims experience. Discount rates are based upon an expected benefit payments duration analysis and the equivalent average yield rate for high-quality fixed-income investments. Pension benefits are funded through deposits with trustees and the expected long-term rate of return on fund assets is based upon actual historical returns modified for known changes in the market and any expected change in investment policy. Postretirement benefits are not funded and our policy is to pay these benefits as they become due. Certain accounting guidance, including the guidance applicable to pensions, does not require immediate recognition of the effects of a deviation between actual and assumed experience or the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted.

Income Taxes. Income taxes are accounted for using the provisions of FASB Statement of Financial Accounting Standards No. 109, (SFAS No. 109), "*Accounting for Income Taxes,*" and FASB Interpretation No. 48, "*Accounting for Uncertainty in Income Taxes*." Deferred income taxes are provided at currently enacted income tax rates for the difference between the financial statement and income tax basis of assets and liabilities and carry-forward items. The effective tax rate and the tax bases of assets and liabilities reflect management's estimates based on then-current facts. On an ongoing basis, we review the need for and adequacy of valuation allowances if it is more likely than not that the benefit from a deferred tax asset will not be realized. We believe the current assumptions and other considerations used to estimate the current year effective tax rate and deferred tax positions are appropriate. However, actual outcomes may differ from our current estimates and assumptions.

Other Loss Reserves. We have other loss exposures related to environmental claims, asbestos claims and litigation. Establishing loss reserves for these matters requires the use of estimates and judgment in regard to risk exposure and ultimate liability. We are generally self-insured for losses and liabilities related principally to workers' compensation, health and welfare claims and comprehensive general, product and vehicle liability. Generally, we are responsible for up to $0.5 million per occurrence under our retention program for workers' compensation, between $0.3 million and $2.0 million per occurrence under our retention programs for comprehensive general, product and vehicle liability, and have a $0.3 million per occurrence stop-loss limit with respect to our self-insured group medical plan. We accrue loss reserves up to our retention amounts based upon our estimates of the ultimate liability for claims incurred, including an estimate of related litigation defense costs, and an estimate of claims incurred but not reported using actuarial assumptions about future events. We accrue for such items in accordance with FASB Statement of Financial Accounting Standards No. 5, (SFAS No. 5), "*Accounting for Contingencies*" when such amounts are reasonably estimable and probable. We utilize known facts and historical trends, as well as actuarial valuations in determining estimated required reserves. Changes in assumptions for factors such as medical costs and actual experience could cause these estimates to change significantly.

Item 7A. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk associated with fluctuations in foreign currency exchange rates. We are also subject to interest risk as it relates to long-term debt. See Item 7. "*Management's Discussion and Analysis of Financial Condition and Results of Operations*" for details about our primary market risks, and the objectives and strategies used to manage these risks. Also see Note 13, "*Long-term Debt,*" in the notes to the financial statements for additional information.

Item 8. Financial Statements and Supplementary Data

REPORT OF INDEPENDENT REGISTERED PUBLIC ACCOUNTING FIRM

The Board of Directors and Shareholders
TriMas Corporation:

We have audited the accompanying consolidated balance sheets of TriMas Corporation and subsidiaries as of December 31, 2007 and 2006, and the related consolidated statements of operations, cash flows, and shareholders' equity for each of the years in the three-year period ended December 31, 2007. In connection with our audits of the consolidated financial statements, we also have audited financial statement schedule in the 2007 Annual Report on Form 10-K. These consolidated financial statements and financial statement schedule are the responsibility of the Company's management. Our responsibility is to express an opinion on these consolidated financial statements and financial statement schedule based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the consolidated financial statements referred to above present fairly, in all material respects, the financial position of TriMas Corporation and subsidiaries as of December 31, 2007 and 2006, and the results of their operations and their cash flows for each of the years in the three-year period ended December 31, 2007, in conformity with U.S. generally accepted accounting principles. Also in our opinion, the related financial statement schedule, when considered in relation to the basic consolidated financial statements taken as a whole, presents fairly, in all material respects, the information set forth therein.

Effective in 2007 the Company changed its method of accounting for pension and postretirement benefits pursuant to Statement of Financial Accounting Standards No. 158, "Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R)". Effective January 1, 2007, the Company changed its method of accounting for income taxes pursuant to FASB Interpretation No. 48, "Accounting for Uncertainty in Income Taxes an Interpretation of FASB Statement No. 109". Effective January 1, 2006, the Company changed its method of accounting for share-based payments pursuant to Statement of Financial Accounting Standards No. 123 (revised 2004), "Share-Based Payment". In 2005, the Company changed its method of accounting for conditional asset retirement obligations pursuant to FASB Interpretation No. 47, "Accounting for Conditional Asset Retirement Obligations, an interpretation of Statement of Financial Accounting Standards No. 143, Accounting for Asset Retirement Obligations".

We also have audited, in accordance with the standards of the Public Company Accounting Oversight Board (United States), TriMas Corporation's internal control over financial reporting as of December 31, 2007, based on criteria established in *Internal Control Integrated Framework* issued by the Committee of Sponsoring Organizations of the Treadway Commission (COSO), and our report dated March 12, 2008 expressed an unqualified opinion on the effectiveness of the Company's internal control over financial reporting.

(signed) KPMG LLP

Detroit, Michigan
March 12, 2008

TriMas Corporation

Consolidated Balance Sheet

(Dollars in thousands)

	December 31, 2007	December 31, 2006
Assets		
Current assets:		
Cash and cash equivalents	$ 4,800	$ 3,600
Receivables, net	89,370	98,800
Inventories, net	190,590	164,660
Deferred income taxes	18,860	24,310
Prepaid expenses and other current assets	7,010	7,320
Assets of discontinued operations held for sale	3,330	15,440
Total current assets	313,960	314,130
Property and equipment, net	195,120	162,670
Goodwill	377,340	529,730
Other intangibles, net	214,290	240,120
Other assets	27,280	39,410
Total assets	$ 1,127,990	$ 1,286,060
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	$ 8,390	$ 9,700
Accounts payable	121,860	100,570
Accrued liabilities	71,830	70,450
Liabilities of discontinued operations	1,450	24,940
Total current liabilities	203,530	205,660
Long-term debt	607,600	724,790
Deferred income taxes	73,280	89,940
Other long-term liabilities	35,090	32,890
Total liabilities	919,500	1,053,280
Preferred stock $0.01 par: Authorized 100,000,000 shares, Issued and outstanding: None		
Common stock, $0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 33,409,500 and 20,759,500 shares at December 31, 2007 and 2006, respectively	330	210
Paid-in capital	525,960	399,070
Accumulated deficit	(373,970)	(215,220)
Accumulated other comprehensive income	56,170	48,720
Total shareholders' equity	208,490	232,780
Total liabilities and shareholders' equity	$ 1,127,990	$ 1,286,060

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

TriMas Corporation

Consolidated Statement of Operations

(Dollars in thousands, except per share amounts)

	Year ended December 31,		
	2007	**2006**	**2005**
Net sales	$ 1,068,270	$ 1,013,910	$ 992,890
Cost of sales	(779,380)	(743,550)	(749,270)
Gross profit	288,890	270,360	243,620
Selling, general and administrative expenses	(185,910)	(169,050)	(157,820)
Advisory services agreement termination fee	(10,000)		
Costs for early termination of operating leases	(4,230)		
Settlement of Canadian benefit plan liability	(3,870)		
Net loss on dispositions of property and equipment	(2,070)	(550)	(690)
Impairment of assets	(3,370)	(510)	(2,960)
Impairment of goodwill and indefinite-lived intangible assets	(171,210)	(116,500)	
Operating profit (loss)	(91,770)	(16,250)	82,150
Other expense, net:			
Interest expense	(68,310)	(79,060)	(75,210)
Debt extinguishment costs	(7,440)	(8,610)	
Other expense, net	(3,880)	(4,150)	(6,090)
Other expense, net	(79,630)	(91,820)	(81,300)
Income (loss) from continuing operations before income tax benefit (expense)	(171,400)	(108,070)	850
Income tax benefit (expense)	12,080	(1,700)	(1,190)
Loss from continuing operations	(159,320)	(109,770)	(340)
Income (loss) from discontinued operations, net of income tax benefit (expense)	890	(19,140)	(45,120)
Loss before cumulative effect of change in accounting principle	(158,430)	(128,910)	(45,460)
Cumulative effect of change in accounting principle			(420)
Net loss	$ (158,430)	$ (128,910)	$ (45,880)
Earnings (loss) per share basic:			
Continuing operations	(5.59)	$ (5.43)	$ (0.02)
Discontinued operations, net of income tax benefit	0.03	(0.94)	(2.25)
Cumulative effect of change in accounting principle			(0.02)
Net loss per share	$ (5.56)	$ (6.37)	$ (2.29)
Weighted average common shares basic	28,498,678	20,229,716	20,010,000

	Year ended December 31,		
Earnings (loss) per share diluted:			
Continuing operations	$ (5.59)	$ (5.43)	$ (0.02)
Discontinued operations, net of income tax benefit	0.03	(0.94)	(2.25)
Cumulative effect of change in accounting principle			(0.02)
Net loss per share	$ (5.56)	$ (6.37)	$ (2.29)
Weighted average common shares diluted	28,498,678	20,229,716	20,010,000

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

TriMas Corporation

Consolidated Statement of Cash Flows

(Dollars in thousands)

	Year ended December 31,		
	2007	2006	2005
Cash Flows from Operating Activities:			
Net loss	$ (158,430)	$ (128,910)	$ (45,880)
Adjustments to reconcile net loss to net cash provided by operating activities, net of acquisition impact:			
Impairment of goodwill and indefinite-lived intangible assets	171,210	116,500	
Impairment of assets	3,370	15,760	73,220
(Gain) loss on dispositions of property and equipment	(630)	3,530	300
Depreciation	25,870	22,250	24,160
Amortization of intangible assets	15,480	16,490	16,590
Amortization of debt issue costs	2,700	4,330	5,050
Deferred income taxes	(9,480)	(11,280)	(37,580)
Non-cash debt extinguishment costs	2,500	7,920	
Non-cash compensation expense	550	1,350	310
Net proceeds from (reductions in) sale of receivables and receivables securitization	25,980	(14,120)	(9,580)
(Increase) decrease in receivables	(15,670)	9,760	(1,490)
(Increase) decrease in inventories	(25,080)	(11,310)	8,900
(Increase) decrease in prepaid expenses and other assets	12,540	(1,390)	(230)
Increase (decrease) in accounts payable and accrued liabilities	13,690	(15,260)	(5,900)
Other, net	370	260	1,600
Cumulative effect of change in accounting principle			420
Net cash provided by operating activities, net of acquisition impact	64,970	15,880	29,890
Cash Flows from Investing Activities:			
Capital expenditures	(34,730)	(22,480)	(21,670)
Acquisition of leased assets	(29,960)	(7,360)	
Acquisition of businesses, net of cash acquired	(13,540)		
Net proceeds from disposition of businesses and other assets	9,320	7,680	5,030
Net cash used for investing activities	(68,910)	(22,160)	(16,640)
Cash Flows from Financing Activities:			
Proceeds from sale of common stock in connection with the Company's initial public offering, net of issuance costs	126,460		
Repayments of borrowings on senior credit facilities	(4,940)	(257,410)	(2,890)
Proceeds from borrowings on term loan facilities		260,000	24,250
Proceeds from borrowings on revolving credit facilities	508,540	688,870	884,450
Repayments of borrowings on revolving credit facilities	(524,920)	(683,150)	(916,300)
Debt issuance costs		(2,160)	(2,120)
Retirement of senior subordinated notes	(100,000)		
Net cash provided by (used for) financing activities	5,140	6,150	(12,610)

	Year ended December 31,		
Cash and Cash Equivalents:			
Increase (decrease) for the year	1,200	(130)	640
At beginning of year	3,600	3,730	3,090
At end of year	$ 4,800	$ 3,600	$ 3,730
Supplemental disclosure of cash flow information:			
Cash paid for interest	$ 63,690	$ 69,880	$ 70,550
Cash paid for taxes	$ 8,660	$ 14,050	$ 12,630

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

TriMas Corporation
Consolidated Statement of Shareholders' Equity
Years Ended December 31, 2007, 2006 and 2005
(Dollars in thousands)

	Common Stock	Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances, December 31, 2004	$ 200	$ 399,450	$ (40,430)	$ 45,940	$ 405,160
Comprehensive income (loss):					
Net loss			(45,880)		(45,880)
Foreign currency translation				(7,470)	(7,470)
Minimum pension liability (net of tax of $150)				(40)	(40)
Total comprehensive loss					(53,390)
Non-cash compensation expense (net of tax of $100)		210			210
Net adjustments to reflect settlement of contractual obligations		(2,680)			(2,680)
Balances, December 31, 2005	$ 200	$ 396,980	$ (86,310)	$ 38,430	$ 349,300
Comprehensive income (loss):					
Net loss			(128,910)		(128,910)
Foreign currency translation				9,720	9,720
Minimum pension liability (net of tax of $190)				570	570
Total comprehensive loss					(118,620)
Issuance of common stock	10	(10)			
Non-cash compensation expense		1,350			1,350
Net adjustments to reflect settlement of contractual obligations		750			750
Balances at December 31, 2006	$ 210	$ 399,070	$ (215,220)	$ 48,720	$ 232,780
Comprehensive income (loss):					
Net loss			(158,430)		(158,430)
Foreign currency translation				8,900	8,900
Defined pension and postretirement pension plan amortization of actuarial losses (net of tax of $0.6 million)				1,020	1,020
Total comprehensive loss					(148,510)
Net proceeds from the Company's initial public offering of common stock (Note 2)	120	126,340			126,460
Non-cash compensation expense		550			550
Effects of accounting change regarding pension and post-retirement plan measurement dates pursuant to SFAS No. 158 (net of tax of $0.1 million) (Note 17)			(200)		(200)
Cumulative impact of change in accounting for benefit plans (net of tax of $1.2 million) (Note 17)				(2,470)	(2,470)
Cumulative impact of change in accounting for uncertainties in income taxes (Note 20)			(120)		(120)

	Common Stock	Paid-In Capital	Accumulated Deficit	Accumulated Other Comprehensive Income (Loss)	Total
Balances at December 31, 2007	$ 330	$ 525,960	$ (373,970)	$ 56,170	$ 208,490

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

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS

1. Basis of Presentation

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

During the fourth quarter of 2007, the Company committed to a plan to sell its rocket launcher and property management lines of business, both of which were part of the Industrial Specialties operating segment. The Company sold the rocket launcher business in December 2007. During the fourth quarter of 2005, the Company committed to a plan to sell its industrial fastening business. The industrial fastening business consisted of three locations: Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. The Company sold the Wood Dale and Lakewood operating locations in December 2006 and the Frankfort operating location in February 2007. In addition, during the second quarter of 2006, the Company committed to a plan and sold its asphalt-coated paper line of business, which was part of the Packaging Systems operating segment. The results of operations for all of the aforementioned discontinued businesses are reported as discontinued operations for all periods presented and as assets held for sale in the accompanying consolidated balance sheet. See Note 5, "Discontinued Operations and Assets Held for Sale."

2. Initial Public Offering

During the second quarter of 2007, the Company completed the sale of 12,650,000 shares of common stock to the public pursuant to an effective registration statement at a price of $11.00 per share. Gross proceeds from the common stock offering were $139.2 million. Net proceeds from the offering, after deducting underwriting discounts and commissions of $9.7 million and offering expenses of $3.0 million,

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

2. Initial Public Offering (Continued)

totaled approximately $126.5 million. The net proceeds of $126.5 million, together with approximately $10.1 million of cash on hand and revolving credit borrowings, were utilized as follows (in thousands):

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

In connection with the common stock offering and the use of proceeds therefrom, the Company incurred the following costs and expenses which are included in the Company's statement of operations for the year ended December 31, 2007 (in thousands):

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

3. Summary of Significant Accounting Policies

Principles of Consolidation. The accompanying financial statements include the accounts and transactions of TriMas and its wholly-owned subsidiaries. Significant intercompany transactions have been eliminated.

Use of Estimates. The preparation of financial statements in conformity with accounting principles generally accepted in the United States of America requires management of the Company to make estimates and assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements. Such estimates and assumptions also affect the reported amounts of revenues and expenses during the reporting periods. Significant items subject to such estimates and assumptions include the carrying amount of property and equipment, goodwill and other intangibles, valuation allowances for receivables, inventories and deferred income tax assets, reserves for legal and product liability matters and assets and obligations related to employee benefits. Actual results may differ from such estimates and assumptions.

Revenue Recognition. Revenues from product sales, except products shipped on a consignment basis, are recognized when products are shipped or services are provided to customers, the customer takes ownership and assumes risk of loss, the sales price is fixed and determinable and collectability is reasonably assured. Net sales is comprised of gross revenues less estimates of expected returns, trade discounts and customer allowances, which include incentives such as cooperative advertising agreements, volume discounts and other supply agreements in connection with various programs. Such deductions are recorded

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies (Continued)

during the period the related revenue is recognized. For products shipped on a consignment basis, revenue is recognized when the customer provides notice of end product use or sale.

Cost of Sales. Cost of sales includes material, labor and overhead costs incurred in the manufacture of products sold in the period. Material costs include raw material, purchased components, outside processing and inbound freight costs. Overhead costs consist of variable and fixed manufacturing costs, wages and fringe benefits, and purchasing, receiving and inspection costs.

Selling, General and Administrative Expenses. Selling, general and administrative expenses include the following: costs related to the advertising, sale, marketing and distribution of our products, shipping and handling costs, amortization of customer intangible assets, costs of finance, human resources, and legal functions, executive management costs, and other administrative expenses.

Cash and Cash Equivalents. The Company considers cash on hand and on deposit and investments in all highly liquid debt instruments with initial maturities of three months or less to be cash and cash equivalents.

Receivables. Receivables are presented net of allowances for doubtful accounts of approximately $5.2 million and $5.6 million at December 31, 2007 and 2006, respectively. The Company monitors its exposure for credit losses and maintains allowances for doubtful accounts based upon the Company's best estimate of probable losses inherent in the accounts receivable balances. The Company does not believe that significant credit risk exists due to its diverse customer base.

Inventories. Inventories are stated at the lower of cost or net realizable value, with cost determined using the first-in, first-out method. Direct materials, direct labor and allocations of variable and fixed manufacturing-related overhead are included in inventory cost.

Property and Equipment. Property and equipment additions, including significant improvements, are recorded at cost. Upon retirement or disposal of property and equipment, the cost and accumulated depreciation are removed from the accounts, and any gain or loss is included in the accompanying statement of operations. Repair and maintenance costs are charged to expense as incurred.

Depreciation and Amortization. Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and buildings/land improvements, 10 to 40 years, and machinery and equipment, 3 to 15 years. Capitalized debt issuance costs are amortized over the underlying terms of the related debt securities. Customer relationship intangibles are amortized over periods ranging from 6 to 25 years, while technology and other intangibles are amortized over periods ranging from 1 to 30 years.

Impairment of Long-Lived Assets and Finite-Lived Intangible Assets. In accordance with Statement of Financial Accounting Standards No. 144 (SFAS No. 144), "Accounting for the Impairment or Disposal of Long-Lived Assets," the Company reviews, on a quarterly basis, the financial performance of each business unit for indicators of impairment. An impairment loss is recognized when the carrying value of an asset group exceeds the future net undiscounted cash flows expected to be generated by that asset group. The impairment loss recognized is the amount by which the carrying value of the asset group exceeds its fair value. The Company tests finite-lived intangibles for impairment on an annual basis, or more frequently, if events or changes in circumstances indicate that their carrying amount may not be recoverable. The factors considered by management in performing this assessment include current operating results, business

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies (Continued)

prospects, market trends, potential product obsolescence, competitor activities customer retention and other economic factors.

Goodwill and Indefinite-Lived Intangibles. The Company tests goodwill and indefinite-lived intangible assets for impairment on an annual basis as required by Statement of Accounting Standards No. 142, "Goodwill and Other Intangible Assets" (SFAS No. 142), by comparing the estimated fair value of each of the Company's reporting units to their respective carrying values. More frequent evaluations could become required under SFAS No. 142 if the Company experiences changes in its business conditions. In assessing the recoverability of goodwill and indefinite-lived intangible assets, the Company estimates the fair value of each of its reporting units by calculating the present value of its expected future cash flows and other valuation measures. The Company then compares the estimates of fair value with the reporting unit's net asset carrying value. If carrying value exceeds fair value, then a possible impairment of goodwill exists and further evaluation is performed. Goodwill is evaluated for impairment annually as of December 31 using management's operating budget and internal five-year forecast to estimate expected future cash flows. Projecting discounted future cash flows requires the Company to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate. The projections also take into account several factors including current and estimated economic trends and outlook, costs of raw materials, consideration of our market capitalization in comparison to the estimated fair values of the Company's reporting units determined using discounted cash flow analyses and other factors which are beyond the Company's control.. At December 31, 2007, fair values of the Company's reporting units were determined based upon the expected future cash flows discounted at weighted average costs of capital ranging from 11% 17% and estimated residual growth rates ranging from 1% to 4%.

Fair Value of Financial Instruments. Statement of Financial Accounting Standards No. 107 (SFAS No. 107), "Disclosures about Fair Value of Financial Instruments," requires disclosures about the fair value of all financial instruments, whether or not recognized in the balance sheet. The carrying value of financial instruments reported in the balance sheet for current assets and current liabilities approximates fair value. Management believes the carrying value of the term loan debt approximates fair value, based on market comparisons to debt instruments of like kind and quality, while the senior subordinated notes traded at an approximate 2.0% discount below par value as of December 31, 2007.

Foreign Currency Translation. The financial statements of subsidiaries located outside of the United States are measured using the currency of the primary economic environment in which they operate as the functional currency. Net foreign currency transaction gains (losses) were approximately $(0.2) million, $0.1 million and $(2.3) million for the years ended December 31, 2007, 2006 and 2005, respectively, and are included in other expense, net in the accompanying statement of operations. When translating into U.S. dollars, income and expense items are translated at average monthly exchange rates and assets and liabilities are translated at exchange rates in effect at the balance sheet date. Translation adjustments resulting from translating the functional currency into U.S. dollars are deferred as a component of accumulated other comprehensive income (loss) in the statement of shareholders' equity.

Self-insurance. The Company is generally self-insured for losses and liabilities related to workers' compensation, health and welfare claims and comprehensive general, product and vehicle liability. The Company is generally responsible for up to $0.5 million per occurrence under its retention program for workers' compensation, between $0.3 million and $2.0 million per occurrence under its retention programs

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies (Continued)

for comprehensive general, product and vehicle liability, and has a $0.3 million per occurrence stop-loss limit with respect to its self-insured group medical plan. Total insurance limits under these retention programs vary by year for comprehensive general, product and vehicle liability and extend to the applicable statutory limits for workers' compensation. Reserves for claims losses, including an estimate of related litigation defense costs, are recorded based upon the Company's estimates of the aggregate liability for claims incurred using actuarial assumptions about future events. Changes in assumptions for factors such as medical costs and actual experience could cause these estimates to change.

Pension Plans and Postretirement Benefits Other Than Pensions. Annual net periodic pension expense and benefit liabilities under defined benefit pension plans are determined on an actuarial basis. Assumptions used in the actuarial calculations have a significant impact on plan obligations and expense. Annually, the Company reviews the actual experience compared to the more significant assumptions used and makes adjustments to the assumptions, if warranted. The healthcare trend rates are reviewed with the actuaries based upon the results of their review of claims experience. Discount rates are based upon an expected benefit payments duration analysis and the equivalent average yield rate for high-quality fixed-income investments. Pension benefits are funded through deposits with trustees and the expected long-term rate of return on fund assets is based upon actual historical returns modified for known changes in the market and any expected change in investment policy. Postretirement benefits are not funded and it is the Company's policy to pay these benefits as they become due.

Shipping and Handling Expenses. Freight costs are included in cost of sales and shipping and handling expenses, including those of Recreational Accessories' distribution network, are included in selling, general and administrative expenses in the accompanying statement of operations. Shipping and handling costs were $4.7 million, $4.7 million and $4.4 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Advertising and Sales Promotion Costs. Advertising and sales promotion costs are expensed as incurred. Advertising costs were $12.9 million, $11.4 million and $10.0 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Research and Development Costs. Research and development ("R&D") costs are expensed as incurred and approximated $1.7 million, $1.3 million and $0.9 million for the years ended December 31, 2007, 2006 and 2005, respectively.

Earnings Per Share. Basic and diluted earnings per share amounts are determined in accordance with Statement of Financial Accounting Standards No. 128 (SFAS No. 128), "Earnings per Share." The diluted earnings per share for the year ended December 31, 2005 does not consider a warrant to purchase 750,000 shares of common stock at par value of $0.01 per share, because to do so would have been anti-dilutive for the period then ended. The warrant was exercised on September 15, 2006. As of December 31, 2007, 138,541 restricted shares of common stock were outstanding but were excluded from the computation of net income (loss) per share because to do so would have been anti-dilutive for the period presented. Options to purchase 2,000,481, 2,008,201 and 1,946,123 shares of common stock were outstanding at December 31, 2007, 2006 and 2005, respectively, but were excluded from the computation of net income (loss) per share because to do so would have been anti-dilutive for the periods presented.

Stock-based Compensation. The Company adopted Statement of Financial Accounting Standards No. 123R (SFAS No. 123R), "Share-Based Payment," effective January 1, 2006, using the Modified

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies (Continued)

Prospective Application (MPA) method. The MPA method requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. The MPA method requires the Company to record expense for unvested stock options that were previously valued at fair value for purposes of the historical pro forma requirements under Statement of Financial Accounting Standards No. 123, "Stock-Based Compensation" (SFAS No. 123), and awarded prior to January 1, 2006, but does not require restatement of prior year information. Prior to adopting SFAS No. 123R, the Company accounted for stock-based employee compensation using the intrinsic value method under Accounting Principles Board Opinion No. 25, "Accounting for Stock Issued to Employees."

The following tables illustrate the pro forma effect on the per share and total amounts of income from continuing operations and net loss for the year ended December 31, 2005 if the Company had adopted the fair value recognition provisions of SFAS No. 123R related to stock-based employee compensation (dollars in thousands, except for per share amounts):

Continuing operations income (loss), as reported	$	(340)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects		210
Deduct: Stock-based employee compensation expense determined under fair-value based method for all awards, net of related tax effects		(1,110)
Pro forma net income from continuing operations attributed to common stock	$	(1,240)
Earnings per share basic and diluted:		
Continuing operations, as reported	$	(0.02)
Continuing operations, pro forma for stock-based compensation	$	(0.06)
Net loss, as reported	$	(45,880)
Add: Stock-based employee compensation expense included in reported net income, net of related tax effects		210
Deduct: Stock-based employee compensation expense determined under fair-value based method for all awards, net of related tax effects		(1,110)
Pro forma net loss attributed to common stock	$	(46,780)
Earnings (loss) per share basic and diluted:		
Net loss per share, as reported	$	(2.29)
Net loss per share, pro forma for stock-based compensation	$	(2.34)

Income Taxes. The Company computes income taxes using the asset and liability method, whereby deferred income taxes using current enacted tax rates are provided for the temporary differences between the financial reporting basis and the tax basis of TriMas' assets and liabilities. The Company records interest and penalties related to unrecognized tax benefits in income tax expense.

Other Comprehensive Income. The Company refers to other comprehensive income as revenues, expenses, gains and losses that under accounting principles generally accepted in the United States are

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

3. Summary of Significant Accounting Policies (Continued)

included in comprehensive income but are excluded from net earnings as these amounts are recorded directly as an adjustment to stockholders' equity. Other comprehensive income is comprised of foreign currency translation adjustments and amortization of prior service costs and unrecognized gains and losses in actuarial assumptions.

The components of accumulated other comprehensive income are as follows:

	Balance, December 31, 2007	Balance, December 31, 2006
	(dollars in thousands)	
Foreign currency translation	$ 61,530	$ 52,630
Unrecognized prior service cost and unrecognized loss in actuarial assumptions (net of tax of $2.7 million and $2.4 million in 2007 and 2006, respectively)	(5,360)	(3,910)
Accumulated other comprehensive income	$ 56,170	$ 48,720

Asset Retirement Obligations. In the fourth quarter 2005, the Company adopted FASB Interpretation No. 47 (FIN 47), "Accounting for Conditional Asset Retirement Obligations," which clarifies the term conditional asset retirement obligation as used in FASB Statement of Financial Accounting Standards No. 143 (SFAS No. 143), "Accounting for Asset Retirement Obligations." The Company adopted FIN 47 as of December 31, 2005 and recorded a cumulative effect of a 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.

4. New Accounting Pronouncements

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

In December 2007, the FASB issued Statement of Financial Accounting Standards No. 160 (SFAS No. 160), "Noncontrolling Interests in Consolidated Financial Statements," which establishes requirements for identification, presentation and disclosure of noncontrolling interests, treating them as a separate component of stockholder's equity. SFAS No. 160 is effective prospectively for fiscal years beginning after December 31, 2008. However, the presentation and disclosure requirements are required to be retrospectively applied to comparative financial statements. The Company is currently evaluating the impact of adopting SFAS No. 160 on its consolidated financial statements.

In February 2007, the FASB issued Statement of Financial Accounting Standards No. 159 (SFAS No. 159), "The Fair Value Option for Financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115," which permits entities to choose to measure certain financial instruments and other items at fair value. SFAS No. 159 is required to be adopted for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS No. 159 on its consolidated financial statements.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

4. New Accounting Pronouncements (Continued)

In September 2006, the FASB issued Statement of Financial Accounting Standards No. 157 (SFAS No. 157), "Fair Value Measurements," which defines fair values, establishes a framework for measuring fair value in GAAP and requires enhanced disclosures about fair value measurements. This Statement applies when other accounting pronouncements require or permit fair value measurements. SFAS No. 157 is required to be adopted for fiscal years beginning after November 15, 2007. The Company is currently evaluating the impact of adopting SFAS No. 157 on its consolidated financial statements.

5. Discontinued Operations and Assets Held for Sale

During the fourth quarter of 2007, the Company committed to a plan to sell its rocket launcher and property management lines of business, both of which were part of the Industrial Specialties operating segment. The Company sold the assets of the rocket launcher business in December 2007 for cash proceeds of approximately $3.1 million, and recognized a gain on sale of approximately $2.3 million.

During the second quarter of 2006, the Company sold its asphalt-coated paper line of business, which was part of the Packaging Systems operating segment, for approximately $1.1 million, and recognized a loss on sale of approximately $3.6 million.

During the fourth quarter of 2005, the Company committed to a plan to sell its industrial fastening business. The industrial fastening business consisted of three locations: Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. The Company recognized impairment charges of approximately $15.3 million and $70.3 million in 2006 and 2005, respectively, related to the industrial fastening business to write-down the value of tangible and intangible assets to fair value. The Company sold the Wood Dale and Lakewood operating locations in December 2006 for gross cash proceeds of approximately $5.6 million and a short-term note receivable of approximately $0.2 million, and recognized a loss on sale of approximately $0.5 million. In February 2007, the Company sold the Frankfort operating location for gross cash proceeds of approximately $4.0 million and a note receivable of $2.5 million.

The Wood Dale manufacturing facility is subject to a lease agreement expiring in 2022 which was not assumed by the purchaser of this business. Prior to the sale, the Company conducted a market study on the property and concluded that it would likely be able to recover substantially all of its future obligations under the lease through future sublease arrangements. In the fourth quarter of 2007, the Company had its prior market study updated. Based on changes in the economy and an increase in available properties in the area, which were being offered at rates below the Company's existing lease contract, the Company concluded it would not be able to recover substantially all of its future obligations, and recorded a charge of $3.6 million, which represents the Company's best estimate of unrecoverable future obligations under its lease contract.

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

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

5. Discontinued Operations and Assets Held for Sale (Continued)

Results of discontinued operations are summarized as follows:

	Year ended December 31,		
	2007	2006	2005
	(dollars in thousands)		
Net sales	$ 18,780	$ 100,280	$ 116,110
Income (loss) from discontinued operations, before income tax (expense) benefit	$ 2,560	$ (27,360)	$ (76,890)
Income tax (expense) benefit	(1,670)	8,220	31,770
Income (loss) from discontinued operations, net of income tax (expense) benefit	$ 890	$ (19,140)	$ (45,120)

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

	2007	2006
	(dollars in thousands)	
Receivables, net	$ 940	$ 8,190
Inventories	60	$ 4,720
Property and equipment, net	2,330	2,530
Total assets	$ 3,330	$ 15,440
Accounts payable	$ 60	$ 8,540
Accrued liabilities and other	1,390	16,400
Total liabilities	$ 1,450	$ 24,940

6. Huntsville Plant Closure

In October 2007, the Company announced plans to close its manufacturing facility in Huntsville, Ontario, Canada during the fourth quarter of 2007, and consolidate its operations into the Company's Goshen, Indiana manufacturing facility. These actions were substantially complete as of December 31, 2007. As a result of these actions, the Company recorded a pre-tax charge within its Recreational Accessories segment of approximately $9.0 million, of which approximately $5.6 million relates to cash costs incurred as a part of the closure as determined under the provisions of Statement of Financial Accounting Standards No. 146, "Accounting for Costs Associated with Exit or Disposal Activities," primarily relating to severance benefits to approximately 160 employees terminated as a part of the closure. As of December 31, 2007, the Company has paid approximately $2.5 million of the cash costs of the facility closure, with the remaining $3.1 million to be paid during 2008. The remaining $3.4 million of the pre-tax charge relates to impairment of assets recorded in accordance with SFAS No. 144 to reduce the book value of the building and building improvements and certain machinery and equipment assets that the Company will no longer utilize to management's estimate of net realizable value (see Note 11). The Company expects to incur approximately $0.7 million in estimated costs and expenses in 2008 resulting from completion of the consolidation into the Goshen facility and recording severance and other benefits for approximately 10 key employees remaining with the Company until the closure is finalized.

7. Acquisitions

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

The allocation of the purchase price for these acquisitions is subject to refinement of management estimates and finalization of working capital adjustments. The purchase price of each of these acquisitions is also subject to adjustments resulting from earn-out clauses based on future operating results, which extend up to five years.

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

8. Goodwill and Other Intangible Assets

The Company tests goodwill for impairment on an annual basis using a measurement date of December 31, unless a change in business conditions occurs which requires a more frequent evaluation. In assessing the recoverability of goodwill and indefinite-lived intangible assets, the Company estimates the fair value of each reporting unit and compares it to the net asset carrying values. Similarly, the Company also reviews definite-lived intangible assets on an annual basis, or more frequently if events or changes in circumstances indicate that their carrying values may not be recoverable.

In completing its annual test of goodwill and indefinite-lived intangible asset impairment as of December 31, 2007, the Company's Step I testing indicated that the carrying values of its Recreational Accessories and RV & Trailer Products reporting units exceeded their estimated fair values. The Company estimates the fair value of its reporting units using the present value of estimated future cash flows and other market valuation measures. The estimated future cash flows used in performing these valuations are derived from management's operating budget and five-year long-range forecast, and requires the Company to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital amounts and the weighted average cost of capital for purposes of deriving appropriate discount rates by reporting unit. In addition, the Company also considers other factors when determining the estimated fair value of its reporting units, including its current market capitalization, the uncertain economic outlook and credit markets, the Company's credit risk due to its leverage, elevated fuel prices, declining consumer confidence and flat or declining end-markets in certain of the Company's businesses. Upon completion of the valuation of the Company's reporting units, the estimated fair values of the Company's Recreational Accessories and RV & Trailer Products reporting units were below their carrying values, resulting in a Step I impairment. Based on the results of Step II testing required under SFAS No. 142, the Company recorded pre-tax goodwill and indefinite-lived intangible asset impairment charges in the fourth quarter of 2007 of $61.2 million and $9.2 million, respectively, in its Recreational Accessories reporting unit and $98.4 million and $2.4 million, respectively, in the Company's RV & Trailer Products reporting unit.

In completing its annual test of goodwill impairment as of December 31, 2006, the Company's Step I testing indicated that the carrying values of its Recreational Accessories and RV & Trailer Products reporting units exceeded their estimated fair values. The estimated fair values of the Company's

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Goodwill and Other Intangible Assets (Continued)

Recreational Accessories and RV & Trailer Products reporting units decreased as a result of declining sales and/or profitability in 2006 compared to sales and profitability levels in prior years and the Company's operating plan and a decline in the estimated market value of these reporting units. Based on the results of Step II testing required under SFAS No. 142, the Company recorded a pre-tax goodwill impairment charge of $19.0 million in its Recreational Accessories reporting unit and a $97.5 million pre-tax goodwill impairment charge in the Company's RV & Trailer Products reporting unit.

Future declines in sales and operating profit or declines in the Company's stock price may result in additional goodwill and indefinite-lived intangible asset impairments.

Changes in the carrying amount of goodwill for the years ended December 31, 2007 and 2006 are as follows:

	Packaging Systems	Energy Products	Industrial Specialties	RV & Trailer Products	Recreational Accessories	Total
			(dollars in thousands)			
Balance, December 31, 2005	$ 179,350	$ 45,200	$ 62,720	$ 242,720	$ 114,790	$ 644,780
Reversal of restructuring reserves established in purchase accounting, net of of tax				(40)		(40)
Adjustment to tax contingencies established in purchase accounting				(4,470)	(1,400)	(5,870)
Impairment charge				(97,500)	(19,000)	(116,500)
Foreign currency translation and other	7,330	(10)		120	(80)	7,360
Balance, December 31, 2006	186,680	45,190	62,720	140,830	94,310	529,730
Goodwill from acquisitions			2,230		2,320	4,550
Adjustment to tax contingencies established in purchase accounting				(450)	310	(140)
Impairment charge				(98,380)	(61,210)	(159,590)
Foreign currency translation and other	4,010	860		190	(2,270)	2,790
Balance, December 31, 2007	$ 190,690	$ 46,050	$ 64,950	$ 42,190	$ 33,460	$ 377,340

Effective January 1, 2006, the Company 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. The Company determined that a reduction in estimated useful lives assigned to certain customer relationship intangibles was warranted as of that date to reflect its updated evaluation of the period of expected future benefit related to these customer relationship intangibles. This reduction in estimated useful lives increased the Company's 2007 and 2006 amortization expense related to customer relationship intangibles by approximately $2.4 million.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

8. Goodwill and Other Intangible Assets (Continued)

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

Intangible Category by Useful Life	As of December 31, 2007 Gross Carrying Amount	As of December 31, 2007 Accumulated Amortization	As of December 31, 2006 Gross Carrying Amount	As of December 31, 2006 Accumulated Amortization
	(dollars in thousands)			
Customer relationships:				
6 - 12 years	$ 27,980	$ (17,910)	$ 26,500	$ (15,900)
15 - 25 years	169,190	(49,190)	171,920	(40,730)
Total customer relationships	197,170	(67,100)	198,420	(56,630)
Technology and other:				
1 - 15 years	26,630	(18,190)	26,010	(16,170)
17 - 30 years	40,830	(12,690)	40,180	(10,780)
Total technology and other	67,460	(30,880)	66,190	(26,950)
Trademark/Trade names (indefinite life)	51,990	(4,350)	63,400	(4,310)
	$ 316,620	$ (102,330)	$ 328,010	$ (87,890)

Amortization expense related to technology and other intangibles was approximately $4.1 million, $4.1 million and $4.8 million for the years ended December 31, 2007, 2006 and 2005, respectively, and is included in cost of sales in the accompanying statement of operations. Amortization expense related to customer intangibles was approximately $11.3 million, $12.0 million and $10.4 million for the years ended December 31, 2007, 2006 and 2005, respectively, and is included in selling, general and administrative expense in the accompanying statement of operations.

Estimated amortization expense for the next five fiscal years beginning after December 31, 2007 is as follows: 2008 $15.0 million, 2009 $15.0 million, 2010 $14.3 million, 2011 $13.4 million and 2012 $13.2 million.

9. Accounts Receivable Securitization

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

TSPC from time to time may sell an undivided fractional ownership interest in the pool of receivables up to approximately $125.0 million to a third party multi-seller receivables funding company. The net proceeds of sales are less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing costs, which amounted to a total of $3.9 million, $4.0 million and $3.5 million for the years ended December 31, 2007, 2006 and 2005, respectively. Such amounts are included in other expense, net in the accompanying consolidated statement of operations. As of December 31, 2007 and 2006, the Company's funding under the facility was approximately $41.5 million and $19.6 million, respectively, with an additional $5.0 million and $29.0 million, respectively, available but not utilized. When the Company sells receivables under this arrangement, the Company retains a

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

9. Accounts Receivable Securitization (Continued)

subordinated interest in the receivables sold. The retained interest in receivables sold is included in receivables in the accompanying consolidated balance sheet and approximated $34.1 million and $71.6 million at December 31, 2007 and 2006, respectively. The usage fee under the facility was 1.35%. The Company also paid a fee of 0.5% on the unused portion of the facility. On December 31, 2007, the Company and TSPC amended the receivables transfer agreement to extend the expiration date to February 29, 2008 and reduce funding commitments under the facility to $75.0 million. Subsequent to year end, the Company completed the renewal of the facility. See Note 22, "Subsequent Events."

The financing costs are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on historical collection experience and a discount rate representing a spread over a commercial paper-based rate as prescribed under the terms of the securitization agreement. As of December 31, 2007 and 2006, the financing costs were based on an average liquidation period of the portfolio of approximately 1.2 months and 1.3 months, respectively, and an average discount rate of 3.0% and 3.1%, at December 31, 2007 and 2006, respectively.

The Company sold an undivided interest in approximately $15.9 million and $12.7 million of accounts receivable under a factoring arrangement at three of its European subsidiaries for the years ended December 31, 2007 and 2006, respectively, and the Company sold an undivided interest in approximately $17.0 million of accounts receivable of one of its businesses not a party to the receivables securitization facility to a third party in 2005. These transactions were accounted for as a sale and the receivables were sold at a discount from face value of approximately 2.0%, 1.9% and 1.25%, respectively. Costs associated with these transactions were approximately $0.3 million, $0.2 million and $0.3 million in 2007, 2006 and 2005, respectively, and are included in other expense, net in the accompanying consolidated statement of operations.

10. Inventories

Inventories consist of the following components:

	December 31, 2007	December 31, 2006
	(dollars in thousands)	
Finished goods	$ 117,680	$ 100,500
Work in process	28,310	22,780
Raw materials	44,600	41,380
Total inventories	$ 190,590	$ 164,660

11. Property and Equipment, Net

Property and equipment consists of the following components:

	December 31, 2007	December 31, 2006
	(dollars in thousands)	
Land and land improvements	$ 5,430	$ 5,310
Buildings	45,430	41,620
Machinery and equipment	273,410	226,890
	324,270	273,820

		December 31, 2007		December 31, 2006
Less: Accumulated depreciation		129,150		111,150
Property and equipment, net	$	195,120	$	162,670

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

11. Property and Equipment, Net (Continued)

Depreciation expense was approximately $25.6 million, $22.1 million and $21.7 million for the years ended December 31, 2007, 2006 and 2005, respectively.

In 2007, in connection with the closure of the Huntsville facility (see Note 6), the Company recorded an impairment charge of approximately $3.4 million in accordance with the provisions of SFAS No. 144. This charge relates to the write-down of the net book value of building and building improvements and certain machinery and equipment within the Recreational Accessories segment to net realizable value.

In 2006, the Company recorded an impairment charge of approximately $0.5 million in accordance with the provisions of SFAS No. 144. This charge relates to the write-down of the net book value of building improvements and certain machinery and equipment within the RV & Trailer Products segment to net realizable value related to its zinc plating operation located in Schofield, Wisconsin.

In 2005, the Company recorded an impairment charge of approximately $3.0 million in accordance with the provisions of SFAS No. 144. This charge related to the write-down of the net book value of land, building and certain equipment within the RV & Trailer Products and Recreational Accessories segments in connection with the closing of the Bargman ($0.3 million) and Sheffield and Elkhart ($2.7 million) facilities, respectively.

12. Accrued Liabilities

	December 31, 2007	December 31, 2006
	(dollars in thousands)	
Self-insurance	$ 13,500	$ 14,300
Vacation, holiday and bonus	18,900	17,600
Other	39,430	38,550
Total accrued liabilities	$ 71,830	$ 70,450

13. Long-term Debt

The Company's long-term debt consists of the following at December 31, 2007 and 2006:

	December 31, 2007	December 31, 2006
	(dollars in thousands)	
U.S. bank debt	$ 257,410	$ 274,060
Non-U.S. bank debt and other	21,610	23,890
$9^7/_8$% senior subordinated notes, due June 2012	336,970	436,540
	615,990	734,490
Less: Current maturities, long-term debt	8,390	9,700
Long-term debt	$ 607,600	$ 724,790

U.S. Bank Debt

The Company is party to a credit facility consisting of a $90.0 million revolving credit facility, a $60.0 million deposit-linked supplemental revolving credit facility and a $260.0 million term loan facility

13. Long-term Debt (Continued)

(collectively, the "Credit Facility"). The revolving credit facility matures on August 2, 2011, while the term loan matures on August 2, 2013 (or February 28, 2012 if the Company's existing senior subordinated notes are still outstanding as of that date). Under the Credit Facility, the Company is also able to issue letters of credit, not to exceed $65.0 million in aggregate, against its revolving credit facility commitments. At December 31, 2007 and December 31, 2006, the Company had letters of credit of approximately $35.5 million and $45.0 million, respectively, issued and outstanding. The weighted average interest rate on borrowings under the Credit Facility was 7.84% and 8.47% at December 31, 2007 and December 31, 2006, respectively.

At December 31, 2007, the Company had $0.7 million outstanding under its revolving credit facility and had an additional $113.8 million potentially available after giving effect to approximately $35.5 million of letters of credit issued and outstanding. However, including availability under its accounts receivable facility and after consideration of leverage restrictions contained in the Credit Facility, the Company had $118.8 million of capacity available to it under its revolving credit facility and receivables securitization for general corporate purposes.

During the third quarter of 2006, the Company amended and restated the Credit Facility, primarily extending the maturity dates and reducing the interest rate margins on both its revolving credit facility and term loan. In conjunction with the refinancing, the Company incurred debt extinguishment costs of approximately $8.6 million, of which $7.9 million was a non-cash charge from the write-off of debt issuance costs.

The bank debt is an obligation of the Company and its subsidiaries. Although the terms of the Credit Facility do not restrict the Company's subsidiaries from making distributions to it in respect of its $9^7/_8$% senior subordinated notes, it does contain certain other limitations on the distribution of funds from TriMas Company LLC, the principal subsidiary, to the Company. The Credit Facility also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries, including: restrictions on incurrence of debt, except for permitted acquisitions and subordinated indebtedness, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset dispositions, sale-leaseback transactions greater than $90.0 million if sold at fair market value, hedging agreements, dividends and other restricted junior payments, stock repurchases, transactions with affiliates, restrictive agreements and amendments to charters, by-laws, and other material documents. The Credit Facility also requires the Company and its subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined), interest expense ratio (consolidated EBITDA, as defined, over cash interest expense, as defined) and a capital expenditures covenant. The Company was in compliance with its covenants at December 31, 2007.

Principal payments required on the Credit Facility term loan are: $0.7 million due each calendar quarter through June 30, 2013, with $242.5 million due on August 2, 2013 (which will be otherwise due on February 28, 2012 if the Company's existing senior subordinated notes are still outstanding at that time).

Non-U.S. Bank Debt

In the United Kingdom, the Company's subsidiary is party to a revolving debt agreement which is secured by a letter of credit under the Credit Facility. At December 31, 2007, there was no balance outstanding under this agreement. At December 31, 2006, the balance outstanding under this agreement was approximately $1.7 million at an interest rate of 6.2%.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

13. Long-term Debt (Continued)

In Italy, the Company's subsidiary is party to a loan agreement for a term of seven years, at a rate 0.75% above EURIBOR (Euro Interbank Offered Rate), and is secured by land and buildings of the subsidiary. At December 31, 2007, the balance outstanding under this agreement was approximately $4.0 million at an interest rate of 5.5%. At December 31, 2006, the balance outstanding under this agreement was approximately $5.8 million at an interest rate of 3.7%.

In Australia, the Company's subsidiary is party to a debt agreement which matures December 31, 2010 and is secured by substantially all the assets of the subsidiary. At December 31, 2007, the balance outstanding under this agreement was approximately $17.5 million at an interest rate of approximately 7.1%. At December 31, 2006, the balance outstanding under this agreement was approximately $16.4 million at an interest rate of 6.8%.

Notes

The Company issued two tranches of its $9^7/_8$% senior subordinated notes due 2012 pursuant to its bond indenture dated June 6, 2002 ("Notes"). In June 2002, the Company issued $352.8 million face value of Notes at a discount of $2.7 million. In December 2002, the Company issued an additional $85.0 million face value of Notes at a premium of $0.9 million. In each instance, the Notes were issued in a private placement under Rule 144A of the Securities Act of 1933, as amended. These Notes were subsequently registered pursuant to registration statements that were declared effective in February 2003 and July 2003, respectively. The Notes are general unsecured obligations of the Company and are subordinated in right of payment to all existing and future senior debt, including amounts outstanding under the Credit Facility. The Notes are *pari passu* in right of payment with all existing and future unsecured senior subordinated indebtedness and are unconditionally guaranteed by all of the Company's domestic subsidiaries that are direct borrowers under the Credit Facility. The restricted net assets of the guarantor subsidiaries of approximately $528.4 million and $645.3 million at December 31, 2007 and December 31, 2006, respectively, are presented in the financial information in Note 23, "*Supplemental Guarantor Condensed Combining and Consolidating Financial Statements*." Interest on the Notes accrues at the rate of $9^7/_8$% per annum and is payable semi-annually in arrears on June 15 and December 15. At December 31, 2007, the unamortized discount was $1.2 million and the unamortized premium was $0.4 million.

The Notes were not redeemable prior to June 15, 2007. After June 15, 2007, the Company may redeem all or a part of the Notes at the redemption prices (expressed as percentages of principal amount) set forth below plus accrued and unpaid interest on the Notes redeemed to the applicable redemption date, if redeemed during the twelve-month period beginning on June 15 of the years indicated below:

Year	Percentage
2007	104.938%
2008	103.292%
2009	101.646%
2010 and thereafter	100.000%

During the second quarter of 2007, the Company utilized approximately $104.9 million of the proceeds from its initial public offering of common stock to retire $100.0 million of face value $9^7/_8$% senior subordinated notes due 2012 (Notes), paying a $4.9 million call premium to effect the retirement.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

13. Long-term Debt (Continued)

The Notes indenture contains negative and affirmative covenants and other requirements that are comparable to those contained in the Credit Facility. At December 31, 2007, the Company was in compliance with all such covenant requirements.

The Company's unamortized debt issuance costs approximated $9.8 million and $14.6 million at December 31, 2007 and 2006, respectively, and are included in other assets in the accompanying balance sheet. These amounts consist primarily of legal, accounting and other transaction advisory fees as well as facility fees paid to the lenders. Debt issuance costs and discount on the Notes are amortized using the interest method over the terms of the underlying debt instruments to which these amounts relate and are included in interest expense in the accompanying statement of operations.

Future maturities of the face value of long-term debt at December 31, 2007 are as follows:

Year Ending December 31:		(dollars in thousands)
2008	$	8,390
2009		3,390
2010		16,560
2011		3,450
2012		341,260
Thereafter		243,750
Total	$	616,800

14. Leases

TriMas leases certain equipment and plant facilities under non-cancelable operating leases. Rental expense for TriMas totaled approximately $18.4 million in 2007, $20.4 million in 2006 and $19.6 million in 2005.

Minimum payments for operating leases having initial or remaining non-cancelable lease terms in excess of one year at December 31, 2007, including approximately $1.0 million annually related to discontinued operations, are summarized below:

Year Ending December 31:		(dollars in thousands)
2008	$	15,360
2009		14,570
2010		12,470
2011		10,510
2012		9,370
Thereafter		77,380
Total	$	139,660

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

15. Commitments and Contingencies

A civil suit was filed in the United States District Court for the Central District of California in December 1988 by the United States of America and the State of California against more than 180 defendants, including TriMas, 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 TriMas, 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. The Company estimates that its share of the clean-up costs will not exceed $500,000, for which the Company has 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 the Company's present knowledge and subject to future legal and factual developments, the Company does not believe that this matter will have a material adverse effect on its financial position, results of operations or cash flows.

As of December 31, 2007, the Company was a party to approximately 1,681 pending cases involving an aggregate of approximately 9,544 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 the Company's 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, 2005	18,884	2,596	1,998	66	$ 8,660	$ 5,324,000
Fiscal year ended December 31, 2006	19,416	3,766	12,508	123	$ 5,613	$ 4,895,000
Fiscal year ended December 31, 2007	10,551	619	1,484	142	$ 9,243	$ 4,982,000

In addition, the Company acquired various companies to distribute its products that had distributed gaskets of other manufacturers prior to acquisition. The Company believes that many of our pending cases relate to locations at which none of its gaskets were distributed or used.

The Company 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 the Company may be subjected to further claims in respect of the former activities of its acquired gasket distributors. The Company is unable to make a meaningful statement concerning the monetary claims made in the asbestos cases given that, among other things, claims may be initially made in some jurisdictions without specifying the amount sought or by simply stating the requisite or maximum permissible monetary relief, and may be amended to alter the amount sought. The large majority of claims do not specify the amount sought. Of the 9,544 claims pending at December 31, 2007, 172 set forth specific amounts of damages (other than

15. Commitments and Contingencies (Continued)

those stating the statutory minimum or maximum). 146 of the 172 claims sought between $1.0 million and $5.0 million in total damages (which includes compensatory and punitive damages) and 26 sought between $5.0 million and $10.0 million in total damages (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 151 of the 172 claims sought between $50,000 and $600,000 and 21 sought between $1.0 million and $5.0 million. Solely with respect to punitive damages, 146 of the 172 claims sought between $1.0 million and $2.5 million and 26 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 $5.1 million. All relief sought in the asbestos cases is monetary in nature. To date, approximately 50% of the Company's costs related to settlement and defense of asbestos litigation have been covered by its primary insurance. Effective February 14, 2006, the Company entered into a coverage-in-place agreement with its first level excess carriers regarding the coverage to be provided to the Company for asbestos-related claims when the primary insurance is exhausted. The coverage-in-place agreement makes coverage available to the Company 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, the Company believes that the relief sought (when specified) does not bear a reasonable relationship to its potential liability. Based upon the Company's experience to date and other available information (including the availability of excess insurance), the Company does not believe that these cases will have a material adverse effect on its financial position and results of operations or cash flows.

The Company is subject to other claims and litigation in the ordinary course of business, but does not believe that any such claim or litigation will have a material adverse effect on its financial position and results of operations or cash flows.

16. Related Parties

Metaldyne Corporation

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

On January 11, 2007, Metaldyne merged into a subsidiary of Asahi Tec Corporation ("Asahi") whereby Metaldyne became a wholly-owned subsidiary of Asahi. In connection with the consummation of the merger, Metaldyne dividended the 4,825,587 shares of the Company's common stock that it owned on a pro rata basis to the holders of Metaldyne's common stock at the time of such dividend. As a result of the merger, Metaldyne and the Company are no longer related parties. In addition, as a result of the merger, it has been asserted that Metaldyne may be obligated to accelerate funding and payment of actuarially

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

16. Related Parties (Continued)

determined amounts owing to seven former Metaldyne executives under a supplemental executive retirement plan ("SERP"). Under the stock purchase agreement between Metaldyne and Heartland Industrial Partners ("Heartland"), TriMas is required to reimburse Metaldyne, when billed, for its allocated portion of the amounts due to certain Metaldyne SERP participants, as defined. At December 31, 2007, TriMas has accrued an estimated liability to Metaldyne on its reported balance sheet of approximately $4.9 million (included in the remaining $6.0 million of contractual obligations above), However, if Metaldyne is required to accelerate funding of the SERP liability, TriMas may be obligated to reimburse Metaldyne up to approximately $7.3 million, which could result in future charges to the Company's statement of operations of up to $2.4 million. The Company is currently reviewing the validity of these assertions.

Under the terms of the stock purchase agreement between Metaldyne and Heartland to purchase TriMas, Metaldyne received a warrant to purchase 750,000 shares of common stock at par value $0.01 per share. Metaldyne exercised the warrant on September 15, 2006.

Subject to certain limited exceptions, Metaldyne and TriMas retained separate liabilities associated with the respective businesses. Accordingly, the Company will indemnify and hold Metaldyne harmless from all liabilities associated with TriMas and its subsidiaries and the respective operations and assets, whenever conducted, and Metaldyne will indemnify and hold harmless Heartland and TriMas harmless from all liabilities associated with Metaldyne and its subsidiaries (excluding TriMas and its subsidiaries) and their respective operations and assets, whenever conducted. In addition, TriMas agreed with Metaldyne to indemnify one another for its allocated share (42.01%) of liabilities not readily associated with either business, or otherwise addressed including certain costs related to other matters intended to effectuate other provisions of the agreement. These indemnification provisions survive indefinitely and are subject to a $50,000 deductible.

Heartland Industrial Partners

In connection with the Company's initial public offering of common stock in the second quarter of 2007, the Company paid Heartland $10.0 million to terminate its existing advisory services agreement, under which Heartland had provided services such as monitoring of business plans, strategic direction, development of projections, financial review, management and other restructuring and reorganization efforts, assistance with investor relations and other matters. The advisory services had been provided for an annual fee of $4.0 million plus expenses. During 2007, 2006 and 2005, Heartland was paid $2.1 million, $4.1 million and $4.2 million, respectively, for fees and expenses under this agreement. Such amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

Related Party Sales

The Company sold fastener products to Metaldyne in the amount of approximately $0.1 million, $0.4 million and $0.4 million for the years ended December 31, 2007, 2006 and 2005, respectively. The Company also sold fastener products to affiliates of a shareholder in the amount of approximately $6.1 million and $8.2 million for the years ended December 31, 2006 and 2005, respectively. These amounts are included in results of discontinued operations. See Note 5, "Discontinued Operations and Assets Held for Sale."

17. Employee Benefit Plans

Pension and Profit-Sharing Benefits

The Company provides a defined contribution profit sharing plan for the benefit of substantially all the Company's domestic salaried and non-union hourly employees. The plan contains both contributory and noncontributory profit sharing arrangements, as defined. Aggregate charges included in the accompanying statement of operations under this plan for both continuing and discontinued operations were approximately $3.5 million, $3.8 million and $4.6 million in 2007, 2006 and 2005, respectively. The Company's foreign and union hourly employees participate in defined benefit pension plans.

Postretirement Benefits

The Company provides postretirement medical and life insurance benefits, none of which are pre-funded, for certain of its active and retired employees. During 2006, the amount of post-retirement benefit obligations decreased approximately $1.2 million due to the termination of three retiree medical plans. During 2007, the Company settled its obligation outstanding under one of its postretirement benefit plans, resulting in the recognition of a previously deferred gain of approximately $0.2 million.

SFAS No. 158

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

The Company adopted the recognition provisions of SFAS No. 158 effective March 31, 2007. The required date of adoption of the recognition and disclosure provisions of SFAS No. 158 is different for an employer that is an issuer of publicly traded equity securities (as defined) and an employer that is not. An employer with publicly traded equity securities was required to initially recognize the funded status of a defined benefit postretirement plan and to provide the required disclosures as of the end of the fiscal year ending after December 15, 2006. Because the Company had an S-1 Registration Statement pending with the Securities and Exchange Commission for the sale of common equity securities, the Company was required to adopt the requirement to recognize the funded status of its benefit plans and the disclosure requirements of SFAS 158 in its financial statements for the year ended December 31, 2006, but failed to do so. However, the Company concluded that the impact of not recognizing the funded status of its benefit plans in its balance sheet as of December 31, 2006 was immaterial as the impact was to understate reported liabilities by approximately $3.6 million, or 0.3% of total liabilities, and to overstate accumulated other comprehensive income by approximately $2.2 million, or 0.9% of total shareholders' equity.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

17. Employee Benefit Plans (Continued)

The effect of adopting SFAS No. 158 on the Company's financial condition as of March 31 is summarized below:

	Before Adoption of SFAS No. 158	Adjustment	After Adoption of SFAS No. 158
		(dollars in thousands)	
Intangible asset	$ 30	$ (30)	$
Net accrued pension liability	(4,050)	(1,880)	(5,930)
Accrued postretirement liability	(6,070)	(1,800)	(7,870)
Deferred income taxes	(66,200)	1,240	(64,960)
Accumulated other comprehensive income	(50,730)	2,470	(48,260)

The Company adopted the measurement date provisions of SFAS No. 158 in 2007, changing its previous measurement date of September 30 to match its fiscal year of December 31. As a result of the adoption of the measurement date provision, the Company recorded an additional three months of net periodic pension and postretirement cost of approximately $0.2 million, net of tax, which was recorded as a reduction to the Company's beginning accumulated deficit.

Plan Assets, Expenses and Obligations

Plan assets, expenses and obligations for pension and postretirement benefit plans disclosed herein include both continuing and discontinued operations.

Net periodic pension and postretirement benefit costs recorded in the Company's statement of operations for defined benefit pension plans and postretirement benefit plans include the following components:

	Pension Benefit			Postretirement Benefit		
	2007	2006	2005	2007	2006	2005
			(dollars in thousands)			
Service cost	$ 570	$ 640	$ 580	$ 90	$ 90	$ 110
Interest cost	1,660	1,630	1,640	420	430	400
Expected return on plan assets	(2,060)	(1,890)	(1,810)			
Amortization of prior-service cost		10	10			
Settlement loss	3,870	820	670			
Amortization of net loss	470	530	350	100	80	70
Net periodic benefit cost	$ 4,510	$ 1,740	$ 1,440	$ 610	$ 600	$ 580

In 2007, the Company's Packaging Systems segment recognized a non-cash defined benefit pension settlement loss of approximately $3.9 million related to a plan for certain employees previously located at a distribution facility in Canada that was closed in 1997. The closure of the facility resulted in a partial windup of the plan. However, Canadian law did not specify how to distribute surplus assets related to partial windups of benefit plans. This issue was recently resolved in the Canadian court system and, the Company's plan was approved by the Canadian regulatory authorities in November 2007, at which time the Company recorded the settlement loss.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

17. Employee Benefit Plans (Continued)

The estimated net actuarial loss and prior service cost for the defined benefit pension and postretirement benefit plans that is expected to be amortized from accumulated other comprehensive income into net periodic benefit cost in 2008 is $0.4 million.

Actuarial valuations of the Company's defined benefit pension and postretirement plans were prepared as of December 31, 2007 and September 30, 2006 and 2005. Weighted-average assumptions used in accounting for the U.S. defined benefit pension plans and postretirement benefit plans are as follows:

	Pension Benefit			Postretirement Benefit		
	2007	2006	2005	2007	2006	2005
Discount rate for obligations	6.75%	6.00%	5.75%	6.375%	5.75%	5.75%
Discount rate for benefit costs	6.00%	5.75%	6.00%	5.75%	5.75%	6.00%
Rate of increase in compensation levels	N/A	N/A	N/A	N/A	N/A	N/A
Expected long-term rate of return on plan assets	8.50%	8.50%	9.00%	N/A	N/A	N/A

Actuarial valuations of the Company's non-U.S. defined benefit pension plans were prepared as of December 31, 2007 and September 30, 2006 and 2005. Weighted-average assumptions used in accounting for the non-U. S. defined benefit pension plans are as follows:

	Pension Benefit		
	2007	2006	2005
Discount rate for obligations	5.80%	5.30%	5.35%
Discount rate for benefit costs	5.30%	5.35%	6.15%
Rate of increase in compensation levels	3.65%	3.75%	3.75%
Expected long-term rate of return on plan assets	8.55%	8.55%	8.50%

The following provides a reconciliation of the changes in the Company's defined benefit pension and postretirement benefit plans' projected benefit obligations and fair value of assets for each of the years ended December 31, 2007 and 2006 and the funded status as of December 31, 2007 and 2006:

	Pension Benefit		Postretirement Benefit	
	2007	2006	2007	2006
	(dollars in thousands)			
Changes in Projected Benefit Obligations				
Benefit obligations at January 1	$ (29,700)	$ (29,430)	$ (7,750)	$ (9,300)
Service cost	(710)	(640)	(110)	(90)
Interest cost	(2,070)	(1,630)	(520)	(430)
Participant contributions	(110)	(80)	(120)	(100)
Actuarial gain (loss)	(2,460)	(230)	930	240
Benefit payments	2,290	3,830	600	790
Curtailment/terminations				1,140
Settlement payments	5,630		90	
Change in foreign currency	(650)	(1,520)		
Projected benefit obligations at December 31	$ (27,780)	$ (29,700)	$ (6,880)	$ (7,750)
Accumulated benefit obligations at December 31	$ (26,800)	$ (28,740)	$ (6,880)	$ (7,750)

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

17. Employee Benefit Plans (Continued)

	Pension Benefit		Postretirement Benefit	
	2007	2006	2007	2006
	(dollars in thousands)			
Changes in Plan Assets				
Fair value of plan assets at January 1	$ 23,650	$ 22,230	$	$
Actual return on plan assets	1,700	1,520		
Employer contributions	2,270	2,270	480	690
Participant contributions	110	80	120	100
Benefit payments	(2,290)	(3,830)	(600)	(790)
Settlement payment	(5,630)			
Change in foreign currency	1,200	1,380		
Fair value of plan assets at December 31	$ 21,010	$ 23,650	$	$

	Pension Benefit		Postretirement Benefit	
	2007	2006	2007	2006
	(dollars in thousands)			
Funded Status				
Plan assets less than projected benefits at December 31	$ (6,760)	$ (6,040)	$ (6,880)	$ (7,750)
Unrecognized prior-service cost	20	30		
Unrecognized net loss	7,090	8,020	930	1,800
Net asset (liability) recognized at December 31	$ 350	$ 2,010	$ (5,950)	$ (5,950)

	Pension Benefit		Postretirement Benefit	
	2007	2006	2007	2006
	(dollars in thousands)			
Components of the Net Asset Recognized				
Prepaid benefit cost	$ 1,450	$ 5,160	$	$
Current liabilities	(400)	(400)	(670)	(670)
Noncurrent liabilities	(7,820)	(9,060)	(6,210)	(5,280)
Intangible asset		30		
Accumulated other comprehensive loss	7,120	6,280	930	
Net asset (liability) recognized at December 31	$ 350	$ 2,010	$ (5,950)	$ (5,950)

	Pension Benefit		Postretirement Benefit	
	2007	2006	2007	2006

	Pension Benefit		Postretirement Benefit	
	(dollars in thousands)			
Plans with Benefit Obligation Exceeding Plan Assets				
Benefit obligation	$ 25,850	$ 26,440	$ 6,880	$ 7,750
Plan assets	17,640	16,180		
Benefit obligation in excess of plan assets	$ 8,210	$ 10,260	$ 6,880	$ 7,750

The Company expects to make contributions of approximately $1.9 million to fund its pension plans and $0.7 million to fund its postretirement benefit payments during 2008.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

17. Employee Benefit Plans (Continued)

Plan Assets

The weighted average asset allocation of the Company's pension plans and postretirement benefit plans assets at December 31, 2007 and September 30, 2006 were as follows:

	Pension Benefit		Postretirement Benefit	
	2007	2006	2007	2006
Equity securities	55%	59%	N/A	N/A
Debt securities	41%	39%	N/A	N/A
Real estate	0%	0%	N/A	N/A
Cash	4%	2%	N/A	N/A
Total	100%	100%	N/A	N/A

The Company's investment goal is to provide for capital growth with a moderate level of volatility by investing assets per the above target allocations. The Company invests the plan assets in a balanced portfolio fund of the Northern Trust Company which seeks to provide capital appreciation and current income by investing up to 75% of the plan assets in equity securities and at least 25% in fixed income securities. The portfolio invests primarily in common stocks of U.S. companies with market capitalizations generally in excess of $1.0 billion. The expected long-term rate of return for the plan's total assets is based on the expected return of each of the above categories, weighted based on the target allocation for each class. The equity securities comprise the largest percentage of the asset allocation as they are projected to have the greatest rate of return on a long-term basis.

The following benefit payments, which reflect expected future service, as appropriate, are expected to be paid:

	Pension Benefit	Postretirement Benefit
	2007	2007
	(dollars in thousands)	
2008	$ 1,620	$ 670
2009	1,660	670
2010	1,710	610
2011	1,790	580
2012	1,850	520
Years 2013-2017	10,230	2,910

The discount rate used in determining the accumulated postretirement benefit obligation was 6.375% and 5.75% in 2007 and 2006, respectively. The measurement dates used were December 31, 2007 and September 30, 2006, respectively. The assumed health care cost trend rate in 2007 was 9.0% for pre-65 plan participants and 11% for post-65 plan participants, decreasing to an ultimate rate in 2017 of 5.00%. If the assumed medical cost trend rates were increased by 1.0%, the accumulated postretirement benefit obligations would increase by approximately $0.5 million and the aggregate of the service and interest cost components of net periodic postretirement benefit cost would increase by approximately $60,000. If the assumed medical cost trend rates were decreased by 1.0%, the accumulated postretirement benefit obligations would decrease by approximately $0.5 million and the aggregate of the service and interest cost

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

17. Employee Benefit Plans (Continued)

components of net periodic postretirement benefit cost would decrease by approximately $50,000. The Company expects to receive employee contributions of approximately $0.1 million and to make contributions of approximately $0.7 million to fund its post-retirement benefit obligations in 2008.

18. Stock Options and Awards

The Company accounts for its stock-based compensation under Statement of Financial Accounting Standards No. 123R (SFAS No. 123R), "*Share-Based Payment*," using the Modified Prospective Application ("MPA") method, which requires all share-based payments to employees, including grants of employee stock options, to be recognized in the financial statements based on their fair values. Stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations.

2006 Plan

The TriMas Corporation 2006 Long Term Equity Incentive Plan (the "2006 Plan") provides for the issuance of equity-based incentives in various forms for up to an aggregate of 1,200,000 shares of the Company's common stock, of which up to 500,000 shares may be granted as incentive stock options. In general, stock options and stock appreciation rights have a fungible ratio of one-to-one (one granted option/appreciation right counts as one share against the aggregate available to issue), while other forms of equity grants, including restricted shares of common stock, have a fungible ratio of two-to-one. No shares issued under the 2006 Plan were exercisable as of December 31, 2007.

In September 2007, the Company granted 390,610 restricted shares of its common stock to certain employees, which vest ratably over three years from date of grant, but were contingent upon certain service and performance conditions. Of the 390,610 shares granted, 145,750 shares were subject to a service provision, where the only condition to the share vesting was that the employee remained with the Company for the vesting period. The remaining 244,860 shares granted were subject to both a service provision (same as above) and a performance provision, where these shares would vest in the same manner as the service provision-only grants if the Company attained and/or exceeded a certain EBITDA target for the year ended December 31, 2007, or would otherwise be cancelled. The Company did not meet or exceed this EBITDA target, resulting in the cancelation of 244,860 restricted shares of its common stock. The Company recognized approximately $0.3 million of stock-based compensation expense related to the 2006 Plan during the year ended December 31, 2007.

Information related to restricted shares at December 31, 2007 is as follows:

	Number of Unvested Restricted Shares	Weighted Average Grant Date Fair Value	Average Remaining Vesting Period (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007		$		
Granted	390,610	12.26		
Vested				
Cancelled	(252,069)	12.26		
Outstanding at December 31, 2007	138,541	$ 12.26	1.7	$ 1,467,149

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

18. Stock Options and Awards (Continued)

As of December 31, 2007, there was approximately $1.4 million of unrecognized compensation cost related to unvested restricted shares.

2002 Plan

The TriMas Corporation 2002 Long Term Equity Incentive Plan (the "2002 Plan") provides for the issuance of equity-based incentives in various forms, of which a total of 2,022,000 stock options have been approved for issuance under the 2002 Plan. As of December 31, 2007, the Company has 2,000,481 stock options outstanding, each of which may be used to purchase one share of the Company's common stock. The options have a 10-year life and the exercise prices range from $20 to $23. Eighty percent of the options vest ratably over three years from the date of grant, while the remaining twenty percent vest after seven years from the date of grant or on an accelerated basis over three years based upon achievement of specified performance targets, as defined in the 2002 Plan. The options become exercisable upon the later of: (1) the normal vesting schedule as described above, or (2) upon the occurrence of a qualified public equity offering as defined in the 2002 Plan, one half of the vested options became exercisable 180 days following such public equity offering (November 14, 2007), and the other one half of vested options become exercisable on the first anniversary following consummation of the public offering (May 14, 2008). As of December 31, 2007, 1,073,198 stock options were exercisable under the 2002 Plan.

The fair values of options granted in 2007 and 2006 under the Plan were estimated using the Black-Scholes option pricing model using the following weighted average assumptions: expected life of 6 years, risk-free interest rate of 4.7%, and expected volatility of 30%. During 2007, 5,018 options were issued by the Company. The weighted average fair value of stock options at the date of grant was $3.34 for options granted in both 2007 and 2006.

The fair value of options which vested during the years ended December 31, 2007, 2006 and 2005 was $0.7 million, $0.6 million, and $0 million, respectively. As of December 31, 2007, there was approximately $0.2 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted average period of 1.5 years.

The Company recognized approximately $0.2 million, $1.3 million and $0.3 million of stock-based compensation expense related to the 2002 Plan during the years ended December 31, 2007, 2006 and 2005, respectively. Stock-based compensation expense for 2007 and 2006 represents amounts calculated in accordance with the MPA method of SFAS No. 123R. Stock-based compensation expense for 2005 represents non-cash compensation expense related to stock options issued during the first quarter of 2004 with exercise prices below the Company's estimate of fair value of the underlying stock.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

18. Stock Options and Awards (Continued)

A summary of the status of the Company's stock options as of December 31, 2007, and changes during the year then ended, is presented below:

	Number of Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2007	2,008,201	$ 20.89		
Granted	5,018	23.00		
Exercised				
Cancelled	(12,738)	21.82		
Outstanding at December 31, 2007	2,000,481	$ 20.89	5.6	$

19. Segment Information

TriMas' reportable operating segments are business units that provide unique products and services. Each operating segment is independently managed, requires different technology and marketing strategies and has separate financial information evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. During the first quarter of 2006, the Company re-aligned its operating segments and management structure to better focus its various businesses' product line offerings by industry, end customer markets, and related channels of distribution. Segment information has been revised to conform to this current structure and presentation. TriMas has five operating segments involved in the manufacture and sale of products described below. Within these operating segments, there are no individual products or product families for which reported revenues accounted for more than 10% of the Company's consolidated revenues.

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

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

Industrial Specialties A diverse range of industrial products for use in niche markets within the aerospace, industrial, automotive, defense, and medical equipment markets. Its products include highly engineered specialty fasteners for the aerospace industry, high-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, specialty fasteners for the automotive industry, spinal and trauma implant products for the medical industry, specialty precision tools such as center drills, cutters, end mills, reamers, master gears, punches, and specialty ordnance components and steel cartridge cases.

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

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

19. Segment Information (Continued)

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

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

Segment activity is as follows:

	Year ended December 31,		
	2007	2006	2005
	(dollars in thousands)		
Net Sales			
Packaging Systems	$ 211,820	$ 204,230	$ 189,910
Energy Products	163,470	156,990	131,020
Industrial Specialties	204,630	175,410	156,730
RV & Trailer Products	198,790	190,700	209,030
Recreational Accessories	289,560	286,580	306,200
Total	$ 1,068,270	$ 1,013,910	$ 992,890
Impairment Charges			
RV & Trailer Products	$ 100,780	$ 98,010	$ 310
Recreational Accessories	73,800	19,000	2,650
Total	$ 174,580	$ 117,010	$ 2,960
Operating Profit (Loss)			
Packaging Systems	$ 29,760	$ 33,770	$ 30,590
Energy Products	22,860	22,790	15,210
Industrial Specialties	41,770	36,200	29,480
RV & Trailer Products	(81,230)	(79,650)	26,790
Recreational Accessories	(64,200)	(4,910)	2,120
Corporate expenses and management fees	(40,730)	(24,450)	(22,040)
Total	$ (91,770)	$ (16,250)	$ 82,150
Capital Expenditures			
Packaging Systems	$ 18,470	$ 11,450	$ 8,680
Energy Products	5,590	3,380	1,720
Industrial Specialties	16,110	4,170	2,380
RV & Trailer Products	7,150	4,820	4,690
Recreational Accessories	4,300	1,700	2,700
Corporate	120	80	70
Total	$ 51,740	$ 25,600	$ 20,240

	Year ended December 31,		

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

19. Segment Information (Continued)

	Year ended December 31,		
	2007	2006	2005
		(dollars in thousands)	
Depreciation and Amortization			
Packaging Systems	$ 13,930	$ 13,150	$ 11,580
Energy Products	2,470	2,290	2,310
Industrial Specialties	5,050	4,470	4,800
RV & Trailer Products	8,120	7,340	7,430
Recreational Accessories	11,410	10,750	10,590
Corporate	170	330	200
Total	$ 41,150	$ 38,330	$ 36,910
Operating Net Assets			
Packaging Systems	$ 393,580	$ 395,310	$ 371,990
Energy Products	100,880	90,340	85,360
Industrial Specialties	141,490	114,110	111,930
RV & Trailer Products	152,610	244,920	335,830
Recreational Accessories	176,500	260,120	297,790
Corporate	(42,480)	(14,900)	(18,300)
Subtotal from continuing operations	922,580	1,089,900	1,184,600
Discountinued operations	1,880	(9,500)	10,270
Total operating net assets	924,460	1,080,400	1,194,870
Current liabilities	203,530	205,660	233,640
Consolidated assets	$ 1,127,990	$ 1,286,060	$ 1,428,510
Adjusted EBITDA			
Packaging Systems	$ 43,800	$ 46,680	$ 40,350
Energy Products	25,430	25,070	17,550
Industrial Specialties	46,870	40,690	34,310
RV & Trailer Products	27,620	26,050	34,280
Recreational Accessories	20,340	24,540	14,930
Corporate expenses and management fees	(43,980)	(28,110)	(25,490)
Subtotal from continuing operations	120,080	134,920	115,930
Discountinued operations	2,760	(12,230)	(2,790)
Total	$ 122,840	$ 122,690	$ 113,140

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

19. Segment Information (Continued)

The following is a reconciliation of the Company's Adjusted EBITDA to net loss before cumulative effect of accounting change:

	Year ended December 31,		
	2007	2006	2005
	(dollars in thousands)		
Net loss before effect of cumulative accounting change	$ (158,430)	$ (128,910)	$ (45,460)
Income tax expense (benefit)(a)	(10,410)	(6,520)	(30,580)
Interest expense	68,310	79,060	75,210
Debt extinguishment costs	7,440	8,610	
Change in asset retirement obligation of discontinued operations		(550)	
Impairment of assets	3,370	15,760	73,220
Impairment of goodwill	171,210	116,500	
Depreciation and amortization	41,350	38,740	40,750
Adjusted EBITDA	$ 122,840	$ 122,690	$ 113,140

(a) Includes addback of income tax benefit (expense) of approximately $(1.7) million, $8.2 million and $31.8 million recorded in 2007, 2006 and 2005, respectively, related to discontinued operations. See Note 5, "*Discontinued Operations and Assets Held for Sale*."

The following table presents the Company's revenues for each of the years ended December 31 and operating net assets at each year ended December 31, attributed to each subsidiary's continent of domicile. There was no single non-U.S. country for which revenue and net assets were material to the combined revenues and net assets of the Company taken as a whole.

	As of December 31,					
	2007		2006		2005	
	Sales	Operating Net Assets	Sales	Operating Net Assets	Sales	Operating Net Assets
	(dollars in thousands)					
Non-U.S.						
Europe	$ 61,080	$ 95,100	$ 53,670	$ 90,920	$ 48,770	$ 85,530
Australia	59,150	114,050	55,140	110,970	56,960	98,700
Asia	9,430	12,290	4,850	8,020	3,780	6,980
South America		(120)		170	50	(270)
Other North America	45,580	35,260	42,570	65,830	44,180	63,670
Total non-U.S	175,240	256,580	156,230	275,910	153,740	254,610
U.S.						
Continuing operations	893,030	666,000	857,680	813,990	839,150	929,990
Discontinued operations(a)		1,880		(9,500)		10,270

	As of December 31,					
Total U.S.	893,030	667,880	857,680	804,490	839,150	940,260
Total Company	$ 1,068,270	$ 924,460	$ 1,013,910	$ 1,080,400	$ 992,890	$ 1,194,870

(a) See Note 5, "Discontinued Operations and Assets Held for Sale."

The Company's export sales approximated $127.1 million, $114.9 million and $103.9 million in 2007, 2006 and 2005, respectively.

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

20. Income Taxes

	Year ended December 31,		
	2007	2006	2005
	(dollars in thousands)		
Income (loss) from continuing operations before income tax expense:			
Domestic	$ (178,040)	$ (124,310)	$ (9,750)
Foreign	6,640	16,240	10,600
Income (loss) from continuing operations before income tax expense	$ (171,400)	$ (108,070)	$ 850
Current income tax expense (benefit):			
Federal	$ (40)	$ (680)	$ 1,350
State and local	(1,120)	1,200	1,460
Foreign	4,270	4,360	4,050
Deferred benefit:			
Federal	(12,690)	(3,330)	(6,830)
Foreign	(2,500)	150	1,160
Income tax expense (benefit)	$ (12,080)	$ 1,700	$ 1,190

The components of deferred taxes at December 31, 2007 and 2006 are as follows:

	2007	2006
	(dollars in thousands)	
Deferred tax assets:		
Inventories	$ 5,750	$ 6,070
Accounts receivable	1,450	2,090
Accrued liabilities and other long-term liabilities	27,610	34,050
Net operating loss carryforward	42,340	38,000
Gross deferred tax asset	77,150	80,210
Valuation allowances	(7,580)	(6,710)
Net deferred tax asset	69,570	73,500
Deferred tax liabilities:		
Property and equipment	(15,780)	(26,920)
Intangible assets	(107,220)	(110,460)
Other, principally prepaid expenses	(990)	(1,750)
Gross deferred tax liability	(123,990)	(139,130)
Net deferred tax liability	$ (54,420)	$ (65,630)

As of December 31, 2007 and 2006, net deferred taxes are classified in the accompanying balance sheet as follows:

	2007			2006		
	Current	Long-term	Total	Current	Long-term	Total
	(dollars in thousands)					
Deferred tax assets	$ 19,020	$ 50,550	$ 69,570	$ 24,780	$ 48,720	$ 73,500
Deferred tax liabilities	(160)	(123,830)	(123,990)	(470)	(138,660)	(139,130)
Net deferred taxes	$ 18,860	$ (73,280)	$ (54,420)	$ 24,310	$ (89,940)	$ (65,630)

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

20. Income Taxes (Continued)

The following is a reconciliation of tax computed at the U.S. federal statutory rate to income tax expense (benefit) allocated to income (loss) from continuing operations before income taxes:

	2007	2006	2005
U.S. federal statutory rate	35%	35%	35%
Tax at U.S. federal statutory rate	$ (59,990)	$ (37,820)	$ 300
State and local taxes, net of federal tax benefit	(530)	(450)	240
Differences in effective foreign tax rates	(780)	(1,460)	(1,500)
Change in tax rate/law	(1,370)		
Extraterritorial income exclusion		(540)	(970)
Goodwill impairment	49,630	39,690	
U.S. tax on undistributed foreign earnings			370
Non-deductible expenses	460	290	200
Valuation allowance	870	1,740	2,190
Other, net	(370)	250	360
Income tax expense (benefit)	$ (12,080)	$ 1,700	$ 1,190

As of December 31, 2007, the Company has unused U.S. net operating loss (NOL) carryforwards and a capital loss carryforward of approximately $102.5 million and $5.9 million, respectively. The NOL carryforwards will expire between the years of 2022 and 2027. The capital loss carryforward will expire in the year 2011. In addition, the Company has recorded a deferred tax asset of $8.8 million in relation to various state operating loss carryforwards that expire over a variety of dates through 2027.

The Company has recorded net valuation allowances against certain deferred tax assets of $7.6 and $6.7 million as of December 31, 2007 and 2006, respectively. The valuation allowances were determined in accordance with the provisions of FASB Statement of Financial Accounting Standards No. 109 (SFAS No. 109), "Accounting for Income Taxes," which requires an assessment of positive and negative evidence when measuring the need for a valuation allowance, on a jurisdiction-by-jurisdiction basis.

During the current year, several tax jurisdictions in which the Company does business reduced its tax rate and/or changed its tax law. Accordingly, the Company reduced its net deferred income tax liabilities in these jurisdictions to reflect the lower tax rates, resulting in a decrease to consolidated income tax expense. In addition, the Company recorded a tax benefit associated with the findings of a Texas tax court in which throwback sales were deemed unconstitutional. The Company's tax benefit associated with the change in tax rates and/or tax law during 2007 is approximately $1.4 million.

The American Jobs Creation Act of 2004, enacted on October 22, 2004, provided for a temporary 85% dividends received deduction on certain non-U.S. earnings repatriated in 2005. The Company made a dividend distribution of approximately $55.8 million from accumulated earnings & profits. Prior to 2005, the Company had provided for applicable federal taxes of approximately $3.1 million on the anticipated repatriation of foreign earnings. The 2005 dividend resulted in the Company recording an additional tax expense of approximately $0.4 million in 2005 related to federal taxes on foreign accumulated earnings and profits.

In general, it is the practice and intention of the Company to reinvest the earnings of its non-U.S. subsidiaries in those operations. As of December 31, 2007, the Company has not made a provision for U.S. or additional foreign withholding taxes on approximately $131.3 million of the excess of the amount for

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

20. Income Taxes (Continued)

financial reporting over the tax basis of investments in foreign subsidiaries that are essentially permanent in duration. Generally, such amounts become subject to U.S. taxation upon remittance of dividends and under certain other circumstances. It is not practicable to estimate the amount of deferred tax liability related to investments in these foreign subsidiaries.

Cash taxes paid with respect to federal, state, and foreign jurisdictions were $8.7 million, $14.1 million and $12.6 million in 2007, 2006, and 2005, respectively.

Uncertain tax positions

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, "Accounting for Uncertainty in Income Taxes, ("FIN 48") on January 1, 2007. As a result of implementation of FIN 48, the Company recorded a net increase of $0.1 million to reserves for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of accumulated deficit. The Company recognizes accrued interest and penalties, as appropriate, related to Unrecognized Tax Benefits ("UTB's") within the effective tax rate.

The Company had approximately $8.1 million and $7.7 million of gross UTB's as of December 31, 2007 and January 1, 2007, respectively. After reductions for federal and state income tax benefits, the Company had net UTB's of $7.0 million and $6.7 million, respectively. The Company has approximately $4.1 million of UTB's that, if recognized, would not impact the effective tax rate.

A reconciliation of the change in the UTB balance from January 1, 2007 to December 31, 2007 is as follows (in thousands):

	Federal, State, and Foreign	Accrued Interest & Penalties	Unrecognized Gross Income Tax Benefits	Deferred Federal and State Income Tax Benefits	Unrecognized Income Tax Benefits, Net of Deferred Federal and State Benefits
Balance at January 1, 2007	$ 6,610	$ 1,080	$ 7,690	$ (970)	$ 6,720
Tax positions related to current year:					
Additions	310	50	360	(60)	300
Tax positions related to prior years:					
Additions	80	340	420	(160)	260
Reductions	(140)	(40)	(180)	60	(120)
Settlements					
Lapses in the statutes of limitations	(120)	(30)	(150)	10	(140)
Balance at December 31, 2007	$ 6,740	$ 1,400	$ 8,140	$ (1,120)	$ 7,020
Less: Tax attributable to timing items included above					
Less: UTB's included above that would impact goodwill if recognized	(4,110)		(4,110)		(4,110)
Total UTB's that, if recognized, would impact the effective income tax rate as of December 31, 2007	$ 2,630	$ 1,400	$ 4,030	$ (1,120)	$ 2,910

TRIMAS CORPORATION

NOTES TO FINANCIAL STATEMENTS (Continued)

20. Income Taxes (Continued)

The Company can be subject to U.S. Federal income tax examinations for tax years 2002 through 2007, and non-U.S. income tax examinations for years 2001 through 2007. In addition, the Company is subject to state and local income tax examinations for the tax years 2002 through 2007. There are currently one state and two foreign income tax examinations in process. The Company does not believe that the results of these examinations will have a significant impact on the Company's tax position or its effective tax rate.

Management monitors changes in tax statutes and regulations and the issuance of judicial decisions to determine the potential impact to uncertain income tax positions. As of December 31, 2007, management of the Company is not aware of and does not anticipate any material subsequent events that could have a significant impact on the UTB balance during the next twelve months.

21. Summary Quarterly Financial Data

	As of December 31, 2007			
	First Quarter	Second Quarter	Third Quarter	Fourth Quarter
	(unaudited, dollars in thousands)			
Net Sales	$ 284,440	$ 287,670	$ 258,650	$ 237,510
Gross Profit				