

TRIMAS CORP  
Form 10-Q  
August 03, 2010

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**UNITED STATES  
SECURITIES AND EXCHANGE COMMISSION**  
WASHINGTON D.C. 20549

**FORM 10-Q**

(Mark One)

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

**For the Quarterly Period Ended June 30, 2010**

Or

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

**For the Transition Period from \_\_\_\_\_ to \_\_\_\_\_ .  
Commission file number 001-10716**

**TRIMAS CORPORATION**

(Exact name of registrant as specified in its charter)

**Delaware**  
(State or other jurisdiction of  
incorporation or organization)

**38-2687639**  
(IRS Employer  
Identification No.)

**39400 Woodward Avenue, Suite 130  
Bloomfield Hills, Michigan 48304**  
(Address of principal executive offices, including zip code)

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

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

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No .

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

(Do not check if a  
smaller reporting company)

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

As of August 3, 2010, the number of outstanding shares of the Registrant's common stock, \$.01 par value, was 34,037,885 shares.

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**TriMas Corporation**

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**Forward-Looking Statements**

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

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

You should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deemed to be immaterial also may materially adversely affect our business, financial position and results of operations or cash flows.

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

Table of Contents**PART I. FINANCIAL INFORMATION****Item 1. Financial Statements****TriMas Corporation****Consolidated Balance Sheet****(Unaudited dollars in thousands)**

|   | June 30,<br>2010  | December 31,<br>2009 |
|---|-------------------|----------------------|
| <b>Assets</b>   |                   |                      |
| Current assets:   |                   |                      |
| Cash and cash equivalents   | \$ 24,590         | \$ 9,480             |
| Receivables, net of reserves of approximately \$6.0 million and \$5.7 million as of June 30, 2010 and December 31, 2009, respectively | 137,820           | 93,380               |
| Inventories   | 138,440           | 141,840              |
| Deferred income taxes   | 28,120            | 24,320               |
| Prepaid expenses and other current assets   | 5,930             | 6,500                |
| Assets of discontinued operations held for sale   |                   | 4,250                |
| <b>Total current assets</b>   | <b>334,900</b>    | <b>279,770</b>       |
| Property and equipment, net   | 158,660           | 162,220              |
| Goodwill  | 191,460           | 196,330              |
| Other intangibles, net  | 157,920           | 164,080              |
| Other assets  | 22,360            | 23,380               |
| <b>Total assets</b>   | <b>\$ 865,300</b> | <b>\$ 825,780</b>    |
| <b>Liabilities and Shareholders' Equity</b>   |                   |                      |
| Current liabilities:  |                   |                      |
| Current maturities, long-term debt  | \$ 7,180          | \$ 16,190            |
| Accounts payable  | 115,870           | 92,840               |
| Accrued liabilities   | 65,630            | 65,750               |
| Liabilities of discontinued operations  |                   | 1,070                |
| <b>Total current liabilities</b>  | <b>188,680</b>    | <b>175,850</b>       |
| Long-term debt  | 493,020           | 498,360              |
| Deferred income taxes   | 57,490            | 42,590               |
| Other long-term liabilities   | 44,960            | 47,000               |
| <b>Total liabilities</b>  | <b>784,150</b>    | <b>763,800</b>       |
| 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: 34,029,885 shares at June 30, 2010 and 33,895,503 shares at December 31, 2009                                 |                   |                      |
|   | 340               | 330                  |
| Paid-in capital   | 529,410           | 528,370              |
| Accumulated deficit   | (483,520)         | (510,380)            |

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|  |            |            |
|--|------------|------------|
| Accumulated other comprehensive income     | 34,920     | 43,660     |
| Total shareholders' equity                 | 81,150     | 61,980     |
| Total liabilities and shareholders' equity | \$ 865,300 | \$ 825,780 |

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

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

|  | Three months ended<br>June 30, |            | Six months ended<br>June 30, |            |
|--|--------------------------------|------------|------------------------------|------------|
|  | 2010                           | 2009       | 2010                         | 2009       |
| Net sales  | \$ 252,060                     | \$ 207,870 | \$ 472,120                   | \$ 409,590 |
| Cost of sales  | (173,750)                      | (157,690)  | (330,750)                    | (312,950)  |
| Gross profit   | 78,310                         | 50,180     | 141,370                      | 96,640     |
| Selling, general and administrative expenses                                       | (41,370)                       | (33,870)   | (79,070)                     | (75,170)   |
| Gain (loss) on dispositions of property and equipment                              | (420)                          | 120        | (730)                        | 160        |
| Operating profit   | 36,520                         | 16,430     | 61,570                       | 21,630     |
| Other income (expense), net:   |                                |            |                              |            |
| Interest expense   | (13,090)                       | (11,300)   | (27,230)                     | (23,780)   |
| Gain on extinguishment of debt   |                                | 11,760     |                              | 27,070     |
| Gain on bargain purchase   | 410                            |            | 410                          |            |
| Other, net   | (540)                          | (820)      | (1,050)                      | (1,520)    |
| Other income (expense), net  | (13,220)                       | (360)      | (27,870)                     | 1,770      |
| Income from continuing operations before<br>income tax expense                     | 23,300                         | 16,070     | 33,700                       | 23,400     |
| Income tax expense   | (8,080)                        | (6,240)    | (12,730)                     | (8,950)    |
| Income from continuing operations  | 15,220                         | 9,830      | 20,970                       | 14,450     |
| Income (loss) from discontinued operations, net of income tax<br>benefit (expense) | 6,210                          | (840)      | 5,890                        | (9,140)    |
| Net income   | \$ 21,430                      | \$ 8,990   | \$ 26,860                    | \$ 5,310   |
| <b>Earnings per share basic:</b>   |                                |            |                              |            |
| Continuing operations  | \$ 0.45                        | \$ 0.29    | \$ 0.62                      | \$ 0.43    |
| Discontinued operations, net of income tax benefit (expense)                       | 0.18                           | (0.02)     | 0.17                         | (0.27)     |
| Net income per share   | \$ 0.63                        | \$ 0.27    | \$ 0.79                      | \$ 0.16    |
| Weighted average common shares basic   | 33,794,647                     | 33,485,317 | 33,681,516                   | 33,472,481 |
| <b>Earnings per share diluted:</b>   |                                |            |                              |            |
| Continuing operations  | \$ 0.44                        | \$ 0.29    | \$ 0.61                      | \$ 0.43    |
| Discontinued operations, net of income tax benefit (expense)                       | 0.18                           | (0.02)     | 0.17                         | (0.27)     |
| Net income per share   | \$ 0.62                        | \$ 0.27    | \$ 0.78                      | \$ 0.16    |
| Weighted average common shares diluted   | 34,437,418                     | 33,656,242 | 34,318,002                   | 33,532,477 |

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





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## TriMas Corporation

## Consolidated Statement of Cash Flows

(Unaudited dollars in thousands)

|  | Six months ended<br>June 30, |           |
|--|------------------------------|-----------|
|  | 2010                         | 2009      |
| <b>Cash Flows from Operating Activities:</b>   |                              |           |
| Net income   | \$ 26,860                    | \$ 5,310  |
| Adjustments to reconcile net income to net cash provided by operating activities, net of acquisition impact: |                              |           |
| Gain on dispositions of property and equipment   | (9,310)                      | (160)     |
| Gain on bargain purchase   | (410)                        |           |
| Depreciation   | 11,960                       | 15,510    |
| Amortization of intangible assets  | 7,090                        | 7,320     |
| Amortization of debt issue costs   | 1,450                        | 1,160     |
| Deferred income taxes  | 9,610                        | 1,080     |
| Gain on extinguishment of debt   |                              | (27,070)  |
| Non-cash compensation expense  | 760                          | 190       |
| Net proceeds from (reductions in) sale of receivables and receivables securitization                         | 4,390                        | (5,950)   |
| (Increase) decrease in receivables   | (47,520)                     | 1,050     |
| Decrease in inventories  | 5,150                        | 41,290    |
| Decrease in prepaid expenses and other assets  | 1,820                        | 3,940     |
| Increase (decrease) in accounts payable and accrued liabilities  | 20,160                       | (12,480)  |
| Other, net   | (590)                        | 980       |
| Net cash provided by operating activities, net of acquisition impact   | 31,420                       | 32,170    |
| <b>Cash Flows from Investing Activities:</b>   |                              |           |
| Capital expenditures   | (5,250)                      | (6,420)   |
| Acquisition of businesses, net of cash acquired  | (11,660)                     |           |
| Net proceeds from disposition of businesses and other assets   | 14,740                       | 22,420    |
| Net cash provided by (used for) investing activities   | (2,170)                      | 16,000    |
| <b>Cash Flows from Financing Activities:</b>   |                              |           |
| Repayments of borrowings on term loan facilities   | (1,300)                      | (1,580)   |
| Proceeds from borrowings on revolving credit facilities  | 264,930                      | 508,360   |
| Repayments of borrowings on revolving credit facilities  | (278,060)                    | (518,330) |
| Retirement of senior subordinated notes  |                              | (35,170)  |
| Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations              | (180)                        |           |
| Proceeds from exercise of stock options  | 80                           |           |
| Excess tax benefits from stock based compensation  | 390                          |           |
| Net cash used for financing activities   | (14,140)                     | (46,720)  |
| <b>Cash and Cash Equivalents:</b>  |                              |           |
| Increase for the period  | 15,110                       | 1,450     |
| At beginning of period   | 9,480                        | 3,910     |
| At end of period   | \$ 24,590                    | \$ 5,360  |

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Supplemental disclosure of cash flow information:

|                        |    |        |    |        |
|------------------------|----|--------|----|--------|
| Cash paid for interest | \$ | 22,000 | \$ | 21,830 |
|------------------------|----|--------|----|--------|

|                     |    |       |    |       |
|---------------------|----|-------|----|-------|
| Cash paid for taxes | \$ | 3,270 | \$ | 4,310 |
|---------------------|----|-------|----|-------|

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

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## TriMas Corporation

## Consolidated Statement of Shareholders' Equity

Six Months Ended June 30, 2010

(Unaudited dollars in thousands)

|   | Common<br>Stock | Paid-in<br>Capital | Accumulated<br>Deficit | Accumulated<br>Other<br>Comprehensive<br>Income | Total     |
|---|-----------------|--------------------|------------------------|---|-----------|
| Balances, December 31, 2009   | \$ 330          | \$ 528,370         | \$ (510,380)           | \$ 43,660                                       | \$ 61,980 |
| Comprehensive income:   |                 |                    |                        |   |           |
| Net income  |                 |                    | 26,860                 |   | 26,860    |
| Amortization of defined benefit<br>plan deferred losses (net of tax<br>of \$20 thousand) (Note 15)    |                 |                    |                        | 40  | 40        |
| Foreign currency translation  |                 |                    |                        | (9,580)   | (9,580)   |
| Amortization of unrealized loss<br>on interest rate swaps (net of<br>tax of \$0.5 million) (Note 10)  |                 |                    |                        | 800   | 800       |
| Total comprehensive income  |                 |                    |                        |   | 18,120    |
| Shares surrendered upon vesting<br>of options and restricted stock<br>awards to cover tax obligations |                 | (180)              |                        |   | (180)     |
| Stock option exercises and<br>restricted stock vestings   | 10              | 70                 |                        |   | 80        |
| Excess tax benefits from stock<br>based compensation  |                 | 390                |                        |   | 390       |
| Non-cash compensation expense   |                 | 760                |                        |   | 760       |
| Balances, June 30, 2010   | \$ 340          | \$ 529,410         | \$ (483,520)           | \$ 34,920                                       | \$ 81,150 |

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

Table of Contents**TRIMAS CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS****(unaudited)****1. Basis of Presentation**

TriMas Corporation ("TriMas" or the "Company"), and its consolidated subsidiaries, is a global manufacturer and distributor of products for commercial, industrial and consumer markets. The Company is principally engaged in five reportable segments with diverse products and market channels: Packaging, Energy, Aerospace & Defense, Engineered Components and Cequent. See Note 12, "Segment Information," for further information on each of the Company's reportable segments.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and in the opinion of management, contain all adjustments, including adjustments of a normal and recurring nature, necessary for a fair presentation of financial position and results of operations. Results of operations for interim periods are not necessarily indicative of results for the full year. Certain prior year amounts have been reclassified to conform with the current year presentation. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the Company's 2009 Annual Report on Form 10-K.

**2. Discontinued Operations and Assets Held for Sale**

During the fourth quarter of 2009, the Company committed to a plan to exit its medical device line of business which was part of the Engineered Components operating segment. The business was sold in May 2010 for cash proceeds of \$2.0 million, which approximated the net book value of the assets and liabilities sold.

During the fourth quarter of 2008, the Company entered into a binding agreement to sell certain assets within its specialty laminates, jacketings and insulation tapes line of business, which was part of the Packaging operating segment. The sale was completed in February 2009 for cash proceeds of approximately \$21.0 million. The Company's manufacturing facility is subject to a lease agreement expiring in 2024 that was not assumed by the purchaser of the business. During first quarter 2009, upon the cease use date of the facility, the Company recorded a pre-tax charge of approximately \$10.7 million for future lease obligations on the facility, net of estimated sublease recoveries.

During the fourth quarter of 2007, the Company committed to a plan to sell its property management line of business. The sale was completed in April 2010 for cash proceeds of \$13.0 million, resulting in a pre-tax gain on sale of approximately \$10.1 million during the second quarter of 2010.

The results of the aforementioned businesses are reported as discontinued operations for all periods presented. Results of discontinued operations are summarized as follows:

|   | <b>Three months ended</b>     |             | <b>Six months ended</b> |             |
|---|-------------------------------|-------------|-------------------------|-------------|
|   | <b>June 30,</b>               |             | <b>June 30,</b>         |             |
|   | <b>2010</b>                   | <b>2009</b> | <b>2010</b>             | <b>2009</b> |
|   | <b>(dollars in thousands)</b> |             |                         |             |
| Net sales   | \$ 130                        | \$ 1,450    | \$ 660                  | \$ 10,570   |
| Income (loss) from discontinued operations before income tax benefit (expense)  | \$ 9,790                      | \$ (1,390)  | \$ 9,290                | \$ (14,860) |
| Income tax benefit (expense)  | (3,580)                       | 550         | (3,400)                 | 5,720       |
| Income (loss) from discontinued operations, net of income tax benefit (expense) | \$ 6,210                      | \$ (840)    | \$ 5,890                | \$ (9,140)  |

Table of Contents**TRIMAS CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)****2. Discontinued Operations and Assets Held for Sale (Continued)**

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

|                               | June 30,<br>2010 | December 31,<br>2009 |
|-------------------------------|------------------|----------------------|
| (dollars in thousands)        |                  |                      |
| Receivables, net              | \$               | \$ 200               |
| Property and equipment, net   |                  | 4,050                |
| <b>Total assets</b>           | <b>\$</b>        | <b>\$ 4,250</b>      |
| Accounts payable              | \$               | \$ 150               |
| Accrued liabilities and other |                  | 920                  |
| <b>Total liabilities</b>      | <b>\$</b>        | <b>\$ 1,070</b>      |

**3. Mosinee Plant Closure**

In March 2009, the Company announced plans to close its manufacturing facility in Mosinee, Wisconsin, moving production and distribution functions from Mosinee to lower-cost manufacturing facilities or to third-party sourcing partners. As of December 31, 2009, the Company completed the move and ceased operations in Mosinee. Upon the cease use date of the facility, the Company recorded a pre-tax charge within its Cequent segment of approximately \$5.3 million for future lease obligations on the facility net of estimated lease recoveries. Also during 2009, the Company recorded a pre-tax charge within its Cequent segment of approximately \$1.8 million, of which \$1.6 million was recorded in the first quarter of 2009, primarily related to cash costs for severance benefits for approximately 160 employees to be involuntarily terminated as part of the closure. As of June 30, 2010, the Company had paid all severance benefits.

In addition, the Company recorded approximately \$2.6 million of accelerated depreciation expense during 2009 as a result of shortening the expected lives on certain machinery and equipment assets that the Company no longer utilizes following the closure, of which \$1.2 million and \$1.7 million was recorded in the three and six months ended June 30, 2009.

**4. Acquisitions**

On June 8, 2010, the Company's Norris Cylinder subsidiary, included in the Company's Engineered Components segment, completed the acquisition of certain assets and liabilities from Taylor-Wharton International, LLC ("TWI") and its subsidiary, TW Cylinders, related to TWI's high and low-pressure cylinder business for \$11.8 million, including a net working capital adjustment of \$0.8 million. The acquisition was completed following approval by the United States Bankruptcy Court for the District of Delaware pursuant to Section 363 of the U.S. Bankruptcy Code. The assets purchased generated approximately \$17 million in revenue during 2009. The fair value of the net assets acquired exceeded the purchase price, resulting in a bargain purchase gain of approximately \$0.4 million, which is included in other income, net in the accompanying consolidated results of operations for the three and six months ended June 30, 2010. The purchase price remains subject to the finalization of the net working capital adjustment, which is to be completed within 90 days post-transaction.

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

**4. Acquisitions (Continued)**

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

**5. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the six months ended June 30, 2010 are summarized as follows:

|                              | Packaging              | Energy    | Aerospace & Defense | Engineered Components | Coquent | Total      |
|------------------------------|------------------------|-----------|---------------------|-----------------------|---------|------------|
|                              | (dollars in thousands) |           |                     |                       |         |            |
| Balance, December 31, 2009   | \$ 115,460             | \$ 39,740 | \$ 41,130           | \$                    | \$      | \$ 196,330 |
| Foreign currency translation | (4,810)                | (60)      |                     |                       |         | (4,870)    |
| Balance, June 30, 2010       | \$ 110,650             | \$ 39,680 | \$ 41,130           | \$                    | \$      | \$ 191,460 |

The gross carrying amounts and accumulated amortization of the Company's other intangibles as of June 30, 2010 and December 31, 2009 are summarized below. The Company amortizes these assets over periods ranging from 1 to 30 years.

| Intangible Category by Useful Life      | As of June 30, 2010    |                          | As of December 31, 2009 |                          |
|---|------------------------|--------------------------|-------------------------|--------------------------|
|   | Gross Carrying Amount  | Accumulated Amortization | Gross Carrying Amount   | Accumulated Amortization |
|   | (dollars in thousands) |                          |                         |                          |
| Customer relationships:                 |                        |                          |                         |                          |
| 5 - 12 years                            | \$ 24,610              | \$ (19,370)              | \$ 24,710               | \$ (18,290)              |
| 15 - 25 years                           | 154,610                | (65,360)                 | 154,610                 | (61,250)                 |
| Total customer relationships            | 179,220                | (84,730)                 | 179,320                 | (79,540)                 |
| Technology and other:                   |                        |                          |                         |                          |
| 1 - 15 years                            | 26,640                 | (22,870)                 | 25,800                  | (22,060)                 |
| 17 - 30 years                           | 42,310                 | (17,660)                 | 42,120                  | (16,640)                 |
| Total technology and other              | 68,950                 | (40,530)                 | 67,920                  | (38,700)                 |
| Trademark/Trade names (indefinite life) | 35,010                 |                          | 35,080                  |                          |
|   | \$ 283,180             | \$ (125,260)             | \$ 282,320              | \$ (118,240)             |

Amortization expense related to technology and other intangibles was approximately \$0.9 million and \$1.0 million for the three months ended June 30, 2010 and 2009, respectively, and \$1.9 million and \$2.0 million for the six months ended June 30, 2010 and 2009, respectively. These amounts are included in cost of sales in the accompanying consolidated statement of operations. Amortization expense related to customer intangibles was approximately \$2.6 million for each of the three months ended June 30, 2010 and 2009, respectively, and \$5.2 million and \$5.3 million for the six months ended June 30, 2010 and 2009, respectively. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.



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**TRIMAS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(unaudited)**

**6. Receivables Facility**

On December 29, 2009, the Company entered into a new three year accounts receivable facility through TSPC, Inc. ("TSPC"), a wholly-owned subsidiary, to sell trade accounts receivable of substantially all of the Company's domestic business operations. Under this facility, TSPC, from time to time, may sell an undivided fractional ownership interest in the pool of receivables up to approximately \$75.0 million to a third party multi-seller receivables funding company. The Company did not have any amounts outstanding under the facility as of June 30, 2010 or December 31, 2009, but had \$53.9 million and \$32.1 million, respectively, available but not utilized. The net amount financed under the facility is less than the face amount of accounts receivable by an amount that approximates the purchaser's financing costs. As of June 30, 2010, the cost of funds under this facility consisted of a 3-month London Interbank Offered Rates ("LIBOR")-based rate plus a usage fee of 3.25% and a fee on the unused portion of the facility of 1.00%. Aggregate costs incurred under this facility were \$0.3 million and \$0.6 million for the three and six months ended June 30, 2010, respectively, and are included in interest expense in the accompanying consolidated statement of operations. The facility expires on December 29, 2012.

The cost of funds fees incurred 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 based on a 3 month LIBOR-based rate plus the usage fee discussed above and is computed in accordance with the terms of the securitization agreement. As of June 30 2010, the costs of funds under the facility was based on an average liquidation period of the portfolio of approximately 1.6 months and an average discount rate of 1.6%.

Through December 28, 2009, TriMas was party to a 364-day accounts receivable facility through TSPC. Under this facility, TSPC, from time to time, was able to sell an undivided fractional ownership interest in the pool of receivables up to approximately \$55.0 million to a third party multi-seller receivables funding company. The net proceeds of the sale of receivables were less than the face amount of the accounts receivable sold by an amount that approximated the purchaser's financing costs. As of June 30, 2009, the cost of funds under this facility consisted of a commercial paper-based rate plus the usage fee of 4.5% and a fee on the unused portion of the facility of 2.25%. In addition, the Company completed its annual renewal of this facility in February 2009, incurring approximately \$0.4 million. Aggregate costs incurred under this facility, including renewal costs, were \$0.3 million and \$1.0 million for the three and six months ended June 30, 2009, respectively. Such amounts are included in other expense, net in the accompanying consolidated statement of operations.

In addition, the Company from time to time may sell an undivided interest in accounts receivable under factoring arrangements at three of its European subsidiaries. As of June 30, 2010 and December 31, 2009, the Company's funding under these arrangements was approximately \$4.4 million and \$4.5 million, respectively. Sales of the European subsidiaries' accounts receivable were sold at a discount from face value of approximately 1.5% and 1.4%, at June 30, 2010 and 2009, respectively. Costs associated with these transactions were approximately \$0.07 million and \$0.05 million for the three months ended June 30, 2010 and 2009, respectively, and \$0.1 million for each of the six month periods ended June 30, 2010 and 2009, and are included in other expense, net in the accompanying consolidated statement of operations.



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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

**7. Inventories**

Inventories consist of the following:

|                       | June 30,<br>2010       | December 31,<br>2009 |
|-----------------------|------------------------|----------------------|
|                       | (dollars in thousands) |                      |
| Finished goods        | \$ 88,490              | \$ 95,420            |
| Work in process       | 18,880                 | 16,270               |
| Raw materials         | 31,070                 | 30,150               |
| <br>Total inventories | <br>\$ 138,440         | <br>\$ 141,840       |

**8. Property and Equipment, Net**

Property and equipment, net, consists of the following:

|                                 | June 30,<br>2010       | December 31,<br>2009 |
|---------------------------------|------------------------|----------------------|
|                                 | (dollars in thousands) |                      |
| Land and land improvements      | \$ 2,580               | \$ 2,380             |
| Buildings                       | 46,030                 | 44,810               |
| Machinery and equipment         | 274,780                | 283,710              |
|                                 | 323,390                | 330,900              |
| Less: Accumulated depreciation  | 164,730                | 168,680              |
| <br>Property and equipment, net | <br>\$ 158,660         | <br>\$ 162,220       |

Depreciation expense was approximately \$5.9 million and \$7.1 million, and \$11.9 million and \$13.7 million for the three and six months ended June 30, 2010 and 2009, respectively, of which \$5.2 million and \$6.3 million, and \$10.5 million and \$12.1 million, respectively, is included in cost of sales in the accompanying statement of operations, and \$0.7 million and \$0.8 million, and \$1.4 million and \$1.6 million, respectively, is included in selling, general and administrative expenses in the accompanying statement of operations.

In connection with the closure of the Mosinee facility (see Note 3), the Company recorded accelerated depreciation expense of approximately \$1.2 million and \$1.7 million during the three and six months ended June 30, 2009, respectively, which is included in the \$6.3 million and \$12.1 million of depreciation expense recorded in cost of sales during the three and six months then ended. This charge related to shortening the expected useful lives on certain machinery and equipment.

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

**9. Long-term Debt**

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

|  | June 30,<br>2010       | December 31,<br>2009 |
|--|------------------------|----------------------|
|  | (dollars in thousands) |                      |
| U.S. bank debt   | \$ 250,250             | \$ 256,680           |
| Non-U.S. bank debt and<br>other  | 4,760                  | 12,890               |
| 9 <sup>3</sup> / <sub>4</sub> % senior secured notes,<br>due December 2017 | 245,190                | 244,980              |
|  | 500,200                | 514,550              |
| Less: Current maturities,<br>long-term debt                                | 7,180                  | 16,190               |
| Long-term debt   | \$ 493,020             | \$ 498,360           |

**U.S. Bank Debt**

The Company is a party to a credit facility consisting of a \$83.0 million revolving credit facility, a \$60.0 million deposit-linked supplemental revolving credit facility and a \$252.2 million term loan facility (collectively, the "Credit Facility"). Under the Credit Facility, the Company is also able to issue letters of credit, not to exceed \$65.0 million in aggregate, against its revolving credit facility commitments. At June 30, 2010 and December 31, 2009, the Company had letters of credit of approximately \$31.0 million and \$31.2 million, respectively, issued and outstanding.

At June 30, 2010 and December 31, 2009, the Company had \$0 and \$5.1 million, respectively, outstanding under its supplemental revolving credit facility and had an additional \$112.0 million and \$101.7 million, respectively, potentially available after giving effect to approximately \$31.0 million and \$31.2 million, respectively, 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 \$165.9 million and \$114.3 million, respectively of capacity available to it for general corporate purposes under its revolving credit and accounts receivable facilities.

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<sup>3</sup>/<sub>4</sub>% senior secured notes, it does contain certain other limitations on the distribution of funds from TriMas Company LLC, the principal subsidiary, to the Company. The restricted net assets of the guarantor subsidiaries of approximately \$300.8 million and \$270.4 million at June 30, 2010 and December 31, 2009, respectively, are presented in the financial information in Note 17, "Supplemental Guarantor Condensed Consolidating Financial Information." The Credit Facility also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries. The Company was in compliance with its covenants at June 30, 2010.

The Company's term loan facility traded at approximately 98.0% and 95.5% of par value as of June 30, 2010 and December 31, 2009, respectively, and was valued based on Level 2 inputs as defined in the fair value hierarchy.

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**TRIMAS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(unaudited)**

**9. Long-term Debt (Continued)**

***Non-U.S. Bank Debt***

In the United Kingdom, the Company's subsidiary is party to a revolving debt agreement which is secured by a letter of credit under the Credit Facility. At June 30, 2010, the balance outstanding under this arrangement was \$0.2 million at an interest rate of 2.5%. At December 31, 2009, the balance outstanding under this agreement was approximately \$0.8 million at an interest rate of 2.5%.

In Australia, the Company's subsidiary is party to a debt agreement which matures December 31, 2010 and is secured by substantially all the assets of the subsidiary. At June 30, 2010, the balance outstanding under this agreement was \$4.2 million at an interest rate of 6.8%. At December 31, 2009, the balance outstanding under this agreement was approximately \$11.7 million at an interest rate of approximately 6.6%.

***Notes***

During the fourth quarter of 2009, the Company issued \$250.0 million principal amount of 9<sup>3</sup>/<sub>4</sub>% senior secured notes due 2017 ("Senior Notes") at a discount of \$5.0 million. The net proceeds of the offering, approximately \$239.7 million, together with \$29.3 million of cash on hand, were used to repurchase \$256.5 million principal amount of the Company's 9<sup>7</sup>/<sub>8</sub>% senior subordinated notes due 2012 ("Sub Notes"), for tender costs and expenses related thereto, and to pay fees and expenses related to the Senior Notes.

During the three and six months ended June 30, 2009, the Company utilized approximately \$19.1 million and \$35.1 million, respectively, of cash on hand to retire \$31.4 million and \$63.2 million, respectively of face value of the Sub Notes, resulting in a net gain in the three and six months ended June 30, 2009 of approximately \$11.8 million and \$27.1 million, respectively, after considering non-cash debt extinguishment costs of \$0.5 million and \$1.0 million respectively.

The Notes indenture contains negative and affirmative covenants and other requirements that are comparable to those contained in the Credit Facility. At June 30, 2010, the Company was in compliance with all such covenant requirements.

The Company's Senior Notes traded at approximately 101.0% and 98.5% of par value as of June 30, 2010 and December 31, 2009, respectively, and was valued based on Level 2 inputs as defined in the fair value hierarchy.

**10. Derivative Instruments**

The Company is party to interest rate swaps to fix the variable LIBOR-based portion on \$200.0 million notional amount of the Company's term loan facility. Upon inception, the interest rate swaps were designated as cash flow hedges; however, upon the Company's amendment and restatement of its credit facilities in the fourth quarter of 2009, the Company determined that these interest rate swaps were no longer effective due to the imposition of a LIBOR floor in the determination of the variable interest rate on the term loan facility. In the first quarter of 2010, the Company amended the interest rate swaps to include a LIBOR floor similar to the term loan facility; however, the amended interest rate swaps have not been designated as hedging instruments. For the three and six months ended June 30, 2010, approximately \$0.9 million and \$1.3 million, respectively, of unrealized loss from

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 10. Derivative Instruments (Continued)

accumulated other comprehensive income incurred while the interest rate swaps were effective was amortized into earnings as interest expense. Over the next 12 months, the Company expects approximately \$1.4 million of unrealized loss in accumulated other comprehensive income incurred while the interest rate swaps were effective to be amortized into earnings as interest expense.

As of December 31, 2009, the Company held a foreign exchange forward contract with a notional value of 55.5 million Mexican pesos and a foreign exchange forward contract with a notional value of £6.5 million. These contracts expired during the first quarter of 2010 and were not designated as hedging instruments.

As of June 30, 2010 and December 31, 2009, the fair value carrying amounts of the Company's derivative instruments not designated as hedging instruments are recorded as follows:

| Balance Sheet Caption                                   | Asset Derivatives           |                   | Liability Derivatives |                   |          |
|---|-----------------------------|-------------------|-----------------------|-------------------|----------|
|   | June 30, 2010               | December 31, 2009 | June 30, 2010         | December 31, 2009 |          |
| (dollars in thousands)                                  |                             |                   |                       |                   |          |
| Derivatives not designated as hedging instruments       |                             |                   |                       |                   |          |
| Interest rate contracts                                 | Accrued liabilities         | \$                | \$                    | \$ 2,360          | \$ 1,700 |
| Interest rate contracts                                 | Other long-term liabilities |                   |                       | 140               | 660      |
| Foreign currency forward contracts                      | Accrued liabilities         |                   |                       |                   | 150      |
| Total derivatives not designated as hedging instruments |                             |                   |                       |                   |          |
|   |                             | \$                | \$                    | \$ 2,500          | \$ 2,510 |

The effect of derivative instruments on the consolidated statement of operations for the three and six months ended June 30, 2010 and 2009 is summarized as follows:

| Derivatives (Effective Portion, net of tax)   | Amount of Loss Recognized in AOCI on |                         | Location of Loss Reclassified from AOCI into Earnings (Effective Portion) | Amount of Loss Reclassified from AOCI in to Earnings |          |                           |            |
|---|--------------------------------------|-------------------------|---|--|----------|---------------------------|------------|
|   | As of June 30, 2010                  | As of December 31, 2009 |   | Three months ended June 30,                          |          | Six months ended June 30, |            |
|   |                                      |                         |   | 2010   | 2009     | 2010                      | 2009       |
| (dollars in thousands)                        |                                      |                         |   |  |          |                           |            |
| Derivatives designated as hedging instruments |                                      |                         | Interest  |  |          |                           |            |
| Interest rate contracts                       | \$ (860)                             | \$ (1,660)              | expense   | \$ (880)   | \$ (620) | \$ (1,290)                | \$ (1,010) |

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 10. Derivative Instruments (Continued)

|  | Amount of Gain (Loss)<br>Recognized in Earnings on<br>Derivatives |      |                                 |      | Location of Gain (Loss)<br>Recognized in Earnings on<br>Derivatives |
|--|---|------|---------------------------------|------|---|
|  | Three months<br>ended<br>June 30,                                 |      | Six months<br>ended<br>June 30, |      |   |
|  | 2010  | 2009 | 2010                            | 2009 |   |
|  | (dollars in thousands)  |      |                                 |      |   |

Derivatives not designated as  
hedging instruments

|                            |          |    |            |    |                    |
|----------------------------|----------|----|------------|----|--------------------|
| Interest rate contracts    | \$ (110) | \$ | \$ (1,560) | \$ | Interest expense   |
| Foreign exchange contracts | \$       | \$ | \$ 50      | \$ | Other expense, net |

Valuations of the interest rate swaps and foreign currency forward contracts are based on the income approach which uses observable inputs such as interest rate yield curves and forward currency exchange rates. Fair value measurements and the fair value hierarchy level for the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2010 and December 31, 2009 are shown below:

| Description         | Frequency | Asset /<br>(Liability) | June 30, 2010  |   |  |
|---------------------|-----------|------------------------|--|---|--|
|                     |           |                        | Quoted<br>Prices in<br>Active<br>Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|                     |           |                        | (dollars in thousands)   |   |  |
| Interest rate swaps | Recurring | \$ (2,500)             | \$   | \$ (2,500)  | \$   |

  

| Description                           | Frequency | Asset /<br>(Liability) | December 31, 2009  |   |  |
|---------------------------------------|-----------|------------------------|--|---|--|
|                                       |           |                        | Quoted<br>Prices in<br>Active<br>Markets<br>for Identical<br>Assets<br>(Level 1) | Significant<br>Other<br>Observable<br>Inputs<br>(Level 2) | Significant<br>Unobservable<br>Inputs<br>(Level 3) |
|                                       |           |                        | (dollars in thousands)   |   |  |
| Interest rate swaps                   | Recurring | \$ (2,360)             | \$   | \$ (2,360)  | \$   |
| Foreign currency forward<br>contracts | Recurring | (150)                  |  | (150)   |  |
|                                       |           | \$ (2,510)             | \$   | \$ (2,510)  | \$   |

## 11. Commitments and Contingencies

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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

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

**11. Commitments and Contingencies (Continued)**

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 June 30, 2010, the Company was a party to approximately 1,019 pending cases involving an aggregate of approximately 8,071 claimants alleging personal injury from exposure to asbestos containing materials formerly used in gaskets (both encapsulated and otherwise) manufactured or distributed by certain of the Company's 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<br>pending at<br>beginning<br>of<br>period | Claims<br>filed<br>during<br>period | Claims<br>dismissed<br>during<br>period | Claims<br>settled<br>during<br>period | Average<br>settlement<br>amount per<br>claim<br>during<br>period | Total defense<br>costs during<br>period |
|--|---|-------------------------------------|---|---------------------------------------|--|---|
| Fiscal year ended<br>December 31, 2009 | 7,524   | 586                                 | 254                                     | 40                                    | \$ 4,644   | \$ 2,652,000                            |
| Six months ended June 30,<br>2010      | 7,816   | 524                                 | 246                                     | 23                                    | \$ 11,283  | \$ 1,514,000                            |

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 its 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 8,071 claims pending at June 30, 2010, 64 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 47 of the 64 claims sought between \$1.0 million and \$5.0 million in total damages (which includes compensatory and punitive damages), 13 sought between \$5.0 million and \$10.0 million in total damages (which includes compensatory and punitive damages) and 4 sought over \$10.0 million (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 48 of the 64 claims sought between \$50,000 and \$600,000, 13 sought between \$1.0 million and \$5.0 million and 3 sought over \$5.0 million. Solely with respect to punitive damages, 47 of the 64 claims sought between \$1.0 million and \$2.5 million, 13 sought between \$2.5 million and \$5.0 million and 4 sought over \$5.0 million. In

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**TRIMAS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

(unaudited)

**11. Commitments and Contingencies (Continued)**

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 \$5.7 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 asbestos defense costs and indemnity coverage available to the Company that might otherwise be disputed by the carriers and provides a methodology for the administration of such expenses. Nonetheless, there may be a period prior to the commencement of coverage under this agreement and following exhaustion of the Company's primary insurance coverage during which the Company would be solely responsible for defense costs and indemnity payments, the duration of which would be subject to the scope of damage awards and settlements paid.

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.

**12. 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. TriMas groups its operating segments into five reportable segments, 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** Steel and plastic closure caps, drum enclosures, rings and levers, and dispensing systems for industrial and consumer markets.

**Energy** Natural gas engines, compressors, gas production equipment and chemical pumps engineered at well sites 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.

**Aerospace & Defense** Highly engineered specialty fasteners and screws for the commercial and military aerospace industries and military munitions components for the defense industry.



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**TRIMAS CORPORATION**

**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**

**(unaudited)**

**12. Segment Information (Continued)**

**Engineered Components** High-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, specialty fittings for the automotive industry, precision cutting instruments for the medical industry and specialty precision tools such as center drills, cutters, end mills and countersinks for the industrial metal-working market.

**Cequent** Custom-engineered towing, trailering and electrical 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, 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, debt extinguishment costs, non-cash asset and goodwill impairment charges and write-offs and non-cash losses on sale-leaseback of property and equipment.

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 12. Segment Information (Continued)

Segment activity is as follows:

|  | Three months ended<br>June 30, |                   | Six months ended<br>June 30, |                   |
|--|--------------------------------|-------------------|------------------------------|-------------------|
|  | 2010                           | 2009              | 2010                         | 2009              |
|  | (dollars in thousands)         |                   |                              |                   |
| <b>Net Sales</b>                           |                                |                   |                              |                   |
| Packaging                                  | \$ 45,520                      | \$ 36,150         | \$ 89,120                    | \$ 66,400         |
| Energy                                     | 43,750                         | 34,990            | 87,640                       | 75,260            |
| Aerospace & Defense                        | 17,220                         | 18,270            | 34,300                       | 40,470            |
| Engineered Components                      | 23,320                         | 14,920            | 42,230                       | 33,470            |
| Cequent                                    | 122,250                        | 103,540           | 218,830                      | 193,990           |
| <b>Total</b>                               | <b>\$ 252,060</b>              | <b>\$ 207,870</b> | <b>\$ 472,120</b>            | <b>\$ 409,590</b> |
| <b>Operating Profit</b>                    |                                |                   |                              |                   |
| Packaging                                  | \$ 13,480                      | \$ 8,830          | \$ 25,340                    | \$ 14,230         |
| Energy                                     | 5,350                          | 2,660             | 10,530                       | 6,180             |
| Aerospace & Defense                        | 3,810                          | 6,410             | 7,670                        | 13,220            |
| Engineered Components                      | 3,930                          | 340               | 5,740                        | 720               |
| Cequent                                    | 16,050                         | 2,890             | 24,170                       | (460)             |
| Corporate expenses                         | (6,100)                        | (4,700)           | (11,880)                     | (12,260)          |
| <b>Total</b>                               | <b>\$ 36,520</b>               | <b>\$ 16,430</b>  | <b>\$ 61,570</b>             | <b>\$ 21,630</b>  |
| <b>Adjusted EBITDA</b>                     |                                |                   |                              |                   |
| Packaging                                  | \$ 16,420                      | \$ 11,580         | \$ 31,340                    | \$ 20,220         |
| Energy                                     | 6,020                          | 3,500             | 11,920                       | 7,780             |
| Aerospace & Defense                        | 4,490                          | 7,010             | 9,010                        | 14,420            |
| Engineered Components                      | 5,080                          | 1,140             | 7,650                        | 2,260             |
| Cequent                                    | 19,850                         | 8,160             | 31,970                       | 9,500             |
| Corporate (expenses) income                | (6,040)                        | 7,250             | (11,940)                     | 14,880            |
| <b>Subtotal from continuing operations</b> | <b>45,820</b>                  | <b>38,640</b>     | <b>79,950</b>                | <b>69,060</b>     |
| Discontinued operations                    | 9,940                          | (790)             | 9,610                        | (12,580)          |
| <b>Total company</b>                       | <b>\$ 55,760</b>               | <b>\$ 37,850</b>  | <b>\$ 89,560</b>             | <b>\$ 56,480</b>  |

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

|   | Three months ended<br>June 30, |           | Six months ended<br>June 30, |           |
|---|--------------------------------|-----------|------------------------------|-----------|
|   | 2010                           | 2009      | 2010                         | 2009      |
|   | (dollars in thousands)         |           |                              |           |
| <b>Net income</b>                             | \$ 21,430                      | \$ 8,990  | \$ 26,860                    | \$ 5,310  |
| Income tax expense                            | 11,660                         | 5,720     | 16,130                       | 3,230     |
| Interest expense                              | 13,230                         | 11,590    | 27,520                       | 24,120    |
| Debt extinguishment costs                     |                                | 480       |                              | 990       |
| Depreciation and amortization                 | 9,440                          | 11,070    | 19,050                       | 22,830    |
| <b>Adjusted EBITDA, total company</b>         | \$ 55,760                      | \$ 37,850 | \$ 89,560                    | \$ 56,480 |
| Adjusted EBITDA, discontinued operations      | 9,940                          | (790)     | 9,610                        | (12,580)  |
| <b>Adjusted EBITDA, continuing operations</b> | \$ 45,820                      | \$ 38,640 | \$ 79,950                    | \$ 69,060 |

**13. Equity Awards**

The Company maintains two long-term equity incentive plans, the TriMas Corporation 2006 Long Term Equity Incentive Plan (the "2006 Plan") and the 2002 Long Term Equity Incentive Plan (the "2002 Plan"). See below for details of awards by plan.

**2006 Plan**

Information related to stock options at June 30, 2010 is as follows:

|                                   | Number of<br>Stock Options | Weighted<br>Average<br>Option Price | Average<br>Remaining<br>Contractual Life<br>(Years) | Aggregate<br>Intrinsic Value |
|-----------------------------------|----------------------------|-------------------------------------|---|------------------------------|
| Outstanding at<br>January 1, 2010 | 554,000                    | \$ 1.14                             |   |                              |
| Granted                           |                            |                                     |   |                              |
| Exercised                         | (10,666)                   | 1.01                                |   |                              |
| Cancelled                         |                            |                                     |   |                              |
| Outstanding at<br>June 30, 2010   | 543,334                    | \$ 1.15                             | 8.6   | \$ 5,522,340                 |

As of June 30, 2010, 173,998 stock options were exercisable under the 2006 Plan. In addition, the fair value of options which vested during the six month periods ended June 30, 2010 and 2009 was \$0.1 million and \$0 million, respectively. No options vested during the three month periods ended June 30, 2010 and 2009. As of June 30, 2010, there was approximately \$0.1 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted-average period of 1.3 years.

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

**13. Equity Awards (Continued)**

Information related to restricted shares at June 30, 2010 is as follows:

|                                   | Number of<br>Unvested<br>Restricted<br>Shares | Weighted<br>Average<br>Grant Date Fair<br>Value | Average<br>Remaining<br>Contractual Life<br>(Years) | Aggregate<br>Intrinsic Value |
|-----------------------------------|---|---|---|------------------------------|
| Outstanding at<br>January 1, 2010 | 251,937                                       | \$ 5.99   |   |                              |
| Granted                           |   |   |   |                              |
| Vested                            | (152,594)                                     | 5.37  |   |                              |
| Cancelled                         | (2,296)                                       | 8.80  |   |                              |
| Outstanding at<br>June 30, 2010   | 97,047  | \$ 6.89   | 0.6   | \$ 1,096,980                 |

As of June 30, 2010, there was approximately \$0.2 million of unrecognized compensation cost related to unvested restricted shares that is expected to be recorded over a weighted-average period of 0.7 years.

The Company recognized approximately \$0.1 million for each of the three month periods ended June 30, 2010 and 2009, and approximately \$0.4 million and \$0.1 million for the six months ended June 30, 2010 and 2009, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations.

**2002 Plan**

During the first quarter of 2010, the Company granted 97,870 stock options to certain key employees, each of which may be used to purchase one share of the Company's common stock. These stock options have a ten year life, vest ratably over three years from date of grant, have an exercise price of \$6.09 and had a weighted-average fair value at grant date of \$2.60. The fair value of these options at the grant date was estimated using the Black-Scholes option pricing model using the following weighted-average assumptions: expected life of 6 years, risk-free interest rate of 2.7% and expected volatility of 40%.

Information related to stock options at June 30, 2010, is as follows:

|                                   | Number of<br>Options | Weighted<br>Average<br>Option Price | Average<br>Remaining<br>Contractual Life<br>(Years) | Aggregate<br>Intrinsic Value |
|-----------------------------------|----------------------|-------------------------------------|---|------------------------------|
| Outstanding at<br>January 1, 2010 | 1,285,344            | \$ 13.45                            |   |                              |
| Granted                           | 97,870               | 6.09                                |   |                              |
| Exercised                         | (80,852)             | 1.01                                |   |                              |
| Cancelled                         | (65,179)             | 7.65                                |   |                              |
| Outstanding at<br>June 30, 2010   | 1,237,183            | \$ 13.99                            | 5.9   | \$ 4,508,110                 |

As of June 30, 2010, 789,615 stock options were exercisable under the 2002 Plan. In addition, the fair value of options which vested during the three months ended June 30, 2010 and 2009 was \$0 million and \$0.03 million, respectively and \$0.1 million during each of the six month periods ended



Table of Contents**TRIMAS CORPORATION****NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)****(unaudited)****13. Equity Awards (Continued)**

June 30, 2010 and 2009. As of June 30, 2010, there was approximately \$0.3 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted-average period of 1.2 years.

During the first quarter of 2010, the Company granted 78,090 restricted shares of common stock to certain employees. These restricted shares are subject only to a service condition, vesting ratably over three years so long as the employee remains with the Company.

Information related to restricted shares at June 30, 2010 is as follows:

|                                   | <b>Number of<br/>Unvested<br/>Restricted<br/>Shares</b> | <b>Weighted<br/>Average<br/>Grant Date Fair<br/>Value</b> | <b>Average<br/>Remaining<br/>Contractual Life<br/>(Years)</b> | <b>Aggregate<br/>Intrinsic Value</b> |
|-----------------------------------|---|---|---|--------------------------------------|
| Outstanding at<br>January 1, 2010 | 126,950   | \$ 5.20   |   |                                      |
| Granted                           | 78,090  | 6.09  |   |                                      |
| Vested                            | (82,960)  | 5.20  |   |                                      |
| Cancelled                         | (190)   | 5.20  |   |                                      |
| Outstanding at<br>June 30, 2010   | 121,890   | \$ 5.77   | 2.0   | \$ 1,378,580                         |

As of June 30, 2010, there was approximately \$0.5 million of unrecognized compensation cost related to unvested restricted shares that is expected to be recorded over a weighted-average period of 1.5 years.

The Company recognized approximately \$0.2 million and \$0.04 million for the three months ended June 30, 2010 and 2009, respectively, and approximately \$0.4 million and \$0.06 million for six months ended June 30, 2010 and 2009, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations.

**14. Earnings per Share**

Net earnings are divided by the weighted average number of shares outstanding during the year to calculate basic earnings per share. Diluted earnings (loss) per share are calculated to give effect to stock options and other stock-based awards. The calculation of diluted earnings (loss) per share included 107,147 and 6,580 restricted shares for the three months ended June 30, 2010 and 2009, respectively, and 106,353 and 16,995 restricted shares for the six months ended June 30, 2010 and 2009, respectively. The calculation of diluted earnings (loss) per share also included 535,624 and 164,345 options to purchase shares of common stock for the three months ended June 30, 2010 and 2009, respectively, and 530,133 and 43,001 options for the six months ended June 30, 2010 and 2009, respectively.

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

**15. Defined Benefit Plans**

Net periodic pension and postretirement benefit costs for the Company's defined benefit pension plans and postretirement benefit plans cover foreign employees, union hourly employees and certain salaried employees. The components of net periodic pension and postretirement benefit costs for the three and six months ended June 30, 2010 and 2009 are as follows:

|                                    | Pension Plans               |        |                           |        | Other Postretirement Benefits |         |                           |         |
|------------------------------------|-----------------------------|--------|---------------------------|--------|-------------------------------|---------|---------------------------|---------|
|                                    | Three Months Ended June 30, |        | Six Months Ended June 30, |        | Three Months Ended June 30,   |         | Six Months Ended June 30, |         |
|                                    | 2010                        | 2009   | 2010                      | 2009   | 2010                          | 2009    | 2010                      | 2009    |
|                                    | (dollars in thousands)      |        |                           |        |                               |         |                           |         |
| Service costs                      | \$ 150                      | \$ 130 | \$ 300                    | \$ 260 | \$                            | \$      | \$                        | \$      |
| Interest costs                     | 400                         | 390    | 790                       | 780    | 20                            | 20      | 30                        | 50      |
| Expected return on plan assets     | (400)                       | (390)  | (790)                     | (770)  |                               |         |                           |         |
| Amortization of prior service cost |                             | 10     | 10                        | 10     | (70)                          | (60)    | (130)                     | (130)   |
| Amortization of net loss (gain)    | 110                         | 70     | 220                       | 150    | (10)                          |         | (20)                      | (10)    |
| Net periodic benefit cost          | \$ 260                      | \$ 210 | \$ 530                    | \$ 430 | \$ (60)                       | \$ (40) | \$ (120)                  | \$ (90) |

The Company contributed approximately \$0.4 million and \$0.8 million to its defined benefit pension plans during the three and six months ended June 30, 2010, respectively. The Company expects to contribute approximately \$1.9 million to its defined benefit pension plans for the full year 2010.

**16. New Accounting Pronouncements**

As of June 30, 2010, there are no recently issued accounting pronouncements not yet adopted by the Company that would have a material impact on the Company's results of operations or financial position.

**17. Supplemental Guarantor Condensed Consolidating Financial Information**

Under an indenture dated December 29, 2009, TriMas Corporation, the parent company ("Parent"), issued 9<sup>3</sup>/<sub>4</sub>% senior secured notes due 2017 in a total principal amount of \$250.0 million (face value). The net proceeds of the offering were used, together with other available cash, to repurchase the Company's outstanding 9<sup>7</sup>/<sub>8</sub>% senior subordinated notes due 2012 pursuant to a cash tender offer. The outstanding Senior Notes are guaranteed by substantially all of the Company's domestic subsidiaries ("Guarantor Subsidiaries"). All of the Guarantor Subsidiaries are 100% owned by the Parent and their guarantee is full, unconditional, joint and several. The Company's non-domestic subsidiaries and TSPC, Inc. have not guaranteed the Senior Notes ("Non-Guarantor Subsidiaries"). The Guarantor Subsidiaries have also guaranteed amounts outstanding under the Company's Credit Facility.

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

## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

|   | June 30, 2010 |            |                   |              | Consolidated |
|---|---------------|------------|-------------------|--------------|--------------|
|   | Parent        | Guarantor  | Non-<br>Guarantor | Eliminations | Total        |
| <b>Assets</b>                               |               |            |                   |              |              |
| Current assets:                             |               |            |                   |              |              |
| Cash and cash equivalents                   | \$            | \$ 6,610   | \$ 17,980         | \$           | \$ 24,590    |
| Trade receivables, net                      |               | 120,880    | 16,940            |              | 137,820      |
| Receivables, intercompany                   |               |            | 2,830             | (2,830)      |              |
| Inventories                                 |               | 115,240    | 23,200            |              | 138,440      |
| Deferred income taxes                       | 9,200         | 18,100     | 820               |              | 28,120       |
| Prepaid expenses and other current assets   |               | 4,870      | 1,060             |              | 5,930        |
| Total current assets                        | 9,200         | 265,700    | 62,830            | (2,830)      | 334,900      |
| Investments in subsidiaries                 | 300,750       | 113,260    |                   | (414,010)    |              |
| Property and equipment, net                 |               | 116,390    | 42,270            |              | 158,660      |
| Goodwill                                    |               | 148,220    | 43,240            |              | 191,460      |
| Intangibles and other assets                | 17,460        | 168,700    | 5,450             | (11,330)     | 180,280      |
| Total assets                                | \$ 327,410    | \$ 812,270 | \$ 153,790        | \$ (428,170) | \$ 865,300   |
| <b>Liabilities and Shareholders' Equity</b> |               |            |                   |              |              |
| Current liabilities:                        |               |            |                   |              |              |
| Current maturities, long-term debt          | \$            | \$ 2,750   | \$ 4,430          | \$           | \$ 7,180     |
| Accounts payable, trade                     |               | 94,450     | 21,420            |              | 115,870      |
| Accounts payable, intercompany              |               | 2,830      |                   | (2,830)      |              |
| Accrued liabilities                         | 1,070         | 55,910     | 8,650             |              | 65,630       |



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|  |            |            |            |              |            |
|--|------------|------------|------------|--------------|------------|
| Total current liabilities                  | 1,070      | 155,940    | 34,500     | (2,830)      | 188,680    |
| Long-term debt                             | 245,190    | 247,830    |            |              | 493,020    |
| Deferred income taxes                      |            | 65,210     | 3,610      | (11,330)     | 57,490     |
| Other long-term liabilities                |            | 42,540     | 2,420      |              | 44,960     |
| Total liabilities                          | 246,260    | 511,520    | 40,530     | (14,160)     | 784,150    |
| Total shareholders' equity                 | 81,150     | 300,750    | 113,260    | (414,010)    | 81,150     |
| Total liabilities and shareholders' equity | \$ 327,410 | \$ 812,270 | \$ 153,790 | \$ (428,170) | \$ 865,300 |

## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

|   | December 31, 2009 |                   |                   |                     | Consolidated<br>Total |
|---|-------------------|-------------------|-------------------|---------------------|-----------------------|
|   | Parent            | Guarantor         | Non-<br>Guarantor | Eliminations        |                       |
| <b>Assets</b>                                   |                   |                   |                   |                     |                       |
| Current assets:                                 |                   |                   |                   |                     |                       |
| Cash and cash equivalents                       | \$                | \$ 300            | \$ 9,180          | \$                  | \$ 9,480              |
| Trade receivables, net                          |                   | 76,720            | 16,660            |                     | 93,380                |
| Receivables, intercompany                       |                   |                   | 3,550             | (3,550)             |                       |
| Inventories                                     |                   | 117,850           | 23,990            |                     | 141,840               |
| Deferred income taxes                           | 5,400             | 23,450            | 870               | (5,400)             | 24,320                |
| Prepaid expenses and other current assets       | 80                | 4,820             | 1,600             |                     | 6,500                 |
| Assets of discontinued operations held for sale |                   | 4,250             |                   |                     | 4,250                 |
| <b>Total current assets</b>                     | <b>5,480</b>      | <b>227,390</b>    | <b>55,850</b>     | <b>(8,950)</b>      | <b>279,770</b>        |
| Investments in subsidiaries                     | 270,370           | 107,170           |                   | (377,540)           |                       |
| Property and equipment, net                     |                   | 115,380           | 46,840            |                     | 162,220               |
| Goodwill  |                   | 148,220           | 48,110            |                     | 196,330               |
| Intangibles and other assets                    | 31,240            | 175,190           | 5,720             | (24,690)            | 187,460               |
| <b>Total assets</b>                             | <b>\$ 307,090</b> | <b>\$ 773,350</b> | <b>\$ 156,520</b> | <b>\$ (411,180)</b> | <b>\$ 825,780</b>     |
| <b>Liabilities and Shareholders' Equity</b>     |                   |                   |                   |                     |                       |
| Current liabilities:                            |                   |                   |                   |                     |                       |
| Current maturities, long-term debt              | \$                | \$ 3,670          | \$ 12,520         | \$                  | \$ 16,190             |
| Accounts payable, trade                         |                   | 73,980            | 18,860            |                     | 92,840                |
|   |                   | 3,550             |                   | (3,550)             |                       |

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|  |            |            |            |              |            |
|--|------------|------------|------------|--------------|------------|
| Accounts payable, intercompany             |            |            |            |              |            |
| Accrued liabilities                        | 130        | 56,000     | 9,620      |              | 65,750     |
| Liabilities of discontinued operations     |            | 1,070      |            |              | 1,070      |
| Total current liabilities                  | 130        | 138,270    | 41,000     | (3,550)      | 175,850    |
| Long-term debt                             | 244,980    | 253,380    |            |              | 498,360    |
| Deferred income taxes                      |            | 66,920     | 5,760      | (30,090)     | 42,590     |
| Other long-term liabilities                |            | 44,410     | 2,590      |              | 47,000     |
| Total liabilities                          | 245,110    | 502,980    | 49,350     | (33,640)     | 763,800    |
| Total shareholders' equity                 | 61,980     | 270,370    | 107,170    | (377,540)    | 61,980     |
| Total liabilities and shareholders' equity | \$ 307,090 | \$ 773,350 | \$ 156,520 | \$ (411,180) | \$ 825,780 |

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

|  | Three Months Ended June 30, 2010 |            |               |              |            |
|--|----------------------------------|------------|---------------|--------------|------------|
|  | Parent                           | Guarantor  | Non-Guarantor | Eliminations | Total      |
| Net sales  | \$                               | \$ 204,800 | \$ 71,610     | \$ (24,350)  | \$ 252,060 |
| Cost of sales  |                                  | (141,440)  | (56,660)      | 24,350       | (173,750)  |
| Gross profit   |                                  | 63,360     | 14,950        |              | 78,310     |
| Selling, general and administrative expenses   |                                  | (36,140)   | (5,230)       |              | (41,370)   |
| Loss on dispositions of property and equipment   |                                  | (410)      | (10)          |              | (420)      |
| Operating profit   |                                  | 26,810     | 9,710         |              | 36,520     |
| Other income (expense), net:   |                                  |            |               |              |            |
| Interest expense   | (6,400)                          | (6,150)    | (540)         |              | (13,090)   |
| Gain on bargain purchase   |                                  | 410        |               |              | 410        |
| Other, net   |                                  | 1,190      | (1,730)       |              | (540)      |
| Income (loss) before income tax (expense) benefit and equity in net income of subsidiaries | (6,400)                          | 22,260     | 7,440         |              | 23,300     |
| Income tax (expense) benefit   | 2,240                            | (8,390)    | (1,930)       |              | (8,080)    |
| Equity in net income of subsidiaries   | 25,590                           | 5,510      |               | (31,100)     |            |
| Income from continuing operations  | 21,430                           | 19,380     | 5,510         | (31,100)     | 15,220     |
| Income from discontinued operations  |                                  | 6,210      |               |              | 6,210      |
| Net income   | \$ 21,430                        | \$ 25,590  | \$ 5,510      | \$ (31,100)  | \$ 21,430  |

Three Months Ended June 30, 2009

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|   | Parent   | Guarantor  | Non-Guarantor | Eliminations | Total      |
|---|----------|------------|---------------|--------------|------------|
| Net sales   | \$       | \$ 165,730 | \$ 51,740     | \$ (9,600)   | \$ 207,870 |
| Cost of sales   |          | (125,270)  | (42,020)      | 9,600        | (157,690)  |
| Gross profit  |          | 40,460     | 9,720         |              | 50,180     |
| Selling, general and administrative expenses                              |          | (28,800)   | (5,070)       |              | (33,870)   |
| Gain on dispositions of property and equipment                            |          | 110        | 10            |              | 120        |
| Operating profit  |          | 11,770     | 4,660         |              | 16,430     |
| Other income (expense), net:  |          |            |               |              |            |
| Interest expense  | (7,130)  | (3,940)    | (230)         |              | (11,300)   |
| Gain on extinguishment of debt  | 11,760   |            |               |              | 11,760     |
| Other, net  |          | 620        | (1,440)       |              | (820)      |
| Income before income tax expense and equity in net income of subsidiaries | 4,630    | 8,450      | 2,990         |              | 16,070     |
| Income tax expense  | (1,390)  | (3,820)    | (1,030)       |              | (6,240)    |
| Equity in net income of subsidiaries                                      | 5,750    | 1,960      |               | (7,710)      |            |
| Income from continuing operations   | 8,990    | 6,590      | 1,960         | (7,710)      | 9,830      |
| Loss from discontinued operations   |          | (840)      |               |              | (840)      |
| Net income  | \$ 8,990 | \$ 5,750   | \$ 1,960      | \$ (7,710)   | \$ 8,990   |

## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

Six Months Ended June 30, 2010

|  | Parent    | Guarantor  | Non-Guarantor | Eliminations | Total      |
|--|-----------|------------|---------------|--------------|------------|
| Net sales  | \$        | \$ 372,640 | \$ 131,490    | \$ (32,010)  | \$ 472,120 |
| Cost of sales  |           | (261,340)  | (101,420)     | 32,010       | (330,750)  |
| Gross profit   |           | 111,300    | 30,070        |              | 141,370    |
| Selling, general and administrative expenses   |           | (68,360)   | (10,710)      |              | (79,070)   |
| Loss on dispositions of property and equipment   |           | (480)      | (250)         |              | (730)      |
| Operating profit   |           | 42,460     | 19,110        |              | 61,570     |
| Other income (expense), net:   |           |            |               |              |            |
| Interest expense   | (12,880)  | (13,160)   | (1,190)       |              | (27,230)   |
| Gain on bargain purchase   |           | 410        |               |              | 410        |
| Other, net   |           | 1,010      | (2,060)       |              | (1,050)    |
| Income (loss) before income tax expense (benefit) and equity in net income of subsidiaries | (12,880)  | 30,720     | 15,860        |              | 33,700     |
| Income tax (expense) benefit   | 4,510     | (12,970)   | (4,270)       |              | (12,730)   |
| Equity in net income of subsidiaries   | 35,230    | 11,590     |               | (46,820)     |            |
| Income from continuing operations  | 26,860    | 29,340     | 11,590        | (46,820)     | 20,970     |
| Income from discontinued operations  |           | 5,890      |               |              | 5,890      |
| Net income   | \$ 26,860 | \$ 35,230  | \$ 11,590     | \$ (46,820)  | \$ 26,860  |

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Six Months Ended June 30, 2009

|  | Parent   | Guarantor  | Non-Guarantor | Eliminations | Total      |
|--|----------|------------|---------------|--------------|------------|
| Net sales  | \$       | \$ 333,250 | \$ 91,290     | \$ (14,950)  | \$ 409,590 |
| Cost of sales  |          | (253,600)  | (74,300)      | 14,950       | (312,950)  |
| Gross profit   |          | 79,650     | 16,990        |              | 96,640     |
| Selling, general and administrative expenses                                     |          | (65,340)   | (9,830)       |              | (75,170)   |
| Gain on dispositions of property and equipment                                   |          | 140        | 20            |              | 160        |
| Operating profit   |          | 14,450     | 7,180         |              | 21,630     |
| Other income (expense), net:   |          |            |               |              |            |
| Interest expense   | (15,470) | (7,840)    | (470)         |              | (23,780)   |
| Gain on extinguishment of debt   | 27,070   |            |               |              | 27,070     |
| Other, net   |          | 470        | (1,990)       |              | (1,520)    |
| Income before income tax expense and equity in net income (loss) of subsidiaries | 11,600   | 7,080      | 4,720         |              | 23,400     |
| Income tax expense   | (3,990)  | (3,300)    | (1,660)       |              | (8,950)    |
| Equity in net income (loss) of subsidiaries                                      | (2,300)  | 3,060      |               | (760)        |            |
| Income from continuing operations  | 5,310    | 6,840      | 3,060         | (760)        | 14,450     |
| Loss from discontinued operations  |          | (9,140)    |               |              | (9,140)    |
| Net income (loss)  | \$ 5,310 | \$ (2,300) | \$ 3,060      | \$ (760)     | \$ 5,310   |

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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

|   | Six Months Ended June 30, 2010 |           |               |              |           |
|---|--------------------------------|-----------|---------------|--------------|-----------|
|   | Parent                         | Guarantor | Non-Guarantor | Eliminations | Total     |
| <b>Cash Flows from Operating Activities:</b>  |                                |           |               |              |           |
| Net cash provided by (used for) operating activities  | \$ (14,270)                    | \$ 18,930 | \$ 26,760     | \$           | \$ 31,420 |
| <b>Cash Flows from Investing Activities:</b>  |                                |           |               |              |           |
| Capital expenditures  |                                | (4,490)   | (760)         |              | (5,250)   |
| Acquisition of businesses, net of cash acquired   |                                | (11,660)  |               |              | (11,660)  |
| Net proceeds from disposition of businesses and other assets                                    |                                | 14,740    |               |              | 14,740    |
| Net cash used for investing activities  |                                | (1,410)   | (760)         |              | (2,170)   |
| <b>Cash Flows from Financing Activities:</b>  |                                |           |               |              |           |
| Repayments of borrowings on term loan facilities  |                                | (1,300)   |               |              | (1,300)   |
| Proceeds from borrowings on revolving credit facilities   |                                | 263,450   | 1,480         |              | 264,930   |
| Repayments of borrowings on revolving credit facilities   |                                | (268,600) | (9,460)       |              | (278,060) |
| Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations | (180)                          |           |               |              | (180)     |
| Proceeds from exercise of stock options   | 80                             |           |               |              | 80        |
| Excess tax benefits from stock based compensation   |                                | 390       |               |              | 390       |
| Intercompany transfers (to) from subsidiaries   | 14,370                         | (5,150)   | (9,220)       |              |           |
| Net cash provided by (used for) financing activities  | 14,270                         | (11,210)  | (17,200)      |              | (14,140)  |
| <b>Cash and Cash Equivalents:</b>   |                                |           |               |              |           |
| Increase for the period   |                                | 6,310     | 8,800         |              | 15,110    |
| At beginning of period  |                                | 300       | 9,180         |              | 9,480     |
| At end of period  | \$                             | \$ 6,610  | \$ 17,980     | \$           | \$ 24,590 |



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## TRIMAS CORPORATION

## NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

## 17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

|  | Six Months Ended June 30, 2009 |           |               |              |           |
|--|--------------------------------|-----------|---------------|--------------|-----------|
|  | Parent                         | Guarantor | Non-Guarantor | Eliminations | Total     |
| <b>Cash Flows from Operating Activities:</b>                 |                                |           |               |              |           |
| Net cash provided by (used for) operating activities         | \$ (14,320)                    | \$ 34,230 | \$ 12,260     | \$           | \$ 32,170 |
| <b>Cash Flows from Investing Activities:</b>                 |                                |           |               |              |           |
| Capital expenditures   |                                | (5,390)   | (1,030)       |              | (6,420)   |
| Net proceeds from disposition of businesses and other assets |                                | 22,380    | 40            |              | 22,420    |
| Net cash provided by (used for) investing activities         |                                | 16,990    | (990)         |              | 16,000    |
| <b>Cash Flows from Financing Activities:</b>                 |                                |           |               |              |           |
| Repayments of borrowings on senior credit facilities         |                                | (1,300)   | (280)         |              | (1,580)   |
| Proceeds from borrowings on revolving credit facilities      |                                | 506,720   | 1,640         |              | 508,360   |
| Repayments of borrowings on revolving credit facilities      |                                | (515,200) | (3,130)       |              | (518,330) |
| Retirement of senior subordinated notes                      | (35,170)                       |           |               |              | (35,170)  |
| Intercompany transfers (to) from subsidiaries                | 49,490                         | (40,140)  | (9,350)       |              |           |
| Net cash provided by (used for) financing activities         | 14,320                         | (49,920)  | (11,120)      |              | (46,720)  |
| <b>Cash and Cash Equivalents:</b>                            |                                |           |               |              |           |
| Increase for the period                                      |                                | 1,300     | 150           |              | 1,450     |
| At beginning of period                                       |                                | 340       | 3,570         |              | 3,910     |
| At end of period   | \$                             | \$ 1,640  | \$ 3,720      | \$           | \$ 5,360  |

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

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

**Introduction**

We are an industrial manufacturer and distributor of highly engineered products serving focused markets in a diverse range of commercial, industrial and consumer applications. We have five reportable segments: Packaging, Energy, Aerospace & Defense, Engineered Components and Cequent. In reviewing our financial results, consideration should be given to certain critical events, particularly our acquisitions and consolidation, integration and restructuring efforts in several of our business operations.

**Key Factors and Risks Affecting our Reported Results.** Our businesses and results of operations depend upon general economic conditions and we serve some customers in cyclical industries that are highly competitive and themselves adversely impacted by unfavorable economic conditions. During the fourth quarter of 2008, worldwide credit markets and global economic conditions deteriorated significantly, resulting in declines in demand for the Company's products and services. These conditions persisted throughout 2009, resulting in reductions in sales and earnings from comparable prior periods across all of our reportable segments except Packaging. We have experienced generally higher levels of economic activity during the first half of 2010, which is one of the significant factors helping to generate year-over-year increases in revenue and earnings in all of our reportable segments except Aerospace & Defense. We expect that, although we've benefited from some economic recovery in the first half of 2010, revenue and earnings will continue to trend below historical levels until the continuing uncertainty in the world economies stabilizes and the still unfavorable economic conditions improve.

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, and 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.

There is some seasonality in the businesses within our Cequent reportable segment, where sales of towing and trailering products 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 reportable segment experiences significant seasonal fluctuation in its businesses. 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 Cequent segment, is heavily influenced by consumer sentiment. We experienced decreases in sales and earnings in 2008 and 2009 as a result of

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the general economic downturn, including an uncertain credit market and interest rate environment and rising energy costs, among other things. While we are experiencing sales increases in certain of our Cequent businesses in 2010 as compared to 2009 as the economic conditions have begun to improve, we expect the current end market conditions in the Cequent segment may continue to be unstable and below historical levels until the U.S. economy recovers from existing recessionary forces, employment levels increase and consumer credit availability improves, thereby increasing consumer discretionary spending.

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 certain businesses within our Cequent segment, for its sales distribution network, as an element of selling, general and administrative expenses in our consolidated statement of operations. As such, gross margins for the Cequent 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.

***Recent Consolidation, Integration and Restructuring Activities.*** During the past several years, we have undertaken significant consolidation, integration and other cost-savings programs to enhance our efficiency and achieve cost reduction opportunities which exist in our businesses. In addition to major consolidation projects, there have also been a series of ongoing 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.

In the fourth quarter of 2008, in response to the deteriorating recent economic conditions, we announced and accelerated our Profit Improvement Plan, which included further consolidation of distribution and manufacturing activities, continued integration of certain business activities, movement of production to lower-cost environments and expansion of strategic sourcing initiatives. We have also implemented reductions in salaried headcount and in fixed and variable spending to better align the fixed cost structure of these operating segments with the reality of our current market environment and to maintain or improve operating margins. We have implemented commercial actions to protect and gain market share through continued introduction of new and innovative products and by providing superior delivery and service to our customers. Further, we also have pricing initiatives in place to recover inflationary cost increases and we are continuing actions to leverage our businesses' strong brand names. During 2009, the Company realized savings of approximately \$32 million resulting from the actions taken as a part of the Profit Improvement Plan. These implemented actions were a significant driver of maintaining our gross profit margin in 2009 despite a 20% reduction in sales as compared to 2008, and have helped to facilitate further margin expansion in the first half of 2010 given our lower cost structure and higher sales levels.

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The most significant element of our Profit Improvement Plan implemented during the first half of 2009 was the restructuring of our legacy towing, trailing and electrical businesses within our Cequent reportable segment into one business, rationalizing facilities and the management team. This restructuring plan included the announcement and start of the closure process of the Mosinee, WI manufacturing facility, which ceased operations in the fourth quarter of 2009. We incurred approximately \$3.3 million and \$5.4 million of costs in the three months ended March 31, 2009 and six months ended June 30, 2009, respectively, associated with this initiative.

There were no significant charges recorded in the first half of 2010 related to further implementation of our Profit Improvement Plan initiatives.

**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, debt extinguishment costs, 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 as well as 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, 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;

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

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

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

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

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

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

The following is a reconciliation of our net income to Adjusted EBITDA and cash flows provided by operating activities for the three and six months ended June 30, 2010 and 2009:

|  | Three months ended<br>June 30, |           | Six months ended<br>June 30, |           |
|--|--------------------------------|-----------|------------------------------|-----------|
|  | 2010                           | 2009      | 2010                         | 2009      |
|  | (dollars in thousands)         |           |                              |           |
| <b>Net income</b>                                  | \$ 21,430                      | \$ 8,990  | \$ 26,860                    | \$ 5,310  |
| Income tax expense                                 | 11,660                         | 5,720     | 16,130                       | 3,230     |
| Interest expense                                   | 13,230                         | 11,590    | 27,520                       | 24,120    |
| Debt extinguishment costs                          |                                | 480       |                              | 990       |
| Depreciation and amortization                      | 9,440                          | 11,070    | 19,050                       | 22,830    |
| <b>Adjusted EBITDA, total company</b>              | \$ 55,760                      | \$ 37,850 | \$ 89,560                    | \$ 56,480 |
| Interest paid                                      | (16,750)                       | (17,060)  | (22,000)                     | (21,830)  |
| Taxes paid   | (2,020)                        | (1,870)   | (3,270)                      | (4,310)   |
| Gain on dispositions of property and equipment     | (9,620)                        | (110)     | (9,310)                      | (160)     |
| Gain on bargain purchase                           | (410)                          |           | (410)                        |           |
| Gain on extinguishment of debt                     |                                | (12,240)  |                              | (28,060)  |
| Receivables sales and securitization, net          | 560                            | 180       | 4,390                        | (5,950)   |
| Net change in working capital                      | 7,990                          | 23,620    | (27,540)                     | 36,000    |
| <b>Cash flows provided by operating activities</b> | \$ 35,510                      | \$ 30,370 | \$ 31,420                    | \$ 32,170 |

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

|  | Three months<br>ended<br>June 30, |             | Six months<br>ended<br>June 30, |             |
|--|-----------------------------------|-------------|---------------------------------|-------------|
|  | 2010                              | 2009        | 2010                            | 2009        |
|  | (dollars in thousands)            |             |                                 |             |
| Severance and business unit restructuring costs <sup>(a)</sup> | \$                                | \$ 960      | \$                              | \$ 7,220    |
| Gross gain on extinguishment of debt <sup>(b)</sup>            |                                   | (12,240)    |                                 | (28,060)    |
|  | \$                                | \$ (11,280) | \$                              | \$ (20,840) |

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(a) Principally employee severance costs associated with business unit restructuring and other cost reduction activities.

(b) Gains recognized in connection with the extinguishment of our senior subordinated notes due 2012, excluding debt extinguishment costs.

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#### Segment Information and Supplemental Analysis

The following table summarizes financial information for our five current reportable segments for the three months ended June 30, 2010 and 2009:

|   | 2010              | Three Months Ended June 30,     |                   | 2009          | As a Percentage<br>of Net Sales |
|---|-------------------|---------------------------------|-------------------|---------------|---------------------------------|
|   |                   | As a Percentage<br>of Net Sales |                   |               |                                 |
| (dollars in thousands)                      |                   |                                 |                   |               |                                 |
| <b>Net Sales:</b>                           |                   |                                 |                   |               |                                 |
| Packaging                                   | \$ 45,520         | 18.1%                           | \$ 36,150         | 17.4%         |                                 |
| Energy                                      | 43,750            | 17.4%                           | 34,990            | 16.8%         |                                 |
| Aerospace & Defense                         | 17,220            | 6.8%                            | 18,270            | 8.8%          |                                 |
| Engineered Components                       | 23,320            | 9.3%                            | 14,920            | 7.2%          |                                 |
| Cequent                                     | 122,250           | 48.5%                           | 103,540           | 49.8%         |                                 |
| <b>Total</b>                                | <b>\$ 252,060</b> | <b>100.0%</b>                   | <b>\$ 207,870</b> | <b>100.0%</b> |                                 |
| <b>Gross Profit:</b>                        |                   |                                 |                   |               |                                 |
| Packaging                                   | \$ 18,870         | 41.5%                           | \$ 13,260         | 36.7%         |                                 |
| Energy                                      | 11,460            | 26.2%                           | 8,090             | 23.1%         |                                 |
| Aerospace & Defense                         | 6,140             | 35.7%                           | 8,580             | 47.0%         |                                 |
| Engineered Components                       | 5,900             | 25.3%                           | 1,550             | 10.4%         |                                 |
| Cequent                                     | 35,940            | 29.4%                           | 18,700            | 18.1%         |                                 |
| <b>Total</b>                                | <b>\$ 78,310</b>  | <b>31.1%</b>                    | <b>\$ 50,180</b>  | <b>24.1%</b>  |                                 |
| <b>Selling, General and Administrative:</b> |                   |                                 |                   |               |                                 |
| Packaging                                   | \$ 5,060          | 11.1%                           | \$ 4,590          | 12.7%         |                                 |
| Energy                                      | 6,100             | 13.9%                           | 5,430             | 15.5%         |                                 |
| Aerospace & Defense                         | 2,330             | 13.5%                           | 2,170             | 11.9%         |                                 |
| Engineered Components                       | 1,970             | 8.4%                            | 1,190             | 8.0%          |                                 |
| Cequent                                     | 19,810            | 16.2%                           | 15,790            | 15.3%         |                                 |
| Corporate expenses                          | 6,100             | N/A                             | 4,700             | N/A           |                                 |
| <b>Total</b>                                | <b>\$ 41,370</b>  | <b>16.4%</b>                    | <b>\$ 33,870</b>  | <b>16.3%</b>  |                                 |
| <b>Operating Profit:</b>                    |                   |                                 |                   |               |                                 |
| Packaging                                   | \$ 13,480         | 29.6%                           | \$ 8,830          | 24.4%         |                                 |
| Energy                                      | 5,350             | 12.2%                           | 2,660             | 7.6%          |                                 |
| Aerospace & Defense                         | 3,810             | 22.1%                           | 6,410             | 35.1%         |                                 |
| Engineered Components                       | 3,930             | 16.9%                           | 340               | 2.3%          |                                 |
| Cequent                                     | 16,050            | 13.1%                           | 2,890             | 2.8%          |                                 |
| Corporate expenses                          | (6,100)           | N/A                             | (4,700)           | N/A           |                                 |
| <b>Total</b>                                | <b>\$ 36,520</b>  | <b>14.5%</b>                    | <b>\$ 16,430</b>  | <b>7.9%</b>   |                                 |
| <b>Adjusted EBITDA:</b>                     |                   |                                 |                   |               |                                 |
| Packaging                                   | \$ 16,420         | 36.1%                           | \$ 11,580         | 32.0%         |                                 |
| Energy                                      | 6,020             | 13.8%                           | 3,500             | 10.0%         |                                 |
| Aerospace & Defense                         | 4,490             | 26.1%                           | 7,010             | 38.4%         |                                 |
| Engineered Components                       | 5,080             | 21.8%                           | 1,140             | 7.6%          |                                 |
| Cequent                                     | 19,850            | 16.2%                           | 8,160             | 7.9%          |                                 |
| Corporate (expenses) income                 | (6,040)           | N/A                             | 7,250             | N/A           |                                 |
| <b>Subtotal from continuing operations</b>  | <b>45,820</b>     | <b>18.2%</b>                    | <b>38,640</b>     | <b>18.6%</b>  |                                 |

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|                         |           |       |           |       |
|-------------------------|-----------|-------|-----------|-------|
| Discontinued operations | 9,940     | N/A   | (790)     | N/A   |
| Total company           | \$ 55,760 | 22.1% | \$ 37,850 | 18.2% |



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The following table summarizes financial information for our five current reportable segments for the six months ended June 30, 2010 and 2009:

|   | Six Months Ended June 30, |                                 |                   |                                 |
|---|---------------------------|---------------------------------|-------------------|---------------------------------|
|   | 2010                      | As a Percentage<br>of Net Sales | 2009              | As a Percentage<br>of Net Sales |
| (dollars in thousands)                      |                           |                                 |                   |                                 |
| <b>Net Sales:</b>                           |                           |                                 |                   |                                 |
| Packaging                                   | \$ 89,120                 | 18.9%                           | \$ 66,400         | 16.2%                           |
| Energy                                      | 87,640                    | 18.6%                           | 75,260            | 18.4%                           |
| Aerospace & Defense                         | 34,300                    | 7.3%                            | 40,470            | 9.9%                            |
| Engineered Components                       | 42,230                    | 8.9%                            | 33,470            | 8.2%                            |
| Cequent                                     | 218,830                   | 46.4%                           | 193,990           | 47.4%                           |
| <b>Total</b>                                | <b>\$ 472,120</b>         | <b>100.0%</b>                   | <b>\$ 409,590</b> | <b>100.0%</b>                   |
| <b>Gross Profit:</b>                        |                           |                                 |                   |                                 |
| Packaging                                   | \$ 35,800                 | 40.2%                           | \$ 23,350         | 35.2%                           |
| Energy                                      | 23,040                    | 26.3%                           | 18,060            | 24.0%                           |
| Aerospace & Defense                         | 13,280                    | 38.7%                           | 17,680            | 43.7%                           |
| Engineered Components                       | 9,400                     | 22.3%                           | 3,750             | 11.2%                           |
| Cequent                                     | 59,850                    | 27.3%                           | 33,800            | 17.4%                           |
| <b>Total</b>                                | <b>\$ 141,370</b>         | <b>29.9%</b>                    | <b>\$ 96,640</b>  | <b>23.6%</b>                    |
| <b>Selling, General and Administrative:</b> |                           |                                 |                   |                                 |
| Packaging                                   | \$ 9,870                  | 11.1%                           | \$ 9,340          | 14.1%                           |
| Energy                                      | 12,460                    | 14.2%                           | 11,870            | 15.8%                           |
| Aerospace & Defense                         | 5,610                     | 16.4%                           | 4,450             | 11.0%                           |
| Engineered Components                       | 3,650                     | 8.6%                            | 3,010             | 9.0%                            |
| Cequent                                     | 35,600                    | 16.3%                           | 34,240            | 17.7%                           |
| Corporate expenses                          | 11,880                    | N/A                             | 12,260            | N/A                             |
| <b>Total</b>                                | <b>\$ 79,070</b>          | <b>16.7%</b>                    | <b>\$ 75,170</b>  | <b>18.4%</b>                    |
| <b>Operating Profit:</b>                    |                           |                                 |                   |                                 |
| Packaging                                   | \$ 25,340                 | 28.4%                           | \$ 14,230         | 21.4%                           |
| Energy                                      | 10,530                    | 12.0%                           | 6,180             | 8.2%                            |
| Aerospace & Defense                         | 7,670                     | 22.4%                           | 13,220            | 32.7%                           |
| Engineered Components                       | 5,740                     | 13.6%                           | 720               | 2.2%                            |
| Cequent                                     | 24,170                    | 11.0%                           | (460)             | (0.2)%                          |
| Corporate expenses                          | (11,880)                  | N/A                             | (12,260)          | N/A                             |
| <b>Total</b>                                | <b>\$ 61,570</b>          | <b>13.0%</b>                    | <b>\$ 21,630</b>  | <b>5.3%</b>                     |
| <b>Adjusted EBITDA:</b>                     |                           |                                 |                   |                                 |
| Packaging                                   | \$ 31,340                 | 35.2%                           | \$ 20,220         | 30.5%                           |
| Energy                                      | 11,920                    | 13.6%                           | 7,780             | 10.3%                           |
| Aerospace & Defense                         | 9,010                     | 26.3%                           | 14,420            | 35.6%                           |
| Engineered Components                       | 7,650                     | 18.1%                           | 2,260             | 6.8%                            |
| Cequent                                     | 31,970                    | 14.6%                           | 9,500             | 4.9%                            |
| Corporate (expenses) income                 | (11,940)                  | N/A                             | 14,880            | N/A                             |
| <b>Subtotal from continuing operations</b>  | <b>79,950</b>             | <b>16.9%</b>                    | <b>69,060</b>     | <b>16.9%</b>                    |
| <b>Discontinued operations</b>              | <b>9,610</b>              | <b>N/A</b>                      | <b>(12,580)</b>   | <b>N/A</b>                      |

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|               |           |       |           |       |
|---------------|-----------|-------|-----------|-------|
| Total company | \$ 89,560 | 19.0% | \$ 56,480 | 13.8% |
|---------------|-----------|-------|-----------|-------|

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*Results of Operations*

The principal factors impacting us during the three months ended June 30, 2010 compared with the three months ended June 30, 2009, were:

the impact of an upturn in economic conditions in the second quarter of 2010 as compared to the global economic recession in the second quarter of 2009, contributing to increased net sales in four of our five reportable segments;

costs incurred and savings realized related to our Profit Improvement Plan, primarily in our Packaging and Cequent segments;

decreases in the value of the U.S. dollar as compared to the currencies in certain other countries where we operate, primarily in Australia; and

gains on extinguishment of debt in the second quarter of 2009 resulting from the repurchase of our 9<sup>7/8</sup>% senior subordinated notes at prices below their face value.

**Three Months Ended June 30, 2010 Compared with Three Months Ended June 30, 2009**

Overall, net sales increased approximately \$44.2 million, or approximately 21.3%, to \$252.1 million for the three months ended June 30, 2010, as compared with \$207.9 million in the three months ended June 30, 2009. During the second quarter of 2010, net sales increased in each of our five reportable segments except Aerospace & Defense, generally due to higher sales volumes resulting from the upturn in economic conditions as compared to the global economic recession we experienced in the second quarter of 2009. In addition, net sales were favorably impacted by approximately \$2.4 million as a result of currency exchange, as our reported results in U.S. dollars were positively impacted by stronger foreign currencies, primarily in Australia.

Gross profit margin (gross profit as a percentage of sales) approximated 31.1% and 24.1% for the three months ended June 30, 2010 and 2009, respectively. The increase in profit margin is attributed primarily to operating leverage associated with the higher sales levels and reduced cost structure and the realization of savings resulting from our cost reduction and alternate sourcing initiatives implemented in connection with our Profit Improvement Plan, with the largest impact experienced in our Packaging, Engineered Components and Cequent segments.

Operating profit margin (operating profit as a percentage of sales) approximated 14.5% and 7.9% for the three months ended June 30, 2010 and 2009, respectively. Operating profit increased approximately \$20.1 million, or 122.3%, to \$36.5 million for the three months ended June 30, 2010, from \$16.4 million for the three months ended June 30, 2009, primarily as a result of higher sales volumes, higher gross profits resulting from savings realized in connection with our Profit Improvement Plan, which were partially offset by increased selling, general and administrative expenses in support of our increased sales levels and growth initiatives.

Adjusted EBITDA margin from continuing operations (Adjusted EBITDA as a percentage of sales) approximated 18.2% and 18.6% for the three months ended June 30, 2010 and 2009, respectively. Adjusted EBITDA increased approximately \$7.2 million for the three months ended June 30, 2010, as compared to the three months ended June 30, 2009. After consideration of the \$12.2 million gross gain on extinguishment of debt in the second quarter of 2009 that did not recur in 2010, \$0.3 million of costs incurred in connection with our receivables facility in the second quarter of 2009 that were included in other, net while the \$0.3 million of costs incurred in the second quarter of 2010 in connection with the facility are included in interest expense and a decrease in year-over-year depreciation expense of approximately \$1.2 million, the change in Adjusted EBITDA is consistent with the change in operating profit between years.

See below for a discussion of operating results by segment.

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**Packaging.** Net sales increased approximately \$9.4 million, or 25.9%, to \$45.5 million in the three months ended June 30, 2010, as compared to \$36.1 million in the three months ended June 30, 2009. Overall, sales of our specialty dispensing products and new product introductions increased by approximately \$4.1 million in the three months ended June 30, 2010 compared to the three months ended June 30, 2009, due primarily to increased sales into the personal care markets, pharmaceuticals and the food industries. Sales of our industrial closures, rings and levers increased by approximately \$5.8 million in the three months ended June 30, 2010 compared to the three months ended June 30, 2009, primarily as a result of the continued moderate general economic recovery. Sales decreased by approximately \$0.6 million due to unfavorable currency exchange, as our reported results in U.S. dollars were negatively impacted as a result of the stronger U.S. dollar relative to foreign currencies.

Packaging's gross profit increased approximately \$5.6 million to \$18.9 million, or 41.5% of sales, in the three months ended June 30, 2010, as compared to \$13.3 million, or 36.7% of sales, in the three months ended June 30, 2009. Of the increase in gross profit, approximately \$3.6 million relates to the increase in sales volumes between years, which was partially offset by unfavorable currency exchange, which decreased gross profit by approximately \$0.2 million. The remaining \$2.2 million increase in gross profit is a result of the Profit Improvement Plan initiatives implemented in 2009 and through June 30, 2010, which includes productivity projects for alternative sourcing of certain production materials and improved internal processing, driving throughput and efficiency.

Packaging's selling, general and administrative expenses increased approximately \$0.5 million to \$5.1 million, or 11.1% of sales, in the three months ended June 30, 2010, as compared to \$4.6 million, or 12.7% of sales, in the three months ended June 30, 2009. While the spending levels increased slightly in support of our growth initiatives, this segment was able to significantly reduce selling, general and administrative expenses as a percentage of sales due to its fixed cost reductions implemented throughout 2009.

Packaging's operating profit increased approximately \$4.7 million to \$13.5 million, or 29.6% of sales, in the three months ended June 30, 2010, as compared to \$8.8 million, or 24.4% of sales, in three months ended June 30, 2009. The increase in operating profit between years is primarily attributed to increased sales volume and implemented projects associated with our Profit Improvement Plan, which were partially offset by an increase in selling, general and administrative expenses and unfavorable currency exchange.

Packaging's Adjusted EBITDA increased approximately \$4.8 million to \$16.4 million, or 36.1% of sales, in the three months ended June 30, 2010, as compared to \$11.6 million, or 32.0% of sales, in the three months ended June 30, 2009, consistent with the change in operating profit between years.

**Energy.** Net sales for the three months ended June 30, 2010 increased approximately \$8.8 million, or 25.0%, to \$43.8 million, as compared to \$35.0 million in the three months ended June 30, 2009. Sales of specialty gaskets and related fastening hardware increased approximately \$4.0 million. Of this increase, approximately \$0.6 million relates to sales generated by our new Salt Lake City, UT and Rotterdam, the Netherlands, branch facilities. The remainder of the increase is primarily due to increased levels of turn-around activity at refineries and petrochemical plants and increased sales demand from the chemical industry, as customers have begun to perform maintenance work and new programs deferred from 2009 that require our replacement and specialty gaskets and hardware. Sales within our engine business increased by approximately \$4.8 million. Sales of our engine and engine parts increased approximately \$3.6 million due to increased drilling activity as compared with the second quarter of 2009, which was a historically low sales period based on low drilling activity and deferring completion of previously drilled wells. Sales of our gas compression and processing and meter run equipment increased by approximately \$1.2 million as we continue to introduce new products to add to our well-site content.

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Gross profit within Energy increased approximately \$3.4 million to \$11.5 million, or 26.2% of sales, in the three months ended June 30, 2010, as compared to \$8.1 million, or 23.1% of sales, in the three months ended June 30, 2009. Gross profit increased approximately \$2.0 million as a result of the increase in sales levels between years. The remaining increase in gross profit is primarily attributable to higher margins earned resulting from our management actions in 2009 to lower our fixed cost structure and improve production efficiencies, primarily in our engine business, and increased material margins resulting from successful negotiations with our overseas vendors to reduce the purchase price of certain commodities and inbound freight rates.

Selling, general and administrative expenses within Energy increased approximately \$0.7 million to \$6.1 million, or 13.9% of sales, in the three months ended June 30, 2010, as compared to \$5.4 million, or 15.5% of sales, in the three months ended June 30, 2009, as selling, general and administrative expenses increased slightly in support of our growth initiatives in both businesses in this segment. However, selling, general and administrative expenses decreased as a percentage of sales due to its fixed cost reductions implemented throughout 2009.

Overall, operating profit within Energy increased approximately \$2.7 million to \$5.4 million, or 12.2% of sales, in the three months ended June 30, 2010, as compared to \$2.7 million, or 7.6% of sales, in the three months ended June 30, 2009, due principally to the leverage gained by higher sales volumes, higher margins earned due to the lower cost structure, further productivity efficiencies and increased material margins due to successful negotiation with suppliers, which were partially offset by slightly higher selling, general and administrative expenses in support of our growth initiatives.

Energy's Adjusted EBITDA increased \$2.5 million to \$6.0 million, or 13.8% of sales, in the three months ended June 30, 2010, as compared to \$3.5 million, or 10.0% of sales, in the three months ended June 30, 2009, consistent with the increase in operating profit between years.

***Aerospace & Defense.*** Net sales for the three months ended June 30, 2010 decreased approximately \$1.1 million, or 5.7%, to \$17.2 million, as compared to \$18.3 million in the three months ended June 30, 2009. Sales in our aerospace business decreased approximately \$3.4 million, primarily due a decrease of approximately \$2 million in titanium screw sales, for which we had a significant launch order in the second quarter of 2009 that did not recur in 2010. In addition, our aerospace business experienced continued lower demand from distribution customers as they continue to sell-off their existing inventory and remain cautious in reorder activity. Sales in our defense business increased approximately \$2.3 million, as an increase in revenue primarily associated with managing the relocation and closure of the defense facility of approximately \$4.0 million more than offset the fact that we did not sell any cartridge cases or provide related maintenance in the second quarter of 2010 due to the relocation of the defense facility, as compared to approximately \$1.7 million of cartridge case sales with related maintenance activity in the second quarter of 2009.

Gross profit within Aerospace & Defense decreased approximately \$2.4 million to \$6.1 million, or 35.7% of sales, in the three months ended June 30, 2010, from \$8.5 million, or 47.0% of sales, in the three months ended June 30, 2009. Of this decrease, approximately \$0.5 million is due to the decline in sales levels between years. The remainder of the decrease primarily relates to unfavorable absorption of fixed costs resulting from the decline in sales volumes in our aerospace business.

Selling, general and administrative expenses increased approximately \$0.2 million to \$2.3 million, or 13.5% of sales, in the three months ended June 30, 2010, as compared to \$2.1 million, or 11.9% of sales, in the three months ended June 30, 2009 as this segment held its selling, general and administrative spending essentially flat due to the decline in sales levels.

Operating profit within Aerospace & Defense decreased approximately \$2.6 million to \$3.8 million, or 22.1% of sales, in the three months ended June 30, 2010, as compared to \$6.4 million, or 35.1% of sales, in the three months ended June 30, 2009, primarily due to lower sales volumes and unfavorable absorption of fixed costs associated with the lower sales volumes.

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Aerospace & Defense's Adjusted EBITDA decreased approximately \$2.5 million to \$4.5 million, or 26.1% of sales, in the three months ended June 30, 2010, as compared to \$7.0 million, or 38.4% of sales, in the three months ended June 30, 2009, consistent with the decrease in operating profit between years.

**Engineered Components.** Net sales for the three months ended June 30, 2010 increased approximately \$8.4 million, or 56.3%, to \$23.3 million, as compared to \$14.9 million in the three months ended June 30, 2009. Sales within our specialty fittings business increased by approximately \$3.2 million, as our new product offerings for automotive fuel systems increased by approximately \$1.3 million and sales of our core tube nut products increased by approximately \$1.9 million as a result of the recent economic upturn. Sales in our precision tool cutting businesses increased by approximately \$1.4 million, primarily as a result of the upturn in the domestic economy and market share gains in our countersink product line. Sales in our industrial cylinder business increased by approximately \$3.8 million, primarily due to general improvement in the industrial markets. In addition, our cylinder business launched new products during 2010 related to cellular telephone tower and breathing air applications that yielded approximately \$1.3 million of sales in the second quarter of 2010.

Gross profit within Engineered Components increased approximately \$4.4 million to \$5.9 million, or 25.3% of sales, in the three months ended June 30, 2010, from \$1.5 million, or 10.4% of sales, in the three months ended June 30, 2009, as all of the businesses in this segment improved their gross profit dollars and margin as compared to 2009. Gross profit increased approximately \$0.9 million as a result of the increase in sales levels between years. The majority of the increase year-over-year in gross profit is a result of the cost reduction and internal productivity efforts implemented in 2009 in response to the economic slowdown, which the Company is now benefitting from the lower fixed cost structure and efficiencies gained from the productivity initiatives. In addition, Engineered Components experienced higher costs in the second quarter of 2009 due to the impact of lower absorption of fixed costs resulting from lower production and/or sales levels in all three businesses and our industrial cylinder business' sale of higher-cost inventory in excess of their ability to secure price increases.

Selling, general and administrative expenses increased approximately \$0.8 million to \$2.0 million, or 8.4% of sales, in the three months ended June 30, 2010, as compared to \$1.2 million, or 8.0% of sales, in the three months ended June 30, 2009, primarily as a result of increased sales and promotional spending in support of our sales growth projects and due to legal and diligence fees and expenses associated with Norris Cylinder's asset acquisition in June 2010.

Operating profit within Engineered Components increased \$3.6 million to approximately \$3.9 million, or 16.9% of sales, in the three months ended June 30, 2010, as compared to operating profit of \$0.3 million, or 2.3% of sales, in the three months ended June 30, 2009, primarily due to the benefit of cost reductions and productivity initiatives implemented in 2009 and improved absorption and production efficiencies realized, which were partially offset by higher selling, general and administrative expenses.

Engineered Components' Adjusted EBITDA increased \$3.9 million to \$5.1 million, or 21.8% of sales, in the three months ended June 30, 2010, as compared to \$1.2 million, or 7.6% of sales, in the three months ended June 30, 2009, consistent with the increase in operating profit between years after consideration of the \$0.4 million bargain purchase gain recognized in the second quarter of 2010 on Norris Cylinder's asset acquisition.

**Cequent.** Net sales increased approximately \$18.7 million to \$122.2 million in the three months ended June 30, 2010, as compared to \$103.5 million in the three months ended June 30, 2009. Net sales were favorably impacted by approximately \$2.7 million of currency exchange, as our reported results in U.S. dollars were positively impacted as a result of the weaker U.S. dollar relative to foreign currencies. Sales within our performance products business (includes the legacy towing, trailering and electrical businesses) increased by \$12.3 million, due to demand increases in significantly all of the

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markets that this business serves, resulting from the upturn in the domestic economy, with the largest impact with our automotive original equipment customers. In addition, our performance products business benefitted in the second quarter of 2010 from new product introductions in both our original equipment manufacturer and aftermarket businesses and market share gains in our aftermarket business. Sales in our retail business increased \$1.5 million, due to the continued impact of new customers added during 2009. In addition, increased demand from our customers resulting from the general economic recovery was greater than our ability to fill orders due to constraints in the supply of our foreign-sourced products. We expect the majority of these orders will be filled in the third quarter of 2010, with limited lost sales. After considering the impact of currency exchange, sales in our Australia/Asia Pacific business increased approximately \$2.2 million, due primarily to continued higher original equipment manufacturer and aftermarket sales due to continued high consumer confidence and demand levels in the region, and continued market share gains.

Cequent's gross profit increased approximately \$17.2 million to \$35.9 million, or 29.4% of sales, in the three months ended June 30, 2010, from approximately \$18.7 million, or 18.1% of sales, in the three months ended June 30, 2009. Of this increase, approximately \$2.5 million is due to the increased sales volumes between periods and \$0.9 million is due to favorable currency exchange. The most significant reason for the increase is our cost reduction efforts implemented throughout 2009 as a part of our Profit Improvement Plan to resize the business and its fixed cost structure to recent demand levels, to identify alternate lower-cost foreign-sourced suppliers and to implement productivity initiatives to increase manufacturing efficiencies. The largest item within the Profit Improvement Plan was the closure of the Mosinee, WI manufacturing facility, which was completed in the fourth quarter of 2009. Cequent incurred approximately \$2.0 million of costs impacting gross profit in the second quarter of 2009 to implement these actions, for which the benefit was realized in the second quarter of 2010, with no significant additional implementation costs incurred in 2010. These actions allowed for margin expansion in 2010 as Cequent was able to run at higher production levels to meet the increased consumer demand without additional significant fixed costs.

Selling, general and administrative expenses increased approximately \$4.0 million to \$19.8 million, or 16.2% of sales, in the three months ended June 30, 2010, as compared to \$15.8 million, or 15.3% of sales, in the three months ended June 30, 2009, primarily as a result of new sales promotions and other costs previously deferred that support our sales growth initiatives and higher sales levels in the second quarter of 2010.

Cequent's operating profit increased approximately \$13.2 million to approximately \$16.1 million, or 13.1% of sales, in the three months ended June 30, 2010 as compared to \$2.9 million, or 2.8% of net sales, in the three months ended June 30, 2009. The increase in operating profit is due primarily to the cost reductions, alternate sourcing arrangements and productivity initiatives that have been implemented as part of the Profit Improvement Plan, for which savings are being realized in the second quarter of 2010, approximately \$2.1 million of costs incurred in the second quarter of 2009 to implement such actions that did not recur in 2010, which were partially offset by increased selling, general and administrative expenses in support of the higher revenue levels and our sales growth initiatives.

Cequent's Adjusted EBITDA increased approximately \$11.7 million to \$19.9 million, or 16.2% of sales, for the three months ended June 30, 2010, from \$8.2 million, or 7.9% of sales, for the three months ended June 30, 2009. After consideration of approximately \$1.2 million of lower depreciation expense in the three months ended June 30, 2010 compared with the three months ended June 30, 2009, due primarily to the closure of the Mosinee, WI facility, the change in Adjusted EBITDA is consistent with the increase in operating profit between years.

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**Corporate Expenses (Income).** Corporate expenses (income) included in operating profit and Adjusted EBITDA consist of the following:

|   | <b>Three months<br/>ended<br/>June 30,</b> |             |
|---|--|-------------|
|   | <b>2010</b>                                | <b>2009</b> |
|   | <b>(in millions)</b>                       |             |
| Corporate operating expenses                  | \$ 2.2                                     | \$ 2.6      |
| Employee costs and related benefits           | 3.9  | 2.1         |
| <br>  |  |             |
| Corporate expenses operating profit           | \$ 6.1                                     | \$ 4.7      |
| Receivables sales and securitization expenses |  | 0.4         |
| Gain on extinguishment of debt                |  | (12.3)      |
| Depreciation                                  | (0.1)                                      | (0.1)       |
| <br>  |  |             |
| Corporate expenses (income) Adjusted EBITDA   | \$ 6.0                                     | \$ (7.3)    |

Corporate expenses included in operating profit increased approximately \$1.4 million to \$6.1 million for the three months ended June 30, 2010, from \$4.7 million for the three months ended June 30, 2009. The increase between years is primarily attributed to increased short and long-term incentive equity and cash compensation expense in the second quarter of 2010 as compared to the second quarter of 2009, which was partially offset by a decrease in overall all discretionary spending levels during the second quarter of 2010 as compared to the second quarter of 2009. Receivables sales and securitization expenses decreased by approximately \$0.4 million for the three months ended June 30, 2010 compared with the three months ended June 30, 2009, as new accounting guidance effective in the first quarter of 2010 requires that we account for the facility similar to our credit facility debt, where amounts outstanding under the facility are classified on the balance sheet as debt and costs incurred under the facility are classified as interest expense on the statement of operations. In addition, during the second quarter of 2009, we retired approximately \$31.4 million face value of our senior subordinated notes, resulting in a net gain of approximately \$11.8 million after considering non-cash debt extinguishment costs of \$0.5 million.

**Interest Expense.** Interest expense increased approximately \$1.8 million, to \$13.1 million, for the three months ended June 30, 2010, as compared to \$11.3 million for the three months ended June 30, 2009. The increase is primarily attributable to an unfavorable change in the fair value of our interest rate swaps of \$0.3 million during the second quarter of 2010, \$0.3 million of aggregate costs incurred under the receivables facility as of June 30, 2010, previously recorded in other expense, net and an increase in our effective weighted-average interest rate on variable rate U.S. borrowings to approximately 5.6% during the second quarter of 2010, from approximately 3.9% during the second quarter of 2009. These increases were partially offset by a decrease in our weighted-average variable-rate U.S. borrowings to approximately \$275.0 million in the three months ended June 30, 2010 from approximately \$328.9 million in the three months ended June 30, 2009. In addition, we recorded approximately \$0.7 million of lower interest expense due to the decrease in our weighted average face value of our senior subordinated notes outstanding of approximately \$290.7 million during the second quarter of 2009 as compared to the weighted average face value of our senior secured notes of approximately \$254.6 million during the second quarter of 2010.

**Other Expense, Net.** Other expense, net decreased approximately \$0.3 million, to \$0.5 million for the three months ended June, 2010, as compared to \$0.8 million for the three months ended June 30, 2009. In the second quarter of 2010, we incurred approximately \$0.5 million of losses on transactions denominated in foreign currencies. In the second quarter of 2009, we recognized approximately \$0.4 million in losses on transactions denominated in foreign currencies and incurred \$0.3 million of expenses in connection with the use of our receivables facility. There were no other individually



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significant amounts incurred or changes in amounts incurred in either of the three month periods ended June 30, 2010 and 2009.

**Income Taxes.** The effective income tax rates for the three months ended June 30, 2010 and 2009 were 35% and 39%, respectively. The lower effective tax rate in the three months ended June 30, 2010 compared to the three months ended June 30, 2009 is primarily related to the estimated higher percentage of foreign income, generally subject to a lower tax rate, compared to domestic income, which is generally subject to a higher tax rate. Additionally, during the second quarter of 2010, we incurred a tax charge of approximately \$0.4 million due to the impact of certain U.S. tax legislation that expired in the first quarter of 2010.

**Discontinued Operations.** The results of discontinued operations consist of our medical device line of business, which was sold in May 2010, our property management line of business, which was sold in April 2010 and our specialty laminates, jacketings and insulation tapes line of business, which was sold in February 2009. Income from discontinued operations, net of income tax expense, was \$6.2 million for the three months ended June 30, 2010, as compared to loss from discontinued operations, net of income tax benefit, of \$0.8 million for the three months ended June 30, 2009. See Note 2, "Discontinued Operations and Assets Held for Sale," to our consolidated financial statements included in Part I, Item 1 of this report on Form 10-Q.

**Six Months Ended June 30, 2010 Compared with Six Months Ended June 30, 2009**

Overall, net sales increased approximately \$62.5 million, or approximately 15.3%, to \$472.1 million for the six months ended June 30, 2010, as compared with \$409.6 million in the six months ended June 30, 2009. During the first half of 2010, net sales increased in each of our five reportable segments except Aerospace & Defense, generally due to higher sales volumes resulting from the upturn in economic conditions as compared to the global economic recession we experienced in the first half of 2009. In addition, net sales were favorably impacted by approximately \$9.0 million as a result of currency exchange, as our reported results in U.S. dollars were positively impacted by stronger foreign currencies, primarily in Australia.

Gross profit margin (gross profit as a percentage of sales) approximated 29.9% and 23.6% for the six months ended June 30, 2010 and 2009, respectively. The increase in profit margin is attributed primarily to operating leverage associated with the higher sales levels and reduced cost structure and the realization of savings resulting from our cost reduction and alternate sourcing initiatives implemented in connection with our Profit Improvement Plan, with the largest impact experienced in our Packaging, Engineered Components and Cequent segments.

Operating profit margin (operating profit as a percentage of sales) approximated 13.0% and 5.3% for the six months ended June 30, 2010 and 2009, respectively. Operating profit increased approximately \$39.9 million, or 184.7%, to \$61.5 million for the six months ended June 30, 2010, from \$21.6 million for the six months ended June 30, 2009, primarily as a result of higher sales volumes, higher gross profits resulting from savings realized in connection with our Profit Improvement Plan, which were partially offset by increased selling, general and administrative expenses in support of our increased sales levels and growth initiatives.

Adjusted EBITDA margin from continuing operations (Adjusted EBITDA as a percentage of sales) approximated 16.9% for each of the six month periods ended June 30, 2010 and 2009. Adjusted EBITDA increased approximately \$10.9 million for the six months ended June 30, 2010, as compared to the six months ended June 30, 2009. After consideration of the \$28.1 million gross gain on extinguishment of debt in the first half of 2009 that did not recur in 2010, \$1.0 million of costs incurred in connection with our receivables facility in the first half of 2009 that were included in other, net while the \$0.6 million of costs incurred in the first half of 2010 in connection with the facility are included in

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interest expense and a decrease in year-over-year depreciation expense of approximately \$1.7 million, the change in Adjusted EBITDA is consistent with the change in operating profit between years.

See below for a discussion of operating results by segment.

**Packaging.** Net sales increased approximately \$22.7 million, or 34.2%, to \$89.1 million in the six months ended June 30, 2010, as compared to \$66.4 million in the six months ended June 30, 2009. Sales of our specialty dispensing products and new product introductions increased by approximately \$11.0 million in the six months ended June 30, 2010 compared to the six months ended June 30, 2009, due primarily to increased sales into the personal care markets, pharmaceuticals and the food industries. Sales of our industrial closures, rings and levers increased by approximately \$11.0 million in the six months ended June 30, 2010 compared to the six months ended June 30, 2009, primarily as a result of the continued moderate general economic recovery. In addition, sales increased approximately \$0.7 million due to currency exchange, as our reported results in U.S. dollars were positively impacted as a result of the weaker U.S. dollar relative to foreign currencies.

Packaging's gross profit increased approximately \$12.5 million to \$35.8 million, or 40.2% of sales, in the six months ended June 30, 2010, as compared to \$23.3 million, or 35.2% of sales, in the six months ended June 30, 2009. Of the increase in gross profit, approximately \$7.6 million relates to the increase in sales volumes between years. In addition, approximately \$0.4 million is as a result of favorable currency exchange. The remaining \$4.5 million increase in gross profit is a result of the Profit Improvement Plan initiatives implemented in 2009 and through June 30, 2010, which includes productivity projects for alternative sourcing of certain production materials and improved internal processing, driving throughput and efficiency.

Packaging's selling, general and administrative expenses increased approximately \$0.6 million to \$9.9 million, or 11.1% of sales, in the six months ended June 30, 2010, as compared to \$9.3 million, or 14.1% of sales, in the six months ended June 30, 2009. While the spending levels increased slightly in support of our growth initiatives, this segment was able to significantly reduce selling, general and administrative expenses as a percentage of sales due to its fixed cost reductions implemented throughout 2009.

Packaging's operating profit increased approximately \$11.1 million to \$25.3 million, or 28.4% of sales, in the six months ended June 30, 2010, as compared to \$14.2 million, or 21.4% of sales, in six months ended June 30, 2009. The increase in operating profit between years is primarily attributed to increased sales volumes, implemented projects associated with our Profit Improvement Plan and favorable currency exchange, which were partially offset by a slight increase in selling, general and administrative expenses.

Packaging's Adjusted EBITDA increased approximately \$11.1 million to \$31.3 million, or 35.2% of sales, in the six months ended June 30, 2010, as compared to \$20.2 million, or 30.5% of sales, in the six months ended June 30, 2009, consistent with the change in operating profit between years.

**Energy.** Net sales for the six months ended June 30, 2010 increased approximately \$12.4 million, or 16.4%, to \$87.6 million, as compared to \$75.2 million in the six months ended June 30, 2009. Sales of specialty gaskets and related fastening hardware increased approximately \$7.3 million. Of this increase, approximately \$1.8 million relates to sales generated by our new Salt Lake City, UT and Rotterdam, the Netherlands, branch facilities. The remainder of the increase is primarily as a result of increased levels of turn-around activity at petrochemical refineries and increased sales demand from the chemical industry, as customers have begun to perform maintenance work and new programs deferred from 2009 that require our replacement and specialty gaskets and hardware. Sales within our engine business increased by approximately \$5.1 million. Sales of our engine and engine parts increased approximately \$2.9 million due to increased drilling activity as compared with the first half of 2009 and expansion of engine sales into international markets. Sales of our gas compression and processing and

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meter run equipment increased by approximately \$2.2 million as we continue to introduce new products to add to our well-site content.

Gross profit within Energy increased approximately \$5.0 million to \$23.0 million, or 26.3% of sales, in the six months ended June 30, 2010, as compared to \$18.0 million, or 24.0% of sales, in the six months ended June 30, 2009. Gross profit increased approximately \$3.0 million as a result of the increase in sales levels between years. The remaining increase in gross profit is primarily attributable to higher margins earned resulting from our management actions in 2009 to lower our fixed cost structure and improve production efficiencies, primarily in our engine business, and increased material margins resulting from successful negotiations with our overseas vendors to reduce the purchase price of certain commodities and inbound freight rates.

Selling, general and administrative expenses within Energy increased approximately \$0.6 million to \$12.5 million, or 14.2% of sales, in the six months ended June 30, 2010, as compared to \$11.9 million, or 15.8% of sales, in the six months ended June 30, 2009 as selling, general and administrative expenses increased slightly in support of our growth initiatives in both businesses in this segment. However, selling, general and administrative expenses decreased as a percentage of sales due to its fixed cost reductions implemented throughout 2009.

Overall, operating profit within Energy increased approximately \$4.4 million to \$10.5 million, or 12.0% of sales, in the six months ended June 30, 2010, as compared to \$6.1 million, or 8.2% of sales, in the six months ended June 30, 2009, due principally to the leverage gained by higher sales volumes, higher margins earned due to the lower cost structure, further productivity efficiencies and increased material margins due to successful negotiation with suppliers, which were partially offset by slightly higher selling, general and administrative expenses in support of our growth initiatives.

Energy's Adjusted EBITDA increased \$4.1 million to \$11.9 million, or 13.6% of sales, in the six months ended June 30, 2010, as compared to \$7.8 million, or 10.3% of sales, in the six months ended June 30, 2009, consistent with the increase in operating profit between years after consideration of approximately \$0.1 million of losses on transactions denominated in foreign currencies in the six months ended June 30, 2010 as compared to \$0.1 million of gains on transactions denominated in foreign currencies in the six months ended June 30, 2009.

***Aerospace & Defense.*** Net sales for the six months ended June 30, 2010 decreased approximately \$6.2 million, or 15.2%, to \$34.3 million, as compared to \$40.5 million in the six months ended June 30, 2009. Sales in our aerospace business decreased approximately \$7.6 million, primarily due continued lower demand from distribution customers as they continue to sell-off their existing inventory and remain cautious in reorder activity. In addition, we had a launch order of approximately \$2 million for new products in the second quarter of 2009 that did not recur in 2010. Sales in our defense business increased approximately \$1.4 million, as an increase in revenue primarily associated with managing the relocation and closure of the defense facility of approximately \$6.3 million more than offset the fact that we did not sell any cartridge cases and provided less related maintenance in the first half of 2010 due to the relocation of the defense facility, as compared to approximately \$4.9 million of cartridge case sales with related maintenance activity in the first half of 2009.

Gross profit within Aerospace & Defense decreased approximately \$4.4 million to \$13.3 million, or 38.7% of sales, in the six months ended June 30, 2010, from \$17.7 million, or 43.7% of sales, in the six months ended June 30, 2009. Of this decrease, approximately \$2.7 million is due to the decline in sales levels between years. In addition, although our aerospace business experienced a more favorable product sales mix and slightly better material margins due to cost reductions in the second quarter of 2010 as compared to the second quarter of 2009, this impact was more than offset by unfavorable absorption of fixed costs resulting from the decline in sales volumes.

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Selling, general and administrative expenses increased approximately \$1.2 million to \$5.6 million, or 16.4% of sales, in the six months ended June 30, 2010, as compared to \$4.4 million, or 11.0% of sales, in the six months ended June 30, 2009 due primarily to increased attorney and legal fee costs within our defense business.

Operating profit within Aerospace & Defense decreased approximately \$5.5 million to \$7.7 million, or 22.4% of sales, in the six months ended June 30, 2010, as compared to \$13.2 million, or 32.7% of sales, in the six months ended June 30, 2009, primarily due to lower sales volumes and absorption of fixed costs in our aerospace business and higher selling, general and administrative expenses in our defense business due to attorney and legal fees.

Aerospace & Defense's Adjusted EBITDA decreased approximately \$5.4 million to \$9.0 million, or 26.3% of sales, in the six months ended June 30, 2010, as compared to \$14.4 million, or 35.6% of sales, in the six months ended June 30, 2009, consistent with the decrease in operating profit between years.

**Engineered Components.** Net sales for the six months ended June 30, 2010 increased approximately \$8.8 million, or 26.2%, to \$42.2 million, as compared to \$33.4 million in the six months ended June 30, 2009. Sales within our specialty fittings business increased by approximately \$6.2 million, as our new product offerings for automotive fuel systems increased by approximately \$3.2 million and sales of our core tube nut products increased by approximately \$3.0 million as a result of the recent economic upturn. Sales in our precision tool cutting businesses increased by approximately \$2.3 million, primarily as a result of the upturn in the domestic economy and market share gains in our countersink product line. Sales in our industrial cylinder business increased by approximately \$0.3 million, primarily due to sales of approximately \$1.6 million related to new product introductions for cellular phone tower and breathing air applications, which was mostly offset by lower orders by two of its significant customers during the first half of 2010 as compared to the first half of 2009 due to higher inventory levels, and lower overall order activity, as the recent upturn in the economy did not begin to manifest itself in additional sales in this business until the second quarter of 2010.

Gross profit within Engineered Components increased approximately \$5.7 million to \$9.4 million, or 22.3% of sales, in the six months ended June 30, 2010, from \$3.7 million, or 11.2% of sales, in the six months ended June 30, 2009, as all of the businesses in this segment improved their gross profit dollars and margin as compared to 2009. Gross profit increased approximately \$1.0 million as a result of the increase in sales levels between years. The majority of the increase year-over-year in gross profit is a result of the cost reduction and internal productivity efforts implemented in 2009 and first half of 2010 in response to the economic slowdown, which the Company is now benefitting from the lower fixed cost structure and efficiencies gained from the productivity initiatives. In addition, Engineered Components experienced higher costs in the first half of 2009 due to the impact of lower absorption of fixed costs resulting from lower production and/or sales levels in all six businesses and our industrial cylinder business' sale of higher-cost inventory in excess of their ability to secure price increases.

Selling, general and administrative expenses increased approximately \$0.6 million to \$3.6 million, or 8.6% of sales, in the six months ended June 30, 2010, as compared to \$3.0 million, or 9.0% of sales, in the six months ended June 30, 2009, primarily as a result of increased sales and promotional spending in support of our sales growth projects and due to legal and diligence fees and expenses associated with Norris Cylinder's asset acquisition in June 2010. However, despite the increase in expenses, this segment was able to reduce selling, general and administrative expenses as a percentage of sales, primarily due to cost reduction efforts implemented in 2009.

Operating profit within Engineered Components increased \$5.0 million to approximately \$5.7 million, or 13.6% of sales, in the six months ended June 30, 2010, as compared to operating profit of \$0.7 million, or 2.2% of sales, in the six months ended June 30, 2009, primarily due to the benefit of cost reductions and productivity initiatives implemented in 2009 and improved absorption and

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production efficiencies realized, which were partially offset by higher selling, general and administrative expenses.

Engineered Components' Adjusted EBITDA increased \$5.4 million to \$7.7 million, or 18.1% of sales, in the six months ended June 30, 2010, as compared to \$2.3 million, or 6.8% of sales, in the six months ended June 30, 2009, consistent with the increase in operating profit between years after consideration of the \$0.4 million bargain purchase gain recognized in the second quarter of 2010 on Norris Cylinder's asset acquisition.

**Cequent.** Net sales increased approximately \$24.8 million to \$218.3 million in the six months ended June 30, 2010, as compared to \$194.0 million in the six months ended June 30, 2009. Net sales were favorably impacted by approximately \$7.8 million of currency exchange, as our reported results in U.S. dollars were positively impacted as a result of the weaker U.S. dollar relative to foreign currencies. Sales within our performance products business (includes the legacy towing, trailering and electrical businesses) increased by \$13.4 million, due to demand increases, primarily impacting the second quarter of 2010, in significantly all of the markets that this business serves, resulting from the upturn in the domestic economy, with the largest impact with our automotive original equipment customers. In addition, our performance products business benefitted in the first half of 2010 from new product introductions in both our original equipment manufacturer and aftermarket businesses and market share gains in our aftermarket business. After considering the impact of currency exchange, sales in our Australia/Asia Pacific business increased approximately \$6.3 million, due primarily to continued higher original equipment manufacturer and aftermarket sales resulting from continued consumer confidence following new government stimulus incentives announced during the third quarter of 2009, and further market share gains. Sales in our retail business decreased \$2.7 million, as the continued impact of new customers added in the second half of 2009 and improvement based on the general economic upturn was more than offset by a one-time inventory pipeline fill for new products sold to a significant customer in the first half of 2009 for which there were no similar pipeline fills in the first half of 2010.

Cequent's gross profit increased approximately \$26.1 million to \$59.9 million, or 27.3% of sales, in the six months ended June 30, 2010, from approximately \$33.8 million, or 17.4% of sales, in the six months ended June 30, 2009. Of this increase, approximately \$4.3 million is due to the increased sales volumes between periods and \$2.3 million is due to favorable currency exchange. The most significant reason for the increase is our cost reduction efforts implemented throughout 2009 as a part of our Profit Improvement Plan to resize the business and its fixed cost structure to recent demand levels, to identify alternate lower-cost foreign-sourced suppliers and to implement productivity initiatives to increase manufacturing efficiencies. The largest item within the Profit Improvement Plan was the closure of the Mosinee, WI manufacturing facility, which was completed in the fourth quarter of 2009. Cequent incurred approximately \$2.9 million of costs impacting gross profit in the first quarter of 2009 to implement these actions, for which the benefit was realized in the first quarter of 2010 with no significant additional implementation costs incurred in 2010. These actions allowed for margin expansion in 2010 as Cequent was able to run at higher production levels to meet the increased consumer demand without additional significant fixed costs.

Selling, general and administrative expenses increased approximately \$1.4 million to \$35.6 million, or 16.3% of sales, in the six months ended June 30, 2010, as compared to \$34.2 million, or 17.7% of sales, in the six months ended June 30, 2009. Cequent incurred approximately \$2.5 million of costs incurred associated with implementing the Profit Improvement Plan in the first half of 2009, primarily related to severance charges recorded in connection with the announcement of the closure of the Mosinee, WI facility. The increase of \$3.9 million in selling, general and administrative expenses, after consideration of the 2009 Profit Improvement Plan incremental charges, were primarily as a result of new sales promotions and other costs previously deferred that support our sales growth initiatives and higher sales levels in 2010 as compared to 2009.

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Cequent's operating profit increased approximately \$24.6 million to approximately \$24.2 million, or 11.0% of sales, in the six months ended June 30, 2010, from an operating loss of \$0.4 million, or (0.2)% of net sales, in the six months ended June 30, 2009. The increase in operating profit is due primarily to the cost reductions, alternate sourcing arrangements and productivity initiatives that were implemented as part of the Profit Improvement Plan during 2009, approximately \$5.4 million of costs incurred in the first half of 2009 to implement such actions for which savings are being realized in the first half of 2010 and operating margin expansion resulting from higher sales and production levels with little additional fixed costs.

Cequent's Adjusted EBITDA increased approximately \$22.5 million to \$32.0 million, or 14.6% of sales, for the six months ended June 30, 2010, from \$9.5 million, or 4.9% of sales, for the six months ended June 30, 2009. After consideration of approximately \$1.7 million of lower depreciation expense in the six months ended June 30, 2010 compared with the six months ended June 30, 2009, due primarily to the closure of the Mosinee, WI facility, and \$0.3 million of losses on transactions denominated in foreign currencies in the six months ended June 30, 2010 as compared to \$0.1 million of gains on transactions denominated in foreign currencies in the six months ended June 30, 2009, the change in Adjusted EBITDA is consistent with the increase in operating profit between years.

**Corporate Expenses (Income).** Corporate expenses (income) included in operating profit and Adjusted EBITDA consist of the following:

|   | Six months<br>ended<br>June 30, |           |
|---|---------------------------------|-----------|
|   | 2010                            | 2009      |
|   | (in millions)                   |           |
| Corporate operating expenses                  | \$ 4.8                          | \$ 5.5    |
| Employee costs and related benefits           | 7.1                             | 6.8       |
| Corporate expenses operating profit           | \$ 11.9                         | \$ 12.3   |
| Receivables sales and securitization expenses |                                 | 1.2       |
| Gain on repurchase of bonds                   |                                 | (28.1)    |
| Depreciation                                  | (0.1)                           | (0.1)     |
| Other, net                                    | 0.1                             | (0.2)     |
| Corporate expenses (income) Adjusted EBITDA   | \$ 11.9                         | \$ (14.9) |

Corporate expenses included in operating profit decreased approximately \$0.4 million to \$11.9 million for the six months ended June 30, 2010, from \$12.3 million for the six months ended June 30, 2009. The decrease between years is primarily attributed to the severance arrangement associated with the termination of our former chief executive officer in January 2009 as well as a decrease in overall all discretionary spending levels during the first half 2010 as compared to the second half of 2009, both of which were partially offset by increased short and long-term incentive equity and cash compensation expense in the first half of 2010 as compared to the first half of 2009. Receivables sales and securitization expenses decreased by approximately \$1.2 million for the six months ended June 30, 2010 compared with the six months ended June 30, 2009, as new accounting guidance effective in the first quarter of 2010 requires that we account for the facility similar to our credit facility debt, where amounts outstanding under the facility are classified on the balance sheet as debt and costs incurred under the facility are classified as interest expense on the statement of operations. In addition, we retired approximately \$71.2 million face value of our senior subordinated notes between December 2008 and June 30, 2009, resulting in a net gain of approximately \$27.1 million after considering non-cash debt extinguishment costs of \$0.7 million.

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**Interest Expense.** Interest expense increased approximately \$3.4 million, to \$27.2 million, for the six months ended June 30, 2010, as compared to \$23.8 million for the six months ended June 30, 2009. The increase is primarily attributable to an unfavorable change in the fair value of our interest rate swaps of \$1.8 million during the first half of 2010, \$0.6 million of aggregate costs incurred under the receivables facility as of June 30, 2010, previously recorded in other expense, net and an increase in our effective weighted-average interest rate on variable rate U.S. borrowings to approximately 5.6% during the six months ended June 30, 2010, from approximately 4.0% during the six months ended June 30, 2009. These increases were partially offset by a decrease in our weighted-average U.S. borrowings to approximately \$274.6 million in the six months ended June 30, 2010 from approximately \$318.8 million in the six months ended June 30, 2009. In addition, we recorded approximately \$2.4 million of lower interest expense due to the decrease in our weighted average face value of our senior subordinated notes outstanding of approximately \$295.1 million during the first half of 2009 as compared to the weighted average face value of our senior secured notes of approximately \$254.6 million during the first half of 2010.

**Other Expense, Net.** Other expense, net decreased approximately \$0.5 million, to \$1.0 million for the six months ended June, 2010, as compared to \$1.5 million for the six months ended June 30, 2009. During the first half of 2010, we incurred approximately \$0.9 million of losses on transactions denominated in foreign currencies. During the first half of 2009, we recognized approximately \$0.1 million in losses on transactions denominated in foreign currencies and incurred \$1.0 million of expenses in connection with the use and renewal of our receivables facility. There were no other individually significant amounts incurred or changes in amounts incurred in either of the six month periods ended June 30, 2010 and 2009.

**Income Taxes.** The effective income tax rate for both of the six month periods ended June 30, 2010 and 2009 was 38%. During the first half of 2010, we incurred a tax charge of approximately \$1.4 million related to the impact of certain U.S. tax legislation that expired in the first quarter of 2010. This increase was offset by a lower tax rate due to an estimated higher percentage of foreign income compared to domestic income, which is generally subject to a higher tax rate.

**Discontinued Operations.** The results of discontinued operations consist of our medical device line of business, which was sold in May 2010, our property management line of business, which was sold in April 2010 and our specialty laminates, jacketings and insulation tapes line of business, which was sold in February 2009. Income from discontinued operations, net of income tax expense, was \$5.9 million for the six months ended June 30, 2010, as compared to loss from discontinued operations, net of income tax benefit, of \$9.1 million for the six months ended June 30, 2009. See Note 2, "Discontinued Operations and Assets Held for Sale," to our consolidated financial statements included in Part I, Item 1 of this report on Form 10-Q.

**Liquidity and Capital Resources**

*Cash Flows*

Cash provided by operating activities for the six months ended June 30, 2010 was approximately \$31.4 million, as compared to \$32.2 million for the six months ended June 30, 2009. Significant changes in cash flows provided by operating activities and the reasons for such changes are as follows:

For the six months ended June 30, 2010, the Company generated \$47.4 million of cash, based on the reported net income from operations of \$26.9 million and after considering the effects of non-cash items related to gains/losses on dispositions of property and equipment, bargain purchase gains, depreciation and amortization, changes in deferred taxes and stock compensation. For the six months ended June 30, 2009, the Company generated \$4.3 million in cash flows based on the reported net income from operations of \$5.3 million and after

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considering the effects of non-cash impacts related to gains/losses on dispositions of property and equipment, depreciation, amortization, debt extinguishments and stock compensation.

For the six months ended June 30, 2010, activity related to receivables sales resulted in net proceeds of approximately \$4.4 million. For the six months ended June 30, 2009, activity related to the sale of receivables and use of our receivables facility resulted in a net cash use of approximately \$6.0 million, as we reduced amounts outstanding under the facility relative to December 31, 2008. During the first six months of 2009, we relied primarily on our revolving credit facility as the principal source of funding our working capital requirements and ordinary course needs, as it was our lowest cost source of borrowings.

Increases in accounts receivable resulted in a use of cash of approximately \$47.5 million for the six months ended June 30, 2010, while decreases in accounts receivable resulted in proceeds of cash of approximately \$1.0 million for the six months ended June 30, 2009. The increase in accounts receivable is due primarily to the increase in year-over-year sales. Accounts receivable as of June 30, 2010 and 2009, as a percentage of sales, was approximately 29% of each of the six month periods ended June 30, 2010 and 2009. In addition, our days sales outstanding in receivables were consistent for the periods ended June 30, 2010 and 2009.

For the six months ended June 30, 2010 and 2009, we reduced our investment in inventory consistent with our management strategy to improve inventory turns and to better align inventory levels with end market demand, which resulted in a cash source of approximately \$5.2 million and \$41.3 million, respectively.

For the six months ended June 30, 2010, accounts payable and accrued liabilities resulted in a net source of cash of approximately \$20.2 million, as compared to a net use of cash of \$12.5 million for the six months ended June 30, 2009. The increase in accounts payable and accrued liabilities is primarily a result of increased production levels in the first half of 2010 as compared to the first half of 2009. The increase was partially offset by our improved inventory management, as we continue to optimize inventory levels with changes in end market demand.

Management of prepaid expenses and other assets resulted in a source of cash of approximately \$1.8 million and \$3.9 million for the six months ended June 30, 2010 and 2009, respectively, primarily as a result of ongoing initiatives to reduce the relative level of investment in manufacturing supplies, spare parts and tooling assets.

Net cash used for investing activities for the six months ended June 30, 2010 was approximately \$2.2 million, as compared to net cash provided by investing activities of \$16.0 million for the six months ended June 30, 2009. During the first six months of 2010, our investing activities included approximately \$11.7 million primarily for the asset acquisition within our Norris Cylinder business and approximately \$5.3 million for capital expenditures. The cash used for the asset purchases was partially offset by the sale of our property management line of business, our medical device line of business and other asset dispositions for approximately \$14.7 million. During the first six months of 2009, we generated approximately \$22.4 million of cash from business and asset dispositions, primarily related to the sale of our specialty laminates, jacketings and insulation tapes line of business. We also incurred approximately \$6.4 million in capital expenditures to support our growth initiatives.

Net cash used by financing activities for the six months ended June 30, 2010 was approximately \$14.1 million, as compared to approximately \$46.7 million for the six months ended June 30, 2009. During the first six months of 2010, we decreased amounts outstanding on our revolving credit facilities by approximately \$13.1 million based on our strong operating cash flows. During the first six months of 2009, we used approximately \$35.1 million of available cash to retire \$63.2 million face value of our previous 9<sup>7</sup>/<sub>8</sub>% senior subordinated notes via open market purchases. In addition we decreased amounts



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outstanding on our revolving credit facilities during the first six months of 2009 by approximately \$10.0 million.

*Our Debt and Other Commitments*

During the fourth quarter of 2009, the Company amended and restated its credit facilities. Prior to the amendment and restatement, the credit facilities consisted 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. Under the amended and restated credit facilities, the revolving credit facility was reduced to \$83.0 million, while the supplemental revolving credit facility and term loan facility remained at \$60.0 million and \$252.2 million, respectively (collectively, the Amended and Restated Credit Agreement or "ARCA"). Under the ARCA, the Company extended the maturity of \$70.0 million of its revolving credit facility until December 15, 2013, and the maturity of \$226.3 million of its term loan until December 15, 2015. The maturity date of \$8.0 million of its revolving credit facility and the \$60.0 million deposit-linked supplemental revolving credit facility remained at August 2, 2011, and the maturity date of \$25.9 million of its term loan remained at August 2, 2013. At June 30, 2010, approximately \$250.3 million was outstanding on the term loan and \$0 was outstanding on the revolving credit facilities. Under the ARCA, up to \$25.0 million of our revolving credit facility in the aggregate is available in 2010 to be used for one or more permitted acquisitions subject to certain conditions and other outstanding borrowings and issued letters of credit.

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 coverage ratio (consolidated EBITDA, as defined, over cash interest expense, as defined) and a capital expenditures covenant. The most restrictive of these financial covenants are the leverage ratio and interest expense coverage ratio. Our permitted leverage ratio under the ARCA is 5.25 to 1.00 for April 1, 2010 to June 30, 2010, 5.00 to 1.00 for July 1, 2010 to December 31, 2010, 4.75 to 1.00 for January 1, 2011 to June 30, 2011, 4.50 to 1.00 for July 1, 2011 to September 30, 2011, 4.25 to 1.00 for October 1, 2011 to September 30, 2012, 4.00 to 1.00 for October 1, 2012 to June 30, 2013 and 3.50 to 1.00 from July 1, 2013 and thereafter. Our actual leverage ratio was 3.41 to 1.00 at June 30, 2010. Our permitted interest expense coverage ratio under the ARCA is 2.15 to 1.00 for April 1, 2010 to June 30, 2010, 2.00 to 1.00 for July 1, 2010 to June 30, 2011, 2.25 to 1.00 for July 1, 2011 to June 30, 2012, 2.40 to 1.00 for July 1, 2012 to December 31, 2012, 2.50 to 1.00 for January 1, 2013 to September 30, 2013 and 2.75 to 1.00 for October 1, 2013 and thereafter. Our actual interest expense coverage ratio was 3.15 to 1.00 at June 30, 2010. At June 30, 2010, we were in compliance with our financial covenants.

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The following is a reconciliation of net income (loss), as reported, which is a GAAP measure of our operating results, to Consolidated Bank EBITDA, as defined in our credit agreement, for the twelve months ended June 30, 2010:

|   | Year Ended<br>December 31,<br>2009 | Less:<br>Six Months<br>Ended<br>June 30, 2009 | Add:<br>Six Months<br>Ended<br>June 30, 2010 | Twelve<br>Months<br>Ended<br>June 30, 2010 |
|---|------------------------------------|---|--|--|
|   | (dollars in thousands)             |   |  |  |
| Net income (loss), as reported  | \$ (220)                           | \$ 5,310                                      | \$ 26,860                                    | \$ 21,330                                  |
| Bank stipulated adjustments:  |                                    |   |  |  |
| Interest expense, net (as defined)  | 45,720                             | 24,130  | 27,520                                       | 49,110                                     |
| Income tax expense (benefit) <sup>(1)</sup>   | (520)                              | 3,230   | 16,130                                       | 12,380                                     |
| Depreciation and amortization   | 43,940                             | 22,830  | 19,050                                       | 40,160                                     |
| Extraordinary non-cash charges <sup>(2)</sup>   | 3,270                              |   |  | 3,270                                      |
| Monitoring fees <sup>(3)</sup>  | 2,890                              |   |  | 2,890                                      |
| Interest equivalent costs <sup>(4)</sup>  | 1,530                              | 900   |  | 630  |
| Non-cash compensation expense <sup>(5)</sup>  | 1,370                              | 200   | 760  | 1,930                                      |
| Other non-cash expenses or losses   | 3,570                              | 1,510   | 2,180  | 4,240                                      |
| Non-recurring expenses or costs in connection with acquisition integration <sup>(6)</sup> |                                    |   | 70   | 70   |
| Non-recurring expenses or costs for cost savings projects <sup>(7)</sup>                  | 10,940                             | 4,300   |  | 6,640                                      |
| Debt extinguishment costs <sup>(8)</sup>  | 11,400                             | 990   |  | 10,410                                     |
| Negative EBITDA from discontinued operations <sup>(9)</sup>                               | 390                                | 160   | 110  | 340  |
| Permitted dispositions <sup>(10)</sup>  | 14,990                             | 12,440  | (9,720)                                      | (7,170)                                    |
| Permitted acquisitions <sup>(11)</sup>  | (970)                              | (290)   | 940  | 260  |
| Consolidated Bank EBITDA, as defined  | \$ 138,300                         | \$ 75,710                                     | \$ 83,900                                    | \$ 146,490                                 |

|   | June 30,<br>2010<br>(dollars in<br>thousands) |
|---|---|
| Total long-term debt  | \$ 500,200                                    |
| Aggregate funding under the receivables securitization facility |   |
| Total Consolidated Indebtedness, as defined                     | \$ 500,200                                    |
| Consolidated Bank EBITDA, as defined                            | \$ 146,490                                    |
| Actual leverage ratio   | 3.41x   |
| Covenant requirement  | 5.25x   |

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|  | Year Ended<br>December 31,<br>2009 | Less:<br>Six Months<br>Ended<br>June 30, 2009 | Add:<br>Six Months<br>Ended<br>June 30, 2010 | Twelve<br>Months<br>Ended<br>June 30, 2010 |
|--|------------------------------------|---|--|--|
| (dollars in thousands)   |                                    |   |  |  |
| Interest expense, as reported                                    | \$ 45,720                          | \$ 24,130                                     | \$ 27,520                                    | \$ 49,110                                  |
| Bank stipulated adjustments:                                     |                                    |   |  |  |
| Interest equivalent costs from receivables financing             | 1,530                              | 900   |  | 630  |
| Interest income  | (310)                              | (160)   | (180)  | (330)                                      |
| Non-cash amounts attributable to amortization of financing costs | (2,240)                            | (1,170)                                       | (1,450)                                      | (2,520)                                    |
| Pro forma adjustment for acquisitions and dispositions           | (470)                              | (240)   | (170)  | (400)                                      |
| <b>Total Consolidated Cash Interest Expense, as defined</b>      | <b>\$ 44,230</b>                   | <b>\$ 23,460</b>                              | <b>\$ 25,720</b>                             | <b>\$ 46,490</b>                           |

|  | June 30,<br>2010<br>(dollars in<br>thousands) |
|--|---|
| Consolidated Bank EBITDA, as defined                 | \$ 146,490                                    |
| Total Consolidated Cash Interest Expense, as defined | 46,490  |
| <b>Actual interest expense ratio</b>                 | <b>3.15x</b>                                  |
| <b>Covenant requirement</b>                          | <b>2.15x</b>                                  |

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- (1) Amount includes tax expense (benefits) associated with discontinued operations.
- (2) Non-cash charges associated with tangible and intangible asset impairments, including goodwill.
- (3) Represents management fees and expenses paid to Heartland and/or its affiliates pursuant to the Heartland Advisory Agreement.
- (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 arising from the integration of any business acquired not to exceed \$25,000,000 in the aggregate.
- (7) Non-recurring costs and expenses relating to cost savings projects, including restructuring and severance expenses, not to exceed \$32,000,000 in the aggregate, subsequent to October 1, 2009.
- (8) Costs incurred in connection with amending and restating our credit facilities, issuance of our 9<sup>3</sup>/<sub>4</sub>% senior secured notes and the retirement of our 9<sup>7</sup>/<sub>8</sub>% senior subordinated notes.
- (9)

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Not to exceed \$10,000,000 in any fiscal year.

(10) EBITDA from permitted dispositions, as defined.

(11) EBITDA from permitted acquisitions, as defined.

Two of our international businesses are also parties to loan agreements with banks, denominated in their local currencies.

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In the United Kingdom, we are party to a revolving debt agreement with a bank in the amount of £1.0 million, At June 30, 2010 the balance outstanding under this agreement, which is secured by a letter of credit under our credit facilities, was approximately \$0.2 million at an interest rate of 2.5%.

In Australia, we are party to a debt agreement with a bank in the amount of \$23.0 million Australian dollars which expires December 31, 2010. At June 30, 2010, the balance outstanding under this agreement was approximately \$4.2 million at an interest rate of 6.8%. Borrowings under this arrangement are secured by substantially all the assets of our local business which is also subject to financial and reporting covenants. Financial covenants include a capital adequacy ratio (tangible net worth over total tangible assets) and an interest coverage ratio (EBIT over gross interest cost) and we were in compliance with such covenants at June 30, 2010. In addition to the financial 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.

Another important source of liquidity is our \$75.0 million accounts receivable facility, under which we have the ability to sell eligible accounts receivable to a third-party multi-seller receivables funding company. As of June 30, 2010, we had no amounts funded under the facility with \$53.9 million available but not utilized.

At June 30, 2010, our available revolving credit capacity of \$143.0 million under our credit facility was reduced by approximately \$31.0 million of letters of credit outstanding as of that date. The letters of credit are used for a variety of purposes, including support of 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. After consideration of outstanding letters of credit, we had \$112.0 million of revolving credit capacity available, in addition to \$53.9 million of available liquidity under our accounts receivable facility discussed above. After consideration of our leverage covenant, we had aggregate available funding under our revolving credit and accounts receivable facilities of \$165.9 million at June 30, 2010.

Our available revolving credit capacity under our credit facility, after consideration of approximately \$31.0 million in letters of credit outstanding related thereto, is approximately \$112.0 million, while our available liquidity under our accounts receivable securitization facility ranges from \$30 million to \$59 million, depending on the level of our receivables outstanding at a given point in time during the year. We rely upon our cash flow from operations and available liquidity under our revolving credit and accounts receivable facilities to fund our debt service obligations and other contractual commitments, working capital and capital expenditure requirements. Generally, we use available liquidity under these facilities to fund capital expenditures and daily working capital requirements during the first half of the year, as we experience some seasonality in our Cequent operating segment. Sales of towing and trailering products within this segment are generally stronger in the second and third quarters, as original equipment manufacturers (OEMs), distributors and retailers acquire product for the spring and summer selling seasons. None of our other operating segments experience any significant seasonal fluctuations in their respective businesses. During the second half of the year, the investment in working capital is reduced and amounts outstanding under our credit and securitization facilities are paid down. At the end of each quarter, we generally use cash on hand to pay down amounts outstanding under our revolving credit and accounts receivable facilities.

Cash management related to our revolving credit and accounts receivable facilities is centralized. We monitor our cash position and available liquidity on a daily basis and forecast our cash needs on a weekly basis within the current quarter and on a monthly basis outside the current quarter over the remainder of the year. Our business and related cash forecasts are updated monthly. Given aggregate available funding under our revolving credit and accounts receivable facilities of \$165.9 million at June 30, 2010, after consideration of the aforementioned leverage restrictions, and based on forecasted cash sources and requirements inherent in our business plans, we believe that our liquidity and capital

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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.

We also have \$250.0 million (face value) 9<sup>3</sup>/<sub>4</sub>% senior secured notes ("Senior Notes") outstanding at June 30, 2010, due 2017. Interest on the Senior Notes accrues at the rate of 9.75% per annum and is payable semi-annually in arrears on June 15 and December 15.

The Senior Notes are general senior secured obligations of the Company and are pari passu in right of payment with all existing and future indebtedness of the Company that is not subordinated in right of payment to the Senior Notes.

Prior to December 15, 2012, the Company may redeem up to 35% of the principal amount of Senior Notes at a redemption price equal to 109.750% of the principal amount, plus accrued and unpaid interest to the applicable redemption date plus additional interest, if any, with the net cash proceeds of one or more equity offerings, provided that at least 65% of the original principal amount of Senior Notes issued remains outstanding after such redemption, and provided further that each such redemption occurs within 90 days of the date of closing of each such equity offering.

Principal payments required under our amended and restated credit facility term loan are: \$0.7 million due each calendar quarter through September 30, 2015; \$24.9 million due August 2, 2013 relative to term loan amounts not extended, and; \$211.7 million due on December 15, 2015.

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 variable rates under our credit facility. Borrowings under our credit facility bear interest at various rates some of which are subject to a 2% LIBOR-floor.

At June 30, 2010, 1-Month LIBOR approximated 0.35%. Based on our variable rate-based borrowings outstanding at June 30, 2010, and after consideration of the 2% LIBOR-floor applicable to \$53.1 million of our supplemental revolving credit facility and \$224.6 million of our term loan, a 1% increase in the per annum interest rate for borrowings under our U.S. and foreign credit facilities would increase our interest expense by approximately \$0.3 million annually. The impact of a further decrease in LIBOR on our annual interest expense would not be material.

We have other cash commitments related to leases. We account for these lease transactions as operating leases and annual rent expense for continuing operations related thereto approximated \$14.7 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.

In addition to rent expense from continuing operations, we also have approximately \$2.2 million in annual future lease obligations related to businesses that have been discontinued, of which approximately 64% relates to the facility for the former specialty laminates, jacketings and insulation tapes line of business (which extends through 2024) and 36% relates to the Wood Dale facility in the former industrial fastening business (which extends through 2022).

**Market Risk**

We conduct business in several 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

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reported in U.S. dollars will fluctuate with changes in exchange rates between such local currencies and the U.S. dollar.

**Common Stock**

We voluntarily transferred our stock exchange listing in the U.S. from The New York Stock Exchange to The NASDAQ Global Market® effective August 24, 2009. The company's stock continues to trade under the symbol "TRS."

**Credit Rating**

We and certain of our outstanding debt obligations are rated by Standard & Poor's and Moody's. On December 19, 2009, Moody's assigned a rating of Caa1 to our senior secured notes, improved the outlook from negative to stable, and affirmed our corporate family and senior secured credit rating at B3 and B1, respectively. On December 16, 2009, Standard & Poor's assigned a rating of B- to our senior secured notes, affirmed our credit facilities and corporate credit ratings of BB and B+ respectively, but maintained a negative outlook. 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.

**Outlook**

We believe the actions completed in 2009 under our Performance Improvement Plan position us for continued profitable future growth and place us in a better competitive position by enabling strategies focused on reduced cycle times and securing our position as best cost producer. Among our top priorities for 2010 are continuing to execute productivity initiatives and to grow revenue via new products, bolt-on acquisitions and expand our core products in non-U.S. markets, while continuing to reduce our indebtedness and increase our available liquidity.

The combination of the savings realized from the actions taken in 2008 and 2009 under our Performance Improvement Plan, our ongoing productivity initiatives and the upturn in economic activity in the first half of 2010 has helped us to grow our earnings levels and significantly expand our earnings margins as compared to the first half of 2009. Although the expansion of our earnings margins may not be as dramatic on a year-over-year basis in the back half of 2010 as they have been thus far in 2010, as we now are experiencing the full-run-rate benefit of many of our prior year actions, we continue to actively identify and execute our strategies and have the capacity to service higher demand levels with our existing fixed cost structure, which should continue to grow our earnings levels and margins should the economy continue to strengthen. However, as there is still some degree of uncertainty in the markets that our businesses serve, there are a range of possible outcomes due to the uncertain financial markets environment, and we can offer no assurances that the economy will continue to improve.

**Impact of New Accounting Standards**

As of June 30, 2010, there are no recently issued accounting pronouncements not yet adopted by the Company that would have a material impact on the Company's results of operations or financial position.

**Critical Accounting Policies**

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

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historical experience, our evaluation of business and macroeconomic trends, and information from other outside sources, as appropriate.

During the quarter ended June 30, 2010, there were no material changes to the items that we disclosed as our critical accounting policies in Part II, Item 7, "*Management's Discussion and Analysis of Financial Condition and Results of Operations*," in the Company's 2009 Annual Report on Form 10-K.

**Item 3. 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 Part I, Item 2, "*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 9, "*Long-term Debt*," in Part I, Item 1, "*Notes to Unaudited Consolidated Financial Statements*," included within this Form 10-Q for additional information.

**Item 4. Controls and Procedures**

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

*Evaluation of disclosure controls and procedures*

As of June 30, 2010, an evaluation was carried out by management, with the participation of our Chief Executive Officer and Chief Financial Officer, of the effectiveness of our disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) of the Securities Exchange Act of 1934, (the "Exchange Act")) pursuant to Rule 13a-15 of the Exchange Act. Our disclosure controls and procedures are designed only to provide reasonable assurance that they will meet their objectives. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of June 30, 2010, the Company's disclosure controls and procedures are effective to provide reasonable assurance that they would meet their objectives.

*Changes in disclosure controls and procedures*

There have been no changes in the Company's internal control over financial reporting during the quarter ended June 30, 2010 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.



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**PART II. OTHER INFORMATION**

**TRIMAS CORPORATION**

**Item 1. Legal Proceedings**

See Note 11, "*Commitments and Contingencies*" included in Part I, Item 1, "*Notes to Unaudited Consolidated Financial Statements*," within this Form 10-Q.

**Item 1A. Risk Factors**

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part 1, Item 1A., "*Risk Factors*," in our Annual Report on Form 10-K for the year ended December 31, 2009, which could materially affect our business, financial condition or future results. There have been no significant changes in our risk factors as disclosed in our 2009 Form 10-K.

The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deemed to be immaterial also may materially adversely affect our business, financial position and results of operations or cash flows.

**Item 2. Unregistered Sales of Equity Securities and Use of Proceeds.**

None.

**Item 3. Defaults Upon Senior Securities**

Not applicable.

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

Reserved.

**Item 5. Other Information**

Not applicable.

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**Item 6. Exhibits.**

**Exhibits Index:**

- 3.1<sup>(l)</sup> Fourth Amended and Restated Certificate of Incorporation of TriMas Corporation.
- 3.2<sup>(l)</sup> Second Amended and Restated By-laws of TriMas Corporation.
- 4.1<sup>(a)</sup> Indenture relating to the 9<sup>7</sup>/<sub>8</sub>% senior subordinated notes, dated as of June 6, 2002, by and among TriMas Corporation, each of the Guarantors named therein and The Bank of New York as Trustee, (including Form of Note as Exhibit).
- 4.2<sup>(c)</sup> Supplemental Indenture dated as of March 4, 2003.
- 4.3<sup>(d)</sup> Second Supplemental Indenture dated as of May 9, 2003.
- 4.4<sup>(e)</sup> Third Supplemental Indenture dated as of August 6, 2003.
- 4.5<sup>(p)</sup> Fourth Supplemental Indenture dated as of February 28, 2008.
- 4.6<sup>(ad)</sup> Fifth Supplemental Indenture dated as of January 26, 2009.
- 4.7<sup>(ac)</sup> Sixth Supplemental Indenture, dated as of December 29, 2009.
- 4.8<sup>(ac)</sup> Indenture relating to the 9<sup>3</sup>/<sub>4</sub>% senior secured notes dated as of December 29, 2009, among TriMas Corporation, the Guarantors named therein and The Bank of New York Mellon Trust Company, N.A., as Trustee.
- 10.1<sup>(a)</sup> Stock Purchase Agreement dated as of May 17, 2002 by and among Heartland Industrial Partners, L.P., TriMas Corporation and Metaldyne Company LLC.
- 10.2<sup>(a)</sup> Amended and Restated Shareholders Agreement, dated as of July 19, 2002 by and among TriMas Corporation and Metaldyne Corporation.
- 10.3<sup>(i)</sup> Amendment No. 1 to Amended and Restated Shareholders Agreement dated as of August 31, 2006.
- 10.4<sup>(i)</sup> Credit Agreement dated as of June 6, 2002, as amended and restated as of August 2, 2006 among TriMas Corporation, TriMas Company LLC, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, and Comerica Bank, as Syndication Agent.
- 10.5<sup>(ab)</sup> Credit Agreement dated as of June 6, 2002, as amended and restated as of August 2, 2006, as further amended and restated as of December 16, 2009, among TriMas Corporation, TriMas Company LLC, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, Comerica Bank, as Syndication Agent and J.P. Morgan Securities Inc., as Lead Arranger and Bookrunner.
- 10.6<sup>(ac)</sup> Credit Agreement dated as of June 6, 2002, as amended and restated as of August 2, 2006, as further amended and restated as of December 16, 2009, as further amended and restated as of January 13, 2010, among TriMas Corporation, TriMas Company LLC, JPMorgan Chase Bank, N.A., as Administrative Agent and Collateral Agent, Comerica Bank, as Syndication Agent, and J.P. Morgan Securities Inc., as Lead Arranger and Bookrunner.
- 10.7<sup>(a)</sup> Receivables Purchase Agreement, dated as of June 6, 2002, by and among TriMas Corporation, the Sellers party thereto and TSPC, Inc., as Purchaser.
- 10.8<sup>(w)</sup> Amendment No. 1 as of February 13, 2009 to Receivables Purchase Agreement.

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- 10.9<sup>(a)</sup> Receivables Transfer Agreement, dated as of June 6, 2002, by and among TSPC, Inc., as Transferor, TriMas Corporation, individually, as Collection Agent, TriMas Company LLC, individually as Guarantor, the CP Conduit Purchasers, Committed Purchasers and Funding Agents party thereto, and JPMorgan Chase Bank as Administrative Agent.
- 10.10<sup>(k)</sup> Amendment dated as of June 3, 2005, to Receivables Transfer Agreement.
- 10.11<sup>(h)</sup> Amendment dated as of July 5, 2005, to Receivables Transfer Agreement.
- 10.12<sup>(n)</sup> Amendment dated as of December 31, 2007, to Receivables Transfer Agreement.
- 10.13<sup>(o)</sup> Amendment dated as of February 22, 2008, to Receivables Transfer Agreement.
- 10.14<sup>(w)</sup> Amendment dated as of February 13, 2009, to Receivables Transfer Agreement.
- 10.15<sup>(p)</sup> TriMas Receivables Facility Amended and Restated Fee Letter dated February 22, 2008.
- 10.16<sup>(w)</sup> TriMas Receivables Facility Amended and Restated Fee Letter dated February 13, 2009.
- 10.17<sup>(ac)</sup> Amended and Restated Receivables Purchase Agreement, dated as of December 29, 2009, among TriMas Corporation, the Sellers named therein and TSPC, Inc. as Purchaser.
- 10.18<sup>(ac)</sup> Receivables Transfer Agreement, dated as of December 29, 2009, among TSPC, Inc., as Transferor, TriMas Corporation, as Collection Agent, TriMas Company LLC, as Guarantor, the persons party thereto from time to time as Purchasers and Wachovia Bank, National Association, as Administrative Agent.
- 10.19<sup>(a)</sup> Lease Assignment and Assumption Agreement, dated as of June 21, 2002, by and among Heartland Industrial Group, L.L.C., TriMas Company LLC and the Guarantors named therein.
- 10.20<sup>(a)</sup> TriMas Corporation 2002 Long Term Equity Incentive Plan.
- 10.21<sup>(t)</sup> First Amendment to the TriMas Corporation 2002 Long Term Equity Incentive Plan.
- 10.22<sup>(t)</sup> Second Amendment to the TriMas Corporation 2002 Long Term Equity Incentive Plan.
- 10.23<sup>(t)</sup> Third Amendment to the TriMas Corporation 2002 Long Term Equity Incentive Plan.
- 10.24<sup>(t)</sup> Fourth Amendment to the TriMas Corporation 2002 Long Term Equity Incentive Plan.
- 10.25<sup>(d)</sup> Asset Purchase Agreement among TriMas Corporation, Metaldyne Corporation and Metaldyne Company LLC dated May 9, 2003, (including Exhibit A Form of Sublease Agreement).
- 10.26<sup>(f)</sup> 2003 Form of Stock Option Agreement.
- 10.27<sup>(s)</sup> 2008 Annual Value Creation Program.
- 10.28<sup>(t)</sup> 409A Amendment to TriMas Corporation Annual Value Creation Plan effective September 10, 2008.
- 10.29<sup>(g)</sup> Form of Indemnification Agreement.
- 10.30<sup>(i)</sup> Amendment No. 1 to Stock Purchase Agreement, dated as of August 31, 2006 by and among Heartland Industrial Partners, L.P., TriMas Corporation and Metaldyne Corporation.
- 10.31<sup>(s)</sup> Amendment No. 2 to Stock Purchase Agreement, dated as of November 27, 2006 by and among Heartland Industrial Partners, L.P., TriMas Corporation and Metaldyne Corporation.

10.32<sup>(i)</sup> Advisory Agreement, dated June 6, 2002 between Heartland Industrial Partners, L.P. and TriMas Corporation.

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- 10.33<sup>(k)</sup> First Amendment to Advisory Agreement, dated as of November 1, 2006 between Heartland Industrial Group, L.L.C. and TriMas Corporation.
- 10.34<sup>(k)</sup> Second Amendment to Advisory Agreement, dated as of November 1, 2006 between Heartland Industrial Group, L.L.C. and TriMas Corporation.
- 10.35<sup>(k)</sup> Management Rights Agreement.
- 10.36<sup>(aa)</sup> Executive Severance / Change of Control Policy.
- 10.37<sup>(ag)</sup> TriMas Corporation 2006 Long Term Equity Incentive Plan Composite Plan Document.
- 10.38<sup>(q)</sup> Separation Agreement dated April 10, 2008.
- 10.39<sup>(r)</sup> Letter Agreement dated April 28, 2008.
- 10.40<sup>(s)</sup> Letter Agreement dated July 1, 2008.
- 10.41<sup>(z)</sup> ISDA 2002 Master Agreement between JPMorgan Chase Bank, N. A. and TriMas Company LLC dated as of January 29, 2009.
- 10.42<sup>(t)</sup> Interest Rate Swap Transaction letter Agreement between JPMorgan Chase Bank, N.A. and TriMas Company, LLC effective as of April 29, 2008.
- 10.43<sup>(ad)</sup> Interest Rate Swap Transaction letter Agreement between JPMorgan Chase Bank, N.A. and TriMas Company, LLC effective as of January 28, 2009.
- 10.44<sup>(ad)</sup> Interest Rate Swap Transaction letter Agreement between JPMorgan Chase Bank, N.A. and TriMas Company, LLC effective as of October 28, 2009.
- 10.45<sup>(w)</sup> Asset Purchase Agreement between Lamtec Corporation, Compac Corporation and TriMas Company LLC dated as of December 8, 2008.
- 10.46<sup>(u)</sup> Offer Letter from TriMas Corporation to David M. Wathen dated as of January 12, 2009.
- 10.47<sup>(v)</sup> Separation Agreement dated as of January 13, 2009.
- 10.48<sup>(y)</sup> Separation Agreement dated as of March 5, 2009.
- 10.49<sup>(x)</sup> TriMas Corporation Long Term Equity Incentive Plan Non-Qualified Stock Option Agreement.
- 10.50<sup>(y)</sup> 2009 TriMas Incentive Compensation Plan.
- 10.51<sup>(af)</sup> 2010 TriMas Incentive Compensation Plan.
- 10.52<sup>(aa)</sup> Flexible Cash Allowance Policy.
- 10.53<sup>(ad)</sup> TriMas Corporation 2006 Long Term Equity Incentive Plan Restricted Stock Agreement 2009 Additional Grant.
- 10.54<sup>(ad)</sup> TriMas Corporation 2006 Long Term Equity Incentive Plan Restricted Stock Agreement 2009 162(m) Conversion Grant.
- 10.55<sup>(ad)</sup> TriMas Corporation 2002 Long Term Equity Incentive Plan Restricted Stock Agreement 2009 Conversion and Additional Grants.
- 10.56<sup>(ae)</sup> TriMas Corporation 2002 Long Term Equity Incentive Plan Non-Qualified Stock Option Agreement.
- 10.57<sup>(ae)</sup> TriMas Corporation 2002 Long Term Equity Incentive Plan Restricted Share Award Agreement.



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- 10.58<sup>(ae)</sup> TriMas Corporation 2006 Long Term Equity Incentive Plan Restricted Stock Unit Agreement.
- 10.59<sup>(ah)</sup> Asset Purchase Agreement among TW Cylinders LLC, Taylor-Wharton International LLC and Norris Cylinder Company dated as of April 30, 2010.
- 31.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 32.1 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
- 32.2 Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
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- (a) Incorporated by reference to the Exhibits filed with our Registration Statement on Form S-4, filed on October 4, 2002 (File No. 333-100351).
- (b) Incorporated by reference to the Exhibits filed with Amendment No. 2 to our Registration Statement on Form S-4, filed on January 28, 2003 (File No. 333-100351).
- (c) Incorporated by reference to the Exhibits filed with our Annual Report on Form 10-K filed March 31, 2003 (File No. 333-100351).
- (d) Incorporated by reference to the Exhibits filed with our Registration Statement on Form S-4, filed June 9, 2003 (File No. 333-105950).
- (e) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on August 14, 2003 (File No. 333-100351).
- (f) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on November 12, 2003 (File No. 333-100351).
- (g) Incorporated by reference to the Exhibits filed with Amendment No. 3 to our Registration Statement on Form S-1/A, filed on June 29, 2004 (File No. 333-113917).
- (h) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on July 6, 2005 (File No. 333-100351).
- (i) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on August 3, 2006 (File No. 333-100351).
- (j) Incorporated by reference to the Exhibits filed with Amendment No. 1 to our Registration Statement on Form S-1, filed on September 19, 2006 (File No. 333-136263).
- (k) Incorporated by reference to the Exhibits filed with Amendment No. 3 to our Registration Statement on Form S-1, filed on January 18, 2007 (File No. 333-136263).
- (l) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q, filed on August 3, 2007 (File No. 333-100351).
- (m) Incorporated by reference to the Exhibits filed with the Registration Statement on Form S-8, filed on August 31, 2007 (File No. 333-145815).
- (n)

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Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on January 4, 2008 (File No. 001-10716).



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- (o) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on February 26, 2008 (File No. 001-10716).
- (p) Incorporated by reference to the Exhibits filed with our Annual Report on Form 10-K filed on March 13, 2008 (File No. 001-10716).
- (q) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on April 10, 2008 (File No. 001-10716).
- (r) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on June 2, 2008 (File No. 001-10716).
- (s) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on August 7, 2008 (File No. 001-10716).
- (t) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on November 10, 2008 (File No. 001-10716).
- (u) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on January 14, 2009 (File No. 001-10716).
- (v) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on February 5, 2009 (File No. 001-10716).
- (w) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on February 17, 2009 (File No. 001-10716).
- (x) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on March 6, 2009 (File No. 001-10716).
- (y) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on March 10, 2009 (File No. 001-10716).
- (z) Incorporated by reference to the Exhibits filed with our Annual Report on Form 10-K filed on March 10, 2009 (File No. 001-10716).
- (aa) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on December 10, 2009 (File No. 001-10716).
- (ab) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on December 17, 2009 (File No. 001-10716).
- (ac) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on January 15, 2010 (File No. 001-10716).
- (ad) Incorporated by reference to the Exhibits filed with our Annual Report on Form 10-K filed on March 4, 2010 (File No. 001-10716).
- (ae) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on March 4, 2010 (File No. 001-10716).
- (af) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on March 15, 2010 (File No. 001-10716).
- (ag) Incorporated by reference to the Exhibits filed with our Report on Form 8-K filed on March 26, 2010 (File No. 001-10716).
- (ah) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on April 30, 2010 (File No. 001-10716).

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**Signature**

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

**TRIMAS CORPORATION**  
**(Registrant)**

Date: August 3, 2010

By:           /s/ A. MARK ZEFFIRO

A. Mark Zeffiro  
*Chief Financial Officer*

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