TRIMAS CORP
Form S-1
August 03, 2006

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**As filed with the Securities and Exchange Commission on August 2, 2006**

**Registration No. 333-**

# UNITED STATES
# SECURITIES AND EXCHANGE COMMISSION

**Washington, D.C. 20549**

# FORM S-1

**REGISTRATION STATEMENT**
**UNDER**
**THE SECURITIES ACT OF 1933**

# TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

| **Delaware** | **3452** | **38-2687639** |
|---|---|---|
| (State or other jurisdiction of incorporation or organization) | (Primary Standard Industrial Classification Code Number) | (I.R.S. Employer Identification Number) |

**39400 Woodward Avenue, Suite 130**
**Bloomfield Hills, Michigan 48304**
**(248) 631-5450**
(Address, including zip code, and telephone number, including area code, of registrant's principal executive offices)

**Joshua A. Sherbin, Esq.**
**General Counsel**
**TriMas Corporation**
**39400 Woodward Avenue, Suite 130**
**Bloomfield Hills, Michigan 48304**
**(248) 631-5497**
(Name, address, including zip code, and telephone number, including area code, of agent for service)

with a copy to:

| Jonathan A. Schaffzin, Esq.<br>Cahill Gordon & Reindel LLP<br>80 Pine Street<br>New York, New York 10005<br>(212) 701-3000 | Valerie Ford Jacob, Esq.<br>Fried, Frank, Harris, Shriver & Jacobson LLP<br>One New York Plaza<br>New York, New York 10004<br>(212) 859-8000 |
|---|---|

**Approximate date of commencement of proposed sale to the public:** As soon as practicable after this Registration Statement becomes effective.

If any of the securities being registered on this Form are to be offered on a delayed or continuous basis pursuant to Rule 415 under the Securities Act, check the following box. o

If this Form is filed to register additional securities for an offering pursuant to Rule 462(b) under the Securities Act, please check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(c) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

If this Form is a post-effective amendment filed pursuant to Rule 462(d) under the Securities Act, check the following box and list the Securities Act registration statement number of the earlier effective registration statement for the same offering. o

**CALCULATION OF REGISTRATION FEE**

| Title of Each Class of Securities to be Registered | Proposed Maximum Aggregate Offering Price(1) | Amount of Registration Fee(2) |
|---|---|---|
| Common Stock, par value $0.01 per share | $201,250,000 | $21,533.75 |

(1) Estimated solely for the purpose of computing the registration fee in accordance with Rule 457(o) under the Securities Act of 1933, as amended (the "Securities Act").

(2) Calculated pursuant to Rule 457(o) of the Securities Act.

**The registrant hereby amends this registration statement on such date or dates as may be necessary to delay its effective date until the registrant shall file a further amendment which specifically states that this registration statement shall thereafter become effective in accordance with Section 8(a) of the Securities Act of 1933, or until this registration statement shall become effective on such date as the Commission, acting pursuant to said Section 8(a), may determine.**

**Subject to Completion.**
**Preliminary Prospectus Dated August 2, 2006**

**The information in this preliminary prospectus is not complete and may be changed. We may not sell these securities until the registration statement filed with the Securities and Exchange Commission is effective. This preliminary prospectus is not an offer to sell these securities and it is not soliciting an offer to buy these securities in any state where the offer or sale is not permitted.**

**PROSPECTUS**

## Shares

# TriMas Corporation

## Common Stock

This is our initial public offering. We are offering shares to be sold in this offering.

We expect the public offering price to be between $ and $ per share. Since January 1998, there has been no public market for our common stock. We intend to apply to have our common stock approved for listing on the New York Stock Exchange under the symbol "TRS."

**Investing in the common stock involves risks that are described in the "Risk Factors" section beginning on page 11 of this prospectus.**

| | Per Share | Total |
|---|---|---|
| Public offering price | $ | $ |
| Underwriting discounts and commissions | $ | $ |
| Proceeds, before expenses, to us | $ | $ |

The underwriters will have an option for a period of 30 days to purchase up to additional shares of TriMas Corporation common stock from us on the same terms and conditions set forth above to cover overallotments, if any.

**Neither the Securities and Exchange Commission nor any state securities commission has approved or disapproved of these securities or determined if this prospectus is truthful or complete. Any representation to the contrary is a criminal offense.**

The shares will be ready for delivery on or about , 2006.

**Goldman, Sachs & Co.** | **Merrill Lynch & Co.**
**Credit Suisse** | **JPMorgan**

The date of this prospectus is , 2006.

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You should rely only on the information contained in this prospectus. We have not authorized anyone to provide you with information different from that contained in this prospectus. We are offering to sell, and seeking offers to buy shares of our common stock only in jurisdictions where offers and sales are permitted. The information contained in this prospectus is accurate only as of the date of this prospectus, regardless of the time of delivery of this prospectus or of any sale of our common stock.

No action is being taken in any jurisdiction outside the United States to permit a public offering of the common stock or possession or distribution of this prospectus in that jurisdiction. Persons who come into possession of this prospectus in jurisdictions outside the United States are required to inform themselves about and to observe any restrictions as to this offering and the distribution of this prospectus applicable to those jurisdictions.

**MARKET AND INDUSTRY DATA**

Due to the variety of our products and the niche markets that we serve, there are few published independent sources for data related to the markets for many of our products. To the extent we are able to obtain or derive data from independent sources, we have done so. To the extent we have been unable to do so, we have expressed our belief on the basis of our own internal analyses and estimates of our and our competitors' products and capabilities. Industry publications and surveys and forecasts that we have utilized generally state that the information contained therein has been obtained from sources believed to be reliable. Although we believe that the third-party sources are reliable, we have not independently verified any of the data from third-party sources nor have we ascertained the underlying assumptions or basis for any such information. In general, when we say we are a "leader" or a "leading" manufacturer or make similar statements about ourselves, we are expressing our belief that we formulated principally from our estimates and experiences in, and knowledge of, the markets in which we compete. In some cases, we possess independent data to support our position, but that data may not be sufficient in isolation for us to reach the conclusions that we have reached without our knowledge of our markets and businesses.

**Use of Trademarks**

Arrow®, Bargman®, Bulldog®, Compac , Composi-Lok®, Composi-Lok® II, Draw-Tite®, Englass®, FlexSpout®, Fulton®, Hidden Hitch®, Highland "*The Pro's Brand*"®, Keo®, Lamons , LEP , OSI-Bolt®, Poly-ViseGrip , Radial-Lok®, Reese®, Reese Outfitter®, Reese Towpower , Rieke®, ROLA®, Stolz®, Tekonsha®, Tow Ready , ViseGrip®, Visu- Lok®, Visu-Lok® II and Wesbar® are among our registered trademarks. This prospectus also includes other registered and unregistered trademarks of ours. All other trademarks, trade names and service marks appearing in this prospectus are the property of their respective owners.

## PROSPECTUS SUMMARY

*This summary highlights the material information contained elsewhere in this prospectus. You should read this entire prospectus carefully, including "Risk Factors" and our financial statements and the notes to those financial statements included elsewhere in this prospectus. Unless the context otherwise requires, the terms "we," "our" and "us" refer to TriMas Corporation and its subsidiaries.*

### Our Company

We are a manufacturer of highly engineered products serving niche markets in a diverse range of commercial, industrial and consumer applications. Most of our businesses share important characteristics, including leading market shares, strong brand names, broad product offerings, established distribution networks, relatively high operating margins, relatively low capital investment requirements, product growth opportunities and strategic acquisition opportunities. We believe that a majority of our 2005 net sales were in markets in which our products have the number one or number two market position within their respective product categories. In addition, we believe that in many of our businesses, we are one of only a few manufacturers in the geographic markets where we currently compete. For the year ended December 31, 2005, our net sales were $1,010.1 million.

Our broad product portfolio and customer base, as well as diverse end-markets reduce our dependence on any one product, customer, distribution channel, geographic region or industry segment. We are led by an experienced management team that pursues the highest level of customer satisfaction. Our operating system allows us to build on the strengths of each of our operating segments and across our businesses as a whole. Our businesses are organized into five operating segments, each of which represents a distinct business platform: Packaging Systems, Energy Products, Industrial Specialties, RV& Trailer Products and Recreational Accessories.

*Packaging Systems*. Packaging Systems is a leading designer, manufacturer and distributor of specialty, highly engineered closure and dispensing systems for a range of niche end markets, including steel and plastic industrial and consumer packaging applications. We also manufacture specialty laminates, jacketings and insulation tapes used with fiberglass insulation as vapor barriers in commercial and industrial construction applications. Our brands include Rieke® and Compac .

*Energy Products*. Energy Products is a leading designer, manufacturer and distributor of a variety of engines and engine replacement parts and accessory products for the oil and gas industry as well as metallic and non-metallic industrial sealant products and fasteners for the petroleum refining, petrochemical and other industrial markets. We are the largest gasket supplier to the domestic petroleum industry. Our brands include Lamons® and Arrow®.

*Industrial Specialties*. Industrial Specialties is a leading designer, manufacturer and distributor of a diverse range of industrial products for use in niche markets within the aerospace, industrial, defense and medical equipment markets. This segment's products include highly engineered composite aerospace fasteners, high-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, precision tools, and military ordnance components and steel cartridge cases. Our brands include Monogram Aerospace Fasteners, Norris Cylinder, Keo® Cutters and Richards Micro-Tool.

*RV & Trailer Products*. RV & Trailer Products is a leading designer, manufacturer and distributor of a wide variety of high-quality, custom-engineered trailer products, lighting accessories and roof racks for the trailer original equipment manufacturers, recreational vehicle, agricultural/utility, marine and commercial trailer markets. It is also the market leader in brake control solutions. Our brands include Bargman®, Bulldog®, Fulton®, Wesbar® and Tekonsha®.

*Recreational Accessories.* Recreational Accessories is a leading designer, manufacturer and distributor of a wide range of aftermarket cargo management products, towing and hitch systems and accessories and vehicle protection products used to outfit and accessorize light trucks, sport utility vehicles and passenger cars. Our brands include Draw-Tite®, Reese®, Hidden Hitch®, Tow Ready , ROLA and Highland "*The Pro's Brand*"®.

**Our Strengths**

We believe our competitive strengths include:

*Leading Market Positions and Strong Brand Names.* We believe that a majority of our 2005 net sales were in markets in which our products have the number one or number two market position within their respective product categories. We generally compete in highly fragmented markets where the scale and breadth of our product offerings are greater than those of our competitors. Our product lines feature widely recognized brand names across all of our business segments, which we believe facilitates market acceptance of new products and the extension of existing product lines.

*Diverse Product Portfolio in Highly Diverse End Markets*. We offer a wide array of products through our five distinct business platforms in commercial, industrial and consumer end markets. The diversity of our product portfolio and end markets offers us a degree of protection against economic downturns affecting any one of the end-markets that we serve. Our diverse product portfolio also enables us to provide a suite of solutions to satisfy customer needs and facilitates cross-selling to our existing customers.

*Application Engineering Expertise*. We possess strong in-house application engineering and product development capabilities, and we believe we have a reputation as an innovator in our markets. A significant portion of our net sales relates to products utilizing our patented processes or technologies. We have longstanding relationships with many of our customers and work with them across our business platforms to leverage our proprietary engineering capabilities. By working closely with our customers, we develop customized solutions in response to their specific needs.

*Strong Operating Cash Flow Generation*. Many of our businesses feature relatively high operating margins with relatively low capital expenditure and working capital requirements. As a result, we generate cash that is available for, among other things, investment in initiatives that target high returns, attractive niche acquisitions or debt reduction.

*Established and Extensive Distribution Channels*. Our dedicated internal sales force works with a well-established network of distributors to provide us access to major domestic and international sales areas and a broad customer base. We believe that our breadth of product offerings, superior product quality and technical support allow us to maintain strong relationships with the major distributors in our markets.

*Experienced Management Team with an Established Management System*. Our senior management team has an average of 18 years of experience in the industries in which we operate. Our senior management team has developed the TriMas Management System, which implements a range of consistent operating practices across our companies and we believe cultivates strong relationships with our customers based on our guiding principles of Market Leadership, Operational Excellence, Financial Discipline and People Development. As part of this process, we also identify and develop "best practices" within our individual businesses and work to implement them on a company-wide basis.

**Our Strategy**

Guided by our experienced senior management team and a disciplined operating approach, we have pursued and intend to continue to pursue the following strategies:

*Continued Product Innovation*. We believe that we have a successful history of developing innovative products by working closely with our customers to identify new applications and opportunities. Product development and expanded market and product line offerings will continue to drive organic growth initiatives. We have a significant number of pending product initiatives, including:

*Packaging Systems*. We are actively launching new specialty packaging and dispensing products, with applications in the pharmaceutical, personal care and food and beverage industries;

*Energy Products*. We have expanded our engine products and replacement parts offerings and are introducing well-site products such as compressors and accumulators;

*Industrial Specialties*. Our innovative blind-bolt fasteners can replace a two piece fastener and enable customer-transition to labor-saving robotic installation. In addition, our existing line of fasteners is ideally suited for use in composite airframe applications. We are also expanding our line of micro-tool products sold into the medical equipment market;

*RV & Trailer Products*. We have developed new trailer brake systems and next generation brake controllers. We continue to introduce a range of other accessories and products to expand our cargo management product portfolio; and

*Recreational Accessories*. The scale of our towing and hitch systems business and engineering capability enables us to continually develop and engineer aftermarket product applications to fit new vehicle models and specific cargo requirements.

*Pursue International Growth Opportunities*. We have launched initiatives to expand sales outside of our traditional NAFTA-based markets across all businesses in our portfolio. We are focused on growth in Asia, Western Europe and South America by expanding existing customer relationships and pursuing new customer relationships in these markets. We are also extending our product lines to better meet the needs of customers in overseas markets.

*Pursue Lower-Cost Manufacturing and Sourcing Initiatives.* We continue to focus on lean manufacturing, global sourcing and selectively shifting manufacturing capabilities to countries with lower production costs. For example, we recently launched two lower-cost manufacturing facilities in China and one in Thailand, and have also expanded our Mexican operations. These facilities manufacture products for export in support of new product, customer and market initiatives, and will also supply products with respect to in-country sales initiatives.

*Pursue Strategic Niche Acquisitions on a Disciplined Basis*. We have completed and integrated over 30 acquisitions since 1986, including seven since June 2002. We have acquired companies with engineered products and strong market positions and, in our opinion, sustainable organic growth prospects. We believe our acquisition strategy has provided us with opportunities for product bundling, cross-selling and cost reduction from plant consolidation, distribution and overhead rationalization. We will continue to seek attractive acquisition candidates that we believe will supplement existing product lines, add new distribution channels, provide new cost-effective technologies, expand our geographic coverage and/or enable us to absorb overhead costs more efficiently.

**Risks Related to Our Strategies**

You should also consider the many risks we face that could mitigate our competitive strengths and limit our ability to implement our business strategies, including:

- our products are highly engineered or customer-driven and, as such, we are subject to risks associated with changes in technology and manufacturing techniques;

- we face the risk of lower cost foreign manufacturers competing in the markets for our products and we may be adversely impacted;

- our ability to improve or sustain operating margins as a result of cost-savings may be limited and may be further impacted by increases in steel, resins and other material commodities or energy costs; and

- in the past, we have grown through acquisitions and we may be unable to identify attractive acquisition candidates, successfully integrate acquired operations or realize the intended benefits of our acquisitions.

**Our Executive Offices and Structure**

TriMas Corporation is a Delaware corporation. Our principal executive offices are located at 39400 Woodward Avenue, Suite 130, Bloomfield Hills, Michigan 48304. Our telephone number is (248) 631-5450. Our web site address is www.trimascorp.com. Information contained on our web site is not a part of this prospectus.

TriMas Corporation is a holding company with no material assets of its own other than 100.0% of the capital stock of an intermediate holding company, TriMas Company LLC. TriMas Company LLC directly or indirectly owns our domestic and foreign operating subsidiaries, which represent the primary source of all of our revenues and are the primary owners of all of our operating assets. All of our senior credit facility and public debt are issued or guaranteed by TriMas Corporation, TriMas Company LLC and our domestic subsidiaries (other than our receivables financing subsidiary).

As of June 30, 2006, we employed approximately 5,000 people, 38% of which were located outside the United States. We operate 15 domestic manufacturing facilities and 12 manufacturing facilities located outside the United States. Our foreign manufacturing facilities are located in Australia, Canada, China, the United Kingdom, Italy, Thailand, Germany and Mexico.

**Company Background and Our Controlling Stockholder**

On June 6, 2002, an investor group led by Heartland Industrial Partners, L.P. ("Heartland") acquired 66.0% of our fully diluted common equity from Metaldyne Corporation ("Metaldyne") for cash with the objective of permitting us to independently pursue growth opportunities. Following this offering, Heartland will beneficially own approximately % of our fully diluted common equity (which includes % held by Metaldyne).

Heartland, Metaldyne and those of our directors associated with Heartland will realize certain direct and indirect costs and benefits from this offering, including the following: (1) all pre-offering owners of our common stock will benefit from the creation of a public market for our common stock although they will be subject to lock-up agreements described elsewhere in this prospectus; (2) Heartland and Metaldyne will continue to collectively own shares representing a majority of our voting stock (valued in aggregate at $ million based upon the midpoint of the price range.) Heartland originally acquired 66% of our fully diluted common equity from Metaldyne at an aggregate cost of $265.0 million; (3) Heartland is agreeing to a contractual settlement of its right to receive an annual monitoring fee of $4.0 million and 1.0% fee for this offering in exchange for a $ million payment, but will continue to have the right to earn fees for services provided in connection with certain future financings, acquisitions and divestitures by us; and (4) Heartland and Metaldyne will suffer a reduction in their percentage of share ownership and will have reduced representation on our Board of Directors and its committees, although Heartland and Metaldyne will continue to control a majority of our shares immediately following this offering, as indicated above, and Heartland will continue to have the ability to elect a majority of our Board of Directors.

At the time of the June 2002 transactions, we, Metaldyne and Heartland entered into a number of agreements pertaining to, among other things, Heartland's investment, the dividend, our respective ongoing relationships and the allocation of certain liabilities that might arise. We subsequently repurchased some of our common stock from Metaldyne in April 2003 at the same price as originally paid by Heartland. See "Related Party Transactions." Consequently, there are continuing ongoing relationships that will exist between us, on the one hand, and Heartland, Metaldyne and certain of our officers and directors, on the other hand. See "Management," "Principal Stockholders," "Related Party Transactions Benefits of This Offering to Certain Related Parties" and the relevant portions of the section captioned "Risk Factors." None of these matters are specific to this offering.

## The Offering

| | |
|---|---|
| **Common stock offered by us** | shares |
| **Shares to be outstanding after the offering** | shares |
| **Use of proceeds** | We estimate that our net proceeds from this offering will be approximately $ million. We intend to use these net proceeds to repay a portion of our outstanding term loans under our credit facilities and/or a portion of our senior subordinated notes. We also may seek to terminate certain of our operating leases by acquiring the underlying assets. To the extent there are any remaining net proceeds, we intend to use such funds for general corporate purposes. |
| **Dividend policy** | We do not anticipate paying any cash dividends in the foreseeable future. |
| **Risk factors** | Please read "Risk Factors" and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock. |

We intend to apply for listing of the shares on the New York Stock Exchange under the symbol "TRS."

Unless we specifically state otherwise, all information in this prospectus:

- assumes no exercise of the over-allotment option granted by us in favor of the underwriters; and

- excludes 2,222,000 shares of common stock reserved for issuance under our long-term equity incentive plan including, as of June 30, 2006, 1,952,066 shares of common stock issuable upon the exercise of outstanding stock options under the long-term equity incentive plan at exercise prices of $20.00 per share and $23.00 per share, of which 1,154,987 and 69,155 options were vested, respectively.

**Summary Financial Data**

The following table sets forth our summary financial data for the three years ended December 31, 2005 and the three months ended March 31, 2006 and March 31, 2005, as well as summary as adjusted balance sheet data as of March 31, 2006. The summary financial data for the fiscal years ended December 31, 2005, 2004 and 2003 have been derived from our audited financial statements and notes to those financial statements included elsewhere in this prospectus. The audited financial statements for the years ended December 31, 2005, 2004 and 2003 have been audited by KPMG LLP. The summary information for the three months ended March 31, 2006 and March 31, 2005 has been derived from our unaudited interim financial statements and the notes to those financial statements, which, in the opinion of management, include all adjustments which are normal and recurring in nature, necessary for the fair presentation of that data for such periods.

We acquired three significant businesses during 2003: (1) HammerBlow Acquisition Corp. on January 30, 2003, (2) Highland Group Corporation on February 21, 2003 and (3) an automotive fittings business from Metaldyne, which we refer to as the Fittings Acquisition, on May 9, 2003. The summary financial information for 2003 includes the results of the HammerBlow and Highland businesses subsequent to the date of their acquisition. The Fittings Acquisition was accounted for as a reorganization of entities under common control because of Heartland's interests in Metaldyne and us. As a result, historical periods have been revised to include the effects of the Fittings Acquisition as if Fittings had been owned by us for all periods presented. The as adjusted summary balance sheet data reflect the impact of this offering as if it had occurred March 31, 2006. The following data should be read in conjunction with "Management's Discussion and Analysis of Financial Condition and Results of Operations" and our financial statements and the notes thereto, each included elsewhere in this prospectus.

| | Three months ended March 31, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 |
| | (unaudited) | (unaudited) | | | |
| | (dollars in thousands, except per share data) | | | | |
| **Statement of Operations Data:** | | | | | |
| Net sales | $ 275,280 | $ 262,370 | $ 1,010,120 | $ 939,680 | $ 812,430 |
| Gross profit | 73,490 | 65,100 | 247,410 | 257,310 | 227,820 |
| Operating profit | 29,260 | 24,980 | 84,100 | 88,690 | 49,570 |
| Income (loss) from continuing operations | 5,310 | 3,570 | 880 | 14,010 | (18,080) |
| **Basic Earnings (Loss) Per Share Data:** | | | | | |
| Continuing operations | $ 0.27 | $ 0.18 | $ 0.04 | $ 0.70 | $ (0.90) |
| Weighted average shares for basic EPS | 20,010 | 20,010 | 20,010 | 20,010 | 20,047 |
| **Diluted Earnings (Loss) Per Share Data:** | | | | | |
| Continuing operations | $ 0.26 | $ 0.17 | $ 0.04 | $ 0.70 | $ (0.90) |
| Weighted average shares for diluted EPS | 20,760 | 20,760 | 20,010 | 20,010 | 20,047 |

| | | | | | |
|---|---|---|---|---|---|
| **Statement of Cash Flows Data:** | | | | | |
| Cash flows provided by (used for) | | | | | |
| operating activities | $ 11,010 | $ (11,350) | $ 29,890 | $ 42,620 | $ 41,360 |
| investing activities | (4,650) | (3,610) | (16,640) | (46,840) | (161,280) |
| financing activities | (8,380) | 15,790 | (12,610) | 530 | 26,260 |
| **Other Financial Data:** | | | | | |
| Depreciation and amortization(1)(2) | $ 9,300 | $ 9,560 | $ 37,120 | $ 36,200 | $ 43,530 |
| Capital expenditures(2) | 5,040 | 4,200 | 20,340 | 36,330 | 25,400 |
| Adjusted EBITDA(3)(4) | 35,610 | 32,670 | 113,850 | 117,470 | 113,740 |

| | As of March 31, 2006 | |
|---|---|---|
| | **Actual** | **As Adjusted(5)** |
| | (unaudited) | |
| **Balance Sheet Data:** | | |
| Cash and cash equivalents | $ 1,710 | $ |
| Current assets | 333,300 | |
| Goodwill and other intangibles, net | 897,590 | |
| Total assets | 1,440,770 | |
| Current liabilities | 242,290 | |
| Total debt | 719,340 | |
| Shareholders' equity | 354,170 | |

(1)

Includes non-cash charges of $0.4 million, $0.6 million and $5.6 million in 2005, 2004 and 2003, respectively, to write off customer relationship intangibles as we no longer maintain a sales relationship with several customers. See Note 7 to the audited financial statements included elsewhere in this prospectus.

(2)

Reflects amounts attributable to continuing operations.

(3)

In evaluating our business, our management considers and uses 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, before interest, taxes, depreciation, amortization, non-cash asset and goodwill impairment charges and write-offs, non-cash losses on sale-lease back of property and equipment and legacy restricted stock award expense. 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 our consolidation, restructuring and integration efforts are continuing and driven in part by our acquisition activity, our management eliminates these costs to evaluate underlying business performance. Caution must be exercised in eliminating 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. 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 eliminating potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the impact of purchase accounting and SFAS No. 142 (affecting depreciation and amortization expense). Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use Adjusted EBITDA for business planning purposes, to incent and compensate our management personnel, in measuring our performance relative to that of our competitors and in evaluating acquisition opportunities. In addition, we believe Adjusted EBITDA or 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. These limitations are discussed under "Management's Discussion and Analysis of Financial Condition and Results of Operations." Because of these limitations, Adjusted EBITDA should not be considered as a measure of discretionary cash available to us to invest in the growth of our business. We compensate for these limitations by relying primarily on our GAAP results and using Adjusted EBITDA only supplementally.

The following is a reconciliation of our Adjusted EBITDA to net income (loss) before cumulative effect of accounting change, and cash flows from operating activities:

| | Three months ended March 31, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 |
| | (dollars in thousands) | | | | |
| Net income (loss) before cumulative effect of accounting change | $ 3,980 | $ 2,510 | $ (45,460) | $ (2,190) | $ (30,930) |
| Income tax expense (benefit)(a) | 2,410 | 1,410 | (30,560) | (4,290) | (5,590) |
| Interest expense | 19,920 | 18,240 | 75,510 | 67,650 | 64,780 |
| Legacy stock award expense | | | | | 4,830 |
| Loss on sale-leaseback of property and equipment(b) | | | | | 18,200 |
| Asset impairment | | | 73,220 | 10,650 | 7,600 |
| Write-off of deferred equity offering costs | | | | 1,140 | |
| Depreciation and amortization | 9,300 | 10,510 | 41,140 | 44,510 | 54,850 |
| Adjusted EBITDA(b) | $ 35,610 | $ 32,670 | $ 113,850 | $ 117,470 | $ 113,740 |
| Interest paid | (5,280) | (5,780) | (70,550) | (61,650) | (61,710) |
| Taxes paid | (4,930) | (3,600) | (12,630) | (10,220) | (8,500) |
| Legacy stock award expense | | | | (5,400) | (4,560) |
| Loss (gain) on dispositions of plant and equipment | 100 | (240) | 300 | 790 | 1,910 |
| Payments to Metaldyne to fund contractual liabilities | | | (2,900) | (4,610) | (6,370) |
| Receivables sales and securitization, net | 25,120 | 26,560 | (9,580) | 47,960 | |
| Net change in working capital(c) | (39,610) | (60,960) | 11,400 | (41,720) | 6,850 |
| Cash flows provided by (used in) operating activities | $ 11,010 | $ (11,350) | $ 29,890 | $ 42,620 | $ 41,360 |

(a) Includes addback of income tax benefit of $32.5 million recorded in 2005 related to discontinued operations. See Note 5 to the audited financial statements included elsewhere in this prospectus.

(b) These sale-leaseback transactions were of a financing nature and the proceeds were used to reduce indebtedness. The lease transactions are accounted for as operating leases. For the years ended December 31, 2005 and December 31, 2004, Adjusted EBITDA was lower by $10.1 million in each year, for lease payments related to property and equipment that was sold and leased back during the first and second quarters of 2003. If such leases had been in effect for the full year in 2003, the lease payments would have resulted in an additional $4.0 million in lease expense in 2003.

(c) Represents the net change in current assets less current liabilities in the current period as compared to the prior period.

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Adjusted EBITDA is presented without any adjustment for the following items resulting from consolidation, restructuring and integration activities:

| | Three months ended March 31, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 |
| | (dollars in thousands) | | | | |
| Facility and business consolidation costs(a) | $ 20 | $ | $ 200 | $ 280 | $ |
| Business unit restructuring costs(b) | 90 | 280 | 1,130 | 6,250 | 2,650 |
| Acquisition integration costs(c) | 290 | | 1,290 | 1,510 | 6,810 |
| | $ 400 | $ 280 | $ 2,620 | $ 8,040 | $ 9,460 |

(a) Includes employee training, severance and relocation costs, equipment move and plant rearrangement costs associated with facility and business consolidations.

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

(c) Includes equipment move and other facility closure costs, excess and obsolete inventory reserve charges related to brand rationalization, employee training, and other organization costs associated with the integration of acquired operations. Also includes a non-cash expense of $4.0 million for the year ended December 31, 2003 that will not be recurring associated with the step-up in basis of inventory acquired in connection with the acquisitions of HammerBlow and Highland.

(4) Adjusted EBITDA herein includes discontinued operations. See "Management's Discussion and Analysis of Financial Condition and Results of Operations  Segment Information and Supplemental Analysis."

(5) As adjusted to give effect to this offering and the use of proceeds therefrom as described under "Use of Proceeds."

## RISK FACTORS

*You should carefully consider each of the risks described below, together with all of the other information contained in this prospectus, before deciding to invest in shares of our common stock. The risks and uncertainties described below are those that we have identified as material, but are not the only risks and uncertainties facing us. Our business is also subject to general risks and uncertainties that affect other companies, such as overall U.S. and non-U.S. economic and industry conditions, including global economic events, geopolitical events, changes in laws or accounting rules, fluctuations in interest rates and currency exchange rates, terrorism, other international conflicts, natural disasters or other disruptions or unexpected economic/business conditions. Additional risks and uncertainties not currently known to us or that we currently believe are immaterial may also impact our business operations, financial results and liquidity. As a result of any of the following risks, our business, results of operations or financial condition could be materially adversely affected, the market price of your shares could decline and you may lose all or part of your investment.*

### Risks Related to Our Business

***We have a history of net losses.***

We incurred net losses of $45.9 million, $2.2 million and $30.9 million for the years ended December 31, 2005, 2004 and 2003, respectively. These losses principally resulted from the high interest expense associated with our highly leveraged capital structure, discontinued operations and assets held for sale, and non-cash expenses such as depreciation and amortization of intangible assets and asset impairments also contributed to our net losses. We may continue to experience net losses in the future.

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

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

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

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

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

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

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

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

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

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

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

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

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

We currently have, and will continue to have upon the application of proceeds from this offering, indebtedness that is substantial in relation to our shareholders' equity. As of March 31, 2006, we had approximately $719.3 million of outstanding debt and approximately $354.2 million of shareholders' equity. After giving effect to this offering and the use of proceeds therefrom as described under "Use of Proceeds," on March 31, 2006, as of that date we would have had approximately $ million of outstanding debt and $ million of shareholders' equity. As of March 31, 2006, approximately 39.0% of our debt bears interest at variable rates and we may experience material increases in our interest expense as a result of increases in interest rate levels generally. Our debt service payment obligations in 2005 were approximately $73.4 million. Based on amounts outstanding as of March 31, 2006 a 1.0% increase in the per annum interest rate for our variable rate debt would increase our interest expense by approximately $2.8 million annually. Our degree of leverage and level of interest expense may have other significant consequences, including:

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

- our flexibility in planning for, or reacting to, changes in our businesses and the industries in which we operate may be limited;

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

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

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

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

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

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

- pay dividends or redeem or repurchase capital stock;

- incur additional indebtedness and grant liens;

- make acquisitions and joint venture investments;

- sell assets; and

- make capital expenditures.

Our credit facility also requires us to comply with financial covenants relating to, among other things, interest coverage and leverage. Our accounts receivable facility contains covenants similar to those in our credit facility and includes additional requirements regarding our receivables.

We may not be able to satisfy these covenants in the future or be able to pursue our strategies within the constraints of these covenants. Substantially all of our assets and the assets of our domestic subsidiaries (other than our special purpose receivables subsidiary) are pledged as collateral pursuant to the terms of our credit facility. A breach of a covenant contained in our debt instruments could result in an event of default under one or more of our debt instruments, our accounts receivable facility and our lease financing arrangements. Such breaches would permit the lenders under our credit facility to declare all amounts borrowed thereunder to be due and payable, and the commitments of such lenders to make further extensions of credit could be terminated. In addition, such breach may cause a termination of our accounts receivable facility. Each of these circumstances could materially and adversely impair our liquidity.

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

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

***We may be unable to adequately protect our intellectual property.***

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

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

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

We currently carry insurance and maintain reserves for potential product liability claims. However, our insurance coverage may be inadequate if such claims do arise and any liability not covered by insurance could have a material adverse effect on our business. Although, we have been able to obtain insurance in amounts we believe to be appropriate to cover such liability to date, our insurance premiums may increase in the future as a consequence of conditions in the insurance business generally or our situation in particular. Any such increase could result in lower net income or cause the need to reduce our insurance coverage. In addition, a future claim may be brought against us that could have a material adverse effect on us. Any product liability claim may also include the imposition of punitive damages, the award of which, pursuant to certain state laws, may not be covered by insurance. Our product liability insurance policies have limits that if exceeded, may result in material costs that would have an adverse effect on our future profitability. In addition, warranty claims are generally not covered by our product liability insurance. Further, any product liability or warranty issues may adversely affect our reputation as a manufacturer of high-quality, safe products, divert management's attention, and could have a material adverse effect on our business.

In addition, one of our Energy Products segment subsidiaries is a party to lawsuits related to asbestos contained in gaskets formerly manufactured by it or its predecessors. Some of this litigation includes claims for punitive and consequential as well as compensatory damages. We may incur significant litigation costs in defending these matters and we may be required to pay damage awards or settlements or become subject to equitable remedies that could adversely affect our businesses.

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

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

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

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

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

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

We lease many of our manufacturing facilities and certain capital equipment. Our annualized rental expense under these operating leases was approximately $17.2 million in 2005. A failure to pay our rental obligations with respect to a facility lease would constitute a default allowing the applicable landlord to pursue any remedy available to it under applicable law, which include taking possession of our property and evicting us. These leases are categorized as operating leases and are not considered indebtedness for purposes of our debt instruments.

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

At March 31, 2006, our goodwill and intangible assets were approximately $897.6 million, and represented approximately 62.3% of our total assets. Our net loss of $45.9 million for the year ended December 31, 2005 included a charge of $41.6 million, net of income tax benefit of $28.7 million, for impairment of property and equipment and intangible assets related to our industrial fasteners business, which is held for sale and is reported as discontinued operations. Because of the significance of our goodwill and intangible assets, any future impairment of these assets could have a material adverse effect on our financial results.

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

As of June 30, 2006, approximately 18% of our work force in our continuing operations was unionized under several different unions and bargaining agreements. If our unionized workers or those of our customers or suppliers were to engage in a strike, work stoppage or other slowdown in the future, we could experience a significant disruption of our operations. In addition, if a greater percentage of our work force becomes unionized, our labor costs and risks associated with strikes, work stoppages or other slowdowns may increase. On July 19, 2006 approximately 150 workers at our Monogram Aerospace Fasteners business unit commenced a strike, which lasted until July 27, 2006. Many of our direct or indirect customers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or their suppliers could result in slowdowns or closures of assembly plants where our products are included. In addition, organizations responsible for shipping our customers' products may be impacted by occasional strikes or other activity. Any interruption in the delivery of our customers' products could reduce demand for our products and could have a material adverse effect on us.

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

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

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

Approximately 17.2% of our net sales for the fiscal year ended December 31, 2005 were derived from sales by our subsidiaries located outside of the United States. We may significantly expand our international operations through internal growth and acquisitions. Sales outside of the U.S., particularly sales to emerging markets, and foreign manufacturing operations are subject to various other risks which are not present within U.S. markets, including governmental embargoes or foreign trade restrictions such as antidumping duties, changes in U.S. and foreign governmental regulations, tariffs and other trade barriers, the potential for nationalization of enterprises, foreign exchange risk and other risks related to political, economic and social instability. In addition, there are tax inefficiencies in repatriating cash flow from non-U.S. subsidiaries that could affect our financial results and reduce our ability to service debt.

***Our future required cash contributions to our pension plans may increase if new pension funding requirements are enacted into law.***

Congress is considering legislation to reform funding requirements for underfunded pension plans on a prospective basis. The proposed legislation as currently drafted would, among other things, increase the percentage funding target from 90.0% to 100.0%, generally require underfunding to be eliminated over a seven year period, and require the use of a more current mortality table in the calculation of minimum yearly funding requirements. This proposed legislation is preliminary and could change significantly before it is enacted into law. Our future required cash contributions to our underfunded U.S. defined benefit pension plans may increase based on the funding reform provisions that are ultimately enacted into law.

**Risks Related to Our Common Stock**

***Our common stock may not trade actively, which may cause our common stock to trade at a discount and make it difficult for you to sell your stock.***

This is our initial public offering, which means that our common stock currently does not trade in any market. Upon the consummation of this offering, our common stock may not trade actively. You may not be able to sell your shares at or above the offering price, which will be determined by negotiations between representatives of the underwriters and us and which may not be indicative of prices that will prevail in the trading market. An illiquid market for our common stock may result in price volatility and poor execution of buy and sell orders for investors.

***Investors in this offering will suffer immediate and substantial dilution.***

The initial public offering price of our common stock will be substantially higher than the net tangible book value per share of our common stock. Purchasers of our common stock in this offering will experience immediate and substantial dilution in the net tangible book value of $ per share of the common stock, assuming an initial public offering price of $ per share. Our issuance of shares pursuant to options and the exercise of an existing warrant will cause investors to experience further dilution if the market price of our common stock exceeds the exercise price of these securities.

***Future sales of our common stock in the public market could cause our stock price to fall.***

Sales of a substantial number of shares of our common stock in the public market after this offering, or the perception that these sales might occur, could depress the market price of our common stock and could impair our ability to raise capital through the sale of additional equity securities. After this offering, we will have shares of common stock authorized for issuance under our certificate of incorporation and shares of common stock outstanding. There will be shares outstanding if the underwriters exercise their overallotment option in full. Restrictions under the securities laws and the lock-up agreements described in "Underwriting" limit the number of shares of common stock that can be sold immediately following the public offering. All of the shares of common stock sold in this offering will be freely tradeable without restrictions or further registration under the Securities Act, except for any shares purchased by our affiliates as defined in Rule 144 under the Securities Act. shares of common stock outstanding after this offering will be "restricted securities" subject to the volume limitations and the other conditions of Rule 144 or Rule 701 plus additional shares issuable upon the exercise of outstanding options and 750,000 shares issuable upon the exercise of an outstanding warrant, available for sale after the expiration of their initial 180-day lock-up period.

Of the "restricted shares" outstanding after this offering, Heartland will directly own 12,678,082 and Metaldyne will own 4,826,087. Heartland and Metaldyne will have the ability to require us to register the resale of their shares 180 days after the consummation of this offering pursuant to registration rights. In addition, the parties to our shareholders agreement have the right, subject to the limitations in the shareholders agreement, to exercise certain piggyback registration rights in connection with other registered offerings. Substantial sales by Heartland or Metaldyne or the perception that these sales will occur may materially and adversely affect the price of our common stock.

***If we sell or issue additional shares of common stock to finance future acquisitions, your stock ownership could be diluted.***

Part of our growth strategy is to expand into new markets and enhance our position in existing markets through acquisitions. In order to successfully complete acquisitions we may target or fund our other activities, we may issue additional equity securities that could be dilutive to our earnings per share and to your stock ownership. The timing and quantity of the shares of our common stock that will be sold may have a negative impact on the market price of our common stock. Sales of substantial amounts of our common stock (including shares issued upon the exercise of stock options and warrants or in connection with acquisition financing), or the perception that such sales could occur, may materially and adversely affect prevailing market prices for our common stock.

***Possible volatility in our stock price could negatively affect our stockholders.***

The trading price of our common stock may be volatile in response to a number of factors, many of which are beyond our control, including actual or anticipated variations in quarterly financial results; changes in financial estimates or recommendations by securities analysts; changes in accounting standards, policies, guidance, interpretations or principles; sales of common stock by us or members of our management team; and announcements by our competitors of significant acquisitions, strategic partnerships, joint ventures or capital commitments. In addition, our financial results may be below the expectations of securities analysts and investors. If this were to occur, the market price of our common stock could decrease, possibly significantly.

In addition, the U.S. securities markets have experienced significant price and volume fluctuations. These fluctuations often have been unrelated to the operating performance of companies in these markets. Broad market and industry factors may negatively affect the price of our common stock, regardless of our operating performance. In the past, following periods of volatility in the market price of an individual company's securities, securities class action litigation often has been instituted against that company. The institution of similar litigation against us could result in substantial costs and a diversion of our management's attention and resources, which could negatively affect our financial results.

***We are controlled by Heartland, which can control or substantially influence all matters requiring the approval of our stockholders, and Heartland's interests in our business may be different than yours.***

After this offering, Heartland will beneficially own approximately % of our outstanding voting common stock and Metaldyne, which is controlled by Heartland, will beneficially own approximately % of our outstanding voting common stock. As a result, Heartland will have the power to control or substantially influence all matters submitted to our stockholders, elect our directors, exercise control over our decisions to enter into any corporate transaction and have the ability to prevent any transaction that requires the approval of stockholders regardless of whether other stockholders believe that any such transactions are in their own best interests. For example, Heartland could cause us to make acquisitions that increase the amount of our indebtedness, sell revenue-generating assets or cause us to undergo a "going private" transaction with it or one of our affiliates based on its ownership immediately following the consummation of this offering without a legal requirement of unaffiliated shareholder approval. So long as Heartland continues to own a significant amount of the outstanding shares of our common stock, it will continue to be able to strongly influence or effectively control our decisions. Its interests may differ from yours and it may vote in a way with which you disagree. In addition, this concentration of ownership may have the effect of preventing, discouraging or deterring a change of control, which could depress the market price of our common stock. See "Related Party Transactions."

***We are party to certain transactions with Heartland and its affiliates, including Metaldyne, which may continue in the future.***

While we have no current plans with respect to additional related party transactions with Heartland or Metaldyne or their respective affiliates, apart from those existing and ordinary course matters summarized or referred to under "Related Party Transactions," we may enter into such transactions in the future. Our debt instruments currently require that, principles of corporate law may recommend that and we intend to, enter into such transactions only on arm's length third party terms. However, we cannot assure you that, should we enter into any such transactions, they would not be detrimental to us and to shareholders other than the relevant affiliated party or that there will be relevant arm's length third party transactions to which we may compare.

***Provisions of Delaware law and upon the consummation of this offering, our certificate of incorporation and by-laws, could delay or prevent a change in control of our company, which could adversely impact the value of our common stock.***

Upon the consummation of this offering, our certificate of incorporation and by-laws will contain provisions that could make it more difficult for a third party to acquire us, even if doing so might be beneficial to our shareholders. Upon the consummation of this offering, provisions of our certificate of incorporation and by-laws will impose various procedural and other requirements, which could make it more difficult for shareholders to effect certain corporate actions. For example, our certificate of incorporation will authorize our Board of Directors to determine the rights, preferences, privileges and restrictions of an unissued series of preferred stock, without any vote or action by our shareholders. Thus, our Board of Directors will be able to authorize and issue shares of preferred stock with voting or conversion rights that could adversely affect the voting or other rights of holders of our common stock. Additional provisions include the sole power of our Board of Directors to fix the number of directors, limitations on the removal of directors, the sole power of our Board of Directors to fill any vacancy on our board, whether such vacancy occurs as a result of an increase in the number of directors or otherwise, and the inability of shareholders to act by written consent to call special meetings. These rights may have the effect of delaying or deterring a change of control of our company. In addition, a change of control of our company may be delayed or deterred as a result of our having three classes of directors. These provisions could limit the price that certain investors might be willing to pay in the future for shares of our common stock. See "Description of Capital Stock."

***Although we already file periodic reports with the Securities and Exchange Commission, becoming a public company will increase our expenses and administrative burden, in particular to bring our company into compliance with the Sarbanes Oxley Act of 2002.***

As a public company, we will incur significant legal, accounting and other expenses that we did not incur as a private company. In addition, our administrative staff will be required to perform additional tasks. For example, in anticipation of becoming a public company, we will need to retain a transfer agent and adopt an insider trading policy in compliance with our obligations under the securities laws.

In addition, changing laws, regulations and standards relating to corporate governance and public disclosure, including the Sarbanes Oxley Act of 2002 and related regulations implemented by the Securities and Exchange Commission and the New York Stock Exchange, are creating uncertainty for public companies, increasing legal and financial compliance costs and making some activities more time consuming. We are currently evaluating and monitoring developments with respect to new and proposed rules and cannot predict or estimate the amount of the additional costs we may incur or the timing of such costs. These laws, regulations and standards are subject to varying interpretations, in many cases due to their lack of specificity, and, as a result, their application in practice may evolve over time as new guidance is provided by regulatory and governing bodies. This could result in continuing uncertainty regarding compliance matters and higher costs necessitated by ongoing revisions to disclosure and governance practices. We intend to invest resources to comply with current laws, regulations and standards, and this investment may result in increased general and administrative expenses and a diversion of management's time and attention from revenue-generating activities to compliance activities. If our efforts to comply with new laws, regulations and standards differ from the activities intended by regulatory or governing bodies due to ambiguities related to practice, regulatory authorities may initiate legal proceedings against us and our business may be harmed. We also expect that being a public company and these new rules and regulations will make it more expensive for us to obtain director and officer liability insurance, and we may be required to accept reduced coverage or incur substantially higher costs to obtain coverage. These factors could also make it more difficult for us to attract and retain qualified members of our Board of Directors, particularly to serve on our audit committee, and qualified executive officers.

***We are a "controlled company" within the meaning of the NYSE rules and, as a result, will qualify for, and intend to rely on, exemptions from certain corporate governance requirements.***

Upon the closing of this offering, affiliates of Heartland will continue to control a majority of our outstanding common stock. As a result, we are a "controlled company" within the meaning of the

NYSE corporate governance standards. Under the NYSE rules, a company of which more than 50% of the voting power is held by an individual, group or another company is a "controlled company" and may elect not to comply with certain NYSE corporate governance requirements, including:

- the requirement that a majority of the Board of Directors consist of independent directors,
- the requirement that we have a nominating/corporate governance committee consisting entirely of independent directors,
- the requirement that we have a compensation committee consisting entirely of independent directors, and
- the requirement for an annual performance evaluation of any such compensation committee.

Following this offering, we currently intend to utilize the second, third and fourth of such listed exemptions and may elect while we remain a "controlled company" to also utilize the remaining listed exemptions. As a result, while we will have both a nominating/corporate governance committee and a compensation committee we do not expect that either will consist entirely of independent directors. Accordingly, you will not have the same protections afforded to stockholders of companies that are subject to all of the NYSE corporate governance requirements.

***If we fail to maintain an effective system of internal controls, we may not be able to accurately report our financial results or prevent fraud.***

Effective internal controls are necessary for us to provide reliable financial reports and effectively prevent fraud. Any inability to provide reliable financial reports or to detect and prevent fraud could harm our business. We have not yet completed implementing our current plans to improve internal controls over financial reporting and may be unable to remedy certain internal control weaknesses identified by our management and take other actions to maintain compliance with Section 404 of the Sarbanes Oxley Act of 2002. See "Management's Discussion and Analysis of Financial Condition and Results of Operations Controls and Procedures." Our conclusions and actions relative to our control weaknesses may be subject to scrutiny in the future, including review by the Securities and Exchange Commission in connection with its ordinary course review of our public filings and disclosure. Inadequate internal controls could also cause investors to lose confidence in our reported financial information, which could have a negative effect on the trading price of our stock. We cannot assure you that we will be able to complete the work necessary to conclude that our internal controls are effective.

***We have no plans to pay regular dividends on our common stock, so you may not receive funds without selling your common stock.***

We have not declared or paid cash dividends on our common stock since becoming a stand-alone entity in June 2002 and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, restrictions in our credit facility and our indenture governing our senior subordinated notes restrict our ability to pay dividends. We currently intend to retain future earnings, if any, to finance our business and growth strategies. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant.

## FORWARD-LOOKING INFORMATION

This prospectus contains forward-looking statements about our financial condition, results of operations and business, and our plans, objectives, goals, strategies, future events, revenue or performance, capital expenditures, financing needs, plans or intentions concerning acquisitions and business trends and other nonhistorical information. Many of these statements appear under the headings "Prospectus Summary," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and "Business." When used in this prospectus, the words "estimates," "expects," "anticipates," "projects," "plans," "intends," "believes," "forecasts," or future or conditional verbs, such as "will," "should," "could," or "may," and variations of such words or similar expressions are intended to identify forward-looking statements. All forward-looking statements, including, without limitation, management's examination of historical operating trends and data are based upon our current expectations and various assumptions. Our expectations, beliefs and projections are expressed in good faith and we believe there is a reasonable basis for them. However, there can be no assurance that management's expectations, beliefs and projections will be achieved.

Forward-looking statements are subject to numerous assumptions, risks and uncertainties and accordingly, 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 prospectus.

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 statements to reflect events or circumstances after the date of this prospectus or to reflect the occurrence of unanticipated events.

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

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

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

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

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

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

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

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

- Restrictions in our debt instruments and accounts receivable facility limit our ability to take certain actions and breaches thereof could impair our liquidity;
- We may be unable to protect our intellectual property or face liability assocated with the use of products for which intellectual property rights are claimed;
- We may incur material losses and costs as a result of product liability, recall and warranty claims that may be brought against us;
- Our business may be materially and adversely affected by compliance obligations and liabilities including environmental and other laws and regulations;
- Historically, we have grown primarily through acquisitions. If we are unable to identify attractive acquisition candidates, successfully integrate acquired operations or realize the intended benefits of our acquisitions, we may be adversely affected;
- We have significant operating lease obligations. Failure to meet those obligations could adversely affect our financial condition;
- We have significant goodwill and intangible assets. Future impairment of our goodwill and intangible assets could have a material adverse impact on our financial results;
- We may be subject to work stoppages and further unionization at our facilities or our customers or suppliers may be subjected to work stoppages, which could seriously impact the profitability of our business;
- Our healthcare costs for active employees and retirees may exceed our projections and may negatively affect our financial results;
- A growing portion of our sales may be derived from international sources, which exposes us to certain risks which may adversely affect our financial results;
- Our future required cash contributions to our pension plans may increase if new pension funding requirements are enacted into law; and
- We have not yet completed implementing our current plans to improve internal controls over financial reporting and may be unable to remedy certain internal control weaknesses identified by our management and take other actions to maintain compliance with Section 404 of the Sarbanes-Oxley Act of 2002.

We disclose important factors that could cause our actual results to differ materially from our expectations under "Risk Factors," "Management's Discussion and Analysis of Financial Condition and Results of Operations" and elsewhere in this prospectus. These cautionary statements qualify all forward-looking statements attributable 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.

## USE OF PROCEEDS

We estimate that we will receive net proceeds of approximately $ million from the sale of shares of our common stock in this offering, based upon an assumed initial public offering price of $ per share (the midpoint of the range on the cover page of this prospectus) and after deducting underwriting discounts and commissions and estimated offering expenses.

We intend to use the net proceeds from this offering to repay a portion of our outstanding term loans under our credit facilities and/or a portion of our senior subordinated notes. Our term loans bear interest at a weighted average rate of 8.9% per annum as of July 15, 2006 and our senior subordinated notes bear interest at a rate of $9^7/_8$% per annum. We also may seek to terminate certain of our operating leases by acquiring the underlying assets. To the extent there are any remaining net proceeds, we intend to use such funds for general corporate purposes.

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the range on the cover page of this prospectus) would increase (decrease) the net proceeds to us from this offering by $ million, assuming the number of shares offered by us, as set forth on the cover page of this preliminary prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses.

## DIVIDEND POLICY

We have not declared or paid cash dividends on our common stock since becoming a stand-alone entity in June 2002 and we do not anticipate paying any cash dividends on our common stock in the foreseeable future. In addition, restrictions in our credit facility and our indenture governing our senior subordinated notes restrict our ability to pay dividends. We currently intend to retain future earnings, if any, to finance our business and growth strategies. Any decision to declare and pay dividends in the future will be made at the discretion of our Board of Directors and will depend on, among other things, our results of operations, cash requirements, financial condition, contractual restrictions and other factors that our Board of Directors may deem relevant.

## CAPITALIZATION

The following table sets forth our cash and cash equivalents and capitalization as of March 31, 2006 on an actual and as adjusted basis to reflect:

- the sale by us of approximately shares of our common stock in this offering at an assumed public offering price per share of $ (the midpoint of the range on the cover page of this prospectus). We estimate that we will receive net proceeds of approximately $ , after deducting estimated underwriting discounts and offering expenses; and

- the assumed repayment of $ million in principal amount of our outstanding debt and the termination of certain operating leases through the reacquisition of underlying assets at a cost of $ with the proceeds we receive from this offering.

You should read this table in conjunction with our financial statements and the notes to those financial statements and, "Management's Discussion and Analysis of Financial Condition and Results of Operations" included elsewhere in this prospectus.

| | As of March 31, 2006 | |
|---|---|---|
| | Actual | Adjusted(1) |
| | (unaudited dollars in thousands) | |
| Cash and cash equivalents | $ 1,710 | $ |
| Long-term debt (including current maturities): | | |
| Credit facility(2) | $ 257,610 | $ |
| Senior subordinated notes(3) | 436,410 | |
| Other | 25,320 | |
| Total long-term debt | 719,340 | |
| Shareholders' equity: | | |
| Preferred stock: par value $0.01 per share; 100,000,000 shares authorized; no shares issued and outstanding actual or as adjusted | | |
| Common stock: par value $0.01 per share; 400,000,000 shares authorized; 20,010,000 shares issued and outstanding actual; shares issued and outstanding as adjusted | 200 | |
| Paid-in capital | 397,400 | |
| Retained deficit(4) | (82,330) | |
| Accumulated other comprehensive income | 38,900 | |
| Total shareholders' equity | 354,170 | |
| Total capitalization | $ 1,073,510 | $ |

(1) A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the range on the cover page of this prospectus) would increase (decrease) each of cash and cash equivalents, paid-in capital, total shareholders' equity and total capitalization by $ million, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses.

(2) At March 31, 2006, our credit facility was comprised of a $150 million revolving credit facility that matures in December 2007 and a $335.0 million term loan that matures in December 2009. As of March 31, 2006, we had outstanding borrowings of $257.6 million and

utilized approximately $44.4 million of the letter of credit capacity under our revolving credit facility to support certain lease obligations and our ordinary course needs. In addition, our receivables facility provides us with up to $125.0 million of availability of eligible accounts receivable through December 31, 2007, of which $59.6 million was outstanding at March 31, 2006. We amended and restated our credit facilities on August 2, 2006. The amended and restated credit facilities are comprised of a $90.0 million revolving credit facility, a $60.0 million deposit-linked supplemental revolving credit facility, each of which will mature in August 2011 and a $260.0 million term loan facility that matures in August 2013, subject to certain conditions that could result in the term loans maturing in February 2012. See "Description of Our Debt."

(3)

At March 31, 2006, actual face value of the senior subordinated notes was $437.8 million and as adjusted face value was $436.4 million. See Note 7 to our unaudited financial statements included elsewhere in this prospectus.

(4)

Reflects adjustment for a $ million expense related to the write-off of deferred debt issuance costs associated with the repayment of term loan indebtedness and $ million expense related to discontinuation of the $4.0 million annual fee paid under the Heartland Advisory Agreement, net of related tax benefit.

## DILUTION

If you invest in our common stock, your interest will be diluted to the extent of the difference between the initial public offering price per share of our common stock and the net tangible book value per share of our common stock after this offering.

Our net negative tangible book value as of March 31, 2006 was approximately $(543.4) million, or $(27.16) per share of common stock. Net tangible book value per share represents total tangible assets less total liabilities, divided by the number of shares of common stock outstanding as of March 31, 2006. After giving effect to the issuance and sale of shares of our common stock in this offering at an assumed initial public offering price of $ (the midpoint of the range on the cover page of this prospectus), and after deducting the underwriting discounts and estimated offering expenses that we will pay, our net tangible book value as of March 31, 2006 would have been approximately $ million, or $ per share of common stock. This represents an immediate increase in net tangible book value of $ per share to existing shareholders and an immediate dilution of $ per share to new investors purchasing shares of common stock in this offering.

The following table illustrates this per share dilution:

| | | |
|---|---|---|
| Assumed initial public offering price per share | $ | |
| Net tangible book value per share as of March 31, 2006 | $ | (27.16) |
| Increase per share attributable to this offering | $ | |
| Net tangible book value per share after this offering | $ | |
| Dilution per share to new investors | $ | |

A $1.00 increase (decrease) in the assumed initial public offering price of $ per share (the midpoint of the range on the cover page of this prospectus) would (decrease) increase our net tangible book value (deficit) by $ million, the net tangible book value (deficit) per share after this offering by $ per share and the decrease in net tangible book value (deficit) to new investors in this offering by $ per share, assuming the number of shares offered by us, as set forth on the cover page of this prospectus, remains the same and after deducting the estimated underwriting discounts and commissions and estimated offering expenses.

The following table summarizes, as of March 31, 2006, the total number of shares of common stock purchased or to be purchased from us for cash during the past five years by existing shareholders, by holders of options or warrants and the total consideration paid or to be paid us and the average price per share paid or to be paid by them and by new investors purchasing shares of common stock in this offering, before deducting the underwriting discounts and estimated offering expenses that we will pay:

| | Shares purchased | | Total consideration | | |
|---|---|---|---|---|---|
| | **Number** | **Percent of total shares** | **Amount** | **Percent** | **Average price per share** |
| Existing shareholders | | % | $ | % | $ |
| New investors | | % | $ | % | $ |
| Total | | 100.0% | | 100.0% | |

The tables and calculations above (other than the last table above) assume no exercise of outstanding options. None of these options will be exercisable prior to 180 days after the consummation of this offering. As of June 30, 2006, there were 1,952,066 shares of our common stock issuable upon exercise of outstanding options at exercise prices of $20.00 per share and $23.00 per share. See "Management Director and Executive Officer Compensation Long Term Equity Incentive Plan."

## SELECTED HISTORICAL FINANCIAL DATA

The following table sets forth our selected historical financial data for the five years ended December 31, 2005 and the three months ended March 31, 2006 and March 31, 2005. The financial data for the fiscal years ended December 31, 2005, 2004 and 2003 have been derived from our audited financial statements and notes to those financial statements included elsewhere in this prospectus. The financial statements for the years ended December 31, 2005, 2004 and 2003 have been audited by KPMG LLP. The financial data for the fiscal years ended December 31, 2002 and 2001 have been derived from our consolidated financial statements for the years ended December 31, 2002 and 2001 that are not included in this prospectus. The selected information for the three months ended March 31, 2006 and March 31, 2005 has been derived from our unaudited interim financial statements and the notes to those financial statements, which, in the opinion of management, include all adjustments which are normal and recurring in nature, necessary for the fair presentation of that data for such periods.

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

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

| | Three months ended March 31, | | Year ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 | 2002 | 2001 |
| | (unaudited) | (unaudited) | | | | (unaudited) | (unaudited) |
| | (dollars in thousands except per share data) | | | | | | |
| **Statement of Operations Data:** | | | | | | | |
| Net sales | $ 275,280 | $ 262,370 | $ 1,010,120 | $ 939,680 | $ 812,430 | $ 650,240 | $ 641,700 |
| Gross profit | 73,490 | 65,100 | 247,410 | 257,310 | 227,820 | 188,800 | 182,890 |
| Operating profit | 29,260 | 24,980 | 84,100 | 88,690 | 49,570 | 73,010 | 68,550 |
| Income (loss) from continuing operations | 5,310 | 3,570 | 880 | 14,010 | (18,080) | 4,950 | (10,090) |
| **Per Share Data:** | | | | | | | |
| Basic: | | | | | | | |
| Continuing operations | $ 0.27 | $ 0.18 | $ 0.04 | $ 0.70 | $ (0.90) | | |
| Weighted average shares | 20,010,000 | 20,010,000 | 20,010,000 | 20,010,000 | 20,047,090 | | |
| Diluted: | | | | | | | |
| Continuing operations | $ 0.26 | $ 0.17 | $ 0.04 | $ 0.70 | $ (0.90) | | |
| Weighted average shares | 20,760,000 | 20,760,000 | 20,010,000 | 20,010,000 | 20,047,090 | | |

| | Three months ended March 31, | | Year ended December 31, | | | | |
|---|---|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 | 2002 | 2001 |
| | (unaudited) | (unaudited) | | | | (unaudited) | (unaudited) |
| | | | | (dollars in thousands) | | | |
| **Statement of Cash Flows Data:** | | | | | | | |
| Cash flows provided by (used for) | | | | | | | |
| operating activities | $ 11,010 | $ (11,350) | $ 29,890 | $ 42,620 | $ 41,360 | $ (22,000) | $ 78,710 |
| investing activities | (4,650) | (3,610) | (16,640) | (46,840) | (161,280) | (39,090) | (13,020) |
| financing activities | (8,380) | 15,790 | (12,610) | 530 | 26,260 | 157,750 | (68,970) |
| **Balance Sheet Data:** | | | | | | | |
| Total assets | $ 1,440,770 | $ 1,539,930 | $ 1,428,510 | $ 1,522,200 | $ 1,500,030 | $ 1,426,060 | $ 1,281,600 |
| Total debt | (719,340) | (753,850) | (727,680) | (738,020) | (735,980) | (696,180) | (440,760) |
| Goodwill and other intangibles(1) | 897,590 | 956,580 | 900,000 | 925,280 | 938,550 | 751,800 | 806,870 |

(1) Reflects amounts attributable to continuing operations.

# MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

The following discussion and analysis of our financial condition and results of operations covers periods subsequent to our separation from Metaldyne and the acquisition of HammerBlow, Highland and Fittings. In addition, the statements in the discussion and analysis regarding industry outlook, our expectations regarding the performance of our business and the other non-historical statements in the discussion and analysis are forward-looking statements. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under the heading "Forward-Looking Information," elsewhere in this prospectus. 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 sections entitled "Risk Factors," "Selected Historical Financial Data" and our historical consolidated financial statements included elsewhere in this prospectus.

**Introduction**

We are an industrial manufacturer of highly engineered products serving niche markets in a diverse range of commercial, industrial and consumer applications. During the first quarter of 2006, we realigned our operating segments and management structure to better focus our various businesses' product line offerings by industry, end customer markets and related channels of distribution. We currently have five operating segments: Packaging Systems, Energy Products, Industrial Specialties, RV & Trailer Products and Recreational Accessories. In reviewing our financial results for the past three years, consideration should be given to certain critical events, particularly our separation from Metaldyne in June 2002, and subsequent acquisitions and recent consolidation, integration and restructuring efforts.

*Key Factors and Risks Affecting Our Reported Results.* Critical factors affecting our ability to succeed include: our ability to successfully pursue organic growth through product development, cross-selling and product bundling 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.

Our businesses depend upon general economic conditions and we serve some customers in highly cyclical industries that are highly competitive and themselves adversely impacted by unfavorable economic conditions. There is some seasonality in the business of our Recreational Accessories and RV & Trailer Products operating segments as well. Sales of towing and trailer products within these business segments are generally stronger in the second and third quarters, as trailer original equipment manufacturers (OEMs), distributors and retailers acquire product for the spring selling season. No other operating segment experiences significant seasonal fluctuation in its business. We do not consider sales order backlog to be a material factor in our business. A growing portion of our sales may be derived from international sources, which exposes us to certain risks, including currency risks. The demand for some of our products, particularly in the Recreational Accessories and RV & Trailer Products Segments, is influenced by consumer sentiment, which could be negatively impacted by increased costs to consumers as a result of higher interest rates and energy costs, among other things.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, aluminum, polyethylene and other resins and energy. We have experienced increasing costs of steel and resin and have worked with our suppliers to manage cost pressures and disruptions in supply. We also initiated pricing programs to pass increased steel, copper, aluminum and resin costs to customers. Although we have experienced delays in our ability to implement price increases, we generally recover such increased costs. Although steel price increases and disruptions in supply abated in 2005, we may experience recurring steel price increases or disruptions in supply in the future and we may not be able to pass along such higher costs to our customers in the form of price increases. We will continue to take actions as necessary to manage risks associated with increasing steel costs, however, such increased costs may adversely impact our earnings.

We have substantial debt, interest and lease payment requirements that may restrict our future operations and impair our ability to meet our obligations and, in a rising interest rate environment, our performance may be adversely affected by our degree of leverage.

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

See the information under the headings "Description of Our Debt" for information on our current credit facility terms and "Related Party Transactions" for additional information concerning the June 2002 transactions.

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

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

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

On May 9, 2003, within our Industrial Specialities segment, we acquired an automotive fasteners manufacturing business from Metaldyne, a related party, for approximately $22.7 million on a debt-free basis (the "Fittings Acquisition"). In connection with the Fittings Acquisition, we agreed to sublease Metaldyne's Livonia, Michigan facility, at which the acquired business was and continues to be located. Because we and Metaldyne are under the common control of Heartland, this transaction was accounted for as a reorganization of entities under common control and, accordingly, we did not establish a new basis of accounting in the assets or liabilities of Fittings. Our reported results for prior periods have been revised to include the financial results of Fittings, including the allocation of certain charges to Fittings by Metaldyne. Examples of such allocations include amounts charged or allocated by

Metaldyne for corporate-level services and interest expense attributed to Fittings. See "Related Party Transactions."

*Recent Consolidation, Integration and Restructuring Activities.* We have undertaken significant consolidation, integration and other cost-savings programs to enhance our efficiency and achieve cost reduction opportunities arising from our acquisitions. These programs were essentially completed as of December 31, 2004. In addition to these major projects, there were also a series of other smaller initiatives to eliminate duplicative and excess manufacturing and distribution facilities, sales forces, and back office and other support functions, some of which were extended in 2005 in order to continue to optimize our cost structure in response to competitor actions and market conditions. The aggregate costs of these actions for 2005, 2004 and 2003 were approximately $2.6 million, $8.0 million and $9.5 million, respectively. We believe all of these costs were warranted by the anticipated future benefits of these actions. In 2004, we completed the establishment of our stand-alone corporate office. With the expiration on December 31, 2003 of the shared services agreement between Metaldyne and us, we now handle internally the legal, tax, benefit administration and environmental, health and safety services formerly provided by Metaldyne.

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

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

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

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

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

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

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

*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 the cumulative effect of accounting change, before interest, taxes, depreciation, amortization, non-cash asset and goodwill impairment charges and write-offs, non-cash losses on sale-leaseback of property and equipment and legacy restricted stock award expense. 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 our consolidation, restructuring and integration efforts are expected to continue and will be driven in part by our acquisition activity, our management eliminates these costs to evaluate underlying business performance. Caution must be exercised in eliminating 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 Adjusted EBITDA is the best indicator (together with a careful review of the aforementioned items) of our ability to service and/or incur indebtedness, as we are a highly leveraged company. We use Adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period and company to company by excluding potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the impact of purchase accounting and SFAS No. 142 (affecting depreciation and amortization expense). Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use Adjusted EBITDA for business planning purposes, to incent and compensate our management personnel, in measuring our performance relative to that of our competitors and in evaluating acquisition opportunities. In addition, we believe Adjusted EBITDA and similar measures are widely used by investors, securities analysts, ratings agencies and other interested parties as a measure of financial performance and debt-service capabilities. Our use of Adjusted EBITDA has limitations as an analytical tool, and you should not consider it in isolation or as a substitute for analysis of our results as reported under GAAP. Some of these limitations are:

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

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

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

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

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

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

other companies, including companies in our industry, may calculate these measures differently than we do, limiting their usefulness as a comparative measure.

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

The following is a reconciliation of our Adjusted EBITDA to net income (loss) and cash flows from operating activities for the three months ended March 31, 2006 and March 31, 2005 and the three years ended December 31, 2005, 2004 and 2003:

| | Three months ended March 31, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| | **2006** | **2005** | **2005** | **2004** | **2003** |
| | (dollars in thousands) | | | | |
| Net income (loss) before cumulative effect of accounting change | $ 3,980 | $ 2,510 | $ (45,460) | $ (2,190) | $ (30,930) |
| Income tax expense (benefit)(1) | 2,410 | 1,410 | (30,560) | (4,290) | (5,590) |
| Interest expense | 19,920 | 18,240 | 75,510 | 67,650 | 64,780 |
| Legacy stock award expense | | | | | 4,830 |
| Loss on sale-leaseback of property and equipment(2) | | | | | 18,200 |
| Asset impairment | | | 73,220 | 10,650 | 7,600 |
| Write-off of deferred equity offering costs | | | | 1,140 | |
| Depreciation and amortization | 9,300 | 10,510 | 41,140 | 44,510 | 54,850 |
| Adjusted EBITDA(2) | $ 35,610 | $ 32,670 | $ 113,850 | $ 117,470 | $ 113,740 |
| Interest paid | (5,280) | (5,780) | (70,550) | (61,650) | (61,710) |
| Taxes paid | (4,930) | (3,600) | (12,630) | (10,220) | (8,500) |
| Legacy stock award expense | | | | (5,400) | (4,560) |
| Loss (gain) on dispositions of plant and equipment | 100 | (240) | 300 | 790 | 1,910 |
| Payments to Metaldyne to fund contractual liabilities | | | (2,900) | (4,610) | (6,370) |
| Receivables, sales and securitization, net | 25,120 | 26,560 | (9,580) | 47,960 | |
| Net change in working capital(3) | (39,610) | (60,960) | 11,400 | (41,720) | 6,850 |
| Cash flows provided by (used in) operating activities | $ 11,010 | $ (11,350) | $ 29,890 | $ 42,620 | $ 41,360 |

(1)
Inclues add-back of income tax benefit of $32.5 million recorded in 2005 related to discontinued operations. See Note 5 to the audited financial statements included elsewhere in this prospectus.

(2)

These sale-leaseback transactions were of a financing nature and the proceeds were used to reduce indebtedness. The lease transactions are accounted for as operating leases. For the years ended December 31, 2005 and 2004, Adjusted EBITDA was lower by $10.1 million in each year, for lease payments related to property and equipment that was sold and leased back during the first and second quarters of 2003. If such leases had been in effect for the full year in 2003, the lease payments would have resulted in an additional $4.0 million in lease expense in 2003.

(3)
Represents the net change in current assets less current liabilities in the current period as compared to the prior period.

The following details certain items relating to our consolidation, restructuring and integration efforts not eliminated in determining Adjusted EBITDA, but that we would eliminate in evaluating the quality of our Adjusted EBITDA.

| | Three months ended March 31, | | Year ended December 31, | | |
|---|---|---|---|---|---|
| | 2006 | 2005 | 2005 | 2004 | 2003 |
| | (dollars in thousands) | | | | |
| Facility and business consolidation costs(a) | $ 20 | $ | $ 200 | $ 280 | $ |
| Business unit restructuring costs(b) | 90 | 280 | 1,130 | 6,250 | 2,650 |
| Acquisition integration costs(c) | 290 | | 1,290 | 1,510 | 6,810 |
| | $ 400 | $ 280 | $ 2,620 | $ 8,040 | $ 9,460 |

(a)
Includes employee training, severance and relocation costs, equipment move and plant rearrangement costs associated with facility and business consolidations.

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

(c)
Includes equipment move and other facility closure costs, excess and obsolete inventory reserve charges related to brand rationalization, employee training, and other organization costs associated with the integration of acquired operations. Also includes a non-cash expense of $4.0 million for the year ended December 31, 2003, that will not be recurring associated with the step-up in basis of inventory acquired in connection with the acquisitions of HammerBlow and Highland.

**Segment Information and Supplemental Analysis**

The following table summarizes financial information of continuing operations for our five operating segments for the three months ended March 31, 2006 and March 31, 2005:

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| | 2006 | As a Percentage of Net Sales | 2005 | As a Percentage of Net Sales |
| | (dollars in thousands) | | | |
| **Net Sales** | | | | |
| Packaging Systems | $ 53,350 | 19.4% | $ 49,600 | 18.9% |
| Energy Products | 39,950 | 14.5% | 33,590 | 12.8% |
| Industrial Specialties | 44,440 | 16.1% | 38,530 | 14.7% |
| RV & Trailer Products | 55,860 | 20.3% | 55,840 | 21.3% |
| Recreational Accessories | 81,680 | 29.7% | 84,810 | 32.3% |
| Total | $ 275,280 | 100.0% | $ 262,370 | 100.0% |

**Gross Profit**

| | Three months ended March 31, | | | |
|---|---|---|---|---|
| Packaging Systems | $ 14,650 | 27.5% | $ 13,820 | 27.9% |
| Energy Products | 12,190 | 30.5% | 9,770 | 29.1% |
| Industrial Specialties | 12,800 | 28.8% | 9,610 | 24.9% |
| RV & Trailer Products | 13,640 | 24.4% | 13,760 | 24.6% |
| Recreational Accessories | 20,210 | 24.7% | 18,140 | 21.4% |
| Allocated/Corporate expenses | | N/A | | N/A |
| Total | $ 73,490 | 26.7% | $ 65,100 | 24.8% |

| | | | | |
|---|---|---|---|---|
| **Selling, General and Administrative** | | | | |
| Packaging Systems | $ 6,170 | 11.6% | $ 6,460 | 13.0% |
| Energy Products | 6,120 | 15.3% | 4,730 | 14.1% |
| Industrial Specialties | 4,320 | 9.7% | 3,660 | 9.5% |
| RV & Trailer Products | 5,410 | 9.7% | 5,300 | 9.5% |
| Recreational Accessories | 15,770 | 19.3% | 14,520 | 17.1% |
| Allocated/Corporate expenses | 6,260 | N/A | 5,620 | N/A |
| Total | $ 44,050 | 16.0% | $ 40,290 | 15.4% |
| **Operating Profit** | | | | |
| Packaging Systems | $ 8,500 | 15.9% | $ 7,390 | 14.9% |
| Energy Products | 5,920 | 14.8% | 5,030 | 15.0% |
| Industrial Specialties | 8,410 | 18.9% | 5,910 | 15.3% |
| RV & Trailer Products | 8,280 | 14.8% | 8,480 | 15.2% |
| Recreational Accessories | 4,410 | 5.4% | 3,800 | 4.5% |
| Corporate expenses and management fees | (6,260) | N/A | (5,630) | N/A |
| Total | $ 29,260 | 10.6% | $ 24,980 | 9.5% |
| **Adjusted EBITDA** | | | | |
| Packaging Systems | $ 11,720 | 22.0% | $ 10,090 | 20.3% |
| Energy Products | 6,540 | 16.4% | 5,660 | 16.9% |
| Industrial Specialties | 9,810 | 22.1% | 7,170 | 18.6% |
| RV & Trailer Products | 10,090 | 18.1% | 10,400 | 18.6% |
| Recreational Accessories | 6,870 | 8.4% | 6,480 | 7.6% |
| Corporate expenses and management fees | (7,250) | (2.6)% | (6,350) | (2.4)% |
| Total | $ 37,780 | 13.7% | $ 33,450 | 12.7% |

The following table summarizes financial information of continuing operations for our five operating segments for the years ended December 31, 2005, 2004 and 2003:

| | Year ended December 31, | | | | | |
|---|---|---|---|---|---|---|
| | **2005** | **As a Percentage of Net Sales** | **2004** | **As a Percentage of Net Sales** | **2003** | **As a Percentage of Net Sales** |
| | (dollars in thousands) | | | | | |
| **Net Sales** | | | | | | |
| Packaging Systems | $ 199,170 | 19.7% | $ 191,750 | 20.4% | $ 179,650 | 22.1% |
| Energy Products | 131,020 | 13.0% | 103,010 | 11.0% | 88,690 | 10.9% |
| Industrial Specialties | 164,700 | 16.3% | 133,620 | 14.2% | 116,670 | 14.4% |
| RV & Trailer Products | 209,030 | 20.7% | 196,990 | 21.0% | 149,660 | 18.4% |
| Recreational Accessories | 306,200 | 30.3% | 314,310 | 33.4% | 277,760 | 34.2% |
| Total | $ 1,010,120 | 100.0% | $ 939,680 | 100.0% | $ 812,430 | 100.0% |

| | | | | | | |
|---|---|---|---|---|---|---|
| **Gross Profit** | | | | | | |
| Packaging Systems | $ 54,920 | 27.6% | $ 57,780 | 30.1% | $ 55,950 | 31.1% |
| Energy Products | 35,420 | 27.0% | 28,250 | 27.4% | 24,390 | 27.5% |
| Industrial Specialties | 47,580 | 28.9% | 36,800 | 27.5% | 33,690 | 28.9% |
| RV & Trailer Products | 48,190 | 23.1% | 49,110 | 24.9% | 46,430 | 31.0% |
| Recreational Accessories | 61,300 | 20.0% | 85,440 | 27.2% | 67,360 | 24.3% |
| Allocated/Corporate expenses | | N/A | (70) | N/A | | N/A |
| Total | $ 247,410 | 24.5% | $ 257,310 | 27.4% | $ 227,820 | 28.0% |
| **Selling, General and Administrative** | | | | | | |
| Packaging Systems | $ 24,450 | 12.3% | $ 26,940 | 14.0% | $ 24,610 | 13.7% |
| Energy Products | 20,180 | 15.4% | 19,080 | 18.5% | 18,940 | 21.4% |
| Industrial Specialties | 15,880 | 9.6% | 14,960 | 11.2% | 15,560 | 13.3% |
| RV & Trailer Products | 20,520 | 9.8% | 22,920 | 11.6% | 19,240 | 12.9% |
| Recreational Accessories | 56,610 | 18.5% | 59,060 | 18.8% | 54,500 | 19.6% |
| Allocated/Corporate expenses | 22,020 | 2.2% | 21,930 | 2.3% | 25,610 | 3.2% |
| Total | $ 159,660 | 15.8% | $ 164,890 | 17.5% | $ 158,460 | 19.5% |
| **Loss (Gain) on Dispositions of Property and Equipment** | | | | | | |
| Packaging Systems | $ 110 | 0.1% | $ 460 | 0.2% | $ 6,360 | 3.5% |
| Energy Products | 10 | 0.0% | 10 | 0.0% | (790) | (0.9)% |
| Industrial Specialties | 70 | 0.0% | 30 | 0.0% | 4,440 | 3.8% |
| RV & Trailer Products | 580 | 0.3% | 520 | 0.3% | 580 | 0.4% |
| Recreational Accessories | (80) | 0.0% | 330 | 0.1% | 2,110 | 0.8% |
| Allocated/Corporate expenses | | N/A | | N/A | (510) | (0.1)% |
| Total | $ 690 | 0.1% | $ 1,350 | 0.1% | $ 12,190 | 1.5% |
| **Impairment of Assets and Goodwill** | | | | | | |
| Packaging Systems | $ | 0.0% | $ 2,280 | 1.2% | $ | 0.0% |
| Energy Products | | 0.0% | | 0.0% | | 0.0% |
| Industrial Specialties | | 0.0% | | 0.0% | 7,600 | 6.5% |
| RV & Trailer Products | 310 | 0.1% | 100 | 0.1% | | 0.0% |
| Recreational Accessories | 2,650 | 0.9% | | 0.0% | | 0.0% |
| Allocated/Corporate expenses | | N/A | | N/A | | N/A |
| Total | $ 2,960 | 0.3% | $ 2,380 | 0.3% | $ 7,600 | 0.9% |
| **Operating Profit** | | | | | | |
| Packaging Systems | $ 30,370 | 15.2% | $ 28,110 | 14.7% | $ 24,980 | 13.9% |
| Energy Products | 15,210 | 11.6% | 9,160 | 8.9% | 6,240 | 7.0% |
| Industrial Specialties | 31,650 | 19.2% | 21,810 | 16.3% | 6,090 | 5.2% |
| RV & Trailer Products | 26,790 | 12.8% | 25,560 | 13.0% | 26,610 | 17.8% |
| Recreational Accessories | 2,120 | 0.7% | 26,050 | 8.3% | 10,760 | 3.9% |
| Allocated/Corporate expenses | (22,040) | (2.2)% | (22,000) | (2.3)% | (25,110) | (3.1)% |
| Total | $ 84,100 | 8.3% | $ 88,690 | 9.4% | $ 49,570 | 6.1% |

| | | | | | | | | | |
|---|---|---|---|---|---|---|---|---|---|
| **Adjusted EBITDA** | | | | | | | | | |
| Packaging Systems | $ | 40,170 | 20.2% | $ | 41,540 | 21.7% | $ | 45,270 | 25.2% |
| Energy Products | | 17,550 | 13.4% | | 11,700 | 11.4% | | 10,280 | 11.6% |
| Industrial Specialties | | 36,660 | 22.3% | | 26,490 | 19.8% | | 23,160 | 19.9% |
| RV & Trailer Products | | 34,280 | 16.4% | | 33,370 | 16.9% | | 34,050 | 22.8% |
| Recreational Accessories | | 14,930 | 4.9% | | 36,880 | 11.7% | | 23,700 | 8.5% |
| Allocated/Corporate expenses | | (25,490) | (2.5)% | | (22,680) | (2.4)% | | (20,030) | (2.5)% |
| Total | $ | 118,100 | 11.7% | $ | 127,300 | 13.5% | $ | 116,430 | 14.3% |
| **Capital Expenditures** | | | | | | | | | |
| Packaging Systems | $ | 8,720 | 4.4% | $ | 18,020 | 9.4% | $ | 14,550 | 8.1% |
| Energy Products | | 1,720 | 1.3% | | 1,230 | 1.2% | | 900 | 1.0% |
| Industrial Specialties | | 2,440 | 1.5% | | 3,980 | 3.0% | | 2,320 | 2.0% |
| RV & Trailer Products | | 4,690 | 2.2% | | 7,070 | 3.6% | | 4,380 | 2.9% |
| Recreational Accessories | | 2,700 | 0.9% | | 5,750 | 1.8% | | 3,010 | 1.1% |
| Corporate | | 70 | N/A | | 280 | N/A | | 240 | N/A |
| Total | $ | 20,340 | 2.0% | $ | 36,330 | 3.9% | $ | 25,400 | 3.1% |
| **Depreciation and Amortization:** | | | | | | | | | |
| Packaging Systems | $ | 11,700 | 5.9% | $ | 10,730 | 5.6% | $ | 13,710 | 7.6% |
| Energy Products | | 2,320 | 1.8% | | 2,560 | 2.5% | | 5,230 | 5.9% |
| Industrial Specialties | | 4,980 | 3.0% | | 4,600 | 3.4% | | 5,160 | 4.4% |
| RV & Trailer Products | | 7,430 | 3.6% | | 7,430 | 3.8% | | 6,750 | 4.5% |
| Recreational Accessories | | 10,610 | 3.5% | | 10,640 | 3.4% | | 12,550 | 4.5% |
| Corporate | | 80 | 0.0% | | 240 | 0.0% | | 380 | 0.0% |
| Total | $ | 37,120 | 3.7% | $ | 36,200 | 3.9% | $ | 43,780 | 5.4% |

**Results of Operations**

**Three Months Ended March 31, 2006 Compared with Three Months Ended March 31, 2005**

The principal factors impacting us during the three months ended March 31, 2006, compared with the three months ended March 31, 2005, were:

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

- the impact of significant competitive pricing pressures within the retail market channel of our Recreational Accessories business segment, and reduced demand for trailering components within our RV & Trailer Products segment; and

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

Net sales increased $12.9 million, or approximately 4.9%, for the three months ended March 31, 2006 as compared with the three months ended March 31, 2005. Overall, net sales in the first quarter 2006 were negatively impacted approximately $0.8 million versus the first quarter 2005 because our reported results in U.S. dollars were impacted as a result of weaker foreign currencies. Packaging Systems' net sales increased $3.8 million to $53.4 million from $49.6 million, or approximately 7.6%, for the three months ended March 31, 2006 as compared with the three months ended March 31, 2005. Sales of industrial closure products and specialty dispensing products increased 5.9% and sales of specialty tapes, laminates and insulation products improved 11.0%. Net sales within Energy Products increased $6.4 million, or 19.0%, to $40.0 million in the three months ended March 31, 2006 from $33.6 million in the three months ended March 31, 2005 as businesses in this segment benefited from extensive oil and gas drilling activity in North America and continued high levels of turnaround activity at petroleum refineries and petrochemical facilities. Net sales within our Industrial Specialties segment increased $5.9 million, or approximately 15.3%, to $44.4 million for the first quarter of 2006 from $38.5 million in the first quarter of 2005, due to continued strong demand across all businesses in this segment, but most notably within our aerospace fasteners and industrial cylinder businesses. Net sales within RV & Trailer Products were approximately the same between the first quarter of 2006 and the first quarter of 2005 at $55.9 million as lower sales demand in the agricultural and industrial markets was partially offset by stronger demand in the horse/livestock and OEM automotive market sectors. Recreational Accessories' net sales decreased $3.1 million to $81.7 million in the three months ended March 31, 2006 from $84.8 million in the three months ended March 31, 2005 principally as a result of reduced sales activity in our towing products business' early order program.

Gross profit margin (gross profit as a percentage of sales) approximated 26.7% and 24.8% for the three months ended March 31, 2006 and 2005, respectively. Packaging Systems' gross profit margin declined slightly to 27.5% for the three months ended March 31, 2006 from approximately 27.9% for the three months ended March 31, 2005. Energy Products' gross profit margin increased to 30.5% in the first quarter 2006 compared with 29.1% in first quarter 2005 as this segment's margins benefited primarily from increasing sales levels. Gross profit margin within our Industrial Specialties segment increased in the first quarter of 2006 to 28.8% compared to 24.9% in the first quarter of 2005 due generally to the benefits of increased sales levels as well as greater sales of higher margin aerospace fasteners. RV & Trailer Products' gross profit margin was essentially the same at 24.4% and 24.6% for the three months ended March 31, 2006 and 2005, respectively, consistent with sales activity. Recreational Accessories' gross profit margin increased to 24.7% in the first quarter of 2006 from 21.4% in the first quarter of 2005. The increase is due primarily to improved material margins ($1.3 million) and higher productivity levels at our Goshen, Indiana manufacturing facility.

Operating profit margin (operating profit as a percentage of sales) approximated 10.6% and 9.5% for the three months ended March 31, 2006 and 2005, respectively. Packaging Systems' operating profit margin was 15.9% and 14.9% in the three months ended March 31, 2006 and 2005, respectively. Operating profit increased $1.1 million for the first quarter of 2006 as compared with the first quarter of 2005 due to gross profit earned on increased sales and reduced spending on selling, general and administrative activities resulting in the margin improvement. Energy Products' operating profit margin was 14.8% and 15.0% for the quarter ended March 31, 2006 and 2005, respectively. Operating profit improved $0.9 million in the first quarter of 2006 compared to the first quarter of 2005 as margins earned on higher sales levels were offset by higher selling, general and administrative expenses, and increased asbestos litigation defense costs. Industrial Specialties' operating profit margin was 18.9% and 15.3% for the quarter ended March 31, 2006 and 2005, respectively. Operating profit increased $2.5 million in the first quarter of 2006 compared to the first quarter of 2005 primarily as a result of increased sales levels across all businesses in this segment, proportionately greater sales of higher margin aerospace fasteners, and reduced variable and fixed overhead spending as a percentage of sales. RV & Trailer Products' operating profit margin was 14.8% and 15.2% for the three months ended March 31, 2006 and 2005, respectively, as cost savings initiatives approximately offset increased transportation costs and slightly higher employee benefit costs. Recreational Accessories' operating profit margin was 5.4% and 4.5% in the quarter ended March 31, 2006 and 2005, respectively. Operating profit increased $0.6 million to $4.4 million for the three months ended March 31, 2006 as compared to $3.8 million in the first quarter of 2005. The improvement in gross profit was in part offset by $1.3 million higher selling, general and administrative expenses related principally to increased promotional spending to support greater retail channel sales activity.

***Packaging Systems.*** Net sales increased $3.8 million, or approximately 7.6%, to $53.4 million for the quarter ended March 31, 2006 compared to $49.6 million for the quarter ended March 31, 2005. Net sales in the first quarter 2006 were negatively impacted approximately $1.1 million versus the first quarter 2005 because our reported results in U.S. dollars were impacted by weaker foreign currencies. Overall, the $3.8 million increase in sales is a result of stronger demand for our products in the general industrial, commercial construction and metal building markets due to overall economic expansion and continued growth of new products. Of the increase in sales, approximately $1.7 million was due to increased sales of specialty tapes, laminates and insulation products, $1.5 million was due to increased sales of industrial closures, rings and levers, and $0.6 million was due to higher sales of new consumer-oriented specialty dispensing products.

Packaging Systems' gross profit increased approximately $0.9 million to $14.7 million for the three months ended March 31, 2006, from $13.8 million in the comparable period a year ago. Gross profit margin was 27.5% and 27.9% for the three months ended March 31, 2006 and 2005, respectively, and the increase in gross profit was consistent with the increased sales levels.

Packaging Systems' selling, general and administrative costs decreased approximately $0.3 million to $6.2 million, or 11.6% of sales during the quarter ended March 31, 2006, as compared to $6.5 million, or 13.0% of sales in the first quarter of 2005. Variable and fixed selling expenses increased only $0.1 million as Packaging Systems was able to increase sales without a ratable increase variable spending, while general and administrative expense decreased $0.4 million primarily as a result of trailing costs incurred in first quarter 2005 related to Compac's consolidation of facilities that did not recur in first quarter 2006.

Overall, Packaging Systems' operating profit increased $1.1 million to $8.5 million, or 15.9% of sales, from $7.4 million, or 14.9% of sales in the comparable period a year ago. Of this amount, approximately $0.6 million is due to increased sales levels, $0.3 million is due to costs associated with facility consolidation that did not recur in the current quarter, with the remaining improvement resulting from lower selling costs as a percentage of sales.

***Energy Products.*** Net sales for the quarter ended March 31, 2006 increased $6.4 million to $40.0 million from $33.6 million for the quarter ended March 31, 2005. Of this amount, $2.8 million represents increased demand from existing customers for slow speed engine products as a result of continued favorable market conditions for oil and gas producers in the United States and Canada $1.3 million represents market share gains due to extended product line offerings of existing engine models, principally in Canada, and expanded replacement parts offerings internationally. Within our specialty gasket business, sales increased $1.3 million as a result of increased demand from existing customers due to continued high levels of turn-around activity at petrochemical refineries and $1.0 million due to increased international sales, principally in Latin America, the Far East and Europe.

Gross profit within Energy Products increased $2.4 million to $12.2 million or 30.5% of sales for the quarter ended March 31, 2006, from $9.8 million or 29.1% of sales in the comparable period a year ago. Of this amount, approximately $1.8 million is attributed to the sales level increase and $0.6 million is the result of ongoing efforts to source certain products to suppliers in lower-cost manufacturing countries.

Selling, general and administrative expenses in the first quarter 2006 increased $1.4 million to $6.1 million for the three months ended March 31, 2006 from $4.7 million for the three months ended March 31, 2005. Of this amount, $0.8 million is due to increased asbestos litigation defense costs in our specialty gasket business, while overall selling, general and administrative expenses within this segment increased $0.6 million compared to the same period a year ago, essentially in line with the increased sales levels.

Overall, operating profit within Energy Products improved $0.9 million to $5.9 million in the quarter ended March 31, 2006 from $5.0 million in the quarter ended March 31, 2005. Operating profit as a percentage of sales for the three months ended March 31, 2006 and 2005 was approximately the same at 14.8% and 15.0%, respectively, as increased gross profits due to higher sales levels were partially offset by higher selling costs and increased asbestos litigation defense costs.

***Industrial Specialties.*** Net sales during the quarter ended March 31, 2006 increased $5.9 million, or approximately 15.3%, to $44.4 million from $38.5 in the first quarter of 2005. The $5.9 million increase in sales is a result of stronger demand for our products in the general industrial, aerospace, automotive and defense markets due to market share gains, new products and economic expansion. Notably, our aerospace fastener business continues to experience strong market demand, with a sales increase of approximately 27.1% in first quarter 2006 over the first quarter 2005, due to continued high commercial and business jet production rates. Sales of specialty automotive fittings improved 23.7% compared to the first quarter 2005 and sales within our industrial cylinder business also increased 14.3% for the first quarter 2006 compared with the first quarter 2005. We estimate that steel cost increases recovered from customers via pricing during first quarter 2006, principally within our industrial cylinder and precision tool businesses, was comparable to the same period a year ago.

Gross profit within our Industrial Specialties segment increased $3.2 million to $12.8 million in the first quarter of 2006 from $9.6 million in the first quarter of 2005. Gross profit margins at Industrial Specialties were approximately 28.8% and 24.9% for the quarters ended March 31, 2006 and 2005, respectively. Of the increase in gross profit, approximately $1.5 million is attributed to the sales level increase, $0.8 million is due to improved material margins, and $0.9 million is due to lower conversion costs as a percentage of sales as a result of greater sales volumes.

Selling, general and administrative expenses increased $0.6 million to $4.3 million in the first quarter 2006 from $3.7 million in first quarter 2005, but spending as a percentage of sales of 9.7% and 9.5%, respectively, was approximately the same.

Operating profit in the first quarter of 2006 increased $2.5 million to $8.4 million from $5.9 million in the first quarter 2005. Operating profit margins within Industrial Specialties improved to 18.9% for the three months ended March 31, 2006 compared to 15.3% from the first quarter 2005 primarily due to the increased sales volumes across all businesses, improved material margins, and reduced variable and fixed selling expense as a percentage of sales.

***RV & Trailer Products.*** Net sales were approximately the same at $55.9 million for the quarter ended March 31, 2006 compared to $55.8 million for the first quarter of 2005. Net sales in the first quarter 2006 were negatively impacted approximately $0.7 million versus the first quarter 2005 because our reported results in U.S. dollars were impacted by a weaker Australian dollar. Net sales in the first quarter 2006 to agricultural/industrial and marine markets and recreational vehicle wholesalers and distributors were approximately $3.2 million lower compared to the first quarter 2005 due to lower market demand and increased foreign competition. These decreases were offset by sales increases of approximately $3.2 million due to stronger demand in the horse/livestock and OEM automotive market sectors.

RV & Trailer Products' gross profit decreased slightly to $13.6 million, or 24.4% of net sales for the quarter ended March 31, 2006, from approximately $13.8 million, or 24.6% of net sales in the first quarter of 2005. Lower gross profits due to sales mix and sales incentives were approximately offset by improved material margins due to sourcing initiatives and better recoveries of material cost increases via pricing, as well as savings associated with cost reduction initiatives implemented in 2005.

RV & Trailer Products' selling, general and administrative expenses were approximately the same at $5.4 million and $5.3 million for the three months ended March 31, 2006 and 2005, respectively, as this segment managed selling and overhead spending in response to sales remaining the same. Selling, general and administrative expense as a percent of sales were 9.7% and 9.5% in the first quarter of 2006 and 2005, respectively.

Overall, RV & Trailer Products' operating profit declined $0.2 million to $8.3 million or 14.8% of net sales in the first quarter of 2006 from approximately $8.5 million or 15.2% of net sales for the first quarter of 2005. The decline in operating profit is the result of slightly lower gross profits due to market demand remaining the same overall and marginally higher selling, general and administrative expenses.

***Recreational Accessories.*** Net sales decreased $3.1 million, or approximately 3.7%, to $81.7 million for the quarter ended March 31, 2006 compared to $84.8 million for the first quarter of 2005. Net sales in first quarter 2006 were positively impacted approximately $0.8 million because our reported results in U.S. dollars were impacted by a stronger Canadian dollar. The net decrease in sales was due to reduced levels of activity in our towing products business' early order incentive program, offset in part by $4.5 million higher sales to our retail channel customers.

Recreational Accessories' gross profit increased $2.1 million to $20.2 million, or 24.7% of net sales, for the quarter ended March 31, 2006 from approximately $18.1 million, or 21.4% of net sales, in the first quarter of 2005. Of this increase in gross profit, we estimate $1.2 million is due to improved material margin as a result of sourcing initiatives and recoveries of material cost increases via pricing. Gross margin was also favorably impacted by increased productivity at our Goshen, Indiana manufacturing facility and savings associated with cost reduction initiatives implemented in 2005, which essentially offset increased costs associated with employee benefits, transportation and energy.

Recreational Accessories' selling, general and administrative expenses increased approximately $1.3 million to $15.8 million or 19.3% of net sales during the first quarter 2006 from $14.5 million or 17.1% of net sales in the first quarter of 2005, due to increased freight costs to customers and increased promotion costs associated with higher retail channel activity.

Overall, Recreational Accessories' operating profit increased $0.6 million to approximately $4.4 million or 5.4% of net sales for the first quarter of 2006 from $3.8 million or 4.5% of net sales in the first quarter of 2005. The improvement in operating profit is the result of higher gross profit due principally to increased material margins and improved productivity, offset in part by higher selling, general and administrative expenses due to increased freight costs to customers and higher promotion expense to support retail channel activity.

***Corporate Expenses and Management Fees.*** Corporate expenses and management fees increased approximately $0.7 million to $6.3 million for the three months ended March 31, 2006 from $5.6 million for the three months ended March 31, 2005. The increase is due to increased audit costs of $0.5 million; increased costs associated with our self-insured programs of $0.2 million; and increased employee compensation and management incentive program costs of $0.3 million in relation to the implementation of SFAS No. 123R, "*Accounting for Stock-Based Compensation*."

***Interest Expense.*** Interest expense increased approximately $1.7 million to $19.9 million for the three months ended March 31, 2006 as compared to $18.2 million for the three months ended March 31, 2005. The increase is primarily the result of an increase in our weighted average interest rate on variable rate borrowings to approximately 8.1% during first quarter 2006 from approximately 6.1% during the first quarter 2005, offset in part by a reduction in the amount of weighted average variable rate borrowings outstanding to approximately $335.0 million in first quarter 2006 from approximately $375.0 million during first quarter 2005.

***Other Expense, Net.*** During the three months ended March 31, 2006, other, net decreased $0.3 million to $0.8 million as compared to $1.1 million for the three months ended March 31, 2005. In first quarter 2006, $1.1 million of expenses incurred in connection with use of our receivables securitization facility were partially offset by gains on transactions denominated in foreign currencies of approximately $0.3 million. In first quarter 2005, we incurred $0.9 million of expenses in connection with use of the receivables securitization facility and $0.2 million of losses on transactions denominated in foreign currencies.

***Income Taxes.*** The effective income tax rates for the three months ended March 31, 2006 and 2005 were 38.0% and 36.8%, respectively.

***Discontinued Operations.*** In fourth quarter 2005, our Board of Directors authorized management to move forward with its plan to sell our industrial fasteners operations, which consists of operations located in Frankfort, Indiana, Wood Dale, Illinois and Lakewood, Ohio. In the first quarter 2006, the loss from discontinued operations, net of income tax benefit, was $1.3 million compared to a loss from discontinued operations of $1.1 million in the same period a year ago. See Note 2 to our unaudited consolidated financial statements for the three months ended March 31, 2006 and 2005, included elsewhere in this prospectus.

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

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

- a stronger industrial economy in 2005, which impacted end-user demand across our Industrial Specialties and Packaging Systems segments;
- the impact of significant competitive pricing pressures in the towing products business of our Recreational Accessories segment, most notably in our retail market channel; and
- the impact of higher material costs and availability of some commodities, including the effects of higher steel costs within our Recreational Accessories and RV & Trailer Products segments and higher polyethylene and polypropylene resin costs within our Packaging Systems segment.

Overall, net sales increased $70.4 million, or approximately 7.5%, in 2005 as compared with 2004. Of this increase, approximately $47.4 million is attributed to organic growth, and approximately $6.0 million is due to currency exchange as our reported results in U.S. dollars benefited from stronger foreign currencies. In addition, we estimate that approximately $17.0 million of additional sales in 2005 was the result of recovery of steel cost increases that were passed through to customers. Packaging Systems' net sales increased $7.4 million, or approximately 3.9%, in 2005 as compared with 2004 due to new product sales, the favorable effects of currency exchange and partial recovery of increased steel costs, offset in part by slightly lower sales of core products such as rings, closures and plastic plugs. Net sales within Energy Products increased $28.0 million, or 27.2%, in 2005 as compared with 2004 as businesses in this segment benefited from high levels of oil and gas drilling activity in North America due to elevated oil prices and higher levels of turnaround activity at petroleum refineries and petrochemical facilities. Net sales within our Industrial Specialties segment increased $31.1 million, or 23.2%, in 2005 as compared with 2004 due to improved demand across all businesses in the segment and recovery of steel cost increases, most notably in our industrial cylinder business. RV & Trailer Products' net sales increased $12.0 million, or approximately 6.1%, in 2005 as compared with 2004. After consideration of the favorable impacts of currency exchange of $2.0 million, net sales increased approximately $10.0 million in 2005 from 2004. Recreational Accessories' net sales decreased $8.1 million, or approximately 2.6%, in 2005 as compared with 2004. After consideration of the favorable effects of currency exchange of $3.1 million and the beneficial impact of steel cost increases recovered from customers of approximately $14.6 million, net sales decreased approximately $25.8 million in 2005 from 2004.

Gross profit margin (gross profit as a percentage of sales) approximated 24.5% and 27.4% in 2005 and 2004, respectively. Most notably, Recreational Accessories' gross profit margin declined to approximately 20.0% in 2005 from approximately 27.2% in 2004 due principally to reduced sales volumes of towing and trailer products in the higher margin wholesale distributor and installer channels, significant competitive pricing pressures in all market channels, but especially retail, and insufficient recovery of steel and other material cost increases via pricing. Packaging Systems' gross profit margin declined to 27.6% in 2005 from 30.1% in 2004. The decline in gross profit margins is due principally to the impact of resin cost increases, steel cost recovery issues related to certain products in Europe and other cost increases not able to be fully recovered from customers. Within Energy Products, gross profit margin declined slightly to approximately 27.0% in 2005 from approximately 27.4% in 2004. Gross profit margin within Industrial Specialties improved to 28.9% in 2005 from 27.5% in 2004 due principally to increased sales of higher margin aerospace fasteners. Within RV & Trailer Products, gross profit margins declined to approximately 23.1% in 2005 from approximately 24.9% in 2004, due primarily to competitor-driven pricing pressures in the trailer products business.

Operating profit margin (operating profit as a percentage of sales) approximated 8.3% and 9.4% for the years ended December 31, 2005 and 2004, respectively. The decline in operating profit margin is due principally to reduced profit margin within Recreational Accessories. Within Recreational Accessories, operating profit decreased $23.9 million in 2005 compared to 2004 as this business segment had lower sales levels, margin erosion due to competitor-driven pricing pressures, and overall lower gross profits due to inability to recover material cost increases from customers. Operating profit margin at Packaging Systems increased to 15.2% in 2005 from 14.7% in 2004. The impact of increased steel, resin and other material cost increases which were not able to be fully recovered from customers were more than offset by reduced operating expenses. Also in the first half of 2004, our Compac business unit incurred higher costs and operational inefficiencies associated with the consolidation of manufacturing facilities into its new Hackettstown, New Jersey facility, which did not recur in 2005. Within Energy Products, operating profit margin improved to 11.6% in 2005 from 8.9% in 2004 as this segment benefited from significantly higher sales with only a nominal increase in related selling and other fixed costs. Within the Industrial Specialties segment, operating profit increased to 19.2% in 2005 from 16.3% in 2004 as businesses in this segment benefited from significantly increased sales levels. Within RV & Trailer Products, operating profit margin decreased marginally to 12.8% in 2005 from 13.0% in 2004.

***Packaging Systems.*** Net sales increased $7.4 million, or approximately 3.9%, to $199.2 million in 2005 compared to $191.8 million in 2004. Of this amount, $9.6 million relates to increased sales of new specialty dispensing products, $1.8 million is due to higher sales of pressure sensitive tapes and insulation products, and $0.5 million is due to the favorable impact of foreign currency exchange as a result of a weaker U.S. dollar. These increases were in part offset by an approximate $4.5 million decrease in sales of core products, including industrial closures, rings and levers, compared to 2004.

Packaging Systems' gross profit margin declined to approximately 27.6% during 2005 from approximately 30.1% in 2004, and gross profit declined $2.9 million in 2005 from 2004. The beneficial impact of higher sales levels and favorable impact of currency exchange were more than offset by increased resin, steel and other materials cost increases not able to be recovered from customers and higher energy costs, resulting in the decrease in gross profit margin in 2005 from 2004.

Packaging Systems' selling, general and administrative costs were $24.5 million or approximately 12.3% of sales in 2005 compared to $26.9 million or approximately 14.0% of sales in 2004. Increased costs associated with launch and sales ramp-up activities related to sale of Rieke's specialty pump dispensing products for consumer applications were approximately offset by costs incurred in the first half 2004 related to employee severance and maintaining compliance with various health and safety requirements at a European manufacturing facility. Also in 2004, we estimate we incurred approximately $4.1 million of costs in connection with the consolidation of Compac's Netcong and Edison, New Jersey facilities into a new facility in Hackettstown, New Jersey. These consolidation actions were essentially completed in fourth quarter 2004 and related costs did not recur in 2005.

Overall, Packaging Systems' operating profit margin increased to approximately 15.2% in 2005 as compared to 14.7% in 2004. The impact of increased sales levels, the favorable effect of stronger foreign currencies on results reported in U.S. dollars, and facility consolidations and certain employee-related and other regulatory health and safety costs that did not recur in 2005 more than offset increased resin, steel and other material cost increases not able to be fully recovered from customers and increased costs associated with the launch of new specialty dispensing products.

***Energy Products.*** Net sales for 2005 increased $28.0 million, or 27.2%, to $131.0 million compared to $103.0 million in 2004. Of this amount, approximately $8.7 million represents increased demand from existing customers for slow speed and compressor engines and products as a result of continued favorable market conditions for oil and gas producers in the United States and Canada and approximately $5.2 million represents market share gains due to extended product line offerings of existing engine models, principally in Canada, and expanded replacement parts offerings internationally. Sales of specialty gaskets increased $13.1 million as a result of increased demand from existing customers due to continued high levels of turn-around activity at petrochemical refineries, incremental business with existing customers and increased demand for replacement parts as a result of severe weather in the United States Gulf Coast region in the second half of 2005. In addition, $1.3 million is due to increased international sales of specialty gaskets, principally in Latin America, the Far East and Europe.

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

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

Overall, operating profit within Energy Products increased $6.1 million to $15.2 million or 11.6% of sales in 2005 from $9.2 million or 8.9% of sales in 2004 due principally to significantly higher sales levels.

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

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

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

Overall, operating profit within Industrial Specialties increased $9.8 million to $31.7 million, or 19.2% of net sales in 2005, from $21.8 million, or 16.3% of net sales in 2004. The increase is due primarily to increased sales volumes across all of this segment's businesses and the result of proportionately greater sales of higher margin aerospace fasteners.

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

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

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

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

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

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

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

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

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

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

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

***Other Expense, Net.*** Other expense, net increased approximately $5.0 million to $6.1 million in 2005 from $1.1 million in 2004. Of this amount, approximately $1.5 million relates to greater expenses incurred as a result of increased use of our receivables securitization facility and sale of receivables under a factoring arrangement at certain European subsidiaries to fund working capital needs and $0.6 million is due to expenses incurred in connection with renewal of our receivables securitization facility in July 2005. The remaining increase is primarily due to net losses on transactions denominated in foreign currencies other than the local currency of the company subsidiary that is a party to the transaction of $2.3 million in 2005, compared to net gains on foreign currency transactions of $0.7 million in 2004.

***Income Taxes.*** The effective income tax rate for 2005 was 68.6% compared to 29.7% for 2004. In 2005, we reported foreign pre-tax income of approximately $10.6 million and a domestic pre-tax loss of approximately $7.8 million. In 2004, our foreign operations reported pre-tax income of approximately $34.9 million compared to a reported domestic pre-tax loss of $15.0 million. In 2005, certain of our foreign subsidiaries made a dividend distribution of approximately $55.8 million from accumulated earnings and profits. Prior to 2005, we provided for applicable federal taxes of approximately $3.1 million on the anticipated repatriation of foreign earnings. The 2005 dividend resulted in our recording an additional tax expense of approximately $0.4 million in the current year related to federal taxes on foreign accumulated earnings and profits. A valuation allowance of $2.2 million and $0.5 million was recorded during 2005 and 2004, respectively. We have determined the need for valuation allowances against deferred tax assets associated with a dual consolidated tax loss, certain state net operating losses, and a foreign tax credit carryforward. During 2005 and 2004, we recorded a tax benefit of $1.0 million and $1.2 million, respectively, related to extraterritorial income exclusions ("ETI"). The ETI tax deduction is based on the amount of export sales by domestic entities and has minimal relationship with net income (loss). In addition, the tax benefits associated with our 2005 and

2004 domestic pre-tax losses for U.S. Federal purposes were offset by tax expense incurred on foreign income and to a lesser extent at the state level.

***Discontinued Operations.*** In the fourth quarter 2005, our board of directors authorized management to move forward with its plan to sell our industrial fasteners operations, which consists of operations located in Frankfort, Indiana, Wood Dale, Illinois, and Lakewood, Ohio. The loss from discontinued operations, net of income tax benefit, in 2005 was $46.4 million and included a net of tax impairment charge of $41.6 million which was recorded to reduce the carrying value of net assets used in the industrial fastener business to their estimated fair value. In 2004, the loss from discontinued operations, net of related tax benefits, was $2.2 million.

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

**Year Ended December 31, 2004 Compared with Year Ended December 31, 2003**

The principal factors impacting us during the year ended December 31, 2004 compared with the year ended December 31, 2003 were:

- a stronger economy in 2004, which impacted end-user demand across all of our business segments;
- the impact of higher costs charged by our steel suppliers not fully recovered from our customers and lost sales and operational inefficiencies due to steel shortages;
- continued restructuring and consolidation of certain businesses in our Packaging Systems and Energy Products segments; and
- the HammerBlow and Highland acquisitions in the first quarter of 2003 and the Bargman acquisition in the first quarter of 2004.

Overall, net sales increased $127.3 million, or approximately 15.7%, in 2004 as compared with 2003. Of this increase, approximately $58.6 million is attributed to organic growth and approximately $14.9 million is due to currency exchange as our reported results in U.S. dollars benefited from stronger foreign currencies. We estimate that approximately $27.0 million of additional sales in 2004 was the result of recovery of steel cost increases that were passed through to customers. In addition, approximately $26.8 million of the increase is the result of including a full year of activity related to HammerBlow and Highland, which were acquired during the first quarter of 2003, and the acquisition of Bargman, which occurred in January 2004. Packaging Systems' net sales increased $12.1 million, or approximately 6.7%, in 2004, as compared with 2003 due to new product sales, the favorable effects of currency exchange and partial recovery of increased steel costs, offset in part by a one-time revenue increase in 2003 from certain government programs and slightly lower sales of core products such as rings and plastic plugs. Net sales within Energy Products increased $14.3 million, or approximately 16.1%, in 2004 as compared with 2003 due to increased demand for this segment's products as a result of a strong market for oil and gas producers in the United States and Canada and increased levels of turnaround at petrochemical refineries in 2004 as compared to 2003. Net sales within Industrial Specialties increased $17.0 million, or approximately 14.6%, in 2004 as compared with 2003 due to improved demand across all businesses in the segment, specifically in sales of aerospace fasteners and recovery of steel cost increases, most notably at our industrial cylinder manufacturing business. RV & Trailer Products' net sales increased $47.3 million, or approximately 31.6%, in 2004 as compared with 2003. This increase is a result of including a full year's sales activity related to HammerBlow's trailering and electrical products business acquired in January 2003 and due to customer inventory builds for the spring/summer selling season, recovery of steel cost increases and the favorable effects of currency exchange. Recreational Accessories' net sales increased $36.6 million, or approximately 13.2%, in 2004 as compared with 2003. This increase is the result of including a full year's sales activity related to the acquisition of Highland and HammerBlow's towing products business in the first quarter 2003, and due to strong early order activity and customer inventory builds for the spring/summer selling season, recovery of steel cost increases and the favorable effects of currency exchange.

Gross profit margin (gross profit as a percentage of sales) approximated 27.4% and 28.0% in 2004 and 2003, respectively. Gross profits within Packaging Systems improved approximately $1.8 million in 2004 as compared to 2003 as Packaging Systems benefited from increased sales levels and favorable impact of currency exchange. However, gross profit margin was approximately the same in 2004 and 2003 as one-time costs associated with the start-up of a new manufacturing facility in China and increased costs associated with new product launches during the first half of 2004 negated the favorable impacts of increased sales levels and foreign exchange. Energy Products' gross profit margin was approximately the same at 27.4% in 2004 compared to 27.5% in 2003. Gross profit margin within Industrial Specialties declined in 2004 to approximately 27.5% compared to approximately 28.9% in 2003 primarily due to steel cost increases incurred and passed through to customers on which no gross profit was earned. RV & Trailer Products' gross profit margin declined to approximately 24.9% in 2004 from approximately 31.0% in 2003 as the beneficial impact of increased sales volumes and the favorable impact of currency exchange were more than offset by the impact of significantly higher steel and freight costs not able to be recovered from customers and higher costs associated with its Reynosa, Mexico operations. Recreational Accessories gross profit margin improved to 27.2% of net sales in 2004 from 24.3% of net sales in 2003 as the beneficial impact of increased sales volumes, greater operating efficiencies as a result of completion of plant consolidation activities at its Goshen, Indiana facility in the first half of 2003 and favorable impact of currency exchange more than offset the impact of significantly higher steel costs and freight costs not able to be fully recovered from customers.

Operating profit margin (operating profits as a percentage of sales) approximated 9.4% and 6.1% in 2004 and 2003, respectively. Operating profits at Packaging Systems increased approximately $3.1 million in 2004 as compared with 2003. This increase was due principally to increased sales volumes and the favorable impact of currency exchange during 2004 as compared to 2003, offset in part by plant start-up costs in China, increased costs associated with the consolidation of two manufacturing plants into a single facility within our specialty laminates business and new product launch costs related to the introduction of eight new consumer specialty dispensing products during the first half of 2004. Operating profit at Packaging Systems in 2003 was also reduced approximately $8.2 million due to non-cash losses associated with the sale-leaseback of equipment in the first half of 2003 and impairment of customer relationship intangibles. Within Energy Products, operating profit increased approximately $3.0 million to $9.2 million in 2004 from $6.2 million in 2003. Overall, the net increase in 2004 from 2003 is due to significantly higher sales levels between years and lower non-cash charges associated with impairment of assets and customer intangibles and losses on sale-leaseback transactions in 2003, which did not recur in 2004. Within Industrial Specialties, operating profit increased $15.7 million in 2004 as compared to 2003 as the segment benefited from higher overall sales in all markets compared to the prior year and reduced non-cash charges associated with impairment of assets, goodwill and customer intangibles and losses on sale-leaseback transactions. At RV & Trailer Products, operating profit decreased $1.1 million in 2004 as compared with 2003 due principally to higher steel and freight costs incurred that were not able to be recovered from customers and increased costs at this segment's Reynosa, Mexico operations. In 2003, operating profit at RV & Trailer Products was also reduced approximately $0.5 million by non-cash losses associated with the impairment of customer relationship intangibles. Within Recreational Accessories, operating profit increased $15.3 million in 2004 as compared with 2003 primarily due to higher sales volumes and increased operating efficiencies as a result of completing plant consolidation activities in the first half of 2003 at our Goshen, Indiana operations. However, these improvements were partially offset by higher steel and freight costs due to fuel surcharges that could not be fully passed through to its customers. In 2003, operating profit at Recreational Accessories was also reduced approximately $2.5 million by non-cash losses associated with the sale-leaseback of equipment at various locations and impairment of customer relationship intangibles.

***Packaging Systems.*** Net sales increased $12.1 million, or approximately 6.7%, to $191.8 million in 2004 as compared to $179.7 million in 2003. Compared to 2003, Packaging Systems' sales increased approximately $6.6 million due to increased sales of new products and $4.4 million due to the favorable impact of foreign currency exchange. In addition, we estimate approximately $2 million of the sales increase was due to steel cost increases Packaging Systems was able to recover from its customers. These increases were partially offset by approximately $1.4 million of revenue in 2003 from U.S. Government aid programs to Afghanistan, Iraq and other countries that did not recur at the same levels in 2004. In 2004, Packaging Systems also experienced a decrease in sales of industrial closure and other dispensing products in North America.

Packaging Systems' gross profit increased $1.8 million to $57.8 million, or 30.1% of net sales in 2004 from approximately $56.0 million, or 31.1% of net sales in 2003. In 2004, we estimate Packaging Systems incurred $2 million of steel cost increases that it was not able to recover from customers. Also, during the first half of 2004, Packaging Systems incurred higher costs of approximately $1 million associated with the start-up of a new manufacturing facility in Hangzhou, China. These increased costs were largely offset through material cost reduction projects, reduced discretionary spending and the favorable impacts of currency exchange.

Packaging Systems' selling, general and administrative costs increased $2.3 million to $26.9 million in 2004 from $24.6 million in 2003. This increase is attributed to increased selling costs associated with higher sales levels and $3.9 million of costs incurred during 2004 in connection with the facilities consolidation within its specialty laminates businesses. These amounts, however, were offset by a decrease of $1.9 million in non-cash charges in 2004 from 2003 due to impairment of customer intangibles of $0.3 million and $2.1 million in 2004 and 2003, respectively.

During 2004, Packaging Systems recorded a $2.3 million non-cash asset impairment charge related to property and equipment abandoned as a result of completing the aforementioned facilities consolidation within its specialty laminate business. In 2003, Packaging Systems incurred $6.0 million of non-cash losses on the sale-leaseback of machinery and equipment that did not recur in 2004.

Overall, Packaging Systems' operating profit margin improved to 14.7% in 2004 as compared with 13.9% in 2003, due to increased sales levels, the benefit of stronger foreign currencies, $6.0 million in non-cash losses on the sale-leaseback of machinery and equipment in 2003 that did not recur, and $1.9 million of lower non-cash charges associated with impairment of customer intangibles. These improvements were offset in part by steel cost increases not recovered from customers, start-up costs at our new manufacturing facility in China, increased costs associated with the consolidation of two manufacturing plants into a single facility within our specialty laminates business, and higher launch costs associated with sales of new products.

***Energy Products.*** Net sales for 2004 increased $14.3 million, or 16.1%, to $103.0 million compared to $88.7 million in 2003. Of this amount, $6.1 million relates to increased sales of slow speed and compressor engines and products due to strong demand as a result of improved market conditions for oil and gas producers in the United States and Canada. Sales of specialty gasket improved $7.2 million as a result of higher demand from existing customers due to increased levels of turn-around activity at petrochemical refineries, and $1.0 million is due to increased international sales, principally in Latin America, the Far East and Europe.

Gross profit within Energy Products improved $3.9 million to $28.3 million or 27.4% of sales in 2004 from $24.4 million or 27.5% of sales in 2003 due to the increased sales volumes in 2004 from

2003, which was partially offset by the impact of higher material cost increases not able to be recovered from customers.

Selling, general and administrative expenses at Energy Products increased $0.1 million to $19.1 million or 18.5% of net sales in 2004 from $19.0 million or 21.4% of net sales in 2003. Selling, general and administrative costs as a percentage of net sales declined in 2004 from 2003 as result of Energy Products completing a restructuring project within its specialty gasket business in 2003 to focus branch locations predominately on sales and distribution efforts. Additionally, in 2004 Energy Products' specialty gasket business recorded a $2.7 million charge related to increased asbestos litigation defense costs. However, the impact of this amount was largely offset by $2.0 million in non-cash charges incurred in 2003 due to impairment of customer intangibles that did not recur in 2004.

Overall, operating profit within Energy Products increased $3.0 million to $9.2 million or 8.9% of sales in 2004 from $6.2 million or 7.0% of sales in 2003 as gross profit earned on higher sales levels was offset by only $0.1 million net increase in selling and administrative expenses. In 2003, Energy Products' operating profit also benefited from a $0.8 million gain on the disposition of assets that did not recur in 2004.

***Industrial Specialties.*** Net sales increased $17.0 million, or approximately 14.6% to $133.6 million in 2004 from $116.7 million in 2003. Of this amount, approximately $12.0 million is attributed to improved demand for Industrial Specialties' products in the aerospace, precision tool, automotive and general industrial markets. In addition, we estimate approximately $5 million of increased sales in 2004 is the result of steel cost increases that Industrial Specialties was able to recover from its customers, principally within its industrial cylinder manufacturing business.

Gross profit in Industrial Specialties improved $3.1 million to $36.8 million, or 27.5% of sales in 2004 from $33.7 million or 28.9% of sales in 2003. The decline in gross margin is primarily the result of higher steel costs incurred and recovered from customers but on which no gross profit was earned.

Selling, general and administrative expenses as a percent of sales declined to approximately 11.2% in 2004 from approximately 13.3% in 2003, primarily due to elimination of certain group operating expenses as a result of the consolidation of staff personnel and elimination of certain general and administrative positions.

In 2003, Industrial Specialties recorded $4.2 million in non-cash losses on sale-leaseback transactions of machinery and equipment and a goodwill impairment charge of $7.6 million related to its precision cutting tools business.

Operating profits within the Industrial Specialties segment were $21.8 million, or 16.3% of sales, in 2004, as compared to $6.1 million, or 5.2% of sales, in 2003 as the benefits of higher sales levels and lower selling and administrative costs associated with the elimination of certain group level operating expenses resulted in improved operating profits. In 2003, operating profit was significantly impacted by non-cash charges related to losses on sale-leaseback of equipment ($4.2 million) and impairment of goodwill ($7.6 million).

***RV & Trailer Products.*** Net sales increased $47.3 million, or approximately 31.6%, to $197.0 million in 2004, compared to $149.7 million in 2003. Of this amount, approximately $16.5 million is the result of including a full year's worth of activity related to the trailering products operations of HammerBlow, which was acquired in the first quarter of 2003, and the acquisition of Bargman, which occurred in January 2004. In addition, we estimate approximately $8.0 million of increased sales in 2004 is the result of steel cost increases that RV & Trailer Products was able to recover from its customers and $5.3 million is due to the favorable impact of currency exchange as reported results in U.S. dollars benefited from a stronger Australian dollar. After consideration of these items, RV & Trailer Products experienced organic sales growth in 2004 of approximately $17.7 million, or 11.8%, as compared to 2003, as the segment benefited from improved consumer sentiment and overall economic outlook, which resulted in strong customer demand across all of RV & Trailer Products' business lines, particularly in the first half of 2004.

RV & Trailer Products' gross profit increased approximately $2.7 million to $49.1 million in 2004 from $46.4 million in 2003, although gross profit margins declined to 24.9% in 2004 from 31.0% in 2003. The increase in profits of approximately $8.5 million is attributed to higher sales levels compared to the prior year and the aforementioned acquisitions of HammerBlow and Bargman. However, the improvement in gross profit was offset in part by higher steel costs incurred that were not able to be recovered from customers of approximately $3.4 million, a $1.2 million reserve recorded related to excess/obsolete inventories at this segment's operations in Reynosa, Mexico, $0.6 million of employee-related costs due to expatriate personnel added at the Reynosa, Mexico operations, and $0.6 million related to a change in customer mix.

RV & Trailer Products' selling, general and administrative expenses increased $3.7 million in 2004 compared to 2003, primarily due to the increased sales levels associated with acquisitions of HammerBlow and Bargman. These cost increases were partially offset by a $0.5 million non-cash charge related to impairment of customer intangibles that did not recur in 2004. Even after consideration of increased sales resulting from steel costs recovered from customers in 2004 and the impact of the non-cash impairment in 2003, selling, general and administrative costs as a percent of sales decreased in 2004 from 2003 as higher sales levels more than offset additional selling and administrative expenses incurred.

Overall, RV & Trailer Products' operating profit decreased $1.1 million to $25.6 million, or 13.0% of sales in 2004 from $26.6 million or 17.8% of sales in 2003. The decrease in operating margin is due principally to higher steel and freight costs incurred that were not able to be recovered from customers or which were recovered from customers but on which no operating margin was earned and increased costs at this segment's Reynosa, Mexico operations.

***Recreational Accessories.*** Net sales increased $36.6 million, or approximately 13.2%, to $314.3 million in 2004 as compared to $277.8 million in 2003. Of this amount, approximately $10.3 million of the sales increase is the result of including a full year of activity related to the towing products operations of HammerBlow which was acquired in January 2003 and the acquisition of Highland, which was acquired in February 2003. In addition, we estimate approximately $11 million of increased sales in 2004 is the result of steel cost increases that Recreational Accessories was able to recover from its customers and $4.8 million is due to the favorable impact of currency exchange as reported results in U.S. dollars benefited from a stronger Canadian dollar. After consideration of these items, Recreational Accessories experienced organic sales growth in 2004 of approximately $10.6 million, or 3.8%, as compared to 2003, as this segment benefited from improved consumer sentiment and overall economic outlook, which resulted in strong customer demand across all business lines, particularly in the first half of 2004.

Recreational Accessories' gross profit increased approximately $18.1 million to 27.2% of sales in 2004 compared to 24.3% of sales in 2003. Of this amount, approximately $5.6 million is attributed to higher sales levels compared to the prior year and the aforementioned acquisitions of HammerBlow and Highland. Recreational Accessories' gross profit was also favorably impacted by improved operating efficiencies resulting from completion of integration activities with respect to the operations of HammerBlow and Highland and the favorable effects of currency exchange. However, we estimate gross profit margins in 2004 were approximately 2.0% lower than in 2003 due to the impact of: higher steel costs incurred that were not able to be recovered from customers and higher steel costs incurred and recovered from customers but on which no gross profit was earned.

Recreational Accessories' selling, general and administrative expenses increased $4.6 million in 2004 compared to 2003, primarily due to additional costs associated with the start-up of its new distribution center in South Bend, Indiana and increased sales levels associated with acquisitions of HammerBlow and Highland. These cost increases were partially offset by a $1.4 million non-cash charge in 2003 related to impairment of customer intangibles that did not recur in 2004. Even after consideration of increased sales resulting from steel costs recovered from customers in 2004 and the impact of the non-cash impairment charge in 2003, selling, general and administrative costs as a percent of sales decreased in 2004 from 2003 as higher sales levels more than offset additional selling and administrative expenses incurred.

Overall, Recreational Accessories' operating profit margin increased to approximately 8.3% in 2004 from approximately 3.9% in 2003 due principally to higher sales levels, improved sales mix and increased operating efficiencies due to completion of several integration initiatives during 2004. These improvements were marginally offset by higher steel and freight costs incurred that were not able to be recovered from customers and higher steel costs incurred and recovered from customers but on which no operating margin was earned. Also, in 2003 Recreational Accessories recorded $1.1 million in non-cash losses on sale-leaseback transactions of machinery and equipment that did not recur in 2004.

***Corporate Expenses and Management Fees.*** Corporate expense decreased approximately $4.0 million in 2004 compared to 2003. This decrease is primarily due to $4.8 million of legacy restricted stock award expense in 2003 that did not recur in 2004, offset in part by higher compensation expense due to an increase in personnel to establish a stand-alone corporate office and the write-off of $1.1 million of equity offering costs that are no longer able to be deferred.

***Interest Expense.*** Interest expense increased approximately $2.9 million in 2004 as compared to 2003 due to an increase in our weighted average interest rate from 4.65% at December 31, 2003 to 5.69% at December 31, 2004 and greater borrowings on our revolving credit facility in 2004 to fund higher levels of capital expenditures and increasing levels of investment in working capital during the year. These changes were offset in part by the timing and amount of borrowings in 2003 related to the acquisitions of HammerBlow, Highland and Fittings and cash received in sale-leaseback transactions that were completed during the first half of 2003.

***Other Expense, Net.*** Other expense, net increased approximately $0.9 million in 2004 from 2003 principally due to higher costs related to the increased use of our receivables securitization facility.

***Income Taxes.*** The effective income tax rate for 2004 was 29.7% compared to (16.9%) for 2003. In 2004, we reported foreign pre-tax income of approximately $34.9 million and domestic pre-tax loss of approximately $15.0 million. In 2003, our foreign operations reported pre-tax income of approximately $22.7 million compared to a reported domestic pre-tax loss of $38.2 million. During 2004, we recorded a tax benefit of $1.2 million related to ETI. The ETI tax deduction is based on the amount of export sales by domestic entities and has minimal relationship with net income (loss). In addition, the tax benefits associated with our 2004 and 2003 domestic pre-tax losses for U.S. Federal purposes were offset by tax expense incurred on foreign income and to a lesser extent at the state level. For 2003, no tax benefit was recorded related to the goodwill impairment as such impairment is non-deductible. In 2003, we also reported an additional $3.1 million of tax expense related to unremitted earnings at one of our Canadian subsidiaries as these earnings were no longer considered permanently reinvested.

***Discontinued Operations.*** The loss from discontinued operations net of income tax benefit, was $16.2 million in 2004 compared to $12.9 million in 2003. See Note 5 to our audited consolidated financial statements included elsewhere in this prospectus.

**Liquidity & Capital Resources**

**Cash Flows**

Cash provided by operating activities for the three months ended March 31, 2006 was approximately $11.0 million as compared to cash used for operations of $11.4 million for the three months ended March 31, 2005. The improvement is primarily the result of improved working capital management during the first quarter of 2006, principally lower levels of receivables due to improved collections and higher levels of accounts payable and accrued liabilities, offset by slightly higher inventory levels at March 31, 2006 in support of expected levels of sales activity for second quarter 2006.

Cash provided by operating activities for the year ended December 31, 2005 was approximately $29.9 million as compared to cash provided by operating activities for the year ended December 31, 2004 of approximately $42.6 million. In 2005, net cash provided by operating activities was reduced $9.6 million due to decreased use of our receivables securitization facility. In 2004, net cash provided by operating activities benefited as a result of increased activity in our receivables securitization facility of $48.0 million. The decreased levels of working capital also reflect a lesser negative impact of steel costs and accelerated payments to steel suppliers in 2005 compared to the prior year.

Net cash used for investing activities for the three months ended March 31, 2006 was approximately $4.7 million as compared to $3.6 million for the same period a year ago. During the first quarter of 2006 capital expenditures were $0.7 million greater than the first quarter of 2005. We also generated net proceeds from the sale of assets of $0.6 million during the first quarter of 2006 compared to $0.9 million in the first quarter of 2005.

Cash used for investing activities decreased to approximately $16.6 million for the year ended December 31, 2005 compared to $46.8 million in 2004 as capital spending reflected a more normal maintenance level of expenditures. During 2004, capital expenditures were $21.3 million greater than 2005 as we essentially completed our major restructuring and consolidation activities during 2004. We also generated net proceeds from the sale of facilities of $5.0 million during 2005. In 2004, capital spending was $43.0 million due primarily to planned expenditures for our Hangzhou, China and Hackettstown, New Jersey facilities, and investments related to new product launches, mainly in our Packaging Systems segment. During the first quarter of 2004, we also completed the acquisition of Theodore Bargman Company within our RV & Trailer Group segment.

Net cash used for financing activities for the three months ended March 31, 2006 of approximately $8.4 million was utilized to pay down amounts on revolving credit facilities compared to cash provided by financing activities of $15.8 million for the three months ended March 31, 2005. During the first three months of 2005, we incurred additional borrowings on our revolving credit facility to fund working capital and capital expenditure needs and to retire an acquisition note payable.

Cash used for financing activities was $12.6 million for the year ended December 31, 2005 compared to $0.5 million provided by financing activities for the year ended December 31, 2004. During 2005, we utilized cash to pay down amounts on our revolving credit facility. In 2004, we funded capital expenditures, increased levels of investment in working capital and retired a note payable through a combination of borrowings on our revolving credit facility and proceeds from receivables sold through our securitization facility.

On January 29, 2004, we completed the acquisition of Bargman. The total consideration paid was approximately $5.5 million. The transaction was funded by borrowings under our revolving credit facility.

**Our Debt and Other Commitments**

On March 31, 2006, our credit facilities included a $150.0 million revolving credit facility of which approximately $20.0 million was outstanding and $44.4 million of stand-by letters of credit issued and a term loan facility of which $255.6 million was outstanding. Our amended and restated credit facilities, entered into on August 2, 2006, are comprised of a $90.0 million revolving credit facility, a $60.0 million deposit-linked supplemental revolving credit facility and a $260.0 million term loan facility. Under the amended and restated credit facilities, up to $90.0 million in the aggregate of our revolving credit facility is available to be used for one or more permitted acquisitions subject to certain conditions and other outstanding borrowings and issued letters of credit. Our credit facilities provide for an uncommitted $100.0 million incremental term loan facility that, subject to certain conditions, is available to fund one or more permitted acquisitions or to repay a portion of our senior subordinated notes. Amounts drawn under our revolving credit facilities fluctuate daily based upon our working capital and other ordinary course needs. Availability under our revolving credit facilities depends upon, among other things, compliance with our credit agreement's financial covenants. Our credit facilities contain negative and affirmative covenants and other requirements affecting us and our subsidiaries, including among others: restrictions on incurrence of debt (except for permitted acquisitions and subordinated indebtedness), liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset dispositions, sale-leaseback transactions, hedging agreements, dividends and other restricted junior payments, stock repurchases, transactions with affiliates, restrictive agreements and amendments to charters, by-laws, and other material documents. The terms of our credit agreement require us and our subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined), interest expense ratio (consolidated EBITDA, as defined, over cash interest expense, as defined) and a capital expenditures covenant. The most restrictive of these financial covenants and ratios is the leverage ratio. Our permitted leverage ratio under our old credit agreement was 5.65 to 1.00 at March 31, 2006. Our permitted leverage ratio under our amended and restated credit agreement is 5.75 to 1.00 for June 30, 2006 to December 31, 2006, 5.65 to 1.00 for January 1, 2007 to June 30, 2007, 5.50 to 1.00 for July 1, 2007 to September 30, 2007, 5.25 to 1.00 for October 1, 2007 to June 30, 2008, 5.00 to 1.00 for July 1, 2008 to June 30, 2009, 4.75 to 1.00 for July 1, 2009 to September 30, 2009, 4.50 to 1.00 for October 1, 2009 to June 30, 2010, 4.25 to 1.00 for July 1, 2010 to September 30, 2011 and 4.00 to 1.00 from October 1, 2011 and thereafter. Our actual leverage ratio was 5.39 to 1.00 at March 31, 2006 and we were in compliance with our covenants as of that date.

In December 2005, three of our international businesses entered into loan agreements with banks, denominated in their local currencies. In the United Kingdom, we entered into a revolving debt agreement with a bank in the amount of £3.9 million (approximately $6.7 million at December 31, 2005) which is secured by a letter of credit under our credit facilities. In Italy, we entered into a €5.0 million (approximately $6.1 million at December 31, 2005) note agreement with a bank with a term of seven years which is secured by land and buildings of our local business unit. In Australia, we entered into a debt agreement with a bank in the amount of $25.0 million Australian dollars (approximately $20.0 million at December 31, 2005) for a term of five years which expires December 31, 2010. Borrowings under this arrangement are secured by substantially all the assets of the local business, which is also subject financial ratio and reporting covenants. Financial ratio covenants include: capital adequacy ratio (tangible net worth over total tangible assets) and interest coverage ratio (EBIT over gross interest cost), in each case measured at the local business level. In addition to the financial ratio covenants there are other financial restrictions such as: restrictions on dividend payments and U.S. parent loan repayments and negative pledge and undertakings with respect to related entities. As of March 31, 2006, borrowings in an aggregate amount of $25.3 million were outstanding under these three arrangements.

Another important source of liquidity is our $125.0 million accounts receivable securitization facility, under which we have the ability to sell eligible accounts receivable to a third-party multi-seller receivables funding company. At March 31, 2006, we had $59.6 million outstanding under our accounts receivable facility and $4.7 million of available funding based on eligible receivables and after consideration of leverage restrictions. At March 31, 2006, we also had $2.0 million outstanding under our revolving credit facility and had an additional $38.1 million potentially available after giving effect to approximately $44.4 million of letters of credit issued and after consideration of leverage restrictions to support our ordinary course needs. At March 31, 2006 we had aggregate available funding under our accounts receivable facility and our revolving credit facility of $38.1 million after consideration of the aforementioned leverage restrictions. The letters of credit are used for a variety of purposes, including to support certain operating lease agreements, vendor payment terms and other subsidiary operating activities, and to meet various states' requirements to self-insure workers' compensation claims, including incurred but not reported claims.

As of March 31, 2006, we also had $437.8 million (face value) senior subordinated notes outstanding which are due in 2012.

Principal payments required on the credit agreement term loan are: $0.6 million due each calendar quarter ending through June 30, 2009, $120.1 million due on September 30, 2009 and $127.1 million due on December 31, 2009.

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

Our exposure to interest rate risk results from the variable rates under our credit facilities. Borrowings under the credit facilities bear interest, at various rates, as more fully described in Note 7 to the accompanying consolidated financial statements as of March 31, 2006. Based on amounts outstanding at March 31, 2006, a 1.0% increase or decrease in the per annum interest rate for borrowings under our credit facilities would change our interest expense by approximately $2.8 million annually.

We have other cash commitments related to leases. We account for these lease transactions as operating leases and annual rent expense related thereto approximates $17.2 million. We expect to continue to utilize leasing as a financing strategy in the future to meet capital expenditure needs and to reduce debt levels. Annual rent expense for the fiscal year ended December 31, 2005 related to these lease transactions is as follows (in millions):

**For the fiscal year ended December 31, 2005**

| Operating lease | Transaction | Annual lease cost |
|---|---|---|
| Real properties (7 properties)* | 2002 | $ 1.9 |
| Real properties (2 properties)* | 2003 | 0.8 |
| Personal property (plant and equipment)* | 2002 | 0.9 |
| Personal property (plant and equipment)* | 2003 | 5.1 |
| Real properties | various | 6.6 |
| Personal property (plant and equipment) | various | 1.9 |
| Total | | $ 17.2 |

* These leases are sale-leaseback transactions.

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

As a result of the financing transactions entered into on June 6, 2002, the additional issuance of $85.0 million aggregate principal amount of senior subordinated notes, and recent acquisitions, we are highly leveraged. In addition to normal capital expenditures, we may incur significant amounts of additional debt and further burden cash flow in pursuit of our internal growth and acquisition strategies.

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

**Off-Balance Sheet Arrangements**

We are party to an agreement to sell, on an ongoing basis, the trade accounts receivable of certain business operations to a wholly-owned, bankruptcy-remote, special purpose subsidiary, TSPC, Inc. ("TSPC"). TSPC, subject to certain conditions, may from time to time sell an undivided fractional ownership interest in the pool of domestic receivables, up to approximately $125.0 million, to one or more third party multi-seller receivables funding companies, or conduits. The proceeds of the sale are less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing costs. Upon sale of receivables, our subsidiaries that originated the receivables retain a subordinated interest. Under the terms of the agreement, new receivables can be added to the pool as collections reduce receivables previously sold. The facility is an important source of liquidity. At March 31, 2006, we had $59.6 million outstanding and $4.7 million available based on eligible receivables under this facility and after consideration of leverage restrictions.

The facility is subject to customary termination events, including, but not limited to, breach of representations or warranties, the existence of any event that materially adversely affects the collectibility of receivables or performance by a seller and certain events of bankruptcy or insolvency. The facility expires on December 31, 2007. In future periods, if we are unable to renew or replace this facility, it could materially and adversely affect our liquidity.

**Commitment and Contingencies**

Under various agreements, we are obligated to make future cash payments in fixed amounts. These include payments under our long-term debt agreements, rent payments required under operating lease agreements for 21 facilities and certain capital equipment, and our allocable share of certain compensation and benefit obligations due to Metaldyne. The following table summarizes our expected fixed cash obligations over various future periods related to these items as of December 31, 2005.

| | Payments Due by Periods (dollars in thousands) | | | | |
|---|---|---|---|---|---|
| | **Total** | **Less than One Year** | **1 3 Years** | **3 5 Years** | **More than 5 Years** |
| Contractual cash obligations: | | | | | |
| Long-term debt | $ 729,090 | $ 13,820 | $ 18,320 | $ 257,510 | $ 439,440 |
| Lease obligations | 175,640 | 21,690 | 41,680 | 37,610 | 74,660 |
| Benefit obligations | 4,480 | 660 | 720 | 720 | 2,380 |
| Total contractual cash obligations | $ 909,210 | $ 36,170 | $ 60,720 | $ 295,840 | $ 516,480 |

As of December 31, 2005, we are contingently liable for standby letters of credit totaling $43.7 million issued on our behalf by financial institutions under our revolving credit facility. These letters of credit are used for a variety of purposes, including to support certain operating lease agreements, vendor payment terms and other subsidiary operating activities, and to meet various states' requirements to self-insure workers' compensation claims, including incurred but not reported claims.

As of December 31, 2005, after giving effect to this offering and the assumed use of proceeds therefrom based on an offering price of $ per share for aggregate net proceeds of

$ as if they had occurred on December 31, 2005, our total long-term debt obligations would have been $ million, of which $ million would have been payable in 2006, $ million would have been payable in 2007 and 2008, $ million would have been payable in 2009 and 2010 and $ million would have been payable after 2010. On the same basis, our total lease obligations would have been $ million of which $ million would have been payable in 2006, $ million would have been payable in 2007 and 2008, $ million would have been payable in 2009 and 2010 and $ million would have been payable after 2010.

**Controls and Procedures**

As of December 31, 2005, in connection with management's assessment of our internal controls, we, together with our auditors, KPMG LLP, identified a material weakness in internal controls over financial reporting at our industrial fasteners business. The control deficiencies identified related to a lack of timely, complete analysis and documentation in support of inventory valuation and related reserve accounts and incomplete analysis of past due customer accounts receivable and related documentation in support of accounts receivable reserves. The deficiencies noted resulted in adjustments being recorded to correctly state inventory valuation and accounts receivable reserve accounts.

**Impact of New Accounting Standards**

In May of 2005, the FASB issued Statement of Financial Accounting Standards No. 154 (SFAS No. 154), "*Accounting Changes and Error Corrections a replacement of APB Opinion No. 20 and FASB Statement No. 3*," which requires retrospective application to prior periods' financial statements for accounting for and reporting of voluntary changes in accounting principles. This Statement also requires that a change in depreciation, amortization or depletion method for long-lived assets be accounted for as a change in accounting estimate. Application of this Statement will be required for all changes made after December 15, 2005.

In November 2004, the FASB issued Statement of Financial Accounting Standards No. 151 (SFAS No. 157), "*Inventory Costs an amendment of Accounting Research Bulletin No. 43, Chapter 4*," which clarifies the accounting for abnormal amounts of idle facility expense, freight, handling costs and wasted material (spoilage). Under SFAS No. 151, such items will be recognized as current-period charges. In addition, SFAS No. 151 requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. This statement will be effective for our inventory costs incurred on or after January 1, 2006. We evaluated the potential impact of the adoption of SFAS No. 151 and concluded that adoption will not have a material effect on our financial condition or results of operations.

**Critical Accounting Policies**

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

***Accounting Basis for Transactions.*** Prior to June 6, 2002, we were owned by Metaldyne. On November 28, 2000, Metaldyne was acquired by an investor group led by Heartland. On June 6, 2002, Metaldyne issued approximately 66.0% of our fully diluted common stock to an investor group led by Heartland. As a result of the transactions, we did not establish a new basis of accounting as Heartland is the controlling shareholder for both us and Metaldyne and the transactions were accounted for as a reorganization of entities under common control.

***Receivables.*** Receivables are presented net of allowances for doubtful accounts of approximately $6.2 million at March 31, 2006. We monitor our exposure for credit losses and maintain adequate allowances for doubtful accounts. We determine these allowances based on historical write-off experience and/or specific customer circumstances and provide such allowances when amounts are reasonably estimable and it is probable a loss has been incurred. We do not have concentrations of accounts receivable with a single customer or group of customers and do not believe that significant credit risk exists due to our diverse customer base. Trade accounts receivable of substantially all domestic business operations may be sold, on an ongoing basis, to TSPC.

***Depreciation and Amortization.*** Depreciation is computed principally using the straight-line method over the estimated useful lives of the assets. Annual depreciation rates are as follows: buildings and buildings/land improvements, 10 to 40 years, and machinery and equipment, 3 to 15 years. Capitalized debt issuance costs are amortized over the underlying terms of the related debt securities. Customer relationship intangibles are amortized over periods ranging from 6 to 40 years, while technology and other intangibles are amortized over periods ranging from 1 to 30 years. As of January 1, 2004, trademarks and trade names are classified as indefinite-lived intangibles and we have ceased amortization.

***Impairment of Long-Lived Assets.*** In accordance with FASB Statement of Financial Accounting Standards No. 144 (SFAS No. 144), "*Accounting for the Impairment or Disposal of Long-Lived Assets*," we periodically review the financial performance of each business unit for indicators of impairment. An impairment loss is recognized when the carrying value of a long-lived asset exceeds its fair value.

***Goodwill and Other Intangibles.*** We test goodwill and indefinite-lived intangible assets for impairment on an annual basis, unless a change in business condition occurs which requires a more frequent evaluation. In assessing the recoverability of goodwill and indefinite-lived intangible assets, we estimate the fair value of each reporting unit using the present value of expected future cash flows and other valuation measures. We then compare this estimated fair value with the net asset carrying value. If carrying value exceeds fair value, then a possible impairment of goodwill exists and further evaluation is performed. Goodwill is evaluated for impairment annually as of December 31 using management's operating budget and five-year forecast to estimate expected future cash flows. However, projecting discounted future cash flows requires us to make significant estimates regarding future revenues and expenses, projected capital expenditures, changes in working capital and the appropriate discount rate.

At December 31, 2005, fair value was determined based upon the discounted cash flows of our reporting units discounted at our weighted average cost of capital of 10.0% and residual growth rates ranging from 3.0% to 4.0%. Our estimates of future cash flows will be affected by future operating performance, as well as general economic conditions, costs of raw materials, and other factors which are beyond our control. Of our reporting units, Recreational Accessories and RV & Trailer Products are most sensitive to and likely to be impacted by an adverse change in assumptions. Considerable judgment is involved in making these determinations, and the use of different assumptions could result in significantly different results. For example, an approximate 50 basis point change in the discount rates or an approximate 5.0% reduction in estimated cash flows would result in a further goodwill impairment analysis as required by SFAS No. 142. While we believe our judgments and estimates are reasonable and appropriate, if actual results differ significantly from our current estimates, we could experience an impairment of goodwill and other indefinite-lived intangibles that may be required to be recorded in future periods.

We review definite-lived intangible assets on a quarterly basis, or more frequently if events or changes in circumstances indicate that their carrying amounts may not be recoverable. The factors considered by management in performing these assessments include current operating results, business prospects, customer retention, market trends, potential product obsolescence, competitive activities and other economic factors. Future changes in our business or the markets for our products could result in impairments of other intangible assets that might be required to be recorded in future periods.

***Pension and Postretirement Benefits Other than Pensions.*** We account for pension benefits and postretirement benefits other than pensions in accordance with the requirements of SFAS Nos. 87, 88, 106 and 132. Annual net periodic expense and accrued benefit obligations recorded with respect to our defined benefit plans are determined on an actuarial basis. We, together with our third-party actuaries, determine assumptions used in the actuarial calculations which impact reported plan obligations and expense. Annually, we and our actuaries review the actual experience compared to the most significant assumptions used and make adjustments to the assumptions, if warranted. The healthcare trend rates are reviewed with the actuaries based upon the results of their review of claims experience. Discount rates are based upon an expected benefit payments duration analysis and the equivalent average yield rate for high-quality fixed-income investments. Pension benefits are funded through deposits with trustees and the expected long-term rate of return on fund assets is based upon actual historical returns modified for known changes in the market and any expected change in investment policy. Postretirement benefits are not funded and our policy is to pay these benefits as they become due. Certain accounting guidance, including the guidance applicable to pensions, does not require immediate recognition or the effects of a deviation between actual and assumed experience or the revision of an estimate. This approach allows the favorable and unfavorable effects that fall within an acceptable range to be netted.

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

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

## BUSINESS

We are a manufacturer of highly engineered products serving niche markets in a diverse range of commercial, industrial and consumer applications. Most of our businesses share important characteristics, including leading market shares, strong brand names, broad product offerings, established distribution networks, relatively high operating margins, relatively low capital investment requirements, product growth opportunities and strategic acquisition opportunities. We believe that a majority of our 2005 net sales were in markets in which our products enjoy the number one or number two market position within their respective product categories. In addition, we believe that in many of our businesses, we are one of only a few manufacturers in the geographic markets where we currently compete.

### Our Business Segments

We operate through five business segments, which had net sales and operating profit in 2005 as follows: Packaging Systems (net sales: $199.2 million; operating profit: $30.4 million); Energy Products (net sales: $131.0 million; operating profit: $15.2 million); Industrial Specialties (net sales: $164.7 million; operating profit: $31.7 million); RV & Trailer Products (net sales: $209.0 million; operating profit: $26.8 million); and Recreational Accessories (net sales: $306.2 million; operating profit: $2.1 million).

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

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

### Packaging Systems

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

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

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

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

Stolz, located in Germany, is a European leader in plastic enclosures for sub-20 liter sized containers used in automotive and chemical applications.

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

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

**Competitive Strengths**

We believe Packaging Systems benefits from the following competitive strengths:

*Strong Product Innovation.* We believe that Packaging Systems' research and development capability and new product focus is a competitive advantage. For more than 80 years, Packaging Systems' product development programs have provided innovative and proprietary product solutions, such as the ViseGrip® steel flange and plug closure, the Poly-ViseGrip plastic closure and the all-plastic, environmentally safe, self-venting FlexSpout® flexible pouring spout. Packaging Systems' emphasis upon highly engineered packaging solutions and research and development has yielded 105 active patents and 86 patents pending. Packaging Systems has approximately 18 technical employees responsible for new product development, improving existing products and design automation equipment to assist in cost reductions, both internally and at our customers' locations.

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

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

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

**Strategies**

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

*New Product Applications*. We believe that Packaging Systems has significant opportunities to apply its existing highly engineered product technology to new consumer products and pharmaceutical product applications, particularly in North America, and to develop new products. Rieke has focused its research and development capabilities on North American consumer applications requiring special packaging forms, and stylized containers and dispenser applications requiring a high degree of functionality and engineering. During calendar year 2005, we introduced three major new dispensing products into various markets. The first of these products is a specialty pump for the skin care markets. The second new offering was an airless dispenser which targets the high-viscosity face and hair care products market. Typical examples include hair gels, pastes and other styling products. Our third new product offering was a 1.7 ml dispenser for the home cleaner market. Compac recently developed a product for use in photo-luminescent wall coverings and signs designed to provide evacuation assistance in stairwells and dark halls in the event of power loss.

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

*Increased International Presence*. Packaging Systems is seeking to increase its international manufacturing and sales presence. For example, Rieke opened a production and assembly facility in Hangzhou, China during the first quarter of 2004. This facility produces and assembles many of Rieke's recently introduced products and certain of its anticipated new product launches as well. This location has been selected since many of these new products have multiple components for which assembly is a major cost factor. Automation of the assembly process in certain of these products can be either technically difficult or costly. Rieke's facility in China provides it access to a skilled, but significantly lower-cost, labor market for assembly operations. In addition, Packaging Systems believes there is a growing market in the Far East for both Rieke's and Compac's products because many multinational customers require product availability throughout the world, including in the Asian market. During 2005, Packaging Systems' marketing plan for Asia was developed and is currently being implemented.

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

**Marketing, Customers and Distribution**

As of December 31, 2005, Packaging Systems employed approximately 25 salespeople throughout the world. Approximately 23 of these employees are located in the NAFTA and European regions. Packaging Systems also uses third-party agents and distributors in key geographic markets, including Europe, South America and Asia. Approximately 89% of Packaging Systems' net sales are originated by its employee sales force.

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

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

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

**Manufacturing**

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

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

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

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

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

**Competition**

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

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

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

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

**Energy Products**

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

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

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

**Competitive Strengths**

We believe Energy Products benefits from the following competitive strengths:

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

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

*Application Engineering Expertise.* Since its founding in 1955, Arrow Engine has been developing innovative products and product lines that add significant value in oil and gas industry markets.

Recent examples include introduction of the A54 model engine which adds a standard configuration, multi-cylinder engine for pumpjack and progressive cavity pump applications. Additionally, we developed a new 6 horsepower single cylinder engine introduced to the market for smaller, pumpjack applications. In each instance, Arrow Engine enjoys exclusive distribution rights of these engine models in the oil and gas extraction markets.

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

**Strategies**

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

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

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

*Pursue Lower-Cost Manufacturing and Sourcing Initiatives.* As the businesses in Energy Products expand and develop, we believe that there will be further opportunities to reduce their cost structures through consolidating and streamlining manufacturing, overhead and administrative functions, global sourcing and selectively shifting manufacturing capabilities to countries with lower costs. In 2004, Lamons completed a major initiative to close several facilities and consolidate manufacturing, distribution, sales and administrative functions into its Houston, Texas headquarters. More recently, Lamons has established manufacturing capability in Hangzhou, China to provide a lower cost manufacturing alternative for specific product lines. Arrow Engine has established an extensive sourcing capability in China and India to manufacture main engine components and various other engine parts and has increased related parts purchases from $3.5 million or 25.0% of total material purchases to $7.5 million or 35.0% of total material purchases in the past two years.

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

**Marketing, Customers and Distribution**

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

**Manufacturing**

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

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

Arrow Engine has minimal manufacturing processes at its principal facility in Oklahoma City, Oklahoma, but rather purchases casting and machining of most of its products from suppliers. Approximately 80.0% of materials are purchased in a ready for shipment state, while the remaining 20.0% are assembled into marketable products such as engines, engine kits or chemical pumps.

**Competition**

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

**Industrial Specialties**

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

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

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

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

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

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

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

**Strategies**

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

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

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

*Strategic Acquisitions*. The Industrial Specialties segment has opportunities to expand its businesses with selected strategic acquisitions. The markets served by this group tend to have relatively few competitors. Additionally, strategic complementary acquisitions, in which the acquirer buys and consolidates another industry participant, are often available. Acquisitions can also facilitate new market entries, product line extensions and the development of new customers and/or distribution channels. An example of a strategic "bolt-on" acquisition in this segment includes Precision Tool Company's acquisition of Cutting Edge Technologies in 2003.

**Marketing, Customers and Distribution**

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

**Manufacturing**

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

**Competition**

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

**RV & Trailer Products**

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

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

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

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

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

**Competitive Strengths**

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

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

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

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

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

**Strategies**

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

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

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

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

**Marketing, Customers and Distribution**

As of June 30, 2006, the RV & Trailer Products group employs 34 professionals in sales, marketing and product management activities to support all customer channels. Of these professionals, there are 22 strategic market representatives, with focused sales and account management responsibilities with specific customer relationships. RV & Trailer Products' product offerings are distributed through a variety of channels. The segment employs a dedicated sales force in each of the primary channels, including the national accounts, automotive and recreational vehicle OEMs, installer/distributor, trailer OEM and trailer aftermarket/distributor channels.

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

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

**Manufacturing**

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

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

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

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

As of June 30, 2006, RV & Trailer Products employs 66 professionals in their engineering function and invests approximately 2.0% of its revenue in engineering resources and product development. RV & Trailer Products conducts extensive testing of its products in an effort to assure high quality and reliable product performance. Engineering, product design and fatigue testing are performed utilizing computer-aided design and finite element analysis. Product testing programs are intended to maintain and improve product reliability, and to reduce manufacturing costs.

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

RV & Trailer Products' raw material costs represent approximately 43.0% of its net sales. Steel is this segment's single largest commodity, is used in the majority of its products and is delivered to its plants on a just-in-time basis from service centers. See " Materials and Supply Arrangements" below for further discussion of the impact of commodity price increases on our businesses.

**Competition**

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

**Recreational Accessories**

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

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

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

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

**Competitive Strengths**

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

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

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

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

*Established and Extensive Distribution Channels*. Recreational Accessories utilizes several distribution channels for its sales, including specialty retailers, independent wholesale distributors, mass merchants and independent installers. In 2005, approximately 40% of Recreational Accessories' products were sold through the highly fragmented installer/distributer channels. Mass retailers accounted for approximately 22% of sales in 2005 while RV distributors accounted for 15% in 2005. The remainder of this segment's sales were through other retail and OE distribution channels. Recreational Accessories utilizes a "hub and spoke" distribution system with capability to meet delivery requirements specified by our customers.

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

**Strategies**

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

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

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

*Provide Towing Solutions*. As a result of its broad product portfolio, Recreational Accessories is well-positioned to provide customers with complete solutions for towing and cargo management needs. Due to its product breadth and depth, we believe Recreational Accessories can provide customers with compelling value propositions with superior features and convenience. In many cases, Recreational Products can offer more competitive pricing by providing complete sets of products rather than underlying components separately. We believe this merchandising strategy also enhances Recreational Accessories' ability to compete with competitors who have narrower product lines and are unable to provide "one stop shopping" to customers.

**Marketing, Customers and Distribution**

As of June 30, 2006, Recreational Accessories employs 53 professionals in sales, marketing and product management activities to support all customer channels. Of these professionals, this segment has 39 strategic market representatives, with focused sales and account management responsibilities with specific customer relationships. Recreational Accessories' products are distributed through a variety of channels and has a dedicated sales force in each of the primary channels, including the retail, national accounts, automotive OEMs and installer/distributor, channels.

Recreational Accessories' products are distributed through a variety of channels. These channels include installer/distributor (automotive and recreational vehicle), OEMs and retail channels (i.e., mass merchants, auto specialty, marine specialty, hardware/home centers, and catalogs). For example, as of June 30, 2006, the towing products business principally distributes to approximately 180 independent distributors and 3,170 independent installers under the Draw-Tite®, Hidden Hitch® and Reese® brands. In addition, 380 of the towing products business' customers position Draw-Tite® and Reese® branded traditional towing products as an exclusive or preferred line, while the Reese® branded heavy-duty towing products are positioned to the heavy-duty professional towing segment. Recreational Accessories is well represented in retail stores through mass merchants, such as Wal-Mart, hardware home centers, such as Lowe's and Home Depot, and specialty auto retailers, such as Pep Boys, AutoZone, Advanced Auto and CSK Auto.

In 2005, approximately 40% of Recreational Accessories' products were sold through its installer/distributor channels, traditional recreational vehicle distributors accounted for approximately 15% of the group's sales and mass retailers accounted for approximately 22% of sales, with the remainder of Recreational Accessories' business in other retail and OEM distribution.

**Manufacturing**

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

Prior to 2005, Recreational Accessories actively integrated several manufacturing facilities and distribution-related activities. These included: combining towing products' Canton, Michigan and Elkhart, Indiana manufacturing facilities and a southeast Michigan warehouse into a single, approximately 350,000 square foot, efficient flow manufacturing and master warehouse center in Goshen, Indiana. The consolidation of these facilities was completed in the first quarter of 2003. In conjunction with the HammerBlow and Highland acquisitions in early 2003, Recreational Accessories continued to streamline its manufacturing and warehousing processes to exploit beneficial economies of scale. In the third quarter of 2003, Recreational Accessories completed the consolidation of the Sheridan, Arkansas towing products manufacturing facility, acquired in the HammerBlow transaction, into the Goshen, Indiana facility. In 2004, actions were initiated to close the Concord, Ontario 22,000 square-foot distribution and customer service center and consolidate the Oakville, Ontario 73,000 square-foot manufacturing facility into the Goshen, Indiana and Huntsville, Ontario facilities. Coincident with these moves, Oakville became Recreational Accessories' Canadian distribution center. The manufacturing facility consolidation was completed in the fourth quarter of 2004. During the second quarter of 2005, the consolidation of distribution and customer-service activities for all Canadian customers was completed.

As of June 30, 2006, Recreational Accessories employs 35 professionals in the engineering function and invests approximately 0.5% of its revenue in engineering resources and product development. This segment conducts extensive testing of its products in an effort to assure high quality and reliable product performance. Engineering, product design and fatigue testing are performed utilizing computer-aided design and finite element analysis. In addition, on-road performance research is conducted on hitches with instrumentation-equipped trailers and towing vehicles. Product testing programs are intended to maintain and improve product reliability and to reduce manufacturing costs.

Recreational Accessories' raw material costs represent approximately 53% of its net sales. Steel is this segment's single largest commodity, is used in the majority of its products and is delivered to its plants on a just-in-time basis from service centers. See " Materials and Supply Arrangements" below for further discussion of the impact of raw materials cost and availability with respect to our results of operations.

**Competition**

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

**Materials and Supply Arrangements**

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

TriMas and Metaldyne have agreed to cooperate in mutual sourcing agreements for certain natural gas energy requirements, which should continue to provide benefits to both parties. Our electricity requirements are managed on a regional basis utilizing competition where deregulation is prevalent.

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

**Employees and Labor Relations**

As of June 30, 2006, we employed approximately 5,000 people, of which approximately 18% were unionized and approximately 38% were located outside the United States. We currently have union contracts covering nine facilities worldwide for our continuing operations, six of which are in the United States. Three of the nine contracts, two in Australia and one in the United States, are scheduled to expire before August 1, 2007 but have not yet been renewed. Separately, on July 19, 2006 approximately 150 workers at our Monogram Aerospace Fasteners business unit commenced a strike. On July 27, 2006 the strike ended following ratification of a new three-year contract. Employee relations have otherwise generally been satisfactory. We cannot predict the impact of any further unionization of our workplace.

**Seasonality; Backlog**

There is some seasonality in our Recreational Accessories and RV & Trailer Products segments. Sales of towing and trailer products within these business segments are generally stronger in the second and third quarters as trailer OEMs, distributors and retailers acquire product for the spring selling season. No other operating segment experiences significant seasonal fluctuation in its business. We do not consider sales order backlog to be a material factor in our business.

**Environmental Matters**

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

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

**Intangibles and Other Assets**

Our identified intangible assets, consisting of customer relationships, trademarks and trade names and technology, are valued at approximately $255.2 million at December 31, 2005, net of accumulated amortization. We utilized an independent valuation firm to assist us in valuing our intangible assets in connection with the acquisition of such intangible assets. The valuation of each of the identified intangibles was performed using broadly accepted valuation methodologies and techniques.

*Customer Relationships.* We have developed and maintained stable, long-term buying relationships with customer groups for specific branded products and/or niche market product offerings within each of our operating group segments. Useful lives of customer relationship intangibles range from six to forty years and have been estimated using historic customer retention and turnover data. Other factors contributing to estimated useful lives include the diverse nature of niche markets and products of which we have significant share, how customers in these markets make purchases and these customers' position in the supply chain.

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

**Technology**

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

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

**International Operations**

Approximately 17.2% of our net sales for the fiscal year ended December 31, 2005 were derived from sales by our subsidiaries located outside of the United States, and we may significantly expand our international operations through acquisitions. In addition, approximately 21.3% of our operating net assets as of December 31, 2005 were located outside of the United States. We operate manufacturing facilities in Australia, Canada, China, the United Kingdom (U.K.), Italy, Thailand, Germany and Mexico. Within Australia, we operate three facilities that manufacture and distribute hitches, towing accessories, roof rack systems and other accessories for the caravan market, with approximately 280 employees. Our Canadian operations, with approximately 240 employees, include the production and distribution of towing products through Recreational Accessories, distribution of closures and dispensing products through Rieke's U.S. operations, and the manufacturing and distribution of gaskets produced in one gasket facility within the Industrial Specialties segment. Rieke's China operations produce consumer dispensing products and also manufacture spiral-wound gaskets for Lamons Gasket customers in one facility with approximately 250 employees. Within the United Kingdom, Rieke Packaging Systems Ltd. has approximately 60 employees. Englass produces specialty sprayers, pumps and related products in one facility in the U.K. Rieke Italia, a manufacturer of specialty steel industrial container closures, operates in one location in Italy with approximately 100 employees. In Germany, Stolz has one facility that manufactures a wide variety of closures for industrial packaging markets with approximately 60 employees. In Juarez, Mexico, we manufacture electrical products and accessories, as well as metal fabrication, with approximately 260 employees. Additionally, Rieke's Mexico City operations produce plastic drum closures and dispensing products in one factory, with approximately 110 employees. For information pertaining to the net sales and operating net assets attributed to our international operations, refer to Note 19, "Segment Information," to the audited financial statements for the years ended December 31, 2005, 2004 and 2003 included in this prospectus.

Sales outside of the United States, particularly sales to emerging markets, are subject to various risks that are not present in sales within U.S. markets, including governmental embargoes or foreign trade restrictions such as antidumping duties, changes in U.S. and foreign governmental regulations, tariffs and other trade barriers, the potential for nationalization of enterprises, foreign exchange risk and other political, economic and social instability. In addition, there are tax inefficiencies in repatriating portions of our cash flow from non-U.S. subsidiaries.

**Properties**

Our principal manufacturing facilities range in size from approximately 10,000 square feet to approximately 380,000 square feet. Except as set forth in the table below, all of our manufacturing facilities are owned. The leases for our manufacturing facilities have initial terms that expire from 2006 through 2024 and are all renewable, at our option, for various terms, provided that we are not in default under the lease agreements. Substantially all of our owned U.S. real properties are subject to liens under our amended and restated credit facility. Our executive offices are located in Bloomfield Hills, Michigan under a lease assumed by us from Heartland and subsequently amended in March 2004 extending the term to January 2010. See "Related Party Transactions." Our buildings, machinery and equipment have been generally well maintained, are in good operating condition and are adequate for current production requirements. We may enter into leases for equipment in lieu of making capital expenditures to acquire such equipment or to reduce debt.

The following list sets forth the location of our principal owned and leased manufacturing and other facilities used in continuing operations and identifies the principal operating segment utilizing such facilities, as of June 30, 2006. Multiple references to the same location denote separate facilities or multiple activities in that location.

| Packaging Systems | Energy Products | Industrial Specialties | RV & Trailer Products | Recreational Accessories |
|---|---|---|---|---|
| *United States:* | *United States:* | *United States:* | *United States:* | *United States:* |
| Indiana: | Oklahoma: | California: | Indiana: | Indiana: |
| Auburn | Tulsa | Riverbank(2) | Angola | Goshen(1) |
| Hamilton(1) | Texas: | Vernon | Michigan: | South Bend(1) |
| New Jersey: | Houston(1) | Commerce(1) | Tekonsha(1) | Michigan: |
| Hackettstown(1) | | Massachusetts: | Wisconsin: | Plymouth(1) |
| *International:* | *International:* | Plymouth(1) | Mosinee(1) | Ohio: |
| Germany: | Canada: | Michigan: | Schofield(1) | Solon(1) |
| Neunkirchen | Sarnia, Ontario(1) | Warren(1) | | |
| Italy: | | Livonia(1) | *International:* | *International:* |
| Valmadrera | | Texas: | Australia: | Canada: |
| Mexico: | | Longview | Dandenmong, Victoria | Huntsville, Ontario |
| Mexico City | | | Regents Park, New South Wales(1) | Oakville, Ontario |
| United Kingdom: | | *International:* | Wakerley, Queensland(1) | |
| Leicester | | | | |