TRIMAS CORP
Form 10-Q
April 30, 2010

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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended March 31, 2010

Or

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

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

TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

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

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

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

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

Large accelerated filer o	Accelerated filer ý	Non-accelerated filer o (Do not check if a smaller reporting company)	Smaller reporting company o

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

As of April 30, 2010, the number of outstanding shares of the Registrant's common stock, $.01 par value, was 34,008,016 shares.

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Forward-Looking Statements

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

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

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

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

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

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TriMas Corporation

Consolidated Balance Sheet

(Unaudited dollars in thousands)

	March 31, 2010	December 31, 2009
Assets		
Current assets:		
Cash and cash equivalents	$ 6,630	$ 9,480
Receivables, net of reserves of approximately $5.7 million as of March 31, 2010 and December 31, 2009	128,650	93,380
Inventories	135,730	141,840
Deferred income taxes	24,320	24,320
Prepaid expenses and other current assets	6,420	6,500
Assets of discontinued operations held for sale	4,070	4,250
Total current assets	305,820	279,770
Property and equipment, net	157,430	162,220
Goodwill	194,120	196,330
Other intangibles, net	161,410	164,080
Other assets	23,170	23,380
Total assets	$ 841,950	$ 825,780
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	$ 12,720	$ 16,190
Accounts payable	103,150	92,840
Accrued liabilities	63,670	65,750
Liabilities of discontinued operations	1,040	1,070
Total current liabilities	180,580	175,850
Long-term debt	505,800	498,360
Deferred income taxes	43,790	42,590
Other long-term liabilities	46,190	47,000
Total liabilities	776,360	763,800

Preferred stock $0.01 par: Authorized 100,000,000 shares;		
Issued and outstanding: None		
Common stock, $0.01 par: Authorized 400,000,000 shares;		
Issued and outstanding 34,010,616 shares at March 31, 2010 and 33,895,503 shares at December 31, 2009	340	330
Paid-in capital	529,020	528,370
Accumulated deficit	(504,950)	(510,380)
Accumulated other comprehensive income	41,180	43,660
Total shareholders' equity	65,590	61,980
Total liabilities and shareholders' equity	$ 841,950	$ 825,780

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

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TriMas Corporation

Consolidated Statement of Operations

(Unaudited   dollars in thousands, except for share amounts)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Net sales	$ 220,060	$ 201,720
Cost of sales	(157,000)	(155,260)
Gross profit	63,060	46,460
Selling, general and administrative expenses	(37,700)	(41,300)
Gain (loss) on dispositions of property and equipment	(310)	40
Operating profit	25,050	5,200
Other income (expense), net:		
Interest expense	(14,140)	(12,480)
Gain on extinguishment of debt		15,310
Other, net	(510)	(700)
Other income (expense), net	(14,650)	2,130
Income from continuing operations before income tax expense	10,400	7,330
Income tax expense	(4,650)	(2,710)
Income from continuing operations	5,750	4,620
Loss from discontinued operations, net of income tax benefit	(320)	(8,300)
Net income (loss)	$ 5,430	$ (3,680)
Earnings per share basic:		
Continuing operations	$ 0.17	$ 0.14
Discontinued operations, net of income tax benefit	(0.01)	(0.25)
Net income (loss) per share	$ 0.16	$ (0.11)
Weighted average common shares basic	33,569,677	33,459,502
Earnings per share diluted:		
Continuing operations	$ 0.17	$ 0.14
Discontinued operations, net of income tax benefit	(0.01)	(0.25)
Net income (loss) per share	$ 0.16	$ (0.11)
Weighted average common shares diluted	34,314,020	33,487,526

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

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TriMas Corporation

Consolidated Statement of Cash Flows

(Unaudited dollars in thousands)

	Three months ended March 31, 2010	Three months ended March 31, 2009
Cash Flows from Operating Activities:		
Net income (loss)	$ 5,430	$ (3,680)
Adjustments to reconcile net income (loss) to net cash provided by (used for) operating activities, net of acquisition impact:		
(Gain) loss on dispositions of property and equipment	310	(50)
Depreciation	6,020	8,110
Amortization of intangible assets	3,590	3,650
Amortization of debt issue costs	730	610
Deferred income taxes	(380)	(2,740)
Gain on extinguishment of debt		(15,310)
Non-cash compensation expense	480	30
Net proceeds from (reductions in) sale of receivables and receivables securitization	3,830	(6,130)
Increase in receivables	(38,960)	(2,630)
Decrease in inventories	6,060	18,090
Decrease in prepaid expenses and other assets	270	1,660
Increase in accounts payable and accrued liabilities	7,910	1,180
Other, net	620	(990)
Net cash provided by (used for) operating activities, net of acquisition impact	(4,090)	1,800
Cash Flows from Investing Activities:		
Capital expenditures	(2,590)	(3,280)
Net proceeds from disposition of businesses and other assets	30	20,680
Net cash provided by (used for) investing activities	(2,560)	17,400
Cash Flows from Financing Activities:		
Repayments of borrowings on term loan facilities	(650)	(770)
Proceeds from borrowings on revolving credit facilities	134,940	272,900
Repayments of borrowings on revolving credit facilities	(130,670)	(274,680)
Retirement of senior subordinated notes		(16,020)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	(160)	
Proceeds from exercise of stock options	60	
Excess tax benefits from stock based compensation	280	
Net cash provided by (used for) financing activities	3,800	(18,570)
Cash and Cash Equivalents:		
Increase (decrease) for the period	(2,850)	630
At beginning of period	9,480	3,910
At end of period	$ 6,630	$ 4,540
Supplemental disclosure of cash flow information:		
Cash paid for interest	$ 5,250	$ 4,770

Cash paid for taxes	$	1,250	$	2,440

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

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TriMas Corporation

Consolidated Statement of Shareholders' Equity

Three Months Ended March 31, 2010

(Unaudited dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balances, December 31, 2009	$ 330	$ 528,370	$ (510,380)	$ 43,660	$ 61,980
Comprehensive income:					
Net income			5,430		5,430
Foreign currency translation				(2,890)	(2,890)
Amortization of unrealized loss on interest rate swaps (Note 9)				410	410
Total comprehensive income					2,950
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations		(160)			(160)
Stock option exercises and restricted stock vestings	10	50			60
Excess tax benefits from stock based compensation		280			280
Non-cash compensation expense		480			480
Balances, March 31, 2010	$ 340	$ 529,020	$ (504,950)	$ 41,180	$ 65,590

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

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. Basis of Presentation

TriMas Corporation ("TriMas" or the "Company"), and its consolidated subsidiaries, is a global manufacturer and distributor of products for commercial, industrial and consumer markets. The Company is principally engaged in five reportable segments with diverse products and market channels: Packaging, Energy, Aerospace & Defense, Engineered Components and Cequent. See Note 11, "Segment Information," for further information on each of the Company's reportable segments.

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

2. Discontinued Operations and Assets Held for Sale

During the fourth quarter of 2009, the Company committed to a plan to exit its medical device line of business which was part of the Engineered Components operating segment. In connection with the exit plan, the Company recorded impairment and other charges during the fourth quarter of 2009 to reduce the value of the net assets in this line of business to net realizable value. Management believes this estimate of net realizable value remains reasonable as of March 31, 2010.

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

During the fourth quarter of 2007, the Company committed to a plan to sell its property management line of business. The sale was completed in April 2010. Refer to Note 16, "*Subsequent Events*," for further disclosure regarding the sale.

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

	Three months ended March 31,	
	2010	**2009**
	(dollars in thousands)	
Net sales	$ 530	$ 9,120
Loss from discontinued operations before income tax benefit	$ (500)	$ (13,500)
Income tax benefit	180	5,200
Loss from discontinued operations, net of income tax benefit	$ (320)	$ (8,300)

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

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

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

	March 31, 2010	December 31, 2009
	(dollars in thousands)	
Receivables, net	$ 30	$ 200
Property and equipment, net	4,040	4,050
Total assets	$ 4,070	$ 4,250
Accounts payable	$ 40	$ 150
Accrued liabilities and other	1,000	920
Total liabilities	$ 1,040	$ 1,070

3. Mosinee Plant Closure

In March 2009, the Company announced plans to close its manufacturing facility in Mosinee, Wisconsin, moving production and distribution functions from Mosinee to lower-cost manufacturing facilities or to third-party sourcing partners. As of December 31, 2009, the Company completed the move and ceased operations in Mosinee. Upon the cease use date of the facility, the Company recorded a pre-tax charge within its Cequent segment of approximately $5.3 million for future lease obligations on the facility net of estimated lease recoveries. Also during 2009, the Company recorded a pre-tax charge within its Cequent segment of approximately $1.8 million, of which $1.6 million was recorded in the three months ended March 31, 2009, primarily related to cash costs for severance benefits for approximately 160 employees to be involuntarily terminated as part of the closure. As of March 31, 2010, the Company had paid approximately $1.6 million of severance benefits, with the remaining $0.2 million expected to be paid by the end of 2010.

In addition, the Company recorded approximately $2.6 million of accelerated depreciation expense during 2009 as a result of shortening the expected lives on certain machinery and equipment assets that the Company no longer utilizes following the closure, of which $0.5 million was recorded in the first quarter of 2009.

4. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the three months ended March 31, 2010 are summarized as follows:

	Packaging	Energy	Aerospace & Defense	Engineered Components	Cequent	Total
			(dollars in thousands)			
Balance, December 31, 2009	$ 115,460	$ 39,740	$ 41,130	$	$	$ 196,330
Foreign currency translation	(2,410)	200				(2,210)
Balance, March 31, 2010	$ 113,050	$ 39,940	$ 41,130	$	$	$ 194,120

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

4. Goodwill and Other Intangible Assets (Continued)

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

	As of March 31, 2010		As of December 31, 2009	
Intangible Category by Useful Life	**Gross Carrying Amount**	**Accumulated Amortization**	**Gross Carrying Amount**	**Accumulated Amortization**
	(dollars in thousands)			
Customer relationships:				
5 - 12 years	$ 24,750	$ (18,860)	$ 24,710	$ (18,290)
15 - 25 years	154,610	(63,300)	154,610	(61,250)
Total customer relationships	179,360	(82,160)	179,320	(79,540)
Technology and other:				
1 - 15 years	26,660	(22,630)	25,800	(22,060)
17 - 30 years	42,200	(17,150)	42,120	(16,640)
Total technology and other	68,860	(39,780)	67,920	(38,700)
Trademark/Trade names (indefinite life)	35,130		35,080	
	$ 283,350	$ (121,940)	$ 282,320	$ (118,240)

Amortization expense related to technology and other intangibles was approximately $1.0 million for each of the three month periods ended March 31, 2010 and 2009. These amounts are included in cost of sales in the accompanying consolidated statement of operations. Amortization expense related to customer relationship intangibles was approximately $2.6 million for each of the three month periods ended March 31, 2010 and 2009. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

5. Receivables Facility

On December 29, 2009, the Company entered into a new three year accounts receivable facility through TSPC, Inc. ("TSPC"), a wholly-owned subsidiary, to sell trade accounts receivable of substantially all of the Company's domestic business operations. Under this facility, TSPC, from time to time, may sell an undivided fractional ownership interest in the pool of receivables up to approximately $75.0 million to a third party multi-seller receivables funding company. The Company did not have any amounts outstanding under the facility as of March 31, 2010 or December 31, 2009, but had $51.7 million and $32.1 million, respectively, available but not utilized. The net amount financed under the facility is less than the face amount of accounts receivable by an amount that approximates the purchaser's financing costs. As of March 31, 2010, the cost of funds under this facility consisted of a 3-month London Interbank Offered Rates ("LIBOR")-based rate plus a usage fee of 3.25% and a fee on the unused portion of the facility of 0.75%. Aggregate costs incurred under this facility were $0.3 million for the three months ended March 31, 2010 and are included in interest expense in the accompanying consolidated statement of operations. The facility expires on December 29, 2012.

The cost of funds fees incurred are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

5. Receivables Facility (Continued)

historical collection experience and a discount rate based on a 3 month LIBOR-based rate plus the usage fee discussed above and is computed in accordance with the terms of the securitization agreement. As of March 31 2010, the costs of funds under the facility was based on an average liquidation period of the portfolio of approximately 1.6 months and an average discount rate of 1.5%.

Through December 28, 2009, TriMas was party to a 364-day accounts receivable facility through TSPC. Under this facility, TSPC, from time to time, was able to sell an undivided fractional ownership interest in the pool of receivables up to approximately $55.0 million to a third party multi-seller receivables funding company. The net proceeds of the sale of receivables were less than the face amount of the accounts receivable sold by an amount that approximated the purchaser's financing costs. As of March 31, 2009, the cost of funds under this facility consisted of a commercial paper-based rate plus the usage fee of 4.5% and a fee on the unused portion of the facility of 2.25%. In addition, the Company completed its annual renewal of this facility in February 2009, incurring approximately $0.4 million. Aggregate costs incurred under this facility, including renewal costs, were $0.7 million for the three months ended March 31, 2009. Such amounts are included in other expense, net in the accompanying consolidated statement of operations.

In addition, the Company from time to time may sell an undivided interest in accounts receivable under factoring arrangements at three of its European subsidiaries. As of March 31, 2010 and December 31, 2009, the Company's funding under these arrangements was approximately $3.8 million and $4.5 million, respectively. Sales of the European subsidiaries' accounts receivable were sold at a discount from face value of approximately 1.5% and 1.8%, at March 31, 2010 and 2009, respectively. Costs associated with these transactions were approximately $0.1 million for each of the three month periods ended March 31, 2010 and 2009, respectively, and are included in other expense, net in the accompanying consolidated statement of operations.

6. Inventories

Inventories consist of the following:

	March 31, 2010	December 31, 2009
	(dollars in thousands)	
Finished goods	$ 90,420	$ 95,420
Work in process	16,090	16,270
Raw materials	29,220	30,150
Total inventories	$ 135,730	$ 141,840

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

7. Property and Equipment, Net

Property and equipment, net, consists of the following:

	March 31, 2010	December 31, 2009
	(dollars in thousands)	
Land and land improvements	$ 2,140	$ 2,380
Buildings	44,500	44,810
Machinery and equipment	276,630	283,710
	323,270	330,900
Less: Accumulated depreciation	165,840	168,680
Property and equipment, net	$ 157,430	$ 162,220

Depreciation expense was approximately $6.0 million and $6.5 million for the three months ended March 31, 2010 and 2009, respectively, of which $5.3 million and $5.7 million, respectively, is included in cost of sales in the accompanying statement of operations, and $0.7 million and $0.8 million, respectively, is included in selling, general and administrative expenses in the accompanying statement of operations.

In the first quarter of 2009, in connection with the closure of the Mosinee facility (see Note 3), the Company recorded accelerated depreciation expense of approximately $0.5 million, which is included in the $5.7 million of depreciation expense recorded in cost of sales. This charge related to shortening the expected useful lives on certain machinery and equipment.

8. Long-term Debt

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

	March 31, 2010	December 31, 2009
	(dollars in thousands)	
U.S. bank debt	$ 264,080	$ 256,680
Non-U.S. bank debt and other	9,350	12,890
$9^3/_4$% senior secured notes, due December 2017	245,090	244,980
	518,520	514,550
Less: Current maturities, long-term debt	12,720	16,190
Long-term debt	$ 505,800	$ 498,360

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

8. Long-term Debt (Continued)

U.S. Bank Debt

The Company is a party to a credit facility consisting of a $83.0 million revolving credit facility, a $60.0 million deposit-linked supplemental revolving credit facility and a $252.2 million term loan facility (collectively, the "Credit Facility"). Under the Credit Facility, the Company is also able to issue letters of credit, not to exceed $65.0 million in aggregate, against its revolving credit facility commitments. At March 31, 2010 and December 31, 2009, the Company had letters of credit of approximately $31.0 million and $31.2 million, respectively, issued and outstanding. The weighted average interest rate on borrowings under the Credit Facility was 5.6% and 3.9% at March 31, 2010 and December 31, 2009, respectively.

At March 31, 2010 and December 31, 2009, the Company had $13.2 million and $5.1 million, respectively, outstanding under its supplemental revolving credit facility and had an additional $98.8 million and $101.7 million, respectively, potentially available after giving effect to approximately $31.0 million and $31.2 million, respectively, of letters of credit issued and outstanding. However, including availability under its accounts receivable facility and after consideration of leverage restrictions contained in the Credit Facility, the Company had $150.5 million and $114.3 million, respectively of capacity available to it for general corporate purposes under its revolving credit and accounts receivable facilities.

The bank debt is an obligation of the Company and its subsidiaries. Although the terms of the Credit Facility do not restrict the Company's subsidiaries from making distributions to it in respect of its $9^3/_4$% senior secured notes, it does contain certain other limitations on the distribution of funds from TriMas Company LLC, the principal subsidiary, to the Company. The restricted net assets of the guarantor subsidiaries of approximately $283.6 million and $270.4 million at March 31, 2010 and December 31, 2009, respectively, are presented in the financial information in Note 17, "*Supplemental Guarantor Condensed Consolidating Financial Information*." The Credit Facility also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries. The Company was in compliance with its covenants at March 31, 2010.

The Company's term loan facility traded at approximately 98.0% and 95.5% of par value as of March 31, 2010 and December 31, 2009, respectively.

Non-U.S. Bank Debt

In the United Kingdom, the Company's subsidiary is party to a revolving debt agreement which is secured by a letter of credit under the Credit Facility. At March 31, 2010, the balance outstanding under this arrangement was $0.7 million at an interest rate of 2.5%. At December 31, 2009, the balance outstanding under this agreement was approximately $0.8 million at an interest rate of 2.5%.

In Australia, the Company's subsidiary is party to a debt agreement which matures December 31, 2010 and is secured by substantially all the assets of the subsidiary. At March 31, 2010, the balance outstanding under this agreement was $8.3 million at an interest rate of 6.8%. At December 31, 2009, the balance outstanding under this agreement was approximately $11.7 million at an interest rate of approximately 6.6%.

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

8. Long-term Debt (Continued)

Notes

During the fourth quarter of 2009, the Company issued $250.0 million principal amount of 9$^3/_4$% senior secured notes due 2017 ("Senior Notes") at a discount of $5.0 million. The net proceeds of the offering, approximately $239.7 million, together with $29.3 million of cash on hand, were used to repurchase $256.5 million principal amount of the Company's 9$^7/_8$% senior subordinated notes due 2012 ("Sub Notes"), for tender costs and expenses related thereto, and to pay fees and expenses related to the Senior Notes.

During the first quarter of 2009, the Company utilized approximately $16.0 million of cash on hand to retire $31.8 million of face value of the Sub Notes, resulting in a net gain of approximately $15.3 million after considering non-cash debt extinguishment costs of $0.5 million.

The Notes indenture contains negative and affirmative covenants and other requirements that are comparable to those contained in the Credit Facility. At March 31, 2010, the Company was in compliance with all such covenant requirements.

The Company's Senior Notes traded at approximately 103.0% and 98.5% of par value as of March 31, 2010 and December 31, 2009, respectively.

9. Derivative Instruments

The Company is party to interest rate swaps to fix the variable LIBOR-based portion on $200.0 million notional amount of the Company's term loan facility. Upon inception, the interest rate swaps were designated as cash flow hedges; however, upon the Company's amendment and restatement of its credit facilities in the fourth quarter of 2009, the Company determined that these interest rate swaps were no longer effective due to the imposition of a LIBOR floor in the determination of the variable interest rate on the term loan facility. In February 2010, the Company amended the interest rate swaps to include a LIBOR floor similar to the term loan facility; however, the amended interest rate swaps have not be designated as hedging instruments. For the three months ended March 31, 2010, approximately $0.4 million of unrealized loss from accumulated other comprehensive income incurred while the interest rate swaps were effective was amortized into earnings as interest expense. Over the next 12 months, the Company expects approximately $1.2 million of unrealized loss in accumulated other comprehensive income incurred while the interest rate swaps were effective to be amortized into earnings as interest expense.

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

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

9. Derivative Instruments (Continued)

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

	Balance Sheet Caption	Asset Derivatives March 31, 2010	Asset Derivatives December 31, 2009	Liability Derivatives March 31, 2010	Liability Derivatives December 31, 2009
		(dollars in thousands)			
Derivatives not designated as hedging instruments					
Interest rate contracts	Accrued liabilities	$	$	$ 2,510	$ 1,700
Interest rate contracts	Other long-term liabilities			580	660
Foreign currency forward contracts	Accrued liabilities				150
Total derivatives not designated as hedging instruments		$	$	$ 3,090	$ 2,510

The effect of derivative instruments on the consolidated statement of operations for the three months ended March 31, 2010 and 2009, is summarized as follows:

	Amount of Loss Recognized in AOCI on Derivatives (Effective Portion, net of tax) As of March 31, 2010	Amount of Loss Recognized in AOCI on Derivatives (Effective Portion, net of tax) As of December 31 2009	Location of Loss Reclassified from AOCI into Earnings (Effective Portion)	Amount of Loss Reclassifed from AOCI in to Earnings Three months ended March 31, 2010	Amount of Loss Reclassifed from AOCI in to Earnings Three months ended March 31, 2009
	(dollars in thousands)			(dollars in thousands)	
Derivatives designated as hedging instruments					
Interest rate contracts	$ (1,250)	$ (1,660)	Interest expense	$ (410)	$ (390)

	Amount of Gain (Loss) Recognized in Earnings on Derivatives Three months ended March 31, 2010	Amount of Gain (Loss) Recognized in Earnings on Derivatives Three months ended March 31, 2009	Location of Gain (Loss) Recognized in Earnings on Derivative
	(dollars in thousands)		

Derivatives not designated as hedging instruments					
Interest rate contracts	$	(1,450)	$		Interest expense
Foreign exchange contracts	$	50	$		Other expense, net

Valuation of the interest rate swaps and foreign currency forward contracts are based on the income approach which uses observable inputs such as interest rate yield curves and forward currency exchange rates. Fair value measurements and the fair value hierarch level for the Company's assets and

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

9. Derivative Instruments (Continued)

liabilities measured at fair value on a recurring basis as of March 31, 2010 and December 31, 2009, are shown below:

			March 31, 2010		
Description	**Frequency**	**Asset / (Liability)**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
			(dollars in thousands)		
Interest rate swaps	Recurring	$ (3,090)	$	$ (3,090)	$

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

10. Commitments and Contingencies

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

As of March 31, 2010, the Company was a party to approximately 989 pending cases involving an aggregate of approximately 8,044 claimants alleging personal injury from exposure to asbestos containing materials formerly used in gaskets (both encapsulated and otherwise) manufactured or distributed by certain of the Company's subsidiaries for use primarily in the petrochemical refining and exploration industries. The following chart summarizes the number of claimants, number of claims filed, number of claims dismissed, number of claims settled, the average settlement amount per claim

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

10. Commitments and Contingencies (Continued)

and the total defense costs, exclusive of amounts reimbursed under the Company's primary insurance, at the applicable date and for the applicable periods:

	Claims pending at beginning of period	Claims filed during period	Claims dismissed during period	Claims settled during period	Average settlement amount per claim during period	Total defense costs during period
Fiscal year ended December 31, 2009	7,524	586	254	40	$ 4,644	$ 2,652,000
Three months ended March 31, 2010	7,816	359	118	13	$ 5,673	$ 684,000

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

The Company may be subjected to significant additional asbestos-related claims in the future, the cost of settling cases in which product identification can be made may increase, and the Company may be subjected to further claims in respect of the former activities of its acquired gasket distributors. The Company is unable to make a meaningful statement concerning the monetary claims made in the asbestos cases given that, among other things, claims may be initially made in some jurisdictions without specifying the amount sought or by simply stating the requisite or maximum permissible monetary relief, and may be amended to alter the amount sought. The large majority of claims do not specify the amount sought. Of the 8,044 claims pending at March 31, 2010, 82 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). 60 of the 82 claims sought between $1.0 million and $5.0 million in total damages (which includes compensatory and punitive damages), 18 sought between $5.0 million and $10.0 million in total damages (which includes compensatory and punitive damages) and 4 sought over $10.0 million (which includes compensatory and punitive damages). Solely with respect to compensatory damages, 62 of the 82 claims sought between $250,000 and $600,000, 16 sought between $1.0 million and $5.0 million and 4 sought over $5.0 million. Solely with respect to punitive damages, 60 of the 82 claims sought between $1.0 million and $2.5 million, 17 sought between $2.5 million and $5.0 million and 5 sought over $5.0 million. In addition, relatively few of the claims have reached the discovery stage and even fewer claims have gone past the discovery stage.

Total settlement costs (exclusive of defense costs) for all such cases, some of which were filed over 20 years ago, have been approximately $5.5 million. All relief sought in the asbestos cases is monetary in nature. To date, approximately 50% of the Company's costs related to settlement and defense of asbestos litigation have been covered by its primary insurance. Effective February 14, 2006, the Company entered into a coverage-in-place agreement with its first level excess carriers regarding the coverage to be provided to the Company for asbestos-related claims when the primary insurance is exhausted. The coverage-in-place agreement makes asbestos defense costs and indemnity coverage available to the Company that might otherwise be disputed by the carriers and provides a methodology for the administration of such expenses. Nonetheless, there may be a period prior to the commencement of coverage under this agreement and following exhaustion of the Company's primary

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

10. Commitments and Contingencies (Continued)

insurance coverage during which the Company would be solely responsible for defense costs and indemnity payments, the duration of which would be subject to the scope of damage awards and settlements paid.

Based on the settlements made to date and the number of claims dismissed or withdrawn for lack of product identification, the Company believes that the relief sought (when specified) does not bear a reasonable relationship to its potential liability. Based upon the Company's experience to date and other available information (including the availability of excess insurance), the Company does not believe that these cases will have a material adverse effect on its financial position and results of operations or cash flows.

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

11. Segment Information

TriMas' reportable operating segments are business units that provide unique products and services. Each operating segment is independently managed, requires different technology and marketing strategies and has separate financial information evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. TriMas groups its operating segments into five reportable segments, described below. Within these operating segments, there are no individual products or product families for which reported revenues accounted for more than 10% of the Company's consolidated revenues.

Packaging Steel and plastic closure caps, drum enclosures, rings and levers, and dispensing systems for industrial and consumer markets.

Energy Natural gas engines, compressors, gas production equipment and chemical pumps engineered at well sites for the oil and gas industry as well as metallic and non-metallic industrial sealant products and fasteners for the petroleum refining, petrochemical and other industrial markets.

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

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

Cequent Custom-engineered towing, trailering and electrical products including trailer couplers, winches, jacks, trailer brakes and brake control solutions, lighting accessories and roof racks for the recreational vehicle, agricultural/utility, marine, automotive and commercial trailer markets, functional vehicle accessories and cargo management solutions including vehicle hitches and receivers, sway controls, weight distribution and fifth- wheel hitches, hitch-mounted accessories, and other accessory components.

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

11. Segment Information (Continued)

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

Segment activity is as follows:

	Three months ended March 31,	
	2010	**2009**
	(dollars in thousands)	
Net Sales		
Packaging	$ 43,600	$ 30,250
Energy	43,890	40,270
Aerospace & Defense	17,080	22,200
Engineered Components	18,910	18,550
Cequent	96,580	90,450
Total	$ 220,060	$ 201,720
Operating Profit		
Packaging	$ 11,860	$ 5,400
Energy	5,180	3,520
Aerospace & Defense	3,860	6,810
Engineered Components	1,810	380
Cequent	8,120	(3,350)
Corporate expenses	(5,780)	(7,560)
Total	$ 25,050	$ 5,200
Adjusted EBITDA		
Packaging	$ 14,920	$ 8,640
Energy	5,900	4,280
Aerospace & Defense	4,520	7,410
Engineered Components	2,570	1,120
Cequent	12,120	1,340
Corporate (expenses) income	(5,900)	7,630
Subtotal from continuing operations	34,130	30,420
Discontinued operations	(330)	(11,790)
Total company	$ 33,800	$ 18,630

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

11. Segment Information (Continued)

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

	Three months ended March 31, 2010	Three months ended March 31, 2009
	(dollars in thousands)	
Net income (loss)	$ 5,430	$ (3,680)
Income tax expense (benefit)	4,470	(2,490)
Interest expense	14,290	12,530
Debt extinguishment costs		510
Depreciation and amortization	9,610	11,760
Adjusted EBITDA, total company	$ 33,800	$ 18,630
Adjusted EBITDA, discontinued operations	(330)	(11,790)
Adjusted EBITDA, continuing operations	$ 34,130	$ 30,420

12. Equity Awards

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

2006 Plan

Information related to stock options at March 31, 2010 is as follows:

	Number of Stock Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	554,000	$ 1.14		
Granted				
Exercised	(10,666)	1.01		
Cancelled				
Outstanding at March 31, 2010	543,334	$ 1.15	8.9	$ 2,903,470

As of March 31, 2010, 173,998 stock options were exercisable under the 2006 Plan. In addition, the fair value of options which vested during the three month periods ended March 31, 2010 and 2009 was $0.1 million and $0, respectively. As of March 31, 2010, there was approximately $0.1 million of unrecognized compensation cost related to stock options that is expected to be recorded over a weighted-average period of 1.5 years.

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

12. Equity Awards (Continued)

Information related to restricted shares at March 31, 2010 is as follows:

	Number of Unvested Restricted Shares	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	251,937	$ 5.99		
Granted				
Vested	(131,810)	5.20		
Cancelled	(1,770)	8.48		
Outstanding at March 31, 2010	118,357	$ 6.84	0.9	$ 768,140

As of March 31, 2010, there was approximately $0.3 million of unrecognized compensation cost related to unvested restricted shares that is expected to be recorded over a weighted-average period of 0.9 years.

The Company recognized approximately $0.3 million and $0.02 million of stock-based compensation expense related to the 2006 Plan during the three months ended March 31, 2010 and 2009, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations.

2002 Plan

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

Information related to stock options at March 31, 2010 is as follows:

	Number of Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	1,285,344	$ 13.45		
Granted	97,870	6.09		
Exercised	(47,455)	1.01		
Cancelled	(28,125)	1.01		
Outstanding at March 31, 2010	1,307,634	$ 13.62	6.2	$ 2,424,870

As of March 31, 2010, 844,164 stock options were exercisable under the 2002 Plan. In addition, the fair value of options which vested during each of the three month periods ended March 31, 2010 and 2009 was $0.1 million. As of March 31, 2010, there was approximately $0.3 million of unrecognized

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

12. Equity Awards (Continued)

compensation cost related to stock options that is expected to be recorded over a weighted-average period of 1.4 years.

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

Information related to restricted shares at March 31, 2010 is as follows:

	Number of Unvested Restricted Shares	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2010	126,950	$ 5.20		
Granted	78,090	6.09		
Vested	(82,960)	5.20		
Cancelled	(190)	5.20		
Outstanding at March 31, 2010	121,890	$ 5.77	2.2	$ 791,070

As of March 31, 2010, there was approximately $0.6 million of unrecognized compensation cost related to unvested restricted shares that is expected to be recorded over a weighted-average period of 1.7 years.

The Company recognized approximately $0.2 million and $0.02 million of stock-based compensation expense related to the 2002 Plan during the three months ended March 31, 2010 and 2009, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations.

13. Earnings per Share

Net earnings are divided by the weighted average number of shares outstanding during the year to calculate basic earnings per share. Diluted earnings (loss) per share are calculated to give effect to stock options and other stock-based awards. The calculation of diluted earnings per share included 217,083 and 28,024 restricted shares for the three months ended March 31, 2010 and 2009, respectively. The calculation of diluted earnings (loss) per share also included 527,260 options to purchase shares of common stock for the three months ended March 31, 2010. Options to purchase 2,050,194 shares of common stock were outstanding at March 31, 2009, but were not included in the calculation of diluted earnings (loss) per share because to do so would have been anti-dilutive.

14. Defined Benefit Plans

Net periodic pension and postretirement benefit costs for the Company's defined benefit pension plans and postretirement benefit plans cover foreign employees, union hourly employees and certain

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

14. Defined Benefit Plans (Continued)

salaried employees. The components of net periodic pension and postretirement benefit costs for the three months ended March 31, 2010 and 2009 are as follows:

	Pension Plans Three Months Ended March 31,		Other Postretirement Benefits Three Months Ended March 31,	
	2010	2009	2010	2009
	(dollars in thousands)		(dollars in thousands)	
Service costs	$ 150	$ 130	$	$
Interest costs	400	390	20	30
Expected return on plan assets	(400)	(380)		
Amortization of prior service cost			(70)	(70)
Amortization of net loss	110	80	(10)	(10)
Net periodic benefit cost	$ 260	$ 220	$ (60)	$ (50)

The Company contributed approximately $0.4 million to its defined benefit pension plans during the three months ended March 31, 2010. The Company expects to contribute approximately $1.9 million to its defined benefit pension plans for the full year 2010.

15. New Accounting Pronouncements

In June 2009, the Financial Accounting Standards Board ("FASB") issued amended guidance related to the transfer of financial assets. The new guidance, listed under Accounting Standards Codification ("ASC") Topic 860, "Transfers and Servicing," requires more information about transfers of financial assets, including securitization transactions, and where companies have continuing exposure to the risk related to transferred financial assets. ASC Topic 860 eliminates the concept of a qualifying special purpose entity, changes the requirements for derecognizing financial assets and requires additional disclosure. Under the Company's current domestic receivables facility, an undivided fractional ownership interest in a pool of receivables is sold to a third party with recourse. This guidance, effective January 1, 2010, eliminated the off-balance sheet treatment for such facilities. Therefore, upon adoption of this guidance, amounts outstanding under the facility are classified as receivables and debt in the Company's balance sheet, and related costs are classified as interest expense rather than other expense, net. As of March 31, 2010 and December 31, 2009, there were no amounts outstanding under the Company's receivables facility.

In June 2009, the FASB issued amended guidance related to consolidation of variable interest entities. The new guidance, listed under ASC Topic 810, "Consolidation," changes how a reporting entity determines when a variable interest entity should be consolidated. It also requires additional disclosures about its involvement with variable interest entities and any significant changes in risk exposure due to that involvement. There was no significant impact to the Company's consolidated financial statements as a result of the Company's adoption of this guidance during the first quarter of 2010.

TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

16. Subsequent Events

On April 6, 2010, the Company completed the sale of its property management line of business for cash proceeds of approximately $13 million. In connection with this sale, the Company expects to recognize a pre-tax gain on sale of approximately $10 million. The April 2010 gain on sale and prior period results of operations of the property management line of business will be and/or are included in discontinued operations in this Form 10-Q.

On April 30, 2010, the Company's Norris Cylinder subsidiary entered into an asset purchase agreement (the "Asset Purchase Agreement") with Taylor-Wharton International, LLC ("TWI") and its subsidiary, TW Cylinders LLC, to purchase certain assets related to TWI's high and low-pressure cylinder business for the purchase price of $11 million, payable in cash at closing. The purchase price is subject to a net working capital adjustment, if any, to be determined at closing. The Asset Purchase Agreement contains customary representations, warranties, covenants and indemnities. As TWI and certain of its affiliates had filed bankruptcy petitions and motions for voluntary Chapter 11 reorganization under the United States Bankruptcy Code, the Asset Purchase Agreement is subject to the approval of the United States Bankruptcy Court for the District of Delaware (the "Bankruptcy Court"). Should the Asset Purchase Agreement be approved by the Bankruptcy Court, the Company plans to complete the acquisition pursuant to Section 363 of the U.S. Bankruptcy Code. The foregoing summary of the Asset Purchase Agreement and the transactions contemplated thereby is qualified in its entirety by the terms of the Asset Purchase Agreement, a copy of which is filed as an exhibit to this Report on Form 10-Q.

17. Supplemental Guarantor Condensed Consolidating Financial Information

Under an indenture dated December 29, 2009, TriMas Corporation, the parent company ("Parent"), issued $9^3/_4$% senior secured notes due 2017 in a total principal amount of $250.0 million (face value). The net proceeds of the offering were used, together with other available cash, to repurchase the Company's outstanding $9^7/_8$% senior subordinated notes due 2012 pursuant to a cash tender offer. The outstanding Senior Notes are guaranteed by substantially all of the Company's domestic subsidiaries ("Guarantor Subsidiaries"). All of the Guarantor Subsidiaries are 100% owned by the Parent and their guarantee is full, unconditional, joint and several. The Company's non-domestic subsidiaries and TSPC, Inc. have not guaranteed the Senior Notes ("Non-Guarantor Subsidiaries"). The Guarantor Subsidiaries have also guaranteed amounts outstanding under the Company's Credit Facility.

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

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

	March 31, 2010				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	$	$ 140	$ 6,490	$	$ 6,630
Trade receivables, net		108,200	20,450		128,650
Receivables, intercompany			3,510	(3,510)	
Inventories		112,130	23,600		135,730
Deferred income taxes	5,400	23,430	890	(5,400)	24,320
Prepaid expenses and other current assets		4,960	1,460		6,420
Assets of discontinued operations held for sale		4,070			4,070
Total current assets	5,400	252,930	56,400	(8,910)	305,820
Investments in subsidiaries	283,560	107,050		(390,610)	
Property and equipment, net		113,160	44,270		157,430
Goodwill		148,220	45,900		194,120
Intangibles and other assets	27,940	172,610	5,630	(21,600)	184,580
Total assets	$ 316,900	$ 793,970	$ 152,200	$ (421,120)	$ 841,950
Liabilities and Shareholders' Equity					
Current liabilities:					
Current maturities, long-term debt	$	$ 3,730	$ 8,990	$	$ 12,720
Accounts payable, trade		82,750	20,400		103,150
		3,510		(3,510)	

Accounts payable, intercompany					
Accrued liabilities	6,220	48,610	8,840		63,670
Liabilities of discontinued operations		1,040			1,040
Total current liabilities	6,220	139,640	38,230	(3,510)	180,580
Long-term debt	245,090	260,710			505,800
Deferred income taxes		66,340	4,450	(27,000)	43,790
Other long-term liabilities		43,720	2,470		46,190
Total liabilities	251,310	510,410	45,150	(30,510)	776,360
Total shareholders' equity	65,590	283,560	107,050	(390,610)	65,590
Total liabilities and shareholders' equity	$ 316,900	$ 793,970	$ 152,200	$ (421,120)	$ 841,950

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

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

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

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

	Three Months Ended March 31, 2010				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	$	$ 167,840	$ 59,880	$ (7,660)	$ 220,060
Cost of sales		(119,900)	(44,760)	7,660	(157,000)
Gross profit		47,940	15,120		63,060
Selling, general and administrative expenses		(32,220)	(5,480)		(37,700)
Loss on dispositions of property and equipment		(70)	(240)		(310)
Operating profit		15,650	9,400		25,050
Other expense, net:					
Interest expense	(6,480)	(7,010)	(650)		(14,140)
Other, net		(180)	(330)		(510)
Income (loss) before income tax (expense) benefit and equity in net income of subsidiaries	(6,480)	8,460	8,420		10,400
Income tax (expense) benefit	2,270	(4,580)	(2,340)		(4,650)
Equity in net income of subsidiaries	9,640	6,080		(15,720)	
Income from continuing operations	5,430	9,960	6,080	(15,720)	5,750
Loss from discontinued operations		(320)			(320)
Net income	$ 5,430	$ 9,640	$ 6,080	$ (15,720)	$ 5,430

	Three Months Ended March 31, 2009				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Net sales	$	$ 167,520	$ 39,550	$ (5,350)	$ 201,720
Cost of sales		(128,330)	(32,280)	5,350	(155,260)

Gross profit		39,190	7,270		46,460
Selling, general and administrative expenses		(36,540)	(4,760)		(41,300)
Gain on dispositions of property and equipment		30	10		40
Operating profit		2,680	2,520		5,200
Other income (expense), net:					
Interest expense	(8,340)	(3,900)	(240)		(12,480)
Gain on extinguishment of debt	15,310				15,310
Other, net		(150)	(550)		(700)
Income (loss) before income tax (expense) benefit and equity in net income (loss) of subsidiaries	6,970	(1,370)	1,730		7,330
Income tax (expense) benefit	(2,610)	530	(630)		(2,710)
Equity in net income (loss) of subsidiaries	(8,040)	1,100		6,940	
Income (loss) from continuing operations	(3,680)	260	1,100	6,940	4,620
Loss from discontinued operations		(8,300)			(8,300)
Net income (loss)	$ (3,680)	$ (8,040)	$ 1,100	$ 6,940	$ (3,680)

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

	Three Months Ended March 31, 2010				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Cash Flows from Operating Activities:					
Net cash provided by (used for) operating activities	$ (1,100)	$ (8,990)	$ 6,000	$	$ (4,090)
Cash Flows from Investing Activities:					
Capital expenditures		(2,130)	(460)		(2,590)
Net proceeds from disposition of businesses and other assets		30			30
Net cash used for investing activities		(2,100)	(460)		(2,560)
Cash Flows from Financing Activities:					
Repayments of borrowings on term loan facilities		(650)			(650)
Proceeds from borrowings on revolving credit facilities		133,450	1,490		134,940
Repayments of borrowings on revolving credit facilities		(125,400)	(5,270)		(130,670)
Shares surrended upon vesting of options and restricted stock awards to cover tax obligations	(160)				(160)
Proceeds from exercise of stock options	60				60
Excess tax benefits from stock based compensation		280			280
Intercompany transfers (to) from subsidiaries	1,200	3,250	(4,450)		
Net cash provided by (used for) financing activities	1,100	10,930	(8,230)		3,800
Cash and Cash Equivalents:					
Decrease for the period		(160)	(2,690)		(2,850)
At beginning of period		300	9,180		9,480
At end of period	$	$ 140	$ 6,490	$	$ 6,630

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

17. Supplemental Guarantor Condensed Consolidating Financial Information (Continued)

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

	Three Months Ended March 31, 2009				
	Parent	Guarantor	Non-Guarantor	Eliminations	Total
Cash Flows from Operating Activities:					
Net cash provided by (used for) operating activities	$	$ (1,710)	$ 3,510	$	$ 1,800
Cash Flows from Investing Activities:					
Capital expenditures		(2,930)	(350)		(3,280)
Net proceeds from disposition of businesses and other assets		20,640	40		20,680
Net cash provided by (used for) investing activities		17,710	(310)		17,400
Cash Flows from Financing Activities:					
Repayments of borrowings on senior credit facilities		(650)	(120)		(770)
Proceeds from borrowings on revolving credit facilities		272,900			272,900
Repayments of borrowings on revolving credit facilities		(273,800)	(880)		(274,680)
Retirement of senior subordinated notes	(16,020)				(16,020)
Intercompany transfers (to) from subsidiaries	16,020	(14,440)	(1,580)		
Net cash used for financing activities		(15,990)	(2,580)		(18,570)
Cash and Cash Equivalents:					
Increase for the period		10	620		630
At beginning of period		340	3,570		3,910
At end of period	$	$ 350	$ 4,190	$	$ 4,540

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

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

Introduction

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

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

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

There is some seasonality in the businesses within our Cequent reportable segment, where sales of towing and trailering products are generally stronger in the second and third quarters, as trailer original equipment manufacturers ("OEMs"), distributors and retailers acquire product for the spring and summer selling seasons. No other reportable segment experiences significant seasonal fluctuation in its businesses. We do not consider sales order backlog to be a material factor in our business. A growing portion of our sales may be derived from international sources, which exposes us to certain risks, including currency risks.

The demand for some of our products, particularly in the Cequent segment, is heavily influenced by consumer sentiment. We experienced decreases in sales and earnings in 2008 and 2009 as a result of the general economic downturn, including an uncertain credit market and interest rate environment

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and rising energy costs, among other things. While we are experiencing sales increases in certain of our Cequent businesses in 2010 as compared to 2009 as the economic conditions have begun to improve, we expect the current end market conditions in the Cequent segment will continue to remain weak and/or decline until the U.S. economy recovers from existing recessionary forces, employment levels increase and consumer credit availability improves, thereby increasing consumer discretionary spending.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, aluminum, polyethylene and other resins and energy. Historically, we have experienced increasing costs of steel and resin and have worked with our suppliers to manage cost pressures and disruptions in supply. We have also initiated pricing programs to pass increased steel, copper, aluminum and resin costs to customers. Although we may experience delays in our ability to implement price increases, we generally are able to recover such increased costs. Although there have been no significant disruptions in the supply of steel since 2005, we may experience disruptions in supply in the future and we may not be able to pass along higher costs associated with such disruptions to our customers in the form of price increases. We will continue to take actions as necessary to manage risks associated with increasing steel or other raw material costs. However, such increased costs may adversely impact our earnings.

We report shipping and handling expenses, associated with certain businesses within our Cequent segment, for its sales distribution network, as an element of selling, general and administrative expenses in our consolidated statement of operations. As such, gross margins for the Cequent segment may not be comparable to other companies which include all costs related to their distribution network in cost of sales.

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

Recent Consolidation, Integration and Restructuring Activities. During the past several years, we have undertaken significant consolidation, integration and other cost-savings programs to enhance our efficiency and achieve cost reduction opportunities which exist in our businesses. In addition to major consolidation projects, there have also been a series of ongoing initiatives to eliminate duplicative and excess manufacturing and distribution facilities, sales forces, and back office and other support functions in order to continue to optimize our cost structure in response to competitor actions and market conditions.

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

The most significant element of our Profit Improvement Plan implemented during the first quarter of 2009 was the restructuring of our legacy towing, trailering and electrical businesses within our

Cequent reportable segment into one business, rationalizing facilities and the management team. This restructuring plan included the announcement and start of the closure process of the Mosinee, WI manufacturing facility, which ceased operations in the fourth quarter of 2009. We incurred approximately $3.3 million of costs in the first quarter of 2009 associated with this initiative.

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

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

Management believes that consideration of Adjusted EBITDA together with a careful review of our results reported under GAAP is the best way to analyze our ability to service and/or incur indebtedness, as we are a highly leveraged company. We use Adjusted EBITDA as a key performance measure because we believe it facilitates operating performance comparisons from period to period and company to company by excluding potential differences caused by variations in capital structures (affecting interest expense), tax positions (such as the impact on periods or companies of changes in effective tax rates or net operating losses), and the impact of purchase accounting as well as depreciation and amortization expense. Because Adjusted EBITDA facilitates internal comparisons of our historical operating performance on a more consistent basis, we also use Adjusted EBITDA for business planning purposes, in measuring our performance relative to that of our competitors and in evaluating acquisition opportunities.

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

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

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

- 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;

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- it does not reflect certain tax payments that may represent a reduction in cash available to us;
- it includes amounts resulting from matters we consider not to be indicative of underlying performance of our fundamental business operations, as discussed in "*Management's Discussion and Analysis of Financial Condition and Results of Operations*;" and
- other companies, including companies in our industry, may calculate these measures differently and as the number of differences in the way two different companies calculate these measures increases, the degree of their usefulness as a comparative measure correspondingly decreases.

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

The following is a reconciliation of our net income (loss) to Adjusted EBITDA and cash flows provided by (used for) operating activities for the three months ended March 31, 2010 and 2009:

	Three months ended March 31,	
	2010	**2009**
	(dollars in thousands)	
Net income (loss)	$ 5,430	$ (3,680)
Income tax expense (benefit)	4,470	(2,490)
Interest expense	14,290	12,530
Debt extinguishment costs		510
Depreciation and amortization	9,610	11,760
Adjusted EBITDA, total company	$ 33,800	$ 18,630
Interest paid	(5,250)	(4,770)
Taxes paid	(1,250)	(2,440)
(Gain) loss on dispositions of property and equipment	310	(50)
Gain on extinguishment of debt		(15,820)
Receivables sales and securitization, net	3,830	(6,130)
Net change in working capital	(35,530)	12,380
Cash flows provided by (used for) operating activities	$ (4,090)	$ 1,800

The following table details certain items relating to our consolidation, restructuring and integration efforts that are included in the determination of net income (loss) under GAAP and are not added

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back to net income (loss) in determining Adjusted EBITDA, but that we would consider in evaluating the quality of our Adjusted EBITDA:

	Three months ended March 31,	
	2010	2009
	(dollars in thousands)	
Severance and business unit restructuring costs(a)	$	$ 6,260
Gross gain on extinguishment of debt(b)		(15,820)
	$	$ (9,560)

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

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

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Segment Information and Supplemental Analysis

The following table summarizes financial information for our five current reportable segments for the three months ended March 31, 2010 and 2009:

	Three Months Ended March 31,			
	2010	As a Percentage of Net Sales	2009	As a Percentage of Net Sales
	(dollars in thousands)			
Net Sales:				
Packaging	$ 43,600	19.8%	$ 30,250	15.0%
Energy	43,890	19.9%	40,270	20.0%
Aerospace & Defense	17,080	7.8%	22,200	11.0%
Engineered Components	18,910	8.6%	18,550	9.2%
Cequent	96,580	43.9%	90,450	44.8%
Total	$ 220,060	100.0%	$ 201,720	100.0%
Gross Profit:				
Packaging	$ 16,930	38.8%	$ 10,090	33.4%
Energy	11,580	26.4%	9,970	24.8%
Aerospace & Defense	7,140	41.8%	9,100	41.0%
Engineered Components	3,500	18.5%	2,200	11.9%
Cequent	23,910	24.8%	15,100	16.7%
Total	$ 63,060	28.7%	$ 46,460	23.0%
Selling, General and Administrative:				
Packaging	$ 4,810	11.0%	$ 4,750	15.7%
Energy	6,360	14.5%	6,440	16.0%
Aerospace & Defense	3,280	19.2%	2,280	10.3%
Engineered Components	1,680	8.9%	1,820	9.8%
Cequent	15,790	16.3%	18,450	20.4%
Corporate expenses	5,780	N/A	7,560	N/A
Total	$ 37,700	17.1%	$ 41,300	20.5%
Operating Profit:				
Packaging	$ 11,860	27.2%	$ 5,400	17.9%
Energy	5,180	11.8%	3,520	8.7%
Aerospace & Defense	3,860	22.6%	6,810	30.7%
Engineered Components	1,810	9.6%	380	2.0%
Cequent	8,120	8.4%	(3,350)	-3.7%
Corporate expenses	(5,780)	N/A	(7,560)	N/A
Total	$ 25,050	11.4%	$ 5,200	2.6%
Adjusted EBITDA:				
Packaging	$ 14,920	34.2%	$ 8,640	28.6%
Energy	5,900	13.4%	4,280	10.6%
Aerospace & Defense	4,520	26.5%	7,410	33.4%
Engineered Components	2,570	13.6%	1,120	6.0%
Cequent	12,120	12.5%	1,340	1.5%
Corporate (expenses) income	(5,900)	N/A	7,630	N/A
Subtotal from continuing operations	34,130	15.5%	30,420	15.1%

Discontinued operations