

TRIMAS CORP  
Form 10-Q  
August 03, 2007

## UNITED STATES

## SECURITIES AND EXCHANGE COMMISSION

WASHINGTON D.C. 20549

### FORM 10-Q

(Mark One)

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

For the Quarterly Period Ended June 30, 2007

Or

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

For the Transition Period from            to            .

Commission File Number 333-100351

## TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

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

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

**39400 Woodward Avenue, Suite 130**  
**Bloomfield Hills, Michigan 48304**

(Address of principal executive offices, including zip code)

**(248) 631-5450**

(Registrant's telephone number, including area code)

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

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, or non-accelerated filer (as defined in Rule 12b-2 of the Exchange Act).

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Large Accelerated Filer

Accelerated Filer

Non-Accelerated Filer

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

As of August 3, 2007, the number of outstanding shares of the Registrant's common stock, \$.01 par value, was 33,409,500 shares.

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TriMas Corporation

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## Forward-Looking Statements

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

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

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

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

- Our businesses depend upon general economic conditions and we serve some customers in highly cyclical industries. As a result, we are subject to the loss of sales and margins due to an economic downturn or recession, which could negatively affect us;
- Many of the markets we serve are highly competitive, which could limit the volume of products that we sell and reduce our operating margins. We also face the risk of lower cost foreign manufacturers located in China, Southeast Asia and other regions competing in the markets for our products, and we may be adversely impacted;
- Increases in our raw material or energy costs or the loss of critical 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 could materially harm us;
- We have substantial debt and interest payment requirements that may restrict our future operations and impair our ability to meet our obligations;
- Restrictions in our debt instruments and accounts receivable facility limit our ability to take certain actions and breaches thereof could impair our liquidity;
- We may be unable to protect our intellectual property or face liability associated with the use of products for which intellectual property rights are claimed;
- We may incur material losses and costs as a result of product liability, recall and warranty claims that may be brought against us;



- Our business may be materially and adversely affected by compliance obligations and liabilities including environmental and other laws and regulations;
- Historically, we have grown primarily through acquisitions. If we are unable to identify attractive acquisition candidates, successfully integrate acquired operations or realize the intended benefits of our acquisitions, we may be adversely affected;
- We have significant operating lease obligations. Failure to meet those obligations could adversely affect our financial condition;
- We have significant goodwill and intangible assets. We incurred a significant impairment of our goodwill in 2006. Future impairment of our goodwill and intangible assets could have a material adverse impact on our financial results;
- We may be subject to work stoppages and further unionization at our facilities or our customers or suppliers may be subjected to work stoppages, which could seriously impact the profitability of our business;
- Our healthcare costs for active employees and retirees may exceed our projections and may negatively affect our financial results; and
- 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.

We disclose important factors that could cause our actual results to differ materially from our expectations under 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.

## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

**TriMas Corporation**  
**Consolidated Balance Sheet**  
(Unaudited dollars in thousands)

	June 30, 2007	December 31, 2006
<b>Assets</b>		
Current assets:		
Cash and cash equivalents	\$ 2,720	\$ 3,600
Receivables, net	114,420	99,240
Inventories, net	172,380	165,360
Deferred income taxes	24,310	24,310
Prepaid expenses and other current assets	6,540	7,320
Assets of discontinued operations held for sale		11,770
Total current assets	320,370	311,600
Property and equipment, net	186,380	165,200
Goodwill	527,500	529,730
Other intangibles, net	230,290	240,120
Other assets	36,190	39,410
Total assets	\$ 1,300,730	\$ 1,286,060
<b>Liabilities and Shareholders' Equity</b>		
Current liabilities:		
Current maturities, long-term debt	\$ 8,960	\$ 9,700
Accounts payable	122,240	100,070
Accrued liabilities	68,650	71,970
Liabilities of discontinued operations		23,530
Total current liabilities	199,850	205,270
Long-term debt	613,010	724,790
Deferred income taxes	89,370	89,940
Other long-term liabilities	37,740	33,280
Total liabilities	939,970	1,053,280
Preferred stock \$0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None		
Common stock, \$0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 33,409,500 and 20,759,500 shares at June 30, 2007 and December 31, 2006, respectively		
	330	210
Paid-in capital	525,530	399,070
Accumulated deficit	(211,480)	(215,220)
Accumulated other comprehensive income	46,380	48,720
Total shareholders' equity	360,760	232,780
Total liabilities and shareholders' equity	\$ 1,300,730	\$ 1,286,060

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

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

	Three months ended		Six months ended	
	June 30, 2007	2006	June 30, 2007	2006
Net sales	\$ 290,830	\$ 279,640	\$ 577,520	\$ 552,670
Cost of sales	(209,530 )	(204,580 )	(416,930 )	(404,270 )
Gross profit	81,300	75,060	160,590	148,400
Selling, general and administrative expenses	(45,670 )	(44,180 )	(91,450 )	(88,680 )
Advisory services agreement termination fee	(10,000 )		(10,000 )	
Costs for early termination of operating leases	(4,230 )		(4,230 )	
Gain (loss) on dispositions of property and equipment	300	80	130	(100 )
Operating profit	21,700	30,960	55,040	59,620
Other expense, net:				
Interest expense	(18,340 )	(20,030 )	(37,200 )	(39,950 )
Debt extinguishment costs	(7,440 )		(7,440 )	
Other, net	(980 )	(1,140 )	(2,140 )	(1,920 )
Other expense, net	(26,760 )	(21,170 )	(46,780 )	(41,870 )
Income (loss) from continuing operations before income tax benefit (expense)	(5,060 )	9,790	8,260	17,750
Income tax benefit (expense)	1,870	(3,250 )	(3,060 )	(6,280 )
Income (loss) from continuing operations	(3,190 )	6,540	5,200	11,470
Loss from discontinued operations, net of income tax benefit (expense)		(4,030 )	(1,340 )	(5,370 )
Net income (loss)	\$ (3,190 )	\$ 2,510	\$ 3,860	\$ 6,100
<b>Earnings (loss) per share basic:</b>				
Continuing operations	\$ (0.12 )	\$ 0.32	\$ 0.22	\$ 0.57
Discontinued operations, net of income tax benefit (expense)		(0.20 )	(0.06 )	(0.27 )
Net income (loss) per share	\$ (0.12 )	\$ 0.12	\$ 0.16	\$ 0.30
Weighted average common shares basic	26,223,236	20,010,000	23,506,461	20,010,000
<b>Earnings (loss) per share diluted:</b>				
Continuing operations	\$ (0.12 )	\$ 0.31	\$ 0.22	\$ 0.55
Discontinued operations, net of income tax benefit (expense)		(0.19 )	(0.06 )	(0.26 )
Net income (loss) per share	\$ (0.12 )	\$ 0.12	\$ 0.16	\$ 0.29
Weighted average common shares diluted	26,223,236	20,760,000	23,506,461	20,760,000

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

**TriMas Corporation**  
**Consolidated Statement of Cash Flows**  
(Unaudited dollars in thousands)

	<b>Six months ended</b>	
	<b>June 30,</b>	
	<b>2007</b>	<b>2006</b>
Net income	\$ 3,860	\$ 6,100
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on dispositions of property and equipment	70	3,130
Depreciation	11,660	11,850
Amortization of intangible assets	7,800	8,290
Amortization of debt issue costs	3,970	2,710
Deferred income taxes	770	(450 )
Non-cash compensation expense	120	830
Net proceeds from sale of receivables and receivables securitization	33,330	18,100
Increase in receivables	(48,230 )	(31,810 )
Increase in inventories	(7,850 )	(7,070 )
(Increase) decrease in prepaid expenses and other assets	2,630	(160 )
Increase in accounts payable and accrued liabilities	16,500	6,220
Other, net	1,310	(400 )
Net cash provided by operating activities	25,940	17,340
<b>Cash Flows from Investing Activities:</b>		
Capital expenditures	(14,860 )	(11,170 )
Acquisition of leased assets	(29,960 )	(3,140 )
Net proceeds from disposition of businesses and other assets	5,850	930
Net cash used for investing activities	(38,970 )	(13,380 )
<b>Cash Flows from Financing Activities:</b>		
Proceeds from sale of common stock in connection with the Company's initial public offering, net of issuance costs	126,460	
Repayments of borrowings on senior credit facilities	(1,730 )	(1,360 )
Proceeds from borrowings on revolving credit facilities	248,370	375,990
Repayments of borrowings on revolving credit facilities	(260,950 )	(380,920 )
Retirement of senior subordinated notes	(100,000 )	
Net cash provided by (used for) financing activities	12,150	(6,290 )
<b>Cash and Cash Equivalents:</b>		
Decrease for the period	(880 )	(2,330 )
At beginning of period	3,600	3,730
At end of period	\$ 2,720	\$ 1,400
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 34,510	\$ 33,920
Cash paid for taxes	\$ 5,010	\$ 6,730

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

**TriMas Corporation**  
**Consolidated Statement of Shareholders' Equity**  
**Six Months Ended June 30, 2007**  
**(Unaudited dollars in thousands)**

	<b>Common Stock</b>	<b>Paid-in Capital</b>	<b>Accumulated Deficit</b>	<b>Accumulated Other Comprehensive Income</b>	<b>Total</b>
Balances, December 31, 2006	\$ 210	\$ 399,070	\$ (215,220 )	\$ 48,720	\$ 232,780
Comprehensive income:					
Net income			3,860		3,860
Amortization of defined benefit plan deferred loss (net of tax of \$0.1 million) and recognition of postretirement benefit settlement gain (net of tax of \$0.1 million) (Note 15)				50	50
Foreign currency translation				(160 )	(160 )
Total comprehensive income				(110 )	3,750
Net proceeds from the Company's initial public offering of common stock (Note 2)	120	126,340			126,460
Non-cash compensation expense		120			120
Cumulative impact of change in accounting for benefit plans (net of tax of \$1.3 million) (Note 15)				(2,230 )	(2,230 )
Cumulative impact of change in accounting for uncertainties in income taxes (Note 4)			(120 )		(120 )
Balances, June 30, 2007	\$ 330	\$ 525,530	\$ (211,480 )	\$ 46,380	\$ 360,760

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

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

During the fourth quarter of 2005, the Company committed to a plan to sell its industrial fasteners business. The industrial fastening business consisted of three locations: Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. The Wood Dale and Lakewood operating locations were sold in December 2006. The Frankfort operating location was sold in February 2007. The industrial fastening business is presented as discontinued operations. See Note 3, *Discontinued Operations and Assets Held for Sale*.

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. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the Company's 2006 Annual Report on Form 10-K.

Certain prior year amounts have been reclassified to conform with the current year presentation.

**TRIMAS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(unaudited)**

**2. Initial Public Offering**

During the second quarter of 2007, the Company completed the sale of 12,650,000 shares of common stock to the public pursuant to an effective registration statement at a price of \$11.00 per share. Gross proceeds from the common stock offering were \$139.2 million. Net proceeds from the offering, after deducting underwriting discounts and commissions of \$9.7 million and offering expenses of \$3.0 million, totaled approximately \$126.5 million. The net proceeds of \$126.5 million, together with approximately \$10.1 million of cash on hand and revolving credit borrowings, were utilized as follows (in thousands):

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

In connection with the common stock offering and the use of proceeds therefrom, the Company incurred the following costs and expenses which are included in the Company's statement of operations for the three and six months ended June 30, 2007 (in thousands):

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

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

During the fourth quarter of 2005, the Company committed to a plan to sell its industrial fastening business. The industrial fastening business consisted of three locations: Wood Dale, Illinois, Frankfort, Indiana and Lakewood, Ohio. The Company sold the Wood Dale and Lakewood operating locations in December 2006 for gross cash proceeds of approximately \$5.6 million and a short-term note receivable of approximately \$0.2 million. In February 2007, the Company sold the Frankfort operating location for gross cash proceeds of approximately \$4.0 million and a note receivable of \$2.5 million.

During the second quarter of 2006, the Company sold its asphalt-coated paper line of business, which was part of the Packaging Systems operating segment, for approximately \$1.1 million.

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

**TRIMAS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(unaudited)**

Results of discontinued operations are summarized as follows:

	Three months ended		Six months ended	
	June 30, 2007	2006	June 30, 2007	2006
	(dollars in thousands)		(dollars in thousands)	
Net sales	\$	\$ 25,110	\$ 6,550	\$ 50,830
Loss from discontinued operations before income tax (expense) benefit	\$	\$ (6,840 )	\$ (1,290 )	\$ (9,030 )
Income tax (expense) benefit		2,810	(50 )	3,660
Loss from discontinued operations, net of income tax (expense) benefit	\$	\$ (4,030 )	\$ (1,340 )	\$ (5,370 )

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

	June 30, 2007	December 31, 2006
	(dollars in thousands)	
Receivables, net	\$	\$ 7,750
Inventories, net		4,020
Total assets	\$	\$ 11,770
Accounts payable	\$	\$ 8,420
Accrued liabilities and other		15,110
Total liabilities	\$	\$ 23,530

#### 4. Income Taxes

The Company adopted the provisions of Financial Accounting Standards Board Interpretation No. 48, Accounting for Uncertainty in Income Taxes, (FIN 48) on January 1, 2007. As a result of the implementation of FIN 48, the Company recorded a net increase of \$0.1 million to reserves for unrecognized tax benefits, which was accounted for as a cumulative effect adjustment to the January 1, 2007 balance of accumulated deficit. Including the impact of the cumulative effect adjustment, as of January 1, 2007, the Company had unrecognized tax benefits of approximately \$5.4 million. Interest and penalties related to unrecognized tax benefits are recorded in income tax expense. As of January 1, 2007, the Company had \$0.8 million of accrued interest and penalties included in the reported amount of unrecognized tax benefits. Included in unrecognized tax benefits are \$5.4 million of uncertain tax positions that would impact the effective tax rate if recognized. There have not been and there are no expected significant increases or decreases in the amounts of uncertain tax positions as of June 30, 2007.

As of June 30, 2007, the Company is subject to U.S. Federal income tax examinations for the tax years 2002 through 2006, and to non-U.S. income tax examinations for tax years 2000 through 2006. In addition, the Company is subject to state and local income tax examinations for the tax years 2002 through 2006. There are currently two state and local income tax examinations in process. The Company does not believe that either of these in-process tax examinations will have significant impact on the Company's tax positions or its effective tax rate.

**TRIMAS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(unaudited)**

**5. Goodwill and Other Intangible Assets**

Changes in the carrying amount of goodwill for the six months ended June 30, 2007 are summarized as follows:

	<b>Packaging Systems (dollars in thousands)</b>	<b>Energy Products</b>	<b>Industrial Specialties</b>	<b>RV &amp; Trailer Products</b>	<b>Recreational Accessories</b>	<b>Total</b>
Balance, December 31, 2006	\$ 186,680	\$ 45,190	\$ 62,720	\$ 140,830	\$ 94,310	\$ 529,730
Adjustment to tax contingencies established in purchase accounting				(450 )	(1,060 )	(1,510 )
Foreign currency translation and other	1,720	470		120	(3,030 )	(720 )
Balance, June 30, 2007	\$ 188,400	\$ 45,660	\$ 62,720	\$ 140,500	\$ 90,220	\$ 527,500

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

<b>Intangible Category by Useful Life</b>	<b>As of June 30, 2007</b>		<b>As of December 31, 2006</b>	
	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>	<b>Gross Carrying Amount</b>	<b>Accumulated Amortization</b>
	<b>(dollars in thousands)</b>			
<b>Customer relationships:</b>				
6 - 12 years	\$ 26,500	\$ (16,870 )	\$ 26,500	\$ (15,900 )
15 - 25 years	169,190	(44,600 )	171,920	(40,730 )
Total customer relationships	195,690	(61,470 )	198,420	(56,630 )
<b>Technology and other:</b>				
1 - 15 years	26,070	(17,360 )	26,010	(16,170 )
17 - 30 years	40,430	(11,730 )	40,180	(10,780 )
Total technology and other	66,500	(29,090 )	66,190	(26,950 )
Trademark/Trade names (indefinite life)	62,950	(4,290 )	63,400	(4,310 )
	\$ 325,140	\$ (94,850 )	\$ 328,010	\$ (87,890 )

Amortization expense related to technology and other intangibles was approximately \$1.0 million for each of the three months ended June 30, 2007 and 2006, respectively, and \$2.1 million and \$2.0 million for the six months ended June 30, 2007 and 2006, respectively. These amounts are included in cost of sales in the accompanying consolidated statement of operations. Amortization expense related to customer intangibles was \$2.8 million and \$3.2 million, and \$5.7 million and \$6.2 million for the three and six months ended June 30, 2007 and 2006, respectively. These amounts are included in selling, general and administrative expenses in the accompanying consolidated statement of operations.

**TRIMAS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(unaudited)**

**6. Accounts Receivable Securitization**

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

TSPC from time to time may sell an undivided fractional ownership interest in the pool of receivables up to approximately \$125.0 million to a third party multi-seller receivables funding company. The net proceeds of sales are less than the face amount of accounts receivable sold by an amount that approximates the purchaser's financing costs, which amounted to a total of \$1.1 million and \$1.1 million, and \$1.9 million and \$2.0 million for the three and six months ended June 30, 2007 and 2006, respectively. Such amounts are included in other, net in the accompanying consolidated statement of operations. As of June 30, 2007 and December 31, 2006, the Company's funding under the facility was approximately \$48.8 million and \$19.6 million, respectively, with an additional \$8.1 million and \$29.0 million, respectively, available but not utilized. When the Company sells receivables under this arrangement, the Company retains a subordinated interest in the receivables sold. The retained interest in receivables sold is included in receivables in the accompanying balance sheet and approximated \$48.4 million and \$71.6 million at June 30, 2007 and December 31, 2006, respectively. The usage fee under the facility is 1.35%. In addition, the Company is required to pay a fee of 0.5% on the unused portion of the facility. This facility expires on December 31, 2007.

The financing costs are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on historical collection experience and a discount rate representing a spread over LIBOR as prescribed under the terms of the securitization agreement. As of June 30, 2007 and 2006, the financing costs were based on an average liquidation period of the portfolio of approximately 1.2 months and 1.3 months, respectively, and an average discount rate of 3.1% for both periods.

In the three and six months ended June 30, 2007 and 2006, the Company sold an undivided interest in approximately \$4.1 million and \$3.4 million, and \$8.0 million and \$6.2 million, respectively, of accounts receivable under a factoring arrangement at three of its European subsidiaries. These transactions were accounted for as a sale and the receivables were sold at a discount from face value approximating 1.9% and 2.4%, and 1.8% and 1.9%, respectively. Costs associated with these transactions were approximately \$0.08 million and \$0.08 million, and \$0.14 million and \$0.12 million, respectively, and are included in other, net in the accompanying consolidated statement of operations.

**7. Inventories**

Inventories consist of the following:

	<b>June 30, 2007</b>	<b>December 31, 2006</b>
	<b>(dollars in thousands)</b>	
Finished goods	\$ 104,040	\$ 83,310
Work in process	26,780	23,070
Raw materials	41,560	58,980
Total inventories	\$ 172,380	\$ 165,360

**TRIMAS CORPORATION**  
**NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)**  
**(unaudited)**

**8. Property and Equipment, Net**

Property and equipment consists of the following:

**June 30,            December 31,**