Altra Holdings, Inc.
Form 424B4
June 20, 2007

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Filed pursuant to Rule 424(b)(4)
Registration No. 333-143471
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PROSPECTUS

11,000,000 Shares

Altra Holdings, Inc.

Common Stock

We are selling 1,760,229 shares of our common stock and the stockholders identified in this prospectus are selling 9,239,771 shares of our common stock. We will not receive any proceeds from the sale of shares by the selling stockholders.

Our common stock is traded on The NASDAQ Global Market under the symbol AIMC. On June 19, 2007, the last reported sale price of our common stock on the Nasdaq Global Market was $16.77 per share.

Investing in our common stock involves risks that are described in the Risk Factors section beginning on page 12 of this prospectus.

	Per Share	Total
Public offering price	$16.40	$180,400,000
Underwriting discount	$.7995	$8,794,500
Proceeds to us (before expenses)	$15.6005	$27,460,453
Proceeds to selling stockholders (before expenses)	$15.6005	$144,145,047

The underwriters may also purchase up to an additional 1,650,000 shares of common stock from us and the selling stockholders, at the public offering price, less underwriting discounts and commissions, within 30 days from the date of this prospectus to cover overallotments, if any.

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

The shares will be ready for delivery on or about June 25, 2007.

Merrill Lynch & Co.

Robert W. Baird & Co.

Jefferies & Company

KeyBanc Capital Markets

The date of this prospectus is June 20, 2007.

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You should rely only on the information contained in this prospectus. We have not, and the underwriters have not, authorized any other person to provide you with different information. If anyone provides you with different or inconsistent information, you should not rely on it. We are not, and the underwriters are not, making an offer to sell these securities in any jurisdiction where the offer or sale is not permitted. You should assume that the information appearing in this prospectus is accurate only as of the date on the front cover of this prospectus. Our business, financial condition, results of operations and prospects may have changed since that date.

SUMMARY

The following summary highlights information contained elsewhere in this prospectus and is qualified in its entirety by the more detailed information and consolidated financial statements and notes thereto appearing elsewhere in this prospectus. This summary is not complete and may not contain all of the information that may be important to you. You should carefully read this entire prospectus, including the Risk Factors section and our consolidated financial statements and notes to those statements, before making an investment decision. In this prospectus, unless indicated otherwise, references to (i) the terms Altra, we, us and our refer to Altra Holdings, Inc. and its subsidiaries, (ii) the terms pro forma or on a pro forma basis, when used to describe our financial results or operations, unless the context otherwise requires, refer to our financial results or operations after giving pro forma effect to our acquisition of TB Wood s Corporation, or TB Wood s, which we refer to as the TB Wood s Acquisition, and the other transactions described under Unaudited Pro Forma Condensed Combined Financial Statements, including the acquisition on February 10, 2006 of all the outstanding share capital of Hay Hall Holdings Limited, or Hay Hall, which we refer to as the Hay Hall Acquisition, as if they had occurred as of the applicable date for balance sheet purposes and the first day of the applicable period for results of operations purposes, (iii) any fiscal year refers to the year ended on December 31 of such year and (iv) PTH, Colfax PT or Predecessor refers to the power transmission business of Colfax Corporation, or Colfax, which is our accounting predecessor. For the definition of EBITDA, a reconciliation of EBITDA to a generally accepted accounting principle, or GAAP, measure, and information about the limitation of the use of this financial measure, see Note 5 in the Summary Consolidated Financial Data and Note 1 in the Selected Historical Financial and Other Data.

Our Company

We are a leading global designer, producer and marketer of a wide range of mechanical power transmission, or MPT, and motion control products serving customers in a diverse group of industries, including energy, general industrial, material handling, mining, transportation and turf and garden. Our product portfolio includes industrial clutches and brakes, enclosed gear drives, open gearing, belted drives, couplings, engineered bearing assemblies, linear components, electronic drives and other related products. Our products are used in a wide variety of high-volume manufacturing processes, where the reliability and accuracy of our products are critical in both avoiding costly down time and enhancing the overall efficiency of manufacturing operations. Our products are also used in non-manufacturing applications where product quality and reliability are especially critical, such as clutches and brakes for elevators and residential and commercial lawnmowers. For the year ended December 31, 2006, on a pro forma basis, we had net sales of $588.2 million, net income of $4.2 million and EBITDA of $70.3 million.

We market our products under well recognized and established brands, many of which have been in existence for over 50 years. We believe many of our brands, when taken together with our brands in the same product category have achieved the number one or number two position in terms of consolidated market share and brand awareness in their respective product categories. Our products are either incorporated into products sold by original equipment manufacturers, or OEMs, sold to end users directly or sold through industrial distributors.

We are led by a highly experienced management team that has established a proven track record of execution, successfully completing and integrating major strategic acquisitions and delivering significant growth in both revenue and profits. We employ a comprehensive business process called the Altra Business System, or ABS, which focuses on eliminating inefficiencies from every business process to improve quality, delivery and cost.

Our Industry

Based on industry data supplied by Penton Information Services, we estimate that industrial power transmission products generated sales in the United States of approximately $33.3 billion in 2006. These products are used to generate, transmit, control and transform mechanical energy. The industrial power transmission industry can be divided into three areas: MPT products; motors and generators; and adjustable

speed drives. We compete primarily in the MPT area which, based on industry data, we estimate was a $16.7 billion market in the United States in 2006. In addition to the MPT segment, TB Wood s also competes in the adjustable speed drives segment which we estimate was a $4.9 billion market in the United States in 2006.

The global MPT market is highly fragmented, with over 1,000 small manufacturers. While smaller companies tend to focus on regional niche markets with narrow product lines, larger companies that generate annual sales of over $100 million generally offer a much broader range of products and have global capabilities. The industry s customer base is broadly diversified across many sectors of the economy and typically places a premium on factors such as quality, reliability, availability and design and application engineering support. We believe the most successful industry participants are those that leverage their distribution network, their products reputations for quality and reliability and their service and technical support capabilities to maintain attractive margins on products and gain market share.

Our Strengths

Leading Market Shares and Brand Names. We believe we hold the number one or number two market position in key products across several of our core platforms. We are one of the leading manufacturers of industrial clutches and brakes in the world. We believe that over 50% of our sales are derived from products where we hold the number one or number two share and brand recognition, on a consolidated basis with our brands in the same product category, in the markets we serve.

Large Installed Base Supporting Aftermarket Sales. With a history dating back to 1857 with the formation of TB Wood s, we believe we benefit from one of the largest installed customer bases in the industry which leads to significant aftermarket replacement demand creating a recurring revenue stream. For the year ended December 31, 2006, on a pro forma basis, we estimate that approximately 46% of our revenues were derived from aftermarket sales.

Diversified End-Markets. Our revenue base has balanced exposure across a diverse mix of end user industries, including energy, general industrial, material handling, mining, transportation and turf and garden, which helps mitigate the impact of business and economic cycles. On a pro forma basis, in 2006, no single industry represented more than 8% of our total sales, and approximately 27% of our sales were from outside North America.

Strong Relationships with Distributors and OEMs. We have over 1,000 direct OEM customers and enjoy established, long-term relationships with the leading MPT industrial distributors, critical factors that contribute to our high base of recurring aftermarket revenues. We sell our products through more than 3,000 distributor outlets worldwide.

Experienced, High-Caliber Management Team. We are led by a highly experienced management team with over 330 years of cumulative industrial business experience and an average of 11 years with our companies. Our CEO, Michael Hurt, has over 40 years of experience in the MPT industry, while COO Carl Christenson has over 26 years of experience.

The Altra Business System. We benefit from an established culture of lean management emphasizing quality, delivery and cost through the ABS. ABS is at the core of our performance-driven culture and drives both our strategic development and operational improvements. We estimate that in the period from January 1, 2005 through December 31, 2006, ABS has enabled us to achieve savings of over $5 million through various initiatives.

Proven Product Development Capabilities. Our extensive application engineering know-how drives both new and repeat sales. Our broad portfolio of products, knowledge and expertise across various MPT applications allows us to provide our customers customized solutions to meet their specific needs.

Our Business Strategy

We intend to continue to increase our sales through organic growth, expand our geographic reach and product offering through strategic acquisitions and improve our profitability through cost reduction initiatives. We seek to achieve these objectives through the following strategies:

Leverage Our Sales and Distribution Network. We intend to continue to leverage our relationships with our distributors to gain shelf space, further integrate our recently acquired brands with our core brands and sell new products. We seek to capitalize on customer brand preference for our products to generate pull-through aftermarket demand from our distribution channel.

Focus our Strategic Marketing on New Growth Opportunities. Through a systematic process that leverages our core brands and products, we seek to identify attractive markets and product niches, collect customer and market data, identify market drivers, tailor product and service solutions to specific market and customer requirements and deploy resources to gain market share and drive future sales growth.

Accelerate New Product and Technology Development. We are highly focused on developing new products across our business in response to customer needs in various markets. In total, we expect new products developed by us during the past three years to generate approximately $60 million in revenues in 2007.

Capitalize on Growth and Sourcing Opportunities in the Asia-Pacific Market. We intend to leverage our established sales offices in China, Taiwan and Singapore, as well as add representation in Japan and South Korea. We also intend to expand our manufacturing presence in Asia beyond our current plant in Shenzhen, China. During 2006, we sourced approximately 17% of our purchases from low-cost countries, resulting in average cost reductions of approximately 45% for these products. Within the next five years, we intend to utilize our sourcing office in Shanghai to significantly increase our current level of low-cost country sourced purchases. We may also consider additional opportunities to outsource some of our production from North American and Western European locations to Asia.

Continue to Improve Operational and Manufacturing Efficiencies through ABS. We believe we can continue to improve profitability through cost control, overhead rationalization, global process optimization, continued implementation of lean manufacturing techniques and strategic pricing initiatives. We have implemented these principles with our recent acquisitions of Hay Hall, Bear Linear and TB Wood s and intend to apply such principles to future acquisitions.

Pursue Strategic Acquisitions that Complement our Strong Platform. Management believes that there may be a number of attractive potential acquisition candidates in the future, in part due to the fragmented nature of the industry. As an example, through the TB Wood s Acquisition, we significantly enhanced our position as a leading manufacturer of MPT products by broadening our offering of flexible couplings and adding two new product groups in belted drives and electronic adjustable speed drives. We plan to continue our disciplined pursuit of other strategic acquisitions to accelerate our growth, enhance our industry leadership and create value.

Risks Related to Our Strategies

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

- if we are unable to address technological advances, or introduce new or improved products to meet customer needs, we may be unable to maintain or enhance our competitive positions with customers and distributors;

- if we are unable to continue to effectively implement our ABS operating plan, outsource parts and manufacturing from low cost countries, or introduce new cost effective manufacturing techniques, we may not continue to achieve cost savings;

- our ability to improve or sustain operating margins as a result of cost-savings may be further impacted by cost increases in raw materials to the extent we are unable to offset any such cost increases with price increases on a timely basis;

- the possibility that we may be unable to identify attractive acquisition candidates, successfully integrate acquired operations or realize the intended benefits of our acquisitions; and

- as we expand our international operations we may be further subjected to risks not present in the U.S. markets such as foreign and U.S. government regulations and restrictions, tariffs and other trade barriers, foreign exchange risks and other risks related to political, economic and social instability.

Investing in our common stock involves significant risks. Our ability to attain our objectives depends upon our success in addressing risks relating to our business and the industries we serve. You should carefully consider all of the information set forth in this prospectus, including the specific factors set forth under Risk Factors, before deciding whether to invest in our common stock.

Our Recent Acquisition of TB Wood s

On April 5, 2007 we acquired all of the outstanding shares of TB Wood s for $24.80 per share, or aggregate consideration of $93.4 million. As part of the TB Wood s Acquisition, we retired $18.6 million of TB Wood s indebtedness, refinanced $13.0 million of TB Wood s indebtedness and paid $9.1 million to retire options under the TB Wood s equity plan. TB Wood s is an established designer, manufacturer and marketer of mechanical and electronic industrial power transmission products. The TB Wood s Acquisition significantly enhances our position as a leading manufacturer of MPT products by broadening our offering of flexible couplings and adding two new product groups in belted drives and electronic adjustable speed drives. To finance the TB Wood s Acquisition, Altra Industrial issued $105.0 million aggregate principal amount of its 9% senior secured notes.

Our Formation and Other Transactions

The PTH Acquisition. On November 30, 2004, we acquired our original core business through the acquisition of Power Transmission Holding LLC, or PTH, from Warner Electric Holding, Inc., a wholly-owned subsidiary of Colfax, for $180.0 million in cash. PTH was organized in June 2004 to be the holding company for a group of companies comprising the power transmission business of Colfax. We refer to our acquisition of PTH as the PTH Acquisition.

The Kilian Transactions. On October 22, 2004, The Kilian Company, or Kilian, a company formed at the direction of Genstar Capital LLC, or Genstar Capital, our principal equity sponsor, acquired Kilian Manufacturing Corporation from Timken U.S. Corporation for $8.8 million in cash and the assumption of $12.2 million of debt. At the completion of the PTH Acquisition, (i) all of the outstanding shares of Kilian capital stock were exchanged for approximately $8.8 million of shares of our capital stock and Kilian and its subsidiaries were transferred to our wholly owned subsidiary, Altra Industrial Motion, Inc., or Altra Industrial, and (ii) all outstanding debt of Kilian was retired with a portion of the proceeds of the sale of Altra Industrial s $165.0 million aggregate principal amount of 9% senior secured notes due 2011, or the 9% senior secured notes. We refer to the acquisition of Kilian Manufacturing Corporation and the related issuance of the 9% senior secured notes as the Kilian Transactions. See Description of Indebtedness.

The Hay Hall Acquisition. On February 10, 2006, we acquired all of the outstanding share capital of Hay Hall Holdings Limited, or Hay Hall, for $50.3 million net of cash acquired. Hay Hall and its subsidiaries became our indirect wholly owned subsidiaries. We refer to our acquisition of Hay Hall as the Hay Hall Acquisition.

In connection with our acquisition of Hay Hall, Altra Industrial issued £33.0 million of 111/4% senior notes due 2013, which we refer to as the 111/4% senior notes or the existing senior unsecured notes. See Description of Indebtedness. We refer to the Hay Hall Acquisition and the issuance of £33.0 million of 111/4% senior notes due 2013 as the Hay Hall Acquisition and the Other Transactions.

The Bear Linear Acquisition. On May 18, 2006, Altra Industrial acquired substantially all of the assets of Bear Linear LLC, or Bear Linear, for $5.0 million in cash. Approximately $3.5 million was paid at closing and the remaining $1.5 million is payable over the next two and a half years. Bear Linear manufactures high value-added linear actuators for mobile off-highway and industrial applications.

Our IPO. On December 20, 2006, we completed an initial public offering of our common stock, and on January 4, 2007 we closed the sale of additional shares pursuant to the overallotment option, which the underwriters exercised in full. We realized gross proceeds of approximately $41.8 million and selling stockholders received gross proceeds of approximately $102.5 million through this offering. We refer to this offering as our IPO.

Our Corporate Information

We are a holding company and conduct our operations through Altra Industrial and its subsidiaries. We were incorporated in Delaware in 2004. Our principal executive offices are located at 14 Hayward Street, Quincy, Massachusetts 02171. Our telephone number is (617) 328-3300. Our website is located at www.altramotion.com. The information appearing on our website is not part of, and is not incorporated into, this prospectus.

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Corporate Structure

We are the parent company of Altra Industrial and own 100% of Altra Industrial s outstanding capital stock. Altra Industrial, directly or indirectly, owns 100% of the capital stock of 50 of its 52 subsidiaries.[(1)] The following chart illustrates a summary of our corporate structure:

(1) TB Wood s (India) Private Ltd. is a joint venture that is 92.05% indirectly owned by Altra Industrial and Rathi Turboflex Pty Ltd. is a joint venture that is 50% indirectly owned by Altra Industrial.

Our Principal Equity Sponsor

Genstar Capital, LLC, formed in 1988 and based in San Francisco, California, is a private equity firm that makes investments in high-quality, middle-market companies. Genstar Capital works in partnership with management as an advisor to us to create long-term value for our stockholders. Genstar Capital has over $2.5 billion of committed capital under management (including approximately $1.6 billion in Genstar Capital Partners V, L.P., which closed in May 2007) and significant experience investing with a focus on life sciences, business services and industrial technology. Current portfolio companies include American Pacific Enterprises LLC, Andros Incorporated, AXIA Health Management LLC, ConvergeOne Holdings Corp., Fort Dearborn Company, Harlan Sprague Dawley, Inc., INSTALLS inc, LLC, North American Construction Group, OnCURE Medical Corp., Panolam Industries International, Inc., International Aluminum Corporation, PRA International, Inc. (NASDAQ: PRAI), Propex Inc. and Wood s Equipment Company. Genstar Capital s strategy is to make control-oriented investments and acquire companies with $100 million to $1 billion in annual revenues in a variety of growth, buyout, recapitalization and consolidation transactions.

Currently, Genstar Capital Partners III, L.P. and Stargen III, L.P., which are entities controlled by Genstar Capital, own 7,058,700 shares of our common stock. Entities controlled by Genstar Capital will sell

7,058,700 shares of our common stock in this offering and thereafter will no longer beneficially own any shares of our common stock.

Trademarks

Warner Electric, Boston Gear, TB Wood s, Kilian, Nuttall Gear, Ameridrives, Wichita Clutch, Formsprag Clutch, Bibby Transmissions, Stieber, Matrix, Inertia Dynamics, Twiflex, Industrial Clutch, Huco Dynatork, Marland Clutch, Delroyd, Warner Linear and Saftek are some of our proprietary brand names and trademarks that appear in this prospectus. All other trademarks appearing in this prospectus are the property of their respective holders.

The Offering

Common Stock offered by Altra Holdings, Inc	1,760,229 shares
Common Stock to be offered by the selling stockholders	9,239,771 shares. Of these shares, 232,705 shares will be sold by certain of our directors and executive officers, including our Chief Executive Officer (which amount excludes 7,058,700 shares to be sold by Genstar Capital Partners III, L.P., our largest stockholder, which has representatives who serve on our Board of Directors). See Principal and Selling Stockholders.
Common Stock outstanding after the offering	24,847,820 shares
Use of proceeds	We estimate our net proceeds from this offering without exercise of the over-allotment option will be approximately $26.8 million. We intend to use all of the net proceeds from this offering to purchase a portion of the outstanding 111/4% senior notes due 2013 pursuant to arms-length negotiations with holders of such notes. If we are unable to use all of the net proceeds to purchase the 111/4% senior notes due 2013, we will use the remaining net proceeds for general corporate purposes, including working capital and capital expenditures. We will not receive any of the proceeds from the sale of shares by the selling stockholders. See Use of Proceeds.
Risk factors	See Risk Factors and other information included in this prospectus for a discussion of factors you should carefully consider before deciding to invest in shares of our common stock.
Dividend policy	We do not currently intend to pay cash dividends on shares of our common stock.
NASDAQ symbol	AIMC

The number of shares of our common stock outstanding after the offering excludes shares available for issuance under future option grants under our equity incentive plan but includes restricted shares of our common stock for which the restrictions have not yet lapsed based on employee service. Unless we indicate otherwise, all information in this prospectus assumes the underwriters do not exercise their option to purchase from us and the selling stockholders up to 1,650,000 shares of our common stock to cover over-allotments.

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Summary Consolidated Financial Data
(In thousands)

	Pro Forma		Historical			Combined	Period from December 1,	Predecessor
	Three Months Ended March 31, 2007[1] (Unaudited)	Twelve Months Ended December 31, 2006[2] (Unaudited)	Three Months Ended March 31, 2007 (Unaudited)	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2004[3] (Unaudited)	2004 Through December 31, 2004	Eleven Months Ended November 30, 2004
Statement of Operations Data:								
Net sales	$ 161,676	$ 588,166	$ 132,706	$ 462,285	$ 363,465	$ 303,662	$ 28,625	$ 275,037
Cost of sales	115,238	423,810	94,658	336,836	271,952	233,100	23,847	209,253
Gross profit	46,438	164,356	38,048	125,449	91,513	70,562	4,778	65,784
Selling, general and administrative expenses	29,630	113,437	20,827	83,276	61,579	54,294	8,973	45,321
Research and development expenses	1,294	7,449	1,294	4,938	4,683	4,325	378	3,947
Gain on curtailment of post-retirement benefit plan		(3,838)		(3,838)				
Gain on sale of assets					(99)	(1,300)		(1,300)
Restructuring charge, asset impairment and transition expenses	793		793			947		947
Income (loss) from operations	14,721	47,308	15,134	41,073	25,350	12,296	(4,573)	16,869
Net income (loss)[4]	$ 1,576	$ 4,219	$ 3,768	$ 8,941	$ 2,504	$ 1,002	$ (5,893)	$ 6,895

Other Financial Data:								
EBITDA[5][6]	$ 21,375	$ 70,299	$ 19,646	$ 54,828	$ 36,900	$ 19,141	$ (3,654)	$ 22,795
Depreciation and amortization	6,607	23,847	4,465	14,611	11,533	6,993	919	6,074
Capital expenditures	1,372	14,785	1,034	9,408	6,199	3,778	289	3,489

	Altra Holdings, Inc.		
	March 31,	**December 31,**	
	2007	**2006**	**2005**
	(Unaudited)		
		(In thousands)	
Balance Sheet Data (at end of period):			
Cash and cash equivalents	$ 11,588	$ 42,527	$ 10,060
Working capital[7]	106,597	122,191	60,409
Total assets	389,020	409,368	297,691
Total debt	208,247	229,128	173,760
Convertible preferred stock and other long-term liabilities	28,987	29,471	79,168

(1) Reflects estimated effects of the TB Wood s Acquisition and Related Transactions. For further discussion, see Unaudited Pro Forma Condensed Combined Statement of Operations for the Three Months Ended March 31, 2007 and accompanying Notes contained elsewhere in this prospectus.

(2) Reflects estimated effects of the TB Wood s Acquisition and Related Transactions and the Hay Hall Acquisition and the Other Transactions. For further discussion, see Unaudited Pro Forma Condensed Combined Statement of Operations for the Year Ended December 31, 2006 and accompanying Notes contained elsewhere in this prospectus.

(3) The combined results were prepared by adding the results of Altra from December 1 to December 31, 2004 to those from our Predecessor for the 11 month period ending November 31, 2004. This presentation is not in accordance with GAAP. The primary differences between our Predecessor and the successor entity are the inclusion of Kilian in the successor and the successor s book basis has been stepped up to fair value such that the successor has additional depreciation, amortization and financing costs. The results of Kilian are included in Altra for the period from December 1, 2004 through December 31, 2004. Management believes that this combined basis presentation provides useful information for our investors

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in the comparison to Predecessor trends and operating results. The combined results are not necessarily indicative of what our results of operations would have been if the PTH Acquisition and Kilian Transactions had been consummated earlier, nor should they be construed as being a representation of our future results of operations.

(4) Net income would have been $4.0 million, and $5.3 million for the Pro Forma Three Months Ended March 31, 2007 and Pro Forma Twelve Months Ended December 31, 2006, respectively, if we had taken into account Altra Industrial s redemption of £11.6 million, or U.S. $22.7 million (based on an exchange rate of 1.963 U.S. Dollars to 1.0 U.K. Pounds as of February 27, 2007), of its 111/4% senior notes as of January 1, 2006.

(5) EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. EBITDA is used by us as a performance measure. Management believes that EBITDA provides relevant information for our investors because it is useful for trending, analyzing and benchmarking the performance and value of our business. Management also believes that EBITDA is useful in assessing current performance compared with the historical performance of our Predecessor because significant line items within our income statements such as depreciation, amortization and interest expense were significantly impacted by the PTH Acquisition. Internally, EBITDA is used as a financial measure to assess the operating performance and is an important measure in our incentive compensation plans. EBITDA has important limitations, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. For example, EBITDA does not reflect:

cash expenditures, or future requirements for capital expenditures or contractual commitments;

changes in, or cash requirements for, working capital needs;

the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debts;

tax distributions that would represent a reduction in cash available to us; and

any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

The following unaudited table is a reconciliation of our net income to EBITDA (in thousands):

	Pro Forma		Historical			Combined		Predecessor
	Three Months Ended March 31, 2007	Twelve Months Ended December 31, 2006	Three Months Ended March 31, 2007	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Twelve Months Ended December 31, 2004	Period from December 1, 2004 Through December 31, 2004	Eleven Months Ended November 30, 2004
Net income (loss)	$ 1,576	$ 4,219	$ 3,768	$ 8,941	$ 2,504	$ 1,002	$ (5,893)	$ 6,895
Adjustments:								

Provision (benefit) for income taxes	1,100	2,572	2,265	5,797	3,349	5,240	(292)	5,532
Interest expense, net	12,092	39,661	9,148	25,479	19,514	5,906	1,612	4,294
Depreciation and amortization	6,607	23,847	4,465	14,611	11,533	6,993	919	6,074
EBITDA	21,375	70,299	19,646	54,828	36,900	19,141	(3,654)	22,795

EBITDA is not a recognized measurement under GAAP, and when analyzing our operating performance, you should use EBITDA in addition to, and not as an alternative for, income (loss) from operations and net income (loss) (as determined in accordance with GAAP). Because not all companies use identical calculations, our presentation of EBITDA may not be comparable to similarly titled measures of other companies. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

To compensate for the limitations of EBITDA, we utilize several GAAP measures to review our performance. These GAAP measures include, but are not limited to, net income (loss), income (loss) from operations, cash provided by (used in) operations, cash provided by (used in) investing activities and cash

footnotes continued on following page

provided by (used in) financing activities. These important GAAP measures allow management to, among other things, review and understand our use of cash from period to period, compare our operations with competitors on a consistent basis and understand the revenues and expenses matched to each other for the applicable reporting period. We believe that the use of these GAAP measures, supplemented by the use of EBITDA, allows us to have a greater understanding of our performance and allows us to adapt to changing trends and business opportunities.

(6) Includes expenses and income relating to non-cash inventory step-up costs and LIFO charges, management fees, transaction expenses associated with acquisitions, IPO expenses and loss (gain) on sale of assets and other net non-operating expenses which, if subtracted out, would result in a higher EBITDA. Inventory step-up costs accounted for $2.3 million for the twelve months ended December 31, 2006 and $1.7 million for both the twelve months ended December 31, 2005 and the period from December 1, 2004 through December 31, 2004. Inventory step-up costs accounted for $1.7 million for the combined twelve months ended December 31, 2004. Management fees consisted of $1.0 million for both the twelve months ended December 31, 2006 and December 31, 2005. Transaction fees and expenses associated with acquisitions accounted for $1.1 million, $0.8 million, $4.4 million and $4.4 million, for the pro-forma three months ended March 31, 2007, the pro-forma twelve months ended December 31, 2006, the combined twelve months ended December 31, 2004, and the period from December 1, 2004 through December 31, 2004, respectively. Loss (gain) on sale of assets and other non-operating expenses (income) accounted for $0.9 million, $(0.1) million, $(1.2) million, and $(1.2) million for the twelve months ended December 31, 2006, the twelve months ended December 31, 2005, the combined twelve months ended December 31, 2004, and the eleven months ended November 30, 2004, respectively. We also incurred IPO related expenses of $0.6 million for the twelve months ended December 31, 2006. LIFO charges accounted for $0.1 million and $0.7 million for the pro-forma three months ended March 31, 2007 and the pro-forma twelve months ended December 31, 2006, respectively. Additionally, we recorded a management services termination fee of $3.0 million during the twelve months ended December 31, 2006.

(7) Working capital consists of total current assets less total current liabilities.

RISK FACTORS

Investing in our common stock involves a high degree of risk. You should carefully consider the following risk factors and all other information contained in this prospectus, including our financial statements and the related notes, before investing in our common stock. If any of the following risks materialize, our business, financial condition or results of operations could be materially harmed. In that case, the trading price of our common stock could decline significantly and you could lose some or all of your investment.

Risks Related to Our Business

We operate in the highly competitive mechanical power transmission and adjustable speed drives industries and if we are not able to compete successfully our business may be significantly harmed.

We operate in highly fragmented and very competitive markets in the MPT and adjustable speed drives industries. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate, such as helical gear drives and adjustable speed drives, and some of our competitors are larger than us and have greater financial and other resources. With respect to certain of our products, we compete with divisions of our OEM customers. Competition in our business lines is based on a number of considerations, including quality, reliability, pricing, availability and design and application engineering support. Our customers increasingly demand a broad product range and we must continue to develop our expertise in order to manufacture and market these products successfully. To remain competitive, we will need to invest regularly in manufacturing, customer service and support, marketing, sales, research and development and intellectual property protection. In the future we may not have sufficient resources to continue to make such investments and may not be able to maintain our competitive position within each of the markets we serve. We may have to adjust the prices of some of our products to stay competitive.

Additionally, some of our larger, more sophisticated customers are attempting to reduce the number of vendors from which they purchase in order to increase their efficiency. If we are not selected to become one of these preferred providers, we may lose market share in some of the markets in which we compete.

There is substantial and continuing pressure on major OEMs and larger distributors to reduce costs, including the cost of products purchased from outside suppliers such as us. As a result of cost pressures from our customers, our ability to compete depends in part on our ability to generate production cost savings and, in turn, find reliable, cost effective outside suppliers to source components or manufacture our products. If we are unable to generate sufficient cost savings in the future to offset price reductions, then our gross margin could be materially adversely affected.

Changes in general economic conditions or the cyclical nature of our markets could harm our operations and financial performance.

Our financial performance depends, in large part, on conditions in the markets that we serve and on the U.S. and global economies in general. Some of the markets we serve are highly cyclical, such as the metals, mining, industrial equipment and energy markets. In addition, these markets may experience cyclical downturns. The present uncertain economic environment may result in significant quarter-to-quarter variability in our performance. Any sustained weakness in demand or continued downturn or uncertainty in the economy generally would further reduce our sales and profitability.

We rely on independent distributors and the loss of these distributors could adversely affect our business.

In addition to our direct sales force and manufacturer sales representatives, we depend on the services of independent distributors to sell our products and provide service and aftermarket support to our customers. We support an extensive distribution network, with over 3,000 distributor locations worldwide. Rather than serving as passive conduits for delivery of product, our independent distributors are active participants in the overall competitive dynamics in the MPT industry. During the year ended December 31, 2006, on a pro forma basis, approximately 39% of our net sales were generated through independent distributors. In particular, on a pro forma basis, sales through our largest distributor accounted for approximately 10% of our net sales for the

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year ended December 31, 2006. Almost all of the distributors with whom we transact business offer competitive products and services to our customers. In addition, the distribution agreements we have are typically non-exclusive and cancelable by the distributor after a short notice period. The loss of any major distributor or a substantial number of smaller distributors or an increase in the distributors sales of our competitors products to our customers could materially reduce our sales and profits.

We must continue to invest in new technologies and manufacturing techniques; however, our ability to develop or adapt to changing technology and manufacturing techniques is uncertain and our failure to do so could place us at a competitive disadvantage.

The successful implementation of our business strategy requires us to continuously invest in new technologies and manufacturing techniques to evolve our existing products and introduce new products to meet our customers needs in the industries we serve and want to serve. For example, motion control products offer more precise positioning and control compared to industrial clutches and brakes. If manufacturing processes are developed to make motion control products more price competitive and less complicated to operate, our customers may decrease their purchases of MPT products.

Our products are characterized by performance and specification requirements that mandate a high degree of manufacturing and engineering expertise. If we fail to invest in improvements to our technology and manufacturing techniques to meet these requirements, our business could be at risk. We believe that our customers rigorously evaluate their suppliers on the basis of a number of factors, including:

- product quality and availability;
- price competitiveness;
- technical expertise and development capability;
- reliability and timeliness of delivery;
- product design capability;
- manufacturing expertise; and
- sales support and customer service.

Our success depends on our ability to invest in new technologies and manufacturing techniques to continue to meet our customers changing demands with respect to the above factors. We may not be able to make required capital expenditures and, even if we do so, we may be unsuccessful in addressing technological advances or introducing new products necessary to remain competitive within our markets. Furthermore, our own technological developments may not be able to produce a sustainable competitive advantage.

Our operations are subject to international risks that could affect our operating results.

Our net sales outside North America represented approximately 27% of our total net sales for the year ended December 31, 2006 on a pro forma basis. In addition, we sell products to domestic customers for use in their products sold overseas. We also source a significant portion of our products and materials from overseas, which is increasing. Our business is subject to risks associated with doing business internationally, and our future results could be materially adversely affected by a variety of factors, including:

fluctuations in currency exchange rates;

exchange rate controls;

tariffs or other trade protection measures and import or export licensing requirements;

potentially negative consequences from changes in tax laws;

interest rates;

unexpected changes in regulatory requirements;

changes in foreign intellectual property law;

differing labor regulations;

requirements relating to withholding taxes on remittances and other payments by subsidiaries;

restrictions on our ability to own or operate subsidiaries, make investments or acquire new businesses in various jurisdictions;

potential political instability and the actions of foreign governments; and

restrictions on our ability to repatriate dividends from our subsidiaries.

As we continue to expand our business globally, our success will depend, in large part, on our ability to anticipate and effectively manage these and other risks associated with our international operations. However, any of these factors could materially adversely affect our international operations and, consequently, our operating results.

Our operations depend on production facilities throughout the world, many of which are located outside the United States and are subject to increased risks of disrupted production causing delays in shipments and loss of customers and revenue.

We operate businesses with manufacturing facilities worldwide, many of which are located outside the United States including in Canada, China, France, Germany, Italy, Mexico and the United Kingdom. Serving a global customer base requires that we place more production in emerging markets to capitalize on market opportunities and cost efficiencies. Our international production facilities and operations could be disrupted by a natural disaster, labor strike, war, political unrest, terrorist activity or public health concerns, particularly in emerging countries that are not well-equipped to handle such occurrences.

Material weaknesses in our internal controls over financial reporting have been identified which could result in a decrease in the value of our common stock.

In connection with their audit of our 2006 consolidated financial statements, our independent registered public accounting firm expressed concerns that as of the date of their opinion, certain plant locations had encountered difficulty closing their books in a timely and accurate manner. Our independent registered public accounting firm informed senior management and the Audit Committee of the Board of Directors that they believe this is a material weakness in internal controls. We have actively taken steps to address this material weakness. These steps include standardizing the financial close process, providing greater corporate oversight and review as well as implementing other internal control procedures as part of our on-going Sarbanes-Oxley compliance program. We believe that with the addition of these steps we should be able to deliver financial information in a timely and accurate manner. See Management s Discussion and Analysis of Financial Condition and Results of Operations The Sarbanes-Oxley Act of 2002 and Material Weakness in Internal Control.

However, we cannot assure you that our efforts to correct this identified material weakness will be successful or that we will not have other weaknesses in the future. If we fail to correct the existing material weaknesses or have material weaknesses in the future, it could affect the financial results that we report or create a perception that those financial results do not accurately state our financial condition or results of operations. Either of those events could have an adverse effect on the value of our common stock.

If we are unable to complete our assessment as to the adequacy of our internal controls over financial reporting as of December 31, 2007 as required by Section 404 of the Sarbanes-Oxley Act of 2002, or if material weaknesses are identified and reported, investors could lose confidence in the reliability of our financial statements, which could result in a decrease in the value of your investment and make it more difficult for us to raise capital in the future.

As directed by Section 404 of the Sarbanes-Oxley Act of 2002, the SEC adopted rules requiring public companies to include in their annual reports on Form 10-K a report of management on the company s internal controls over financial reporting, including management s assessment of the effectiveness of the company s internal controls over financial reporting as of the company s fiscal year end. In addition, the

accounting firm auditing a public company s financial statements must also attest to, and report on, management s assessment of the effectiveness of the company s internal controls over financial reporting as well as the operating effectiveness of the company s internal controls. While we will expend significant resources in developing the necessary documentation and testing procedures, fiscal 2007 will be the first year for which we must complete the assessment and undergo the attestation process required by Section 404 and there is a risk that we may not comply with all of its requirements. If we do not timely complete our assessment or if our internal controls are not designed or operating effectively as required by Section 404, our independent registered public accounting firm may either disclaim an opinion as it relates to management s assessment of the effectiveness of its internal controls or may issue a qualified opinion on the effectiveness of our internal controls. It is possible that material weaknesses in our internal controls could be found. If we are unable to remediate any material weaknesses by December 31, 2007, our independent registered public accounting firm would be required to issue an adverse opinion on our internal controls. If our independent registered public accounting firm disclaim an opinion as to the effectiveness of our internal controls or if they render an adverse opinion due to material weaknesses in our internal controls, then investors may lose confidence in the reliability of our financial statements, which could cause the market price of our common stock to decline and make it more difficult for us to raise capital in the future.

We rely on estimated forecasts of our OEM customers needs, and inaccuracies in such forecasts could materially adversely affect our business.

We generally sell our products pursuant to individual purchase orders instead of under long-term purchase commitments. Therefore, we rely on estimated demand forecasts, based upon input from our customers, to determine how much material to purchase and product to manufacture. Because our sales are based on purchase orders, our customers may cancel, delay or otherwise modify their purchase commitments with little or no consequence to them and with little or no notice to us. For these reasons, we generally have limited visibility regarding our customers actual product needs. The quantities or timing required by our customers for our products could vary significantly. Whether in response to changes affecting the industry or a customer s specific business pressures, any cancellation, delay or other modification in our customers orders could significantly reduce our revenue, impact our working capital, cause our operating results to fluctuate from period to period and make it more difficult for us to predict our revenue. In the event of a cancellation or reduction of an order, we may not have enough time to reduce operating expenses to minimize the effect of the lost revenue on our business and we may purchase too much inventory and spend more capital than expected.

The materials used to produce our products are subject to price fluctuations that could increase costs of production and adversely affect our profitability.

The materials used to produce our products, especially copper and steel, are sourced on a global or regional basis and the prices of those materials are susceptible to price fluctuations due to supply and demand trends, transportation costs, government regulations and tariffs, changes in currency exchange rates, price controls, the economic climate and other unforeseen circumstances. On a pro forma basis for the year ended December 31, 2006, approximately 57% of our cost of goods sold consisted of the purchase of raw materials required for our manufacturing processes. From the first quarter of 2004 to the first quarter of 2007, the average price of copper and steel has increased approximately 135% and 39%, respectively. If we are unable to continue to pass a substantial portion of such price increases on to our customers on a timely basis, our future profitability may be materially and adversely affected. In addition, passing through these costs to our customers may also limit our ability to increase our prices in the future.

We face potential product liability claims relating to products we manufacture or distribute, which could result in our having to expend significant time and expense to defend these claims and to pay material claims or settlement amounts.

We face a business risk of exposure to product liability claims in the event that the use of our products is alleged to have resulted in injury or other adverse effects. We currently have several product

liability claims against us with respect to our products. Although we currently maintain product liability insurance coverage, we may not be able to obtain such insurance on acceptable terms in the future, if at all, or obtain insurance that will provide adequate coverage against potential claims. Product liability claims can be expensive to defend and can divert the attention of management and other personnel for long periods of time, regardless of the ultimate outcome. An unsuccessful product liability defense could have a material adverse effect on our business, financial condition, results of operations or our ability to make payments under our debt obligations when due. In addition, we believe our business depends on the strong brand reputation we have developed. In the event that our reputation is damaged, we may face difficulty in maintaining our pricing positions with respect to some of our products, which would reduce our sales and profitability.

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

As of April 30, 2007, we had approximately 3,450 full time employees, of whom approximately 44% were employed outside the United States. Approximately 400 of our North American employees and 45 of our employees in Scotland are represented by labor unions. In addition, our employees in Europe are generally represented by local and national social works councils that hold discussions with employer industry associations regarding wage and work issues every two to three years. Our European facilities, particularly those in France and Germany, may participate in such discussions and be subject to any agreements reached with employees.

Our four U.S. collective bargaining agreements will expire on August 10, 2007, September 19, 2007, June 2, 2008 and February 1, 2009. We may be unable to renew these agreements on terms that are satisfactory to us, if at all. In addition, two of our four U.S. collective bargaining agreements contain provisions for additional, potentially significant, lump-sum severance payments to all employees covered by the agreements who are terminated as the result of a plant closing and one of our collective bargaining agreements contains provisions restricting our ability to terminate or relocate operations. Additionally, approximately 94 employees in the TB Wood s production facilities in Mexico are unionized under collective bargaining agreements that are subject to annual renewals.

If our unionized workers or those represented by a works council were to engage in a strike, work stoppage or other slowdown in the future, we could experience a significant disruption of our operations. Such disruption could interfere with our ability to deliver products on a timely basis and could have other negative effects, including decreased productivity and increased labor costs. In addition, if a greater percentage of our work force becomes unionized, our business and financial results could be materially adversely affected. Many of our direct and indirect customers have unionized work forces. Strikes, work stoppages or slowdowns experienced by these customers or their suppliers could result in slowdowns or closures of assembly plants where our products are used and could cause cancellation of purchase orders with us or otherwise result in reduced revenues from these customers.

Changes in employment laws could increase our costs and may adversely affect our business.

Various federal, state and international labor laws govern our relationship with employees and affect operating costs. These laws include minimum wage requirements, overtime, unemployment tax rates, workers compensation rates paid, leaves of absence, mandated health and other benefits, and citizenship requirements. Significant additional government-imposed increases or new requirements in these areas could materially affect our business, financial condition, operating results or cash flow.

In the event our employee-related costs rise significantly, we may have to curtail the number of our employees or shut down certain manufacturing facilities. Any such actions would be not only costly but could also materially adversely affect our business.

We depend on the services of key executives, the loss of whom could materially harm our business.

Our senior executives are important to our success because they are instrumental in setting our strategic direction, operating our business, maintaining and expanding relationships with distributors,

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identifying, recruiting and training key personnel, identifying expansion opportunities and arranging necessary financing. Losing the services of any of these individuals could adversely affect our business until a suitable replacement could be found. We believe that our senior executives could not easily be replaced with executives of equal experience and capabilities. Although we have entered into employment agreements with certain of our key domestic executives, we cannot prevent our key executives from terminating their employment with us. We do not maintain key person life insurance policies on any of our executives.

If we lose certain of our key sales, marketing or engineering personnel, our business may be adversely affected.

Our success depends on our ability to recruit, retain and motivate highly skilled sales, marketing and engineering personnel. Competition for these persons in our industry is intense and we may not be able to successfully recruit, train or retain qualified personnel. If we fail to retain and recruit the necessary personnel, our business and our ability to obtain new customers, develop new products and provide acceptable levels of customer service could suffer. If certain of these key personnel were to terminate their employment with us, we may experience difficulty replacing them, and our business could be harmed.

We are subject to environmental laws that could impose significant costs on us and the failure to comply with such laws could subject us to sanctions and material fines and expenses.

We are subject to a variety of federal, state, local, foreign and provincial environmental laws and regulations, including those governing the discharge of pollutants into the air or water, the management and disposal of hazardous substances and wastes and the responsibility to investigate and cleanup contaminated sites that are or were owned, leased, operated or used by us or our predecessors. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines and penalties may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. From time to time our operations may not be in full compliance with the terms and conditions of our permits. We periodically review our procedures and policies for compliance with environmental laws and requirements. We believe that our operations generally are in material compliance with applicable environmental laws, requirements and permits and that any lapses in compliance would not be expected to result in us incurring material liability or cost to achieve compliance. Historically, the costs of achieving and maintaining compliance with environmental laws, and requirements and permits have not been material; however, the operation of manufacturing plants entails risks in these areas, and a failure by us to comply with applicable environmental laws, regulations, or permits could result in civil or criminal fines, penalties, enforcement actions, third party claims for property damage and personal injury, requirements to clean up property or to pay for the costs of cleanup, or regulatory or judicial orders enjoining or curtailing operations or requiring corrective measures, including the installation of pollution control equipment or remedial actions. Moreover, if applicable environmental laws and regulations, or the interpretation or enforcement thereof, become more stringent in the future, we could incur capital or operating costs beyond those currently anticipated.

Certain environmental laws in the United States, such as the federal Superfund law and similar state laws, impose liability for the cost of investigation or remediation of contaminated sites upon the current or, in some cases, the former site owners or operators and upon parties who arranged for the disposal of wastes or transported or sent those wastes to an off-site facility for treatment or disposal, regardless of when the release of hazardous substances occurred or the lawfulness of the activities giving rise to the release. Such liability can be imposed without regard to fault and, under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation. As a practical matter, however, the costs of investigation and remediation generally are allocated among the viable responsible parties on some form of equitable basis. Liability also may include damages to natural resources. We have not been notified that we are a potentially responsible party in connection with any sites we

currently or formerly owned or operated or for liability at any off-site waste disposal facility.

However, there is contamination at some of our current facilities, primarily related to historical operations at those sites, for which we could be liable for the investigation and remediation under certain environmental laws. The potential for contamination also exists at other of our current or former sites, based on historical uses of those sites. We currently are not undertaking any remediation or investigations and our costs or liability in connection with potential contamination conditions at our facilities cannot be predicted at this time because the potential existence of contamination has not been investigated or not enough is known about the environmental conditions or likely remedial requirements. Currently, other parties with contractual liability are addressing or have plans or obligations to address those contamination conditions that may pose a material risk to human health, safety or the environment. In addition, while we attempt to evaluate the risk of liability associated with our facilities at the time we acquire them, there may be environmental conditions currently unknown to us relating to our prior, existing or future sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired which could have a material adverse effect on our business.

We are being indemnified, or expect to be indemnified by third parties subject to certain caps or limitations on the indemnification, for certain environmental costs and liabilities associated with certain owned or operated sites. Accordingly, based on the indemnification and the experience with similar sites of the environmental consultants who we have hired, we do not expect such costs and liabilities to have a material adverse effect on our business, operations or earnings. We cannot assure you, however, that those third parties will in fact satisfy their indemnification obligations. If those third parties become unable to, or otherwise do not, comply with their respective indemnity obligations, or if certain contamination or other liability for which we are obligated is not subject to these indemnities, we could become subject to significant liabilities.

We face additional costs associated with our post-retirement and post-employment obligations to employees which could have an adverse effect on our financial condition.

As part of the PTH Acquisition, we agreed to assume pension plan liabilities for active U.S. employees under the Retirement Plan for Power Transmission Employees of Colfax and the Ameridrives International Pension Fund for Hourly Employees Represented by United Steelworkers of America, Local 3199-10, collectively referred to as the Prior Plans. We have established a defined benefit plan, the Altra Industrial Motion, Inc. Retirement Plan or New Plan, mirroring the benefits provided under the Prior Plans. The New Plan accepted a spin-off of assets and liabilities from the Prior Plans, in accordance with Section 414(l) of the Internal Revenue Code, or the Code, with such assets and liabilities relating to active U.S. employees as of the closing of the PTH Acquisition. Given the funded status of the Prior Plans and the asset allocation requirements of Code Section 414(l), liabilities under the New Plan greatly exceed the assets that were transferred from the Prior Plans. The accumulated benefit obligation (not including accumulated benefit obligations of non-U.S. pension plans in the amount of $3.4 million) was approximately $22.7 million as of December 31, 2006 while the fair value of plan assets was approximately $11.0 million as of December 31, 2006. As the New Plan has a considerable funding deficit, the cash funding requirements are expected to be substantial over the next several years, and could have a material adverse effect on our financial condition. As of March 31, 2007, funding requirements were estimated to be $2.8 million for the remainder of 2007, $2.5 million in 2008 and $1.9 million annually thereafter until 2011. These amounts are based on actuarial assumptions and actual amounts could be materially different.

Additionally, as part of the PTH Acquisition, we agreed to assume all pension plan liabilities related to non-U.S. employees. The accumulated benefit obligations of non-U.S. pension plans were approximately $3.4 million as of December 31, 2006. There are no assets associated with these plans.

Finally, as part of the PTH Acquisition, we also agreed to assume all post-employment and post-retirement welfare benefit obligations with respect to active U.S. employees. The benefit obligation for post-retirement benefits, which

are not funded, was approximately $3.3 million as of March 31, 2007.

For a description of the post-retirement and post-employment costs, see Note 9 to our audited financial statements included elsewhere in this prospectus.

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Our future success depends on our ability to integrate acquired companies and manage our growth effectively.

Our growth through acquisitions has placed, and will continue to place, significant demands on our management, operational and financial resources. Realization of the benefits of acquisitions often requires integration of some or all of the acquired companies sales and marketing, distribution, manufacturing, engineering, finance and administrative organizations. Integration of companies demands substantial attention from senior management and the management of the acquired companies. In addition, we will continue to pursue new acquisitions, some of which could be material to our business if completed. We may not be able to integrate successfully our recent acquisitions, including TB Wood s, or any future acquisitions, operate these acquired companies profitably, or realize the potential benefits from these acquisitions.

We may not be able to protect our intellectual property rights, brands or technology effectively, which could allow competitors to duplicate or replicate our technology and could adversely affect our ability to compete.

We rely on a combination of patent, trademark, copyright and trade secret laws in the United States and other jurisdictions, as well as on license, non-disclosure, employee and consultant assignment and other agreements and domain names registrations in order to protect our proprietary technology and rights. Applications for protection of our intellectual property rights may not be allowed, and the rights, if granted, may not be maintained. In addition, third parties may infringe or challenge our intellectual property rights. In some cases, we rely on unpatented proprietary technology. It is possible that others will independently develop the same or similar technology or otherwise obtain access to our unpatented technology. In addition, in the ordinary course of our operations, we pursue potential claims from time to time relating to the protection of certain products and intellectual property rights, including with respect to some of our more profitable products. Such claims could be time consuming, expensive and divert resources. If we are unable to maintain the proprietary nature of our technologies or proprietary protection of our brands, our ability to market or be competitive with respect to some or all of our products may be affected, which could reduce our sales and profitability.

Goodwill comprises a significant portion of our total assets, and if we determine that goodwill has become impaired in the future, net income in such years may be materially and adversely affected.

Goodwill represents the excess of cost over the fair market value of net assets acquired in business combinations. We review goodwill and other intangibles annually for impairment and any excess in carrying value over the estimated fair value is charged to the results of operations. Reduction in net income resulting from the write down or impairment of goodwill would affect financial results. We expect to recognize additional goodwill in connection with the TB Wood s Acquisition. See Unaudited Pro Forma Condensed Combined Financial Statements.

Unplanned repairs or equipment outages could interrupt production and reduce income or cash flow.

Unplanned repairs or equipment outages, including those due to natural disasters, could result in the disruption of our manufacturing processes. Any interruption in our manufacturing processes would interrupt our production of products, reduce our income and cash flow and could result in a material adverse effect on our business and financial condition.

Our operations are highly dependent on information technology infrastructure and failures could significantly affect our business.

We depend heavily on our information technology, or IT, infrastructure in order to achieve our business objectives. If we experience a problem that impairs this infrastructure, such as a computer virus, a problem with the functioning of an important IT application, or an intentional disruption of our IT systems by a third party, the resulting disruptions

could impede our ability to record or process orders, manufacture and ship in a timely manner, or otherwise carry on our business in the ordinary course. Any such events could

cause us to lose customers or revenue and could require us to incur significant expense to eliminate these problems and address related security concerns.

Our leverage could adversely affect our financial health and make us vulnerable to adverse economic and industry conditions.

We have incurred indebtedness that is substantial relative to our stockholders investment. As of April 30, 2007, we had approximately $334.0 million of indebtedness outstanding and $25.3 million available under lines of credit. Our indebtedness has important consequences; for example, it could:

- make it more challenging for us to obtain additional financing to fund our business strategy and acquisitions, debt service requirements, capital expenditures and working capital;
- increase our vulnerability to interest rate changes and general adverse economic and industry conditions;
- require us to dedicate a substantial portion of our cash flow from operations to service our indebtedness, thereby reducing the availability of our cash flow to finance acquisitions and to fund working capital, capital expenditures, research and development efforts and other general corporate activities;
- make it difficult for us to fulfill our obligations under our credit and other debt agreements;
- limit our flexibility in planning for, or reacting to, changes in our business and our markets; and
- place us at a competitive disadvantage relative to our competitors that have less debt.

Substantially all of our assets have been pledged as collateral against any outstanding borrowings under the credit agreements, or the Credit Agreements, governing our senior revolving credit facility and the credit facility we entered into in connection with the TB Wood s Acquisition, or the TB Wood s senior secured credit facility. In addition, the Credit Agreements require us to maintain specified financial ratios and satisfy certain financial condition tests, which may require that we take action to reduce our debt or to act in a manner contrary to our business objectives. If an event of default under the Credit Agreements, then the lenders could declare all amounts outstanding under the senior revolving credit facility and the TB Wood s senior secured credit facility, together with accrued interest, to be immediately due and payable. In addition, our senior revolving credit facility, the TB Wood s senior secured credit facility and the indentures governing the 9% senior secured notes and 111/4% senior notes have cross-default provisions such that a default under any one would constitute an event of default in any of the others.

We are subject to tax laws and regulations in many jurisdictions and the inability to successfully defend claims from taxing authorities related to our current or acquired businesses could adversely affect our operating results and financial position.

We conduct business in many countries, which requires us to interpret the income tax laws and rulings in each of those taxing jurisdictions. Due to the subjectivity of tax laws between those jurisdictions as well as the subjectivity of factual interpretations, our estimates of income tax liabilities may differ from actual payments or assessments. Claims from taxing authorities related to these differences could have an adverse impact on our operating results and financial position.

Risks Related to this Offering

The market price of our common stock may be volatile, which could cause the value of your investment to decline.

Securities markets worldwide experience significant price and volume fluctuations. This market volatility, as well as general economic, market or political conditions, war and incidents of terrorism and acts of God could reduce the market price of our common stock notwithstanding our operating performance. In addition, our operating results could be below the expectations of public market analysts and investors and, in

response, the market price of our common stock could decrease significantly. You may be unable to resell your shares of our common stock at or above the public offering price.

Furthermore, following periods of market volatility in the price of a company s securities, security holders have sometimes instituted class action litigation. If the market value of our stock experiences adverse fluctuations and we become involved in this type of litigation, regardless of the outcome, we could incur substantial legal costs and our management s attention could be diverted from the operation of our business, causing our business to suffer.

We may apply the proceeds of this offering to uses that do not improve our operating results or increase the value of your investment.

We intend to use all of the net proceeds from this offering to purchase the outstanding 111/4% senior notes pursuant to arms-length negotiations with holders of such notes. If we are unable to use all of the net proceeds to purchase a portion of the 111/4% senior notes, we will use the remaining net proceeds for general corporate purposes, including working capital and capital expenditures. The proceeds could be applied in ways that do not improve our operating results or increase the value of your investment.

Following this offering, Genstar Capital Partners III, L.P. and Stargen III, L.P. (together, the Genstar Funds) will no longer have a beneficial interest in our common stock and this may result in a change of control and possible default under the terms of our indentures.

Under the terms of the indentures governing the 9% senior secured notes and 111/4% senior notes, a change of control will result if Genstar Capital, L.P. or its affiliates no longer owns any shares of our common stock and any person or entity other than Genstar Capital, L.P. or its affiliates owns more than 35% of the shares of our common stock. After this offering, the Genstar Funds will no longer have any beneficial interest in our common stock. If a person or entity owns more than 35% of the shares of our common stock, we would be required to repurchase all of the outstanding 9% senior secured notes and 111/4% senior notes at 101% of the aggregate principal amount of the notes, plus accrued and unpaid interest, and additional interest. We may not have sufficient funds available at the time of a change of control to repurchase all of the notes, and so, we will be in default under the indentures.

A substantial number of our shares of common stock may be sold in the public market by our principal stockholders, which could adversely affect the market price of our shares, which in turn could negatively impact your investment in us.

Future sales of substantial amounts of our shares of common stock in the public market (or the perception that such sales may occur) could adversely affect market prices of our common stock prevailing from time to time and could impair our ability to raise capital through future sales of our equity or equity-related securities at a time and price that we deem appropriate. Such sales could create public perception of difficulties or problems with our business.

Upon completion of this offering, we will have 24,847,820 shares of common stock issued and outstanding and no options to purchase shares of our common stock. All of the shares we and the selling stockholders are selling in this offering, plus any shares sold by us upon the exercise of the underwriters over-allotment option, will be freely tradeable without restriction under the Securities Act of 1933, as amended, or the Securities Act, unless purchased by our affiliates. Upon completion of this offering, 2,347,820 shares of our common stock will be restricted or controlled securities within the meaning of Rule 144 under the Securities Act. The rules affecting the sale of these securities are summarized under Shares Eligible for Future Sale.

Subject to certain exceptions described under the caption Underwriting, we and all of our directors and executive officers and certain of our stockholders have agreed not to offer, sell or agree to sell, directly or indirectly, any shares

of common stock without the permission of the underwriters for a period of 90 days from the date of this prospectus. The 90-day restricted period will be automatically extended if (1) during the last 17 days of the 90-day restricted period we issue an earning release or material news or a material event

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relating to our business occurs or (2) prior to the expiration of the 90-day restricted period, we announce that we will release earnings results or become aware that material news or a material event will occur during the 16-day period beginning on the last day of the 90-day restricted period, in which case the restrictions described above will continue to apply until the expiration of the 18-day period beginning on the issuance of the earnings release or the occurrence of the material news or material event. When this period expires we and our locked-up stockholders will be able to sell our shares in the public market. Sales of a substantial number of such shares upon expiration, or early release, of the lock-up (or the perception that such sales may occur) could cause our share price to decline.

We also may issue our shares of common stock from time to time as consideration for future acquisitions and investments or for other reasons. If any such acquisition or investment is significant, the number of shares that we may issue may in turn be significant. We may also grant registration rights covering those shares in connection with any such acquisitions and investments.

Because we have not paid dividends in the past and do not anticipate paying dividends on our common stock in the foreseeable future, you should not expect to receive dividends on shares of our common stock.

We have no present plans to pay cash dividends to our stockholders and, for the foreseeable future, intend to retain all of our earnings for use in our business. The decision whether to pay dividends will be made by our board of directors in light of conditions then existing, including factors such as our results of operations, financial condition and capital requirements, and business conditions. In addition, the Credit Agreements governing the senior revolving credit facility and the TB Wood s senior secured credit facility and the indentures governing the 9% senior secured notes and 111/4% senior notes contain covenants limiting the payment of cash dividends. Consequently, you should not rely on dividends in order to receive a return on your investment.

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INDUSTRY AND MARKET DATA

Market and industry data included in this prospectus, including all market share and market size data about the energy, general industrial, material handling, mining, transportation and turf and garden markets, mechanical power transmission and motion control industry, and other markets for mechanical power transmission and motion control products, as well as our position and the position of our competitors within these markets, including our products relative to our competitors, are based on estimates of our management. These estimates have been derived from our management s knowledge and experience in the markets in which we operate, as well as information obtained from surveys, reports by market research firms, our customers, distributors, suppliers, trade and business organizations and other contacts in the markets in which we operate. Data herein related to TB Wood s is based on information received from TB Wood s. References herein to our being a leader in a market or product category refers to our belief that we have a leading market share position in each specified market, unless the context otherwise requires, and do not take into account competitive products outside our industry. Statements in this prospectus relating to our market share do not include data for products that are produced internally by other vertically integrated manufacturers.

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus, including information generally located under the headings Summary, Risk Factors, Management s Discussion and Analysis of Financial Condition and Results of Operations and Business, contains forward-looking statements. These forward-looking statements generally relate to our strategies, plans and objectives for, and potential results of, future operations and are based upon management s current plans and beliefs or current estimates of future results or trends. Whenever you read a statement that is not solely a statement of historical fact, such as when we state that we believe, expect, anticipate or plan that an event will occur and other similar statements, you should underst that our expectations may not be correct, although we believe they are reasonable, and that our plans may change. We do not guarantee that the transactions and events described in this prospectus will happen as described or that any positive trends noted in this prospectus will continue.

Forward-looking statements regarding management s present plans or expectations for new product offerings, capital expenditures, increasing sales, cost-saving strategies and growth involve risks and uncertainties relative to return expectations, allocation of resources and changing economic or competitive conditions, which could cause actual results to differ from present plans or expectations and such differences could be material. Similarly, forward-looking statements regarding management s present expectations for operating results and cash flow involve risks and uncertainties relative to these and other factors including:

- competitive factors in the industry in which we operate;
- changes in general economic conditions and the cyclical nature of the markets in which we operate;
- our dependence on our distribution network;
- our ability to invest in, develop or adapt to changing technologies and manufacturing techniques;
- international risks on our operations;
- loss of our key management;
- increase in litigation, including product liability claims;

our substantial indebtedness;

impact of a change of control; and

other factors that are described under Risk Factors.

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We caution you that the foregoing list of important factors is not exclusive. In addition, in light of these risks and uncertainties, the matters referred to in the forward-looking statements contained in this prospectus may not in fact occur. The forward-looking statements contained in this prospectus are current as of the date of the prospectus. We undertake no obligation to publicly update or revise any forward-looking statement as a result of new information, future events or otherwise, except as otherwise required by law.

You should read this prospectus completely and with the understanding that actual future results may be materially different from what we expect.

USE OF PROCEEDS

We will receive net proceeds from this offering of approximately $26.8 million, after deducting underwriting discounts and commissions and other estimated expenses of $2.1 million payable by us. This estimate is based on our public offering price of $16.40 per share. We will not receive any of the proceeds from the sale of shares by the selling stockholders. We intend to use all of the net proceeds from this offering to purchase a portion of the outstanding 111/4% senior notes due 2013 pursuant to arms-length negotiations with holders of such notes. If we are unable to use all of the net proceeds to purchase the 111/4% senior notes due 2013, we will use the remaining net proceeds for general corporate purposes, including working capital and capital expenditures.

PRICE RANGE OF OUR COMMON STOCK

Our common stock, $0.001 par value per share, is quoted on the Nasdaq Global Market under the symbol AIMC. The following table sets forth the high and low sales prices per share of our common stock for the period indicated, as reported on the Nasdaq Global Market.

	High	Low
Quarter ending March 31, 2007	$ 16.87	$ 13.71

As of June 19, 2007, the closing sale price of our common stock as reported on the Nasdaq Global Market was $16.77 per share. As of June 19, 2007, there were 25 holders of record of our common stock, not including beneficial owners of shares registered in nominee or street name on such date.

DIVIDEND POLICY

We intend to retain all future earnings, if any, for use in the operation of our business and to fund future growth. We do not anticipate paying any dividends for the foreseeable future, and the Credit Agreements governing the senior revolving credit facility and the TB Wood s senior secured credit facility and the indentures governing the 9% senior secured notes and 111/4% senior notes limit our ability to pay dividends or other distributions on our common stock. See Description of Indebtedness. We may incur other obligations in the future that will further limit our ability to pay dividends. The decision whether to pay dividends will be made by our board of directors in light of conditions then existing, including factors such as our results of operations, financial condition and requirements, business conditions and covenants under any applicable contractual arrangements.

CAPITALIZATION

The following table sets forth our capitalization as of March 31, 2007:

on an actual basis; and

on an as adjusted basis to give effect to the TB Wood s Acquisition and Related Transactions and this offering. In addition, the table reflects the redemption of a portion of our 111/4% senior notes and estimated prepayment premiums and other non cash related charges totaling $4.0 million.

The table below should be read in conjunction with Use of Proceeds, Unaudited Pro Forma Condensed Combined Financial Statements, Selected Historical Financial and Other Data, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes included elsewhere in this prospectus.

	As of March 31, 2007	
	Actual	As Adjusted
	(Unaudited) (In thousands)	
Senior revolving credit facility[1]	$	$
TB Wood s senior secured credit facility[2]		13,025
9% senior secured notes[3]	165,000	270,000
111/4% senior notes	42,117	15,357
5.75% mortgage	2,572	2,572
Variable rate demand revenue bonds		5,290
Foreign term loan		434
Equipment financing		66
Capital leases and short-term bank borrowings	2,958	3,045
Total debt	$ 212,647	$ 309,789
Stockholders equity	83,627	106,430
Total capitalization	$ 296,274	$ 416,219

(1) Our senior revolving credit facility has $30.0 million of borrowing capacity (including $10.0 million available for letters of credit), $27.1 million of which was available as of March 31, 2007.

(2) TB Wood s senior secured credit facility has $19.8 million of borrowing capacity (including $6.5 million available for letters of credit). There are no additional amounts available as of March 31, 2007 on an as adjusted basis.

(3) As Adjusted includes the issuance by Altra Industrial of $105.0 million aggregate principal amount of its 9% senior secured notes on April 5, 2007, used to finance a portion of the TB Wood s Acquisition.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The following unaudited pro forma condensed combined financial statements are presented to illustrate the estimated effects of (i) the Hay Hall Acquisition in February 2006 and the Other Transactions, and (ii) the TB Wood s Acquisition and Related Transactions on our financial condition and results of operations.

We have derived the historical consolidated financial data of our company for the three months ended March 31, 2007 from the unaudited consolidated interim financial statements and related notes included elsewhere in this prospectus. We have derived our historical consolidated financial data for the year ended December 31, 2006 from the audited consolidated financial statements and related notes included elsewhere in this prospectus. We have derived the historical consolidated financial data of TB Wood s for the three months ended March 30, 2007 from the unaudited consolidated interim financial statements and related notes included elsewhere in this prospectus. We have derived the historical consolidated financial data of TB Wood s for the year ended December 31, 2006 from the audited consolidated financial statements of TB Wood s included elsewhere in this prospectus. The unaudited pro forma condensed combined balance sheet as of March 31, 2007 assumes that the TB Wood s Acquisition and Related Transactions occurred on March 31, 2007. Hay Hall historical financial information has been reconciled from U.K. GAAP to U.S. GAAP in all periods presented and all amounts have been converted from U.K. Pounds to U.S. Dollars for the purpose of these pro forma financial statements.

The unaudited pro forma condensed combined statement of operations for the three months ended March 31, 2007 and the year ended December 31, 2006 assumes that the TB Wood s Acquisition and Related Transactions, as applicable, occurred on January 1, 2006, the beginning of our 2006 fiscal year. The information presented in the unaudited pro forma condensed combined financial statements is not necessarily indicative of our financial position or results of operations that would have occurred if the TB Wood s Acquisition and Related Transactions had been completed as of the dates indicated, nor should it be construed as being a representation of our future financial position or results of operations.

The pro forma adjustments are based upon available information and certain assumptions that we believe are reasonable under the circumstances. These adjustments are more fully described in the notes to the unaudited pro forma condensed combined financial statements below.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes and assumptions, Management s Discussion and Analysis of Financial Condition and Results of Operations, our consolidated financial statements and related notes, the consolidated financial statements of Hay Hall and TB Wood s and the related notes and the other financial information included elsewhere in this prospectus.

These unaudited pro forma condensed combined financial statements do not give effect to the offering or the use of proceeds therefrom.

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Unaudited Pro Forma Condensed Combined Statement of Operations

For the Three Months Ended March 31, 2007
(amounts in thousands except per share data)

	Altra Holdings, Inc. Three Months Ended March 31, 2007	TB Wood s Corporation Three Months Ended March 30, 2007[(a)]	Pro Forma Adjustments	Pro Forma Combined
Net sales	$ 132,706	$ 28,970	$	$ 161,676
Cost of sales	94,658	20,009	571(1)	115,238
Gross profit	38,048	8,961	(571)	46,438
Selling, general, administrative and other expenses	22,914	8,194	609(2)	31,717
Operating profit	15,134	767	(1,180)	14,721
Interest expense, net	9,148	864	2,080(3)	12,092
Other income, net	(47)			(47)
Income (loss) before income taxes	6,033	(97)	(3,260)	2,676
Income tax provision (benefit)	2,265	9	(1,174)(4)	1,100
Net Income (loss)	$ 3,768	$ (106)	$ (2,086)	$ 1,576
Weighted average shares of common stock outstanding:				
Basic	21,880	N/A	N/A	21,880
Diluted	22,878	N/A	N/A	22,878
Net income available to holders of shares of common stock per share:				
Basic	$ 0.17	N/A	N/A	$ 0.07
Diluted	$ 0.16	N/A	N/A	$ 0.07

(a) Reflects TB Wood s unaudited consolidated Statement of Operations for the quarter ended March 30, 2007.

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Statements of Operations.

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Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

		Three Months Ended March 31, 2007 (In thousands)	
(1)	Adjustment to record additional depreciation expense resulting from the adjustment to the fair value of property, plant and equipment in connection with the TB Wood s Acquisition	$	571
(2)	Adjustment to record additional amortization expense associated with the intangible assets recorded in connection with the TB Wood s Acquisition	$	609
(3)	Adjustments to interest expense as follows:		
	Adjustment to record additional interest expense associated with the additional borrowings in connection with the TB Wood s Acquisition		67
	Adjustment to eliminate interest expense associated with debt repaid in connection with the TB Wood s Acquisition		(488)
	Adjustment to record additional interest expense associated with the issuance of the 9% senior secured notes in connection with the TB Wood s Acquisition		2,363
	Adjustment to record the amortization of the premium associated with the issuance of the 9% senior secured notes in connection with the TB Wood s Acquisition		(56)
	Adjustment to record additional amortization expense associated with debt issuance costs in connection with the TB Wood s Acquisition		194
	Total pro forma adjustment	$	2,080
(4)	Adjustments to record additional tax benefit of 36%	$	(1,174)

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Unaudited Pro Forma Condensed Combined Statement of Operations
For the Year Ended December 31, 2006
(amounts in thousands, except per share data)

	Altra Holdings, Inc. Year Ended December 31, 2006	Hay Hall Holdings UK GAAP Period from January 1, 2006 through February 10, 2006	Hay Hall Holdings UK GAAP U.S. GAAP Adjustments	Hay Hall Holdings U.S. GAAP	Hay Hall Holdings U.S. GAAP[a]	TB Wood s Corporation Year Ended December 31, 2006[b]	Pro Forma Adjustments	Pro Forma Combined
Net sales	$ 462,285	£ 4,371	£	£ 4,371	$ 7,662	$ 118,935	$ (716)[1]	$ 588,166
Cost of sales	336,836	2,513	(1)	2,512	4,404	80,790	1,780[2]	423,810
Gross profit	125,449	1,858	1	1,859	3,258	38,145	(2,496)	164,356
Selling, general, administrative and other operating expenses, net	84,376	1,706	(12)	1,694	2,970	28,641	1,061[3]	117,048
Operating profit	41,073	152	13	165	288	9,504	(3,557)	47,308
Interest expense, net	25,479	111		111	195	3,628	10,359[4]	39,661
Other expense net	856							856
Income (loss) before income taxes	14,738	41	13	54	93	5,876	(13,916)	6,791
Income tax expense (benefit)	5,797	13		13	23	1,762	(5,010)[5]	2,572
Net income (loss)	$ 8,941	£ 28	£ 13	£ 41	$ 70	$ 4,114	$ (8,906)	$ 4,219
Weighted average shares of								

common stock outstanding:								
Basic	1,183	N/A	N/A	N/A	N/A	N/A	N/A	1,183
Diluted	19,525	N/A	N/A	N/A	N/A	N/A	N/A	19,525
Net income available to holders of shares of common stock per share:								
Basic	$ 7.56	N/A	N/A	N/A	N/A	N/A	N/A	$ 3.57
Diluted	$ 0.46	N/A	N/A	N/A	N/A	N/A	N/A	$ 0.22

(a) Reflects Hay Hall s Unaudited Interim Condensed Statement of Operations on a U.S. GAAP basis after translation to U.S. dollars at an exchange rate of 1.753 U.S. Dollars to 1.0 U.K. Pounds (the average exchange rate for the six week period ended February 10, 2006).

(b) Reflects TB Wood s audited consolidated Statement of Operations for the year ended December 31, 2006.

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Statement of Operations.

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Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

			Year Ended December 31, 2006 (In thousands)
(1)	Adjustments to net sales as follows:		
	Elimination of net sales of Engineered Systems of Matrix business which is included in the Hay Hall financial statements but which were not acquired by Altra	$	(291)
	Elimination of intercompany sales from Hay Hall to Altra		(378)
	Elimination of intercompany sales from Altra to Hay Hall		(47)
	Total pro forma adjustment	$	(716)
(2)	Adjustments to cost of sales as follows:		
	Elimination of cost of sales of Engineered Systems of Matrix business which is included in the Hay Hall financial statements but which were not acquired by Altra	$	(205)
	Elimination of cost of sales on intercompany sales from Hay Hall to Altra		(378)
	Elimination of cost of sales on intercompany sales from Altra to Hay Hall		(47)
	Adjustment to record additional expense to reflect a full year of depreciation expense resulting from the adjustment to the fair value of property, plant and equipment in connection with the Hay Hall Acquisition		127
	Adjustment to record additional depreciation expense resulting from the adjustment to the fair value of property, plant and equipment in connection with the TB Wood s Acquisition		2,283
	Total pro forma adjustment	$	1,780
(3)	Adjustments to selling, general, administrative and other operating expenses as follows:		
	Adjustment to record additional expense to reflect a full year of amortization expense associated with the intangible assets recorded in connection with the Hay Hall Acquisition	$	116
	Elimination of selling, general, administrative and other operating expenses of Engineered Systems of Matrix business which is included in the Hay Hall financial statements but which were not acquired by Altra		(156)
	Elimination of selling, general, administrative and other operating expenses of Hay Hall s corporate office business which is included in the Hay Hall financial statements but which were not acquired by Altra		(330)
	Adjustment to record additional amortization expense associated with the intangible assets recorded in connection with the TB Wood s Acquisition		2,436
	Elimination of additional expense related to Genstar Capital, L.P. transaction fee in connection with the Hay Hall Acquisition		(1,005)
	Total pro forma adjustment	$	1,061
(4)	Adjustments to interest expense as follows:		
	Elimination of historical interest expense recorded at Hay Hall	$	(195)
	Adjustment to record additional amortization expense associated with debt issuance costs in connection with the Hay Hall Acquisition		47
	Adjustment to record additional interest expense associated with the notes issued to finance the Hay Hall Acquisition		756
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Adjustment to record additional interest expense associated with the borrowings under our revolving credit facility in connection with the TB Wood s Acquisition	
Adjustment to record the additional interest expense associated with the issuance of the 9% senior secured notes in connection with the TB Wood s Acquisition	9,450
Adjustment to write-off deferred financing costs and original issue discount associated with the debt repaid in connection with the TB Wood s Acquisition	1,800

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			Year Ended December 31, 2006 (In thousands)
	Elimination of interest expense associated with debt repaid in connection with the TB Wood s Acquisition		(2,769)
	Adjustment to record additional expense associated with the bridge financing in connection with the TB Wood s Acquisition		450
	Adjustment to record the amortization of the premium associated with the issuance of the 9% senior secured notes in connection with the TB Wood s Acquisition		(225)
	Adjustment to record additional amortization expense associated with debt issuance costs in connection with the TB Wood s Acquisition		776
	Total pro forma adjustment	$	10,359
(5)	Adjustments to record additional tax benefit of 36%	$	(5,010)

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Unaudited Pro Forma Condensed Combined Balance Sheet
As of March 31, 2007
(in thousands)

	Altra Holdings, Inc. Historical	TB Wood s Historical[(a)]	Pro Forma Adjustments	Pro Forma Combined
ASSETS				
Current assets:				
Cash and cash equivalents	$ 11,588	$ 2,034	$ (12,532)[(1)]	$ 1,090
Trade accounts receivable, net	74,246	16,862		91,108
Inventories, net	76,911	20,542	11,600(2)	109,053
Deferred income taxes	6,915	153		7,068
Prepaid expenses	5,930	2,365		8,295
Total current assets	175,590	41,956	(932)	216,614
Property, plant and equipment, net	81,387	24,144	10,501(3)	116,032
Goodwill	66,539	5,923	39,725(4)	112,187
Intangibles assets, net	58,810		46,499(5)	105,309
Deferred income taxes	2,138			2,138
Other assets	4,556	1,394	2,567(6)	8,517
Total assets	$ 389,020	$ 73,417	$ 98,360	$ 560,797
LIABILITIES AND STOCKHOLDERS EQUITY				
Current liabilities:				
Accounts payable	$ 36,312	$ 8,465	$	$ 44,777
Accruals and other liabilities	27,801	8,254	3,255(7)	39,310
Taxes payable	2,664	2,147		4,811
Deferred income taxes	1,382	506	4,176(8)	6,064
Current portion of long-term debt	834	6,072	(4,428)[(9)]	2,478
Total current liabilities	68,993	25,444	3,003	97,440
Long-term debt, less current portion and net of unaccreted discount	207,413	23,512	99,796(10)	330,721
Deferred income taxes	7,191	290	20,519(11)	28,000
Pension liabilities	14,505			14,505
Other post-retirement benefits	3,055			3,055
Other long term liabilities	4,236			4,236
Total liabilities	$ 305,393	$ 49,246	$ 123,318	$ 477,957
Total stockholders equity	83,627	24,171	(24,958)[(12)]	82,840
Total liabilities and stockholders equity	$ 389,020	$ 73,417	$ 98,360	$ 560,797

(a) Reflects TB Wood s unaudited consolidated Balance Sheet as of March 30, 2007.

See accompanying Notes to the Unaudited Pro Forma Condensed Combined Balance Sheet.

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Notes to Unaudited Pro Forma Condensed Combined Balance Sheet
(in thousands)

		As of March 31, 2007
(1)	Adjustment to record net cash used in connection with the TB Wood s Acquisition	$ (12,532)
(2)	Adjustment to record inventories at estimated fair value in connection with the TB Wood s Acquisition	$ 11,600
(3)	Adjustment to record property, plant and equipment at estimated fair value in connection with the TB Wood s Acquisition	$ 10,501
(4)	Adjustments to goodwill as follows:	
	Adjustment to record initial goodwill at estimated fair value in connection with the TB Wood s Acquisition	$ 45,648
	Adjustment to remove historical goodwill recorded at TB Wood s	(5,923)
	Total pro forma adjustment	$ 39,725
(5)	Adjustment to record initial intangible assets (primarily customer relations and tradenames) at estimated fair value in connection with the TB Wood s Acquisition	$ 46,499
(6)	Adjustments to other assets as follows:	
	Adjustment to remove the deferred financing costs associated with debt that was repaid in connection with the TB Wood s Acquisition	(1,052)
	Adjustment to record deferred debt issuance costs in connection with the TB Wood s Acquisition	3,619
	Total pro forma adjustment	$ 2,567
(7)	Adjustment to record the accrual of interest from December 1, 2006 on the 9% senior secured notes issued in connection with the TB Wood s Acquisition	$ 3,255
(8)	Adjustment to deferred tax liabilities, at an assumed effective tax rate of 36%, associated with the adjustment to record inventory at estimated fair value	$ 4,176
(9)	Adjustment to record the reclassification of short-term debt to long-term debt associated with the refinancing in connection with the TB Wood s Acquisition	$ (4,428)
(10)	Adjustments to long-term debt as follows:	
	Adjustment to remove debt that was repaid in connection with the TB Wood s Acquisition	$ (14,349)
	Adjustment to record the reclassification of short-tem debt to long-term debt associated with the refinancing in connection with the TB Wood s Acquisition	4,428
	Adjustment to record the premium received associated with the issuance of the 9% senior secured notes issued in connection with the TB Wood s Acquisition	1,050
	Adjustment to record additional long-term borrowings in connection with the TB Wood s Acquisition	3,667
	Adjustment to reflect the issuance of the 9% senior secured notes in connection with the TB Wood s Acquisition	105,000
	Total pro forma adjustment	$ 99,796
(11)	Adjustments to deferred tax liabilities, at an assumed effective tax rate of 36%, as follows:	
	Adjustment to record the deferred tax liability associated with the adjustment to record property, plant and equipment at estimated fair value	$ 3,780

Adjustment to record the deferred tax liability associated with the adjustment to record initial intangible assets at estimated fair value		16,739
Total pro forma adjustment	$	20,519

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		As of March 31, 2007
(12)	Adjustments to stockholders equity as follows:	
	Adjustment to remove historical equity balances of TB Wood s	$ (24,171)
	Adjustment to reflect the impact of the premium paid in connection with the TB Wood s debt being repaid in connection with the TB Wood s Acquisition	(337)
	Adjustment to reflect the additional expense associated with the bridge financing in connection with the TB Wood s Acquisition	(450)
	Total pro forma adjustment	$ (24,958)

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SELECTED HISTORICAL FINANCIAL AND OTHER DATA

The following table contains selected financial data for us for the three months ended March 31, 2007 and March 31, 2006, the years ended December 31, 2006 and December 31, 2005 and the period from inception (December 1, 2004) to December 31, 2004, and for PTH, or our Predecessor, for the period from January 1, 2004 through November 30, 2004 and for the years ended December 31, 2003 and 2002. The following should be read in conjunction with Use of Proceeds, Capitalization, Unaudited Pro Forma Condensed Combined Financial Statements, Management s Discussion and Analysis of Financial Condition and Results of Operations and the consolidated financial statements and notes included elsewhere in this prospectus.

	Altra Holdings, Inc.					Predecessor		
	Three Months Ended March 31, 2007 (Unaudited)	Three Months Ended March 31, 2006 (Unaudited)	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Period from December 1, 2004 through December 31, 2004	Period from January 1, 2004 through November 30, 2004	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
	(In thousands)							
Statement of Operations Data:								
Net sales	$ 132,706	$ 114,784	$ 462,285	$ 363,465	$ 28,625	$ 275,037	$ 266,863	$ 253,217
Cost of sales	94,658	82,930	336,836	271,952	23,847	209,253	207,941	190,465
Gross profit	38,048	31,854	125,449	91,513	4,778	65,784	58,922	62,752
Selling, general and administrative expenses	20,827	18,727	83,276	61,579	8,973	45,321	49,513	48,303
Research and development expenses	1,294	1,204	4,938	4,683	378	3,947	3,455	3,103
Gain on curtailment of post-retirement benefit plan			(3,838)					

Gain on sale of assets				(99)		(1,300)		
Restructuring charge, asset impairment and transition expenses	793					947	11,085	27,825
Income (loss) from operations	15,134	11,923	41,073	25,350	(4,573)	16,869	(5,131)	(16,479)
Interest expense	9,148	6,441	25,479	19,514	1,612	4,294	5,368	5,489
Other expense (income)	(47)	(159)	856	(17)		148	465	(312)
Income (loss) before income taxes, discontinued operations and cumulative effect of change in accounting principles	6,033	5,641	14,738	5,853	(6,185)	12,427	(10,964)	(21,656)
Provision (benefit) for income taxes	2,265	2,437	5,797	3,349	(292)	5,532	(1,658)	2,455
Loss from disposal of discontinued, net of income taxes								(700)
Income (loss) from operations and disposal of discontinued operations, net of income taxes	3,768	3,204	8,941	2,504	(5,893)	6,895	(9,306)	(24,811)
Cumulative effect of change in accounting principle goodwill								(83,412)

impairment								
Net income (loss)	$ 3,768	$ 3,204	$ 8,941	$ 2,504	$ (5,893)	$ 6,895	$ (9,306)	$ (108,223)

	Altra Holdings, Inc.					Predecessor		
	Three Months Ended March 31, 2007 (Unaudited)	Three Months Ended March 31, 2006 (Unaudited)	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Period from December 1, 2004 through December 31, 2004	Period from January 1, 2004 through November 30, 2004	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
	(In thousands, except per share data)							
Weighted average shares of common stock outstanding:								
Basic	21,880	332	1,183	9		n/a	n/a	n/a
Diluted	22,878	19,362	19,525	18,969		n/a	n/a	n/a
Net income per share:								
Basic	$ 0.17	$ 9.65	$ 7.56	$ 278.22	$	n/a	n/a	n/a
Diluted	$ 0.16	$ 0.17	$ 0.46	$ 0.13	$	n/a	n/a	n/a

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	Altra Holdings, Inc.						Predecessor	
	Three Months Ended March 31, 2007 (Unaudited)	Three Months Ended March 31, 2006 (Unaudited)	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Period from December 1, 2004 through December 31, 2004	Period from January 1, 2004 through November 30, 2004	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
	(In thousands)							
Other Financial Data:								
EBITDA[1][2]	$ 19,646	$ 15,027	$ 54,828	$ 36,900	$ (3,654)	$ 22,795	$ 3,057	$ (90,732)
Depreciation and amortization	4,465	2,945	14,611	11,533	919	6,074	8,653	9,547
Capital expenditures	1,034	1,245	9,408	6,199	289	3,489	5,294	5,911
Cash flow provided by (used in):								
Operating activities	(6,024)	187	11,128	12,023	5,623	3,604	(14,289)	21,934
Investing activities	(1,034)	(51,785)	(63,163)	(5,197)	(180,401)	953	(1,573)	(4,585)
Financing activities	(23,994)	46,785	83,837	(971)	179,432	(6,696)	12,746	(13,037)

	Altra Holdings, Inc.					Predecessor	
	March 31, 2007 (Unaudited)	March 31, 2006 (Unaudited)	December 31, 2006	December 31, 2005	December 31, 2004	December 31, 2003	December 31, 2002
	(In thousands)						
Balance Sheet Data (at end of period):							
Cash and cash equivalents	$ 11,588	$ 5,322	$ 42,527	$ 10,060	$ 4,729	$ 3,163	$ 5,214
Working capital[3]	106,597	74,008	122,191	60,409	57,571	51,375	10,200
Total assets	389,020	369,905	409,368	297,691	299,387	174,324	173,034
Total debt	208,247	226,935	229,128	173,760	173,851	1,888	65,035
Convertible preferred stock and	28,987	73,588	29,471	79,168	76,665	62,179	62,877

other long-term
liabilities

(1) EBITDA is defined as earnings before interest, income taxes, depreciation and amortization. EBITDA is used by us as a performance measure. Management believes that EBITDA provides relevant information for our investors because it is useful for trending, analyzing and benchmarking the performance and value of our business. Management also believes that EBITDA is useful in assessing current performance compared with the historical performance of our Predecessor because significant line items within our income statements such as depreciation, amortization and interest expense were significantly impacted by the PTH Acquisition. Internally, EBITDA is used as a financial measure to assess the operating performance and is an important measure in our incentive compensation plans. EBITDA has important limitations, and should not be considered in isolation or as a substitute for analysis of our results as reported under GAAP. For example, EBITDA does not reflect:

- cash expenditures, or future requirements, for capital expenditures or contractual commitments;
- changes in, or cash requirements for, working capital needs;
- the significant interest expense, or the cash requirements necessary to service interest or principal payments, on debts;
- tax distributions that would represent a reduction in cash available to us; and
- any cash requirements for assets being depreciated and amortized that may have to be replaced in the future.

footnotes continued on following page

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The following unaudited table is a reconciliation of our net income to EBITDA (in thousands):

	Altra Holdings, Inc.					Predecessor		
	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006	Twelve Months Ended December 31, 2006	Twelve Months Ended December 31, 2005	Period from December 1, 2004 through December 31, 2004	Period from January 1, 2004 through November 30, 2004	Twelve Months Ended December 31, 2003	Twelve Months Ended December 31, 2002
Net income (loss)	$ 3,768	$ 3,204	$ 8,941	$ 2,504	$ (5,893)	$ 6,895	$ (9,306)	$ (108,223)
Adjustments:								
Provision (benefit) for income taxes	2,265	2,437	5,797	3,349	(292)	5,532	(1,658)	2,455
Interest expense, net	9,148	6,441	25,479	19,514	1,612	4,294	5,368	5,489
Depreciation and amortization	4,465	2,945	14,611	11,533	919	6,074	8,653	9,547
EBITDA	$ 19,646	$ 15,027	$ 54,828	$ 36,900	$ (3,654)	$ 22,795	$ 3,057	$ (90,732)

EBITDA is not a recognized measurement under GAAP, and when analyzing our operating performance, you should use EBITDA in addition to, and not as an alternative for, income (loss) from operations and net income (loss) (as determined in accordance with GAAP). Because not all companies use identical calculations, our presentation of EBITDA and may not be comparable to similarly titled measures of other companies. The amounts shown for EBITDA also differ from the amounts calculated under similarly titled definitions in our debt instruments, which are further adjusted to reflect certain other cash and non-cash charges and are used to determine compliance with financial covenants and our ability to engage in certain activities, such as incurring additional debt and making certain restricted payments.

To compensate for the limitations of EBITDA, we utilize several GAAP measures to review our performance. These GAAP measures include, but are not limited to, net income (loss), income (loss) from operations, cash provided by (used in) operations, cash provided by (used in) investing activities and cash provided by (used in) financing activities. These important GAAP measures allow management to, among other things, review and understand our use of cash from period to period, compare our operations with competitors on a consistent basis and understand the revenues and expenses matched to each other for the applicable reporting period. We believe that the use of these GAAP measures, supplemented by the use of EBITDA, allows us to have a greater understanding of our performance and allows us to adapt to changing trends and business opportunities.

(2) Includes expenses and income relating to non-cash inventory step-up costs, management fees, transaction expenses associated with acquisitions, IPO expenses and loss (gain) on sale of assets and other net non-operating expenses which, if subtracted out, would result in a higher EBITDA. Inventory step-up costs accounted for $2.3 million for the twelve months ended December 31, 2006 and $1.7 million for both the twelve months ended December 31, 2005, and the period from December 1, 2004 through December 31, 2004. Inventory step-up costs accounted for $1.7 million for the combined twelve months ended December 31, 2004. Management fees consisted of $1.0 million for both the twelve months ended December 31, 2006 and

December 31, 2005. Transaction fees and expenses associated with acquisitions accounted for $0.6 million, $4.4 million and $4.4 million, for the twelve months ended December 31, 2006, the combined twelve months ended December 31, 2004, and the period from December 1, 2004 through December 31, 2004, respectively. Loss (gain) on sale of assets and other non-operating expenses (income) accounted for $0.9 million, $(0.1) million, $(1.2) million, and $(1.2) million for the twelve months ended December 31, 2006, the twelve months ended December 31, 2005, the combined twelve months ended December 31, 2004, and the eleven months ended November 30, 2004, respectively. We also incurred IPO related expenses of $0.6 million for the twelve months ended December 31, 2006. Additionally, we recorded a management termination fee of $3.0 million during the twelve months ended December 31, 2006.

(3) Working capital consists of total current assets less total current liabilities.

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

The following discussion of our financial condition and results of operations should be read together with Selected Historical Financial And Other Data, Unaudited Pro Forma Condensed Combined Financial Statements and the financial statements and related notes included elsewhere in this prospectus. The following discussion includes forward-looking statements. For a discussion of important factors that could cause actual results to differ materially from the results referred to in the forward-looking statements, see Cautionary Notice Regarding Forward-Looking Statements.

Overview

We are a leading global designer, producer and marketer of a wide range of MPT and motion control products with a presence in over 70 countries. Our global sales and marketing network includes over 1,000 direct OEM customers and over 3,000 distributor outlets. Our product portfolio includes industrial clutches and brakes, enclosed gear drives, open gearing, belted drives, couplings, engineered bearing assemblies, linear components, electronic drives and other related products. Our products serve a wide variety of end markets including energy, general industrial, material handling, mining, transportation and turf and garden. We primarily sell our products to a wide range of OEMs and through long-standing relationships with industrial distributors such as Motion Industries, Applied Industrial Technologies, Kaman Industrial Technologies and W.W. Grainger.

Our net sales have grown at a compound annual growth rate of approximately 20% over the last three fiscal years. We believe this growth has been a result of recent acquisitions, greater overall global demand for our products due to a strengthening economy, increased consumption in certain geographic markets such as China, expansion of our relationships with our customers and distributors and implementation of improved sales and marketing initiatives.

We improved our gross profit margin and operating profit margin every year from fiscal year 2002 through fiscal year 2006 by implementing strategic price increases, utilizing low-cost country sourcing of components, increasing our productivity and employing a more efficient sales and marketing strategy.

While the power transmission industry has undergone some consolidation, we estimate that in 2006, on a pro forma basis, the top five broad-based MPT companies represented approximately 20% of the U.S. power transmission market. The remainder of the power transmission industry remains fragmented with many small and family-owned companies that cater to a specific market niche often due to their narrow product offerings. We believe that consolidation in our industry will continue because of the increasing demand for global distribution channels, broader product mixes and better brand recognition to compete in this industry.

Key Components of Results of Operations

Net sales. We derive revenues primarily from selling products that are either incorporated into products sold by OEMs to end-users directly or sold through industrial distributors. Although we have exclusive arrangements with less than 5% of our distributors, we believe our long history of serving the replacement part market will continue to yield recurring purchases from our customers resulting in consistent revenues. Our net sales are derived by eliminating allowances for sales returns, cash discount and other deductions from revenues.

Cost of sales. Cost of sales includes direct expenses we incur in producing our products. This includes the amounts we pay for our raw materials, energy costs and labor expenses. Our cost of sales has increased due to increasing prices

in our raw materials, energy increases and minimum wage increases. We have offset certain cost increases by passing through these costs to our customers by way of product price increases or surcharges, as well as by focusing on operating efficiencies and cost savings programs.

Selling, general and administrative expense. Selling, general and administrative expense includes departmental costs for executive, legal and administrative services, finance, telecommunications, facilities and information technology.

Research and development expense. Research and development expense primarily consists of personnel expenses and contract services associated with the development of our products.

History and Recent Acquisitions

Our current business began with the acquisition by Colfax of the MPT group of Zurn Technologies, Inc. in December 1996. Colfax subsequently acquired Industrial Clutch Corp. in May 1997, Nuttall Gear Corp. in July 1997 and the Boston Gear and Delroyd brands in August 1997 as part of Colfax s acquisition of Imo Industries, Inc. In February 2000, Colfax acquired Warner Electric, Inc., which sold products under the Warner Electric, Formsprag Clutch, Stieber and Wichita Clutch brands. Colfax formed PTH in June 2004 to serve as a holding company for all of these power transmission businesses.

On November 30, 2004, we acquired our original core business through the acquisition of PTH from Colfax for $180.0 million in cash.

On October 22, 2004, The Kilian Company, or Kilian, a company formed at the direction of Genstar Capital, our principal equity sponsor, acquired Kilian Manufacturing Corporation from Timken U.S. Corporation for $8.8 million in cash and the assumption of $12.2 million of debt. At the completion of the PTH Acquisition, (i) all of the outstanding shares of Kilian capital stock were exchanged for approximately $8.8 million of shares of our capital stock and Kilian and its subsidiaries were transferred to our wholly owned subsidiary, Altra Industrial and (ii) all outstanding debt of Kilian was retired with a portion of the proceeds of the sale of Altra Industrial s 9% senior secured notes due 2011, or the 9% senior secured notes.

On February 10, 2006, we acquired all of the outstanding share capital of Hay Hall for $50.3 million net of cash acquired. Hay Hall and its subsidiaries became our indirect wholly owned subsidiaries. We paid $6.0 million of the total purchase price in the form of deferred consideration. At the closing of the Hay Hall Acquisition, we deposited such deferred consideration into an escrow account for the benefit of the former Hay Hall shareholders, which is represented by a loan note. While the former Hay Hall shareholders hold the note, their rights are limited to receiving the amount of the deferred consideration placed in the escrow account. They have no recourse against us unless we take action to prevent or interfere in the release of such funds from the escrow account.

Hay Hall is a U.K.-based holding company that is focused primarily on the manufacture of flexible couplings and clutch brakes. Through Hay Hall, we acquired 15 strong brands in complementary product lines, improved customer leverage and expanded geographic presence in over 11 countries. Hay Hall s product offerings diversified our revenue base and strengthened our key product areas, such as electric clutches, brakes and couplings. Matrix International, Inertia Dynamics and Twiflex, three Hay Hall businesses, combined with Warner Electric, Wichita Clutch, Formsprag Clutch and Stieber, make the consolidated company one of the largest individual manufacturers of industrial clutches and brakes in the world. The Hay Hall Acquisition did not create a new reportable segment.

On May 18, 2006, Altra Industrial acquired substantially all of the assets of Bear Linear for $5.0 million. Approximately $3.5 million was paid at closing and the remaining $1.5 million is payable over approximately the next two years. Bear Linear manufactures high value-added linear actuators which are electromechanical power transmission devices designed to move and position loads linearly for mobile off-highway and industrial applications. Bear Linear s product design and engineering expertise, coupled with Altra Industrial s sourcing alliance with a low cost country manufacturer, were critical components in Altra Industrial s strategic expansion into the motion control

market.

On December 20, 2006, we completed a $155.2 million initial public offering of our common stock in which we realized gross proceeds of approximately $41.8 million.

On February 27, 2007, pursuant to the terms of the indenture governing Altra Industrial s 111/4% senior notes, Altra Industrial redeemed £11.6 million, or U.S. $22.7 million (based on an exchange rate of 1.963 U.S. Dollars to 1.0 U.K. Pounds as of February 27, 2007), of its 111/4% senior notes with a portion of the proceeds received from our IPO.

On March 5, 2007, Forest Acquisition Corporation, our then wholly owned subsidiary, commenced a cash tender offer of $24.80 per share for all outstanding shares of TB Wood s common stock. The tender offer expired on April 2, 2007 and the acquisition, including a back-end merger to acquire any untendered shares, was completed on April 5, 2007. To finance the TB Wood s Acquisition, Altra Industrial issued $105.0 million aggregate principal amount of its 9% senior secured notes.

Cost Savings and Productivity Enhancement Initiatives

Our Predecessor enacted significant cost savings programs prior to our acquisition of PTH and we subsequently enacted other cost savings programs to reduce overall cost structure and improve cash flows. Cost reduction programs included the consolidation of facilities, headcount reductions and reduction in overhead costs, which resulted in restructuring charges, asset impairment and transition expenses of $11.1 million in the year ended December 31, 2003. Cash outflows related to the restructuring programs were $2.2 million in 2004 and $13.9 million in 2003. The financial effects of some of the specific cost reduction programs are listed below:

In 2003, our Predecessor incurred transition expenses, including relocation, training, recruiting and moving costs, directly related to implementing its restructuring activities amounting to $9.1 million.

In 2003, our Predecessor recorded a $2.0 million loss from the sale of certain real estate associated with facilities closed as a part of its restructuring activities.

In 2005, we re-negotiated two of our U.S. collective bargaining agreements which we estimate provide for savings of $0.8 million annually.

In 2006, we re-negotiated one of our U.S. collective bargaining agreements which we estimate provides for savings of $2.2 million annually.

Non-GAAP Financial Measures

The discussion of Results of Operations below includes certain references to financial results on a *combined basis.* The combined results were prepared by adding our results from inception on December 1, 2004 to December 31, 2004 to those from our Predecessor for the 11 month period ending November 30, 2004. This presentation is not in accordance with GAAP. The primary differences between the predecessor entity and the successor entity are the inclusion of Kilian in the successor and the successor s book basis has been stepped up to fair value, such that the successor has additional depreciation, amortization and financing costs. The results of Kilian are included in our results for the period from December 1, 2004 through December 31, 2004. Management believes that this combined basis presentation provides useful information for our investors in the comparison to Predecessor trends and operating results. The combined results are not necessarily indicative of what our results of operations may have been if the PTH Acquisition and Kilian Transactions had been consummated earlier, nor should they be construed as being a representation of our future results of operations.

Interim Results of Operations

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
	(Unaudited) (In thousands, except percentage data)	
Net sales	$ 132,706	$ 114,784
Cost of sales	94,658	82,930
Gross profit	38,048	31,854
Gross profit percentage	28.7%	27.8%
Selling, general and administrative expenses	20,827	18,727
Research and development expenses	1,294	1,204
Restructuring charges	793	
Income from operations	15,134	11,923
Interest expense, net	9,148	6,441
Other non-operating income, net	(47)	(159)
Income before income taxes	6,033	5,641
Provision for income taxes	2,265	2,437
Net income	$ 3,768	$ 3,204

Results of Operations

Three Months Ended March 31, 2007 Compared with Three Months Ended March 31, 2006

Net sales

Net sales increased by $17.9 million, or 15.6%, from $114.8 million for the quarter ended March 31, 2006 to $132.7 million for the quarter ended March 31, 2007. Without including the impact of Hay Hall, acquired February 10, 2006 and Warner Linear, acquired May 18, 2006, sales volume increased 8.1%. The increase was due to the strength of the energy, primary metals, material handling and mining industries.

Gross profit

Gross profit increased by $6.2 million, or 19.4%, from $31.9 million (27.8% of net sales), for the quarter ended March 31, 2006 to $38.0 million (28.7% of net sales) for the quarter ended March 31, 2007. The increase is due to the inclusion of Hay Hall and Warner Linear for the full quarter ended March 31, 2007.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $2.1 million, or 11.2%, from $18.7 million for the quarter ended March 31, 2006 to $20.8 million for the quarter ended March 31, 2007. The increase in selling, general and administrative expenses was primarily due to the inclusion of Hay Hall and Warner Linear for the full quarter ended March 31, 2007.

Research and development expenses

Research and development expenses were consistent for both periods.

Restructuring

During the first quarter of 2007, we adopted a restructuring program intended to improve operational efficiency by reducing headcount, consolidating our operating facilities and relocating manufacturing to lower cost areas. We incurred approximately $0.8 million of restructuring expense in the first quarter of 2007.

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EBITDA

To reconcile net income to EBITDA for the quarter ended March 31, 2007, we added back to net income $2.3 million provision of income taxes, $9.1 million of interest expense and $4.5 million of depreciation and amortization expenses. To reconcile net income to EBITDA for the quarter ended March 31, 2006, we added back to net income $2.4 million provision of income taxes, $6.4 million of interest expense and $2.9 million of depreciation and amortization expenses. Taking into account the foregoing adjustments, our resulting EBITDA was $19.6 million for the quarter ended March 31, 2007 and $15.0 million for the quarter ended March 31, 2006. The increase was due to the acquisitions of Hay Hall and Warner Linear, price increases, volume, and cost saving measures.

Interest expense

We recorded interest expense of $9.1 million during the quarter ended March 31, 2007, which was an increase of $2.7 million from the quarter ended March 31, 2006. The increase was due to the interest associated with the Senior Notes being outstanding for the entire first quarter of 2007, the pre-payment premium and the amortization of deferred financing costs associated with the pay-down of the Senior Notes. For a description of the Senior Notes please see Note 9 to our Condensed Consolidated Financial Statements.

Provision for income taxes

The provision for income taxes was $2.3 million, or 37.5%, of income before taxes, for the quarter ended March 31, 2007, versus a provision of $2.4 million, or 43.2%, of income before taxes, for the quarter ended March 31, 2006. The 2007 provision as a percentage of income before taxes was lower than that of 2006, primarily due to a greater proportion of taxable income in jurisdictions having lower statutory tax rates.

Year End Results of Operations

	Year Ended December 31, 2006	Year Ended December 31, 2005	Combined 12 Months Ended December 31, 2004 (Unaudited)	From Inception (December 1, 2004) through December 31, 2004	Predecessor 11 Months Ended November 30, 2004
	(In thousands, except percentage data)				
Net sales	$ 462,285	$ 363,465	$ 303,662	$ 28,625	$ 275,037
Cost of sales	336,836	271,952	233,100	23,847	209,253
Gross profit	125,449	91,513	70,562	4,778	65,784
Gross profit percentage	27.1%	25.2%	23.2%	16.7%	23.9%
Selling, general and administrative expenses	83,276	61,579	54,294	8,973	45,321
Research and development expenses	4,938	4,683	4,325	378	3,947

Restructuring charge, asset impairment and transition expenses			947		947
Gain on curtailment of post-retirement benefit plan	(3,838)				
Gain on sale of assets		(99)	(1,300)		(1,300)
Income (loss) from operations	41,073	25,350	12,296	(4,573)	16,869
Interest expense, net	25,479	19,514	5,906	1,612	4,294
Other non-operating (income) expense	856	(17)	148		148
Income (loss) before income taxes	14,738	5,853	6,242	(6,185)	12,427
Provision (benefit) for income taxes	5,797	3,349	5,240	(292)	5,532
Net income (loss)	$ 8,941	$ 2,504	$ 1,002	$ (5,893)	$ 6,895

Year Ended December 31, 2006 Compared with Year Ended December 31, 2005

Net sales

Net sales increased by $98.8 million, or 27.2%, from $363.5 million, for the year ended December 31, 2005 to $462.3 million for the year ended December 31, 2006. Net sales increased primarily due to the inclusion of Hay Hall and Warner Linear in the results of the year ended December 31, 2006. Hay Hall net sales for the period February 10 to December 31, 2006 were $65.5 million and Warner Linear s sales for the period from May 18 to December 31, 2006 were $3.2 million. The remaining net increase was due to price increases and strong distribution sales for the aftermarket and the strength of several key markets including energy, primary metals and mining.

Gross profit

Gross profit increased by $33.9 million, or 37.1%, from $91.5 million (25.2% of net sales), for the year ended December 31, 2005 to $125.4 million (27.1% of net sales) for the year ended December 31, 2006. The increase includes $14.1 million from Hay Hall for the period from February 10 to December 31, 2006 and $0.7 million from Warner Linear for the period from May 18 to December 31, 2006. Excluding Hay Hall and Warner Linear, gross profit increased approximately $19.2 million, or 21.0%, and gross profit as a percentage of sales increased to 28.1% due to price increases during the first quarter of 2006 and an increase in low cost country material sourcing and manufacturing efficiencies implemented by the new management team in the second half of 2005.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $21.7 million, or 35.2%, from $61.6 million for the year ended December 31, 2005 to $83.3 million for the year ended December 31, 2006. The increase in selling, general and administrative expenses is due to the inclusion of Hay Hall for the period from February 10 to December 31, 2006 and Warner Linear for the period from May 18 to December 31, 2006, which contributed $11.1 million and $0.6 million, respectively. Excluding Hay Hall and Warner Linear, selling, general and administrative expenses, as a percentage of net sales, increased from 16.9% in 2005 to 18.2% in 2006, primarily due to the $3.0 million termination fee paid to Genstar, $1.0 million transaction fee paid to Genstar in connection with the Hay Hall acquisition and $1.9 million stock based compensation expense offset by the cost savings initiatives.

Research and development expenses

Research and development expenses increased by $0.2 million, or 5.4%, from $4.7 million for the year ended December 31, 2005 to $4.9 million for the year ended December 31, 2006. The increase was primarily due to the inclusion of Hay Hall for the period from February 10 to December 31, 2006.

EBITDA

To reconcile net income to EBITDA for the year ended December 31, 2006, we added back to net income $5.8 million provision of income taxes, $25.5 million of interest expense and $14.6 million of depreciation and amortization expenses. To reconcile net income to EBITDA for the year ended December 31, 2005, we added back to net income $3.3 million provision of income taxes, $19.5 million of interest expense and $11.5 million of depreciation and amortization expenses. Taking into account the foregoing adjustments, our resulting EBITDA was $54.8 million for 2006 and $36.9 million for 2005.

Other non-operating (income) expense

We recorded $0.9 million of non-operating expense for the year ended December 31, 2006 which was primarily due to foreign currency translation losses due to the strengthening of the British Pound Sterling and Euro.

Interest expense

We recorded interest expense of $25.5 million during 2006 primarily relating to the 9% senior secured notes, 111/4% senior notes, subordinated notes and amortization of related deferred financing costs. Interest

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expense of $19.5 million was recorded during 2005. The increase was due to the issuance of the 111/4% senior notes during 2006 and the redemption of the subordinated notes which resulted in prepayment penalties and the write-off of the related deferred financing costs.

Provision for income taxes

The provision for income taxes was $5.8 million, or 39.3%, of income before taxes, for the year ended December 31, 2006, versus a provision of $3.3 million, or 57.2%, of income before taxes, for the year ended December 31, 2005. The 2005 provision as a percent of income before taxes was higher than that of 2006 primarily due to the Hay Hall Acquisition and a greater proportion of taxable income in jurisdictions possessing lower statutory tax rates. For further discussion, refer to Note 8 in the audited financial statements.

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

Net sales

Net sales increased by $59.8 million, or 19.7%, from $303.7 million on a combined basis, for the year ended December 31, 2004 to $363.5 million for the year ended December 31, 2005. Net sales increased primarily due to the inclusion of Kilian in the results of the year ended December 31, 2005. Kilian s net sales for 2005 were $42.5 million. The remaining net increase was due to price increases, improving economic conditions at our customers in the steel, energy and petrochemical industries and increased sales of $4.7 million to certain transportation customers and $2.5 million in mining OEM customers, partially offset by a weakening at our turf and garden OEM customers. On a constant currency basis sales increased $58.7 million, or 19.3%, in 2005. Excluding Kilian, the constant currency increase in sales was $17.0 million, or 5.6%.

Gross profit

Gross profit increased by $21.0 million, or 29.7%, from $70.6 million (23.2% of net sales) on a combined basis for the year ended December 31, 2004 to $91.5 million (25.2% of net sales) for the year ended December 31, 2005. The increase includes $9.1 million from Kilian for 2005. Excluding Kilian, gross profit increased approximately $11.9 million, or 16.8%, and gross profit as a percentage of sales increased to 25.7%. The remaining increase in gross profit is attributable to price increases during the second half of 2005, an increase in low cost country material sourcing and manufacturing efficiencies implemented by the new management team. Savings from low cost country material sourcing and manufacturing efficiencies totaled $2.63 million.

Selling, general and administrative expenses

Selling, general and administrative expenses increased by $7.3 million, or 13.4%, from $54.3 million on a combined basis for the year ended December 31, 2004 to $61.6 million for the year ended December 31, 2005. The increase in selling, general and administrative expenses is due to the inclusion of Kilian in 2005, which contributed $3.4 million to the increase, $3.0 million of amortization of intangibles, and $1.0 million management fee paid to Genstar Capital, L.P., offset by cost savings initiatives of $1.0 million put in place during 2005. Excluding Kilian, selling, general and administrative expenses, as a percentage of net sales, increased from 17.9% in 2004 to 18.1% in 2005, primarily due to the amortization of intangibles and the management fee paid to Genstar Capital, L.P., offset by the cost savings initiatives. On a constant currency basis, selling, general and administrative expenses increased $6.4 million, or 11.8%, from $54.3 million, on a combined basis, in 2004. Excluding Kilian, selling, general and administrative expenses, on a constant currency basis, increased $3.0 million, or 5.6%, and was 17.9% of sales.

Research and development expenses

Research and development expenses increased by $0.4 million, or 8.3%, from $4.3 million on a combined basis for the year ended December 31, 2004 to $4.7 million for the year ended December 31, 2005. The increase was primarily due to development projects including the Foot/Deck Mount Kopper Kool brake, a new clutch brake for the mining industry, spot brake technology, various elevator brakes and forklift brakes.

Gain on sale of assets

Our Predecessor recorded a gain on sale of assets of $1.3 million during 2004 relating to the sale of surplus real estate. We recorded a gain of $0.1 million from the sale of surplus machinery during 2005.

Restructuring charge, asset impairment and transition expenses

Restructuring charge, asset impairment and transition expenses decreased from $0.9 million on a combined basis in 2004 to zero in 2005 due to the ending of the program in 2004.

Interest expense, net

We recorded interest expense of $19.5 million during 2005 primarily due to the 9% senior secured notes, the subordinated notes and the amortization of related deferred financing costs. On a combined basis, interest expense of $5.9 million was recorded during 2004.

Provision for income taxes

The provision for income taxes was $3.3 million, or 57.2%, of income before taxes, for the year ended December 31, 2005, versus a combined provision of $5.2 million, or 83.9%, of income before taxes, for the year ended December 31, 2004. The 2004 provision as a percentage of income before taxes was higher than that of 2005 primarily due to the impact of non-deductible transaction expenses incurred in connection with the PTH Acquisition in 2004. For further discussion, refer to Note 8 to the audited financial statements.

Selected Quarterly Consolidated Financial Information

The following table sets forth our unaudited quarterly consolidated statements of operations for each of our last eight quarters. You should read these tables in conjunction with our consolidated financial statements and accompanying notes included elsewhere in this prospectus. We have prepared this unaudited information on the same basis as our audited consolidated financial statements. These tables include all adjustments, consisting only of normal recurring adjustments that we consider necessary for a fair presentation of our operating results for the quarters presented. Operating results for any quarter are not necessarily indicative of results for any subsequent periods.

	Altra Holdings, Inc.							
	March 31, 2007	**Dec. 31, 2006**	**Sept. 29, 2006**	**June 30, 2006**	**March 31, 2006**	**Dec. 31, 2005**	**Sept. 30, 2005**	**July 1, 2005**
	(In thousands, except per share data)							
Net sales	$ 132,706	$ 114,774	$ 112,953	$ 119,774	$ 114,784	$ 89,974	$ 85,155	$ 93,034
Cost of sales	94,658	83,877	82,528	87,501	82,930	65,046	63,784	69,720
Gross profit	38,048	30,897	30,425	32,273	31,854	24,928	21,371	23,314
Selling, general and administrative and	22,121	27,043	20,858	20,382	19,931	16,678	16,094	16,456

research and development expenses								
Restructuring Charges	793							
Gain on curtailment of post-retirement benefit plan			(3,838)					
Operating profit (loss)	15,134	3,854	13,405	11,891	11,923	8,250	5,277	6,858
Interest expense, net	9,148	6,097	6,567	6,374	6,441	4,867	4,876	4,902
Other expense (income), net	(47)	209	734	72	(159)	(20)	(10)	13
Income (loss) before income taxes	6,033	(2,452)	6,104	5,445	5,641	3,403	411	1,943
Provision for income taxes (benefit)	2,265	(700)	2,311	1,749	2,437	2,108	207	859
Net income (loss)	$ 3,768	$ (1,752)	$ 3,793	$ 3,696	$ 3,204	$ 1,295	$ 204	$ 1,084
Weighted average shares of common stock outstanding:								
Basic	21,880	3,842	332	332	332	35		
Diluted	22,878	3,842	19,370	19,413	19,362	19,050	18,540	18,186
Net income per share:								
Basic	$ 0.17	$ (0.46)	$ 11.42	$ 11.13	$ 9.65	$ 37.00	$	$
Diluted	$ 0.16	$ (0.46)	$ 0.20	$ 0.19	$ 0.17	$ 0.07	$ 0.01	$ 0.06

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Seasonality

We experience seasonality in our turf and garden business, which in recent years has represented approximately 10% of our net sales. As our large OEM customers prepare for the spring season, our shipments generally start increasing in December, peak in February and March, and begin to decline in April and May. This allows our customers to have inventory in place for the peak consumer purchasing periods for turf and garden products. The low season is typically June through November for us and our customers in the turf and garden market. Seasonality for the turf and garden business is also affected by weather and the level of housing starts.

Inflation

Inflation can affect the costs of goods and services we use. The majority of the countries that are of significance to us, from either a manufacturing or sales viewpoint, have in recent years enjoyed relatively low inflation. The competitive environment in which we operate inevitably creates pressure on us to provide our customers with cost-effective products and services.

Liquidity and Capital Resources

Overview

Historically, our Predecessor financed capital and working capital requirements through a combination of cash flows from operating activities and borrowings from financial institutions and its former parent company, Colfax. We finance our capital and working capital requirements through a combination of cash flows from operating activities and borrowings under our senior revolving credit facility. We expect that our primary ongoing requirements for cash will be for working capital, debt service, capital expenditures and pension plan funding. If additional funds are needed for strategic acquisitions or other corporate purposes, we believe we could borrow additional funds or raise funds through the issuance of equity securities or asset sales.

Borrowings

In connection with the PTH Acquisition, we incurred substantial indebtedness. To partially fund the PTH acquisition, our subsidiary, Altra Industrial, issued $165.0 million of its 9% senior secured notes, we issued $14.0 million of subordinated notes, or the CDPQ subordinated notes, to Caisse de dépôt et placement du Québec, or CDPQ, a limited partner of Genstar Capital Partners III, L.P., and Altra Industrial entered into a $30.0 million senior revolving credit facility. All of the CDPQ subordinated notes were redeemed in 2006. In connection with our acquisition of Hay Hall in February 2006, Altra Industrial issued £33.0 million of 111/4% senior notes. Based on an exchange rate of 1.7462 U.S. Dollars to 1.0 U.K. Pounds (as of February 8, 2006), the proceeds from these notes were approximately $57.6 million. The notes are unsecured and are due in 2013. Interest on the 111/4% senior notes is payable in U.K. Pounds semiannually in arrears on February 15 and August 15 of each year, commencing August 15, 2006.

In February 2007, Altra Industrial redeemed £11.6 million, or U.S. $22.7 million (based on an exchange rate of 1.963 U.S. Dollars to 1.0 U.K. Pounds as of February 27, 2007), aggregated principal amount of its outstanding 111/4% senior notes, at a redemption price of 111.25% of the principal amount of the 111/4% senior notes, plus accrued and unpaid interest to the redemption date, using a portion of the proceeds received from our IPO.

As of March 31, 2007, Altra Industrial had outstanding $165.0 million of 9% senior secured notes, $42.1 million of 111/4% senior notes, $3.0 million in capital leases, $2.5 million in mortgages and had no outstanding borrowings and $2.9 million of outstanding letters of credit under its senior revolving credit facility. This constitutes approximately $212.6 million of total indebtedness.

In April 2007, in connection with the TB Wood s Acquisition, Altra Industrial issued an additional $105.0 million of its 9% senior secured notes. We expect our interest expense, arising from our existing debt, including the additional $105.0 million in debt, to be approximately $32.5 million on an annual basis, through the maturity of the 9% senior secured notes, in 2011.

In connection with the TB Wood s Acquisition, we refinanced $13.0 million of TB Wood s indebtedness of which $13.0 million was outstanding as of April 30, 2007. The TB Wood s senior secured credit facility requires each borrower and any subsidiary guarantor to comply with a fixed charge coverage ratio of 1.0 to 1.0, measured each fiscal quarter, and also limits the amount of TB Wood s annual capital expenditures until the loans are repaid or the agreement is terminated.

TB Wood s and each of its domestic subsidiaries are borrowers, or TBW Borrowers, under the TB Wood s senior secured credit facility. Certain of TB Wood s subsequently acquired or organized domestic subsidiaries which are not TBW Borrowers will guarantee (on a senior secured basis) the TB Wood s senior secured credit facility. Obligations of the other TBW Borrowers under the TB Wood s senior secured credit facility are secured by substantially all of the TBW Borrowers assets and the assets of each of our subsequently acquired or organized domestic subsidiaries that is a guarantor of our obligations under the TB Wood s senior secured credit facility (with such subsidiaries being referred to as the *domestic subsidiary guarantors*), including but not limited to: (a) a first-priority pledge of all the capital stock of subsidiaries held by the TBW Borrowers or any domestic subsidiary guarantor (which pledge, in the case of any foreign subsidiary, will be limited to 100% of any non-voting stock and 65% of the voting stock of such foreign subsidiary) and (b) perfected first-priority security interests in and mortgages on substantially all tangible and intangible assets of each TBW Borrower and domestic subsidiary guarantor, including accounts receivable, inventory, equipment, general intangibles, investment property, intellectual property, real property (other than leased real property), cash and proceeds of the foregoing (in each case subject to materiality thresholds and other exceptions).

We would suffer an event of default under the TB Wood s senior secured credit facility for a change of control if: (i) Altra Industrial ceases to own or control 100% of the voting stock of TB Wood s or (ii) except in limited permitted contexts, any TBW Borrower ceases to own or control 100% of the voting stock of each of its subsidiaries that are TBW Borrowers or TB Wood s ceases to own or control 100% of any of its existing or subsequently acquired domestic subsidiaries.

An event of default would occur under the TB Wood s senior secured credit facility if, among other things, an event of default occurs under the senior revolving credit facility, the indentures governing the 9% senior secured notes or the 111/4% senior notes or if there is a default under any other indebtedness any TBW Borrower may have involving an aggregate amount of $2 million or more and such default: (i) occurs at final maturity of such debt, (ii) allows the lender thereunder to accelerate such debt or (iii) causes such debt to be required to be repaid prior to its stated maturity. An event of default would also occur under the TB Wood s senior secured credit facility if any of the indebtedness under the TB Wood s senior secured credit facility ceases to be senior in priority to any of our other contractually subordinated indebtedness, including the obligations under the senior revolving credit facility, the 9% senior secured notes and 111/4% senior notes.

Altra Industrial s senior revolving credit facility provides for senior secured financing of up to $30.0 million, including $10.0 million available for letters of credit. The senior revolving credit facility requires Altra Industrial to comply with a minimum fixed charge coverage ratio of 1.20 for all four quarter periods when availability falls below $12.5 million.

Altra Industrial and all of its domestic subsidiaries, as they existed upon the effectiveness of the credit agreement, are borrowers, or Borrowers, under the senior revolving credit facility. Certain of our existing and subsequently acquired or organized domestic subsidiaries which are not Borrowers do and will guarantee (on a senior secured basis) the senior revolving credit facility. Obligations of the other Borrowers under the senior revolving credit facility and the guarantees are secured by substantially all of the Borrowers assets and the assets of each of our existing and subsequently acquired or organized domestic subsidiaries that is a guarantor of our obligations under the senior revolving credit facility (with such subsidiaries being referred to as the *U.S. subsidiary guarantors*), including but

not limited to: (a) a first-priority pledge of all the capital stock of subsidiaries held by the Borrowers or any U.S. subsidiary guarantor (which pledge, in the case of any foreign subsidiary, will be limited to 100% of any non-voting stock and 65% of the voting stock of such foreign subsidiary) and (b) perfected first-priority security interests in and mortgages on substantially all tangible and intangible assets of each Borrower and U.S. subsidiary guarantor, including accounts receivable, inventory,

equipment, general intangibles, investment property, intellectual property, real property (other than (i) leased real property and (ii) our existing and future real property located in the State of New York), cash and proceeds of the foregoing (in each case subject to materiality thresholds and other exceptions).

We would suffer an event of default under the senior revolving credit facility for a change of control if: (i) after our initial public offering, a person or group, other than Genstar Capital and its affiliates, beneficially owned more than 35% of Altra Industrial s stock and such amount were more than the amount of shares owned by Genstar Capital and its affiliates, (ii) Altra Industrial ceases to own or control 100% of each of its borrower subsidiaries, or (iii) a change of control occurs under the 9% senior secured notes, 111/4% senior notes or any other subordinated indebtedness.

An event of default would occur under the senior revolving credit facility if, among other things, an event of default occurs under the TB Wood s senior secured credit facility, the indentures governing the 9% senior secured notes or the 111/4% senior notes or if there is a default under any other indebtedness any Borrower may have involving an aggregate amount of $3 million or more and such default: (i) occurs at final maturity of such debt, (ii) allows the lender thereunder to accelerate such debt or (iii) causes such debt to be required to be repaid prior to its stated maturity. An event of default would also occur under the senior revolving credit facility if any of the indebtedness under the senior revolving credit facility ceases to be senior in priority to any of our other contractually subordinated indebtedness, including the obligations under the TB Wood s senior secured credit facility, the 9% senior secured notes and 111/4% senior notes.

Under the agreements governing Altra Industrial s indebtedness, its subsidiaries are permitted to make dividend payments to Altra Industrial for use in its operations and to pay off its senior revolving credit facility and outstanding notes. The outstanding balance due under the CDPQ subordinated notes was paid in full on December 7, 2006. In addition, the first priority liens against Altra Industrial, its subsidiaries and their assets created by Altra Industrial s indebtedness limits its ability to sell or transfer such subsidiaries or assets.

As of March 31, 2007, we were in compliance with all covenant requirements associated with all of our borrowings.

TB Wood s previously borrowed approximately $3.0 million and $2.3 million by issuing variable rate demand revenue bonds under the authority of the industrial development corporations of the City of San Marcos, Texas and City of Chattanooga, Tennessee, respectively. The variable rate demand revenue bonds bear variable interest rates (3.77% at December 31, 2006) and mature in April 2024 and April 2022. The variable rate demand revenue bonds were issued to finance production facilities for TB Wood s manufacturing operations located in those cities, and are secured by letters of credit issued under the terms of TB Wood s senior secured credit facility.

As of April 30, 2007, $0.4 million was outstanding under a 1.3% term loan borrowed by our Italian subsidiary. The term debt is payable in semi-annual installments until December, 2012.

Capital Expenditures

We made capital expenditures of approximately $1.0 million and $1.2 million in the three months ended March 31, 2007 and March 31, 2006, respectively. These capital expenditures will support our on-going business needs. We expect to spend a total of approximately $15.0 million on capital expenditures in 2007.

Our senior revolving credit facility imposes a maximum annual limit on our capital expenditures of $25.8 million for fiscal year 2007, $20.0 million for fiscal year 2008, $21.3 million for fiscal year 2009, and $22.5 million for fiscal year 2010 and each fiscal year thereafter, provided that 75% of the unspent amounts from prior periods may be used in future fiscal years.

Pension Plans

As of March 31, 2007, we had cash funding requirements associated with our pension plan which we estimated to be $2.8 million for the remainder of 2007, $2.5 million for 2008 and $1.9 million annually thereafter until 2011. These amounts represent funding requirements for the previous pension benefits we

provided our employees. In 2006, we eliminated pension benefits in one of our locations. These amounts are based on actuarial assumptions and actual amounts could be materially different. See Note 9 to our audited financial statements included elsewhere in this prospectus.

Comparative Cash Flows

Cash and cash equivalents totaled $11.6 million at March 31, 2007 compared to $42.5 million at December 31, 2006. Net cash used in operating activities for the quarter ended March 31, 2007 resulted primarily from cash provided by net income of $3.8 million and the add-back of non-cash depreciation, amortization stock based compensation, disposal of fixed assets, loss on foreign currency, accretion of debt discount and deferred financing costs of $6.2 million offset by a net increase in operating assets of $13.3 million and a net decrease in operating liabilities of $2.7 million.

Net cash used in investing activities of $1.0 million for the quarter ended March 31, 2007 resulted from $1.0 million used in the purchases of property, plant and equipment primarily for investment in manufacturing equipment.

Net cash used in financing activities of $24.0 million for the quarter ended March 31, 2007 consisted primarily of the payment of $22.7 million for the pay down of the 11.25% senior notes and $1.1 million for the payment of initial public offering costs.

Net cash flow used in operating activities for the quarter ended March 31, 2006 resulted primarily from cash provided by net income of $3.2 million and the add-back of non-cash depreciation, amortization and accretion and deferred financing costs of $3.6 million, deferred tax expense of $1.1 million, non-cash amortization of $1.0 million for inventory step-ups recorded as part of the Hay Hall Acquisition and a net increase in operating liabilities of $3.5 million, offset by a net increase in operating assets of $12.2 million.

Net cash used in investing activities of $51.8 million for the quarter ended March 31, 2006 resulted from $50.5 million used in the purchase of Hay Hall and $1.2 million used in the purchase of property, plant and equipment primarily for investment in manufacturing equipment and for the consolidation of our IT infrastructure.

Net cash provided by financing activities of $46.8 million for the quarter ended March 31, 2006 resulted primarily from the proceeds of $57.6 million from the issuance of the senior notes in connection with the Hay Hall Acquisition, offset primarily by payment on the subordinated notes of $9.0 million and payment of debt issuance cost of $1.8 million.

Cash and cash equivalents totaled $42.5 million at December 31, 2006 compared to $10.1 million at December 31, 2005. The primary source of funds for fiscal 2006 was cash provided by financing and operating activities of $83.8 million and $11.1 million, respectively. Net cash provided by operating activities for 2006 resulted primarily from net income of $8.9 million, non cash depreciation, amortization and deferred financing costs of $15.9 million, non cash amortization of $2.3 million for inventory step ups recorded as part of the Hay Hall Acquisition and $1.1 million related to the loss on foreign currency which was offset by a non-cash gain on the curtailment of other post-retirement benefit plan of $3.8 million and by cash used by a net decrease in operating liabilities of $13.7 million and by cash used from a net increase in operating assets of $4.3 million.

Net cash used in investing activities of $63.2 million for 2006 resulted from $9.4 million of purchases of property, plant and equipment primarily for investment in manufacturing equipment and for the consolidation of our IT infrastructure and $53.8 million related to the acquisitions of Hay Hall and Bear Linear.

Net cash provided by financing activities of $83.8 million for 2006 consisted primarily of $57.6 million from the issuance of the 111/4% senior notes, $41.9 million from the proceeds of the initial public offering, net of underwriters discount, and $2.5 million from mortgage proceeds. These amounts are offset by the $14.0 million pre-payment of the subordinated debt and by the $2.7 million payment of debt issuance costs associated with the 111/4% senior notes.

Cash and cash equivalents totaled $10.1 million at December 31, 2005 compared to $4.7 million at December 31, 2004. The primary source of funds for fiscal 2005 was cash provided by operating activities of $12.0 million. Net cash provided by operating activities for 2005 resulted mainly from net income of $2.5 million, non-cash depreciation, amortization and deferred financing costs of $13.1 million, non-cash amortization of $1.7 million for inventory step-ups recorded as part of the PTH Acquisition which was offset by a net decrease in operating liabilities of $3.8 million and by cash used from a net increase in operating assets of $1.8 million.

Net cash used in investing activities of $5.2 million for 2005 resulted from $6.2 million of purchases of property, plant and equipment primarily for investment in manufacturing equipment and for the consolidation of our IT infrastructure and from the $0.7 million final payment related to the acquisition of Kilian, partially offset by the sale of manufacturing equipment with proceeds of approximately $0.1 million and the return of approximately $1.6 million of the purchase price for PTH.

Net cash used by financing activities of $1.0 million for 2005 consisted primarily of payments of debt issuance expenses of $0.3 million, payment of $0.2 million of paid-in-kind interest and approximately $0.8 million of capital lease payments partially offset by proceeds of $0.4 million from the sale of preferred stock.

Debt Repayment

The outstanding balance due under the CDPQ subordinated notes was paid in full by Altra Industrial on our behalf on December 7, 2006. Altra Industrial also paid approximately $0.8 million and $0.8 million of interest and prepayment premium, respectively.

On February 27, 2007, pursuant to the terms of the indenture governing our 111/4% senior notes, Altra Industrial redeemed £11.6 million of its 111/4% senior notes with a portion of the proceeds received from our IPO.

Contractual Obligations

The following table is a summary of contractual obligations as of December 31, 2006 (in millions):

	Payments Due by Period						
	2007	**2008**	**2009**	**2010**	**2011**	**Thereafter**	**Total**
Senior revolving credit facility[(1)]	$	$	$	$	$	$	$
9% senior secured notes[(2)]					165.0		165.0
111/4% senior notes[(3)]						64.6	64.6
Mortgage[(4)]	0.1	0.1	0.1	0.1	0.1	2.1	2.6
Capital leases	0.6	0.4	0.4	0.1	0.1		1.6
Operating leases	4.1	2.9	1.9	0.9	0.6	1.5	11.9
Total contractual obligations	$ 4.8	$ 3.4	$ 2.4	$ 1.1	$ 165.8	$ 68.2	$ 245.7

(1) We have up to $30.0 million of borrowing capacity, through November 2009, under our senior revolving credit facility (including $10.0 million available for use for letters of credit). At December 31, 2006, we had no outstanding borrowings and $2.9 million of outstanding letters of credit under our senior revolving credit

facility.

(2) We have semi-annual cash interest requirements due on the 9% senior secured notes with $14.9 million payable in each of 2007, 2008, 2009, 2010 and thereafter.

(3) Assuming an exchange rate of 1.959 of U.S. Dollars to 1.0 U.K. Pounds as of December 31, 2006, we have semi-annual cash interest requirements due on the 111/4% senior notes with $7.3 million payable in

footnotes continued on following page

each of 2007, 2008, 2009, 2010, 2011 and $10.9 million thereafter. The principal balance of £33 million is due in 2013 which, assuming an exchange rate of 1.959 of U.S. Dollars to 1.0 U.K. Pounds, equals approximately $64.6 million. On February 27, 2007, we redeemed £11.6 million aggregated principal amount of our outstanding 111/4% senior notes, at a redemption price of 111.25% of the principal amount of the 111/4% senior notes, plus accrued and unpaid interest to the redemption date, using a portion of the proceeds from our IPO.

(4) In June, 2006, our German subsidiary entered into a mortgage on its building in Heidelberg, Germany, with a local bank. As of December 31, 2006, the mortgage has a principal of 2.0 million, an interest rate of 5.75% and is payable in monthly installments over 15 years.

We have cash funding requirements associated with our pension plan. As of December 31, 2006, these requirements were $3.6 million in 2007, $2.5 million in 2008 and $1.9 million annually thereafter until 2011. These amounts are based on actuarial assumptions and actual amounts could be different. See Note 9 to our audited financial statements included elsewhere in this prospectus.

In connection with the TB Wood s Acquisition, Altra Industrial issued $105.0 million aggregate principal amount of 9% senior secured notes due 2011. We have semi-annual cash interest requirements due on these notes with $9.5 million payable in each of 2007, 2008, 2009, 2010 and 2011. As of April 30, 2007, we had $13.0 million outstanding under the TB Wood s senior secured credit facility, $5.3 million outstanding under variable rate demand revenue bonds (3.77% at December 31, 2006), $0.4 million outstanding under a foreign term loan, and $0.2 million of equipment financing and capital leases. The principal and semi-annual cash interest requirements due on the TB Wood s senior secured credit facility are $1.6 million in 2007, $2.4 million in 2008, $2.3 million in 2009 and $9.7 million in 2010.

Off-Balance Sheet Arrangements

We do not have any off-balance sheet arrangements that provide liquidity, capital resources, market or credit risk support that expose us to any liability that is not reflected in our combined financial statements included elsewhere in this prospectus.

Stock-based Compensation

We established the 2004 Equity Incentive Plan that provides for various forms of stock based compensation to our officers and senior level employees. We account for grants under this plan in accordance with the provisions of SFAS No. 123(R). As of March 31, 2007, we had 1,189,881 shares of unvested restricted stock. The remaining compensation cost to be recognized through 2010 is $2.9 million. Based on a price of $13.71 per share of our common stock on March 30, 2007, the last business day of the quarter, the intrinsic value of these awards was $27.5 million, of which $11.2 million related to vested shares and $16.3 million related to unvested shares.

Income Taxes

We are subject to taxation in multiple jurisdictions throughout the world. Our effective tax rate and tax liability will be affected by a number of factors, such as the amount of taxable income in particular jurisdictions, the tax rates in such jurisdictions, tax treaties between jurisdictions, the extent to which we transfer funds between jurisdictions and repatriate income, and changes in law. Generally, the tax liability for each legal entity is determined either (a) on a non-consolidated and non-combined basis or (b) on a consolidated and combined basis only with other eligible entities subject to tax in the same jurisdiction, in either case without regard to the taxable losses of non-consolidated and non-combined affiliated entities. As a result, we may pay income taxes to some jurisdictions even though on an

overall basis we incur a net loss for the period.

We have completed an analysis of the American Jobs Creation Act that was passed by both the U.S. House of Representatives and Senate and signed by the President in October 2005. The Act provides a deduction that has the effect of reducing our tax rate and will be phased in over the next five years. As of the three months ended March 31, 2007, there is no impact on our tax rate from the American Jobs Creation Act.

Critical Accounting Policies

The methods, estimates and judgments we use in applying our critical accounting policies have a significant impact on the results we report in our financial statements. We evaluate our estimates and judgments on an on-going basis. Our estimates are based upon historical experience and assumptions that we believe are reasonable under the circumstances. Our experience and assumptions form the basis for our judgments about the carrying value of assets and liabilities that are not readily apparent from other sources. Actual results may vary from what our management anticipates and different assumptions or estimates about the future could change our reported results.

We believe the following accounting policies are the most critical in that they are important to the financial statements and they require the most difficult, subjective or complex judgments in the preparation of the financial statements.

Revenue Recognition. Product revenues are recognized, net of sales tax collected, at the time title and risk of loss pass to the customer, which generally occurs upon shipment to the customer. Service revenues are recognized as services are performed. Amounts billed for shipping and handling are recorded as revenue. Product return reserves are accrued at the time of sale based on the historical relationship between shipments and returns, and are recorded as a reduction of net sales.

Certain large distribution customers receive quantity discounts which are recognized net at the time the sale is recorded.

Inventory. We value raw materials, work-in-progress and finished goods produced since inception at the lower of cost or market, as determined on a first-in, first-out (FIFO) basis. We periodically review the carrying value of the inventory and have at times determined that a certain portion of our inventories are excess or obsolete. In those cases, we write down the value of those inventories to their net realizable value based upon assumptions about future demand and market conditions. If actual market conditions are less favorable than those projected by management, additional inventory write-downs may be required.

Retirement Benefits. Pension obligations and other post retirement benefits are actuarially determined and are affected by several assumptions, including the discount rate, assumed annual rates of return on plan assets, and per capita cost of covered health care benefits. Changes in discount rate and differences from actual results for each assumption will affect the amounts of pension expense and other post retirement expense recognized in future periods.

Goodwill and Intangible Assets. Intangible assets of our acquired companies consisted of goodwill, which represented the excess of the purchase price paid over the fair value of the net assets acquired. In connection with our acquisition of PTH, Hay Hall and Bear Linear, intangible assets were identified and recorded at their fair value, in accordance with Statement of Financial Accounting Standards, or SFAS No. 141, Business Combinations. We recorded intangible assets for customer relationships, trade names and trademarks, product technology and patents, and goodwill. In valuing the customer relationships, trade names and trademarks and product technology intangible assets, we utilized variations of the income approach. The income approach was considered the most appropriate valuation technique because the inherent value of these assets is their ability to generate current and future income. The income approach relies on historical financial and qualitative information, as well as assumptions and estimates for projected financial information. Projected information is subject to risk if our estimates are incorrect. The most significant estimate relates to our projected revenues. If we do not meet the projected revenues used in the valuation calculations then the intangible assets could be impaired. In determining the value of customer relationships, we reviewed historical customer attrition rates which were determined to be approximately 5% per year. Most of our customers tend to be long-term customers with very little turnover. While we do not typically have long-term contracts with customers, we have established long-term relationships with customers which make it difficult for competitors to displace us.

Additionally, we assessed historical revenue growth within our industry and customers industries in determining the value of customer relationships. The value of our customer relationships intangible asset could become impaired if future results differ significantly from any of the underlying assumptions. This could include a higher customer attrition rate or a change in industry trends such as the use

of long-term contracts which we may not be able to obtain successfully. Customer relationships and product technology and patents are considered finite-lived assets, with estimated lives ranging from eight years and 12 years. The estimated lives were determined by calculating the number of years necessary to obtain 95% of the value of the discounted cash flows of the respective intangible asset. Goodwill and trade names and trademarks are considered indefinite lived assets. Trade names and trademarks were determined to be indefinite lived assets based on the criteria stated in paragraph 11 in SFAS No. 142, Goodwill and Other Intangible Assets. Other intangible assets include trade names and trademarks that identify us and differentiate us from competitors, and therefore competition does not limit the useful life of these assets. All of our brands have been in existence for over 50 years and therefore are not susceptible to obsolescence risk. Additionally, we believe that our trade names and trademarks will continue to generate product sales for an indefinite period. All indefinite lived intangible assets are reviewed at least annually to determine if an impairment exists. An impairment could be triggered by a loss of a major customer, discontinuation of a product line, or a change in any of the underlying assumptions utilized in estimating the value of the intangible assets. If an impairment is identified it will be recognized in that period.

In accordance with SFAS No. 142, we assess the fair value of our reporting units for impairment of intangible assets based upon a discounted cash flow methodology. Estimated future cash flows are based upon historical results and current market projections, discounted at a market comparable rate. If the carrying amount of the reporting unit exceeds the estimated fair value determined using the discounted cash flow calculation, goodwill impairment may be present. We would evaluate impairment losses based upon the fair value of the underlying assets and liabilities of the reporting unit, including any unrecognized intangible assets, and estimate the implied fair value of the intangible asset. An impairment loss would be recognized to the extent that a reporting unit s recorded value of the intangible asset exceeded its calculated fair value.

We have calculated goodwill and intangible assets arising from the application of purchase accounting from our acquisitions, and have allocated these assets across our reporting units. We evaluated our intangible assets at the reporting unit level at December 31, 2006 and found no evidence of impairment at that date. If the book value of a reporting unit exceeds its fair value, the implied fair value of goodwill is compared with the carrying amount of goodwill. If the carrying amount of goodwill exceeds the implied fair value, an impairment loss is recorded in an amount equal to that excess. The fair value of a reporting unit is estimated using the discounted cash flow approach, and is dependent on estimates and judgments related to future cash flows and discount rates. If the actual cash flows differ significantly from the estimates used by management, we may be required to record an impairment charge to write down the goodwill to its realizable value.

Long-lived Assets. Long-lived assets are reviewed for impairment when events or circumstances indicate that the carrying amount of a long-lived asset may not be recovered. Long-lived assets held for use are reviewed for impairment by comparing the carrying amount of an asset to the undiscounted future cash flows expected to be generated by the asset over its remaining useful life. If an asset is considered to be impaired, the impairment to be recognized is measured by the amount by which the carrying amount of the asset exceeds its fair value, and is charged to results of operations at that time. Assets to be disposed of are reported at the lower of the carrying amounts or fair value less cost to sell. Our management determines fair value using discounted future cash flow analysis. Determining market values based on discounted cash flows requires our management to make significant estimates and assumptions, including long-term projections of cash flows, market conditions and appropriate discount rates.

Income Taxes. We record income taxes using the asset and liability method. Deferred income tax assets and liabilities are recognized for the future tax consequences attributable to differences between the financial statement carrying amounts of existing assets and liabilities and their respective income tax bases, and operating loss and tax credit carryforwards. We evaluate the reliability of our net deferred tax assets and assess the need for a valuation allowance on a quarterly basis. The future benefit to be derived from our deferred tax assets is dependent upon our ability to generate sufficient future taxable income to realize the assets. We record a valuation allowance to reduce our net

deferred tax assets to the amount that may be more likely than not to be realized. To the extent we establish a valuation allowance, an expense will be recorded within the provision for income taxes line on the statement of operations. In periods subsequent to establishing a valuation allowance, if we were to determine that we would be able to realize our net deferred tax assets in

excess of our net recorded amount, an adjustment to the valuation allowance would be recorded as a reduction to income tax expense in the period such determination was made.

Recent Accounting Pronouncements

In June 2006, the Financial Accounting Standards Board *(FASB)* issued FASB Interpretation No. *(FIN)* 48, *Accounting for Uncertainty in Income Taxes An Interpretation of FASB Statement No. 109* , which prescribes a recognition threshold and measurement attribute for the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 will be effective for fiscal years beginning after December 15, 2006. We adopted this pronouncement during the first quarter of 2007. The adoption did not have a material impact to our financial statements.

In September 2006, the SEC issued Staff Accounting Bulletin (*SAB*) No. 108 *Considering the Effects of Prior Year Misstatements When Quantifying Misstatements in Current Year Financial Statements.* SAB No. 108 states that registrants should use both a balance sheet approach and an income statement approach when quantifying and evaluating the materiality of a misstatement. The interpretations in SAB No. 108 contain guidance on correcting errors under the dual approach as well as provide transition guidance for correcting errors. This interpretation does not change the requirements within SFAS No. 154, *Accounting Changes and Error Corrections a replacement of APB No. 20 and FASB Statement No. 3,* for the correction of an error on financial statements. We adopted this pronouncement during 2006. The effect of this statement was not material to our financial statements.

In September 2006, the FASB issued SFAS No. 157, *Fair Value Measurements.* This standard defines fair value, establishes a framework for measuring fair value in accounting principles generally accepted in the United States of America, and expands disclosure about fair value measurements. This pronouncement applies under other accounting standards that require or permit fair value measurements. Accordingly, this statement does not require any new fair value measurement. This statement is effective for fiscal years beginning after November 15, 2007, and interim periods within those fiscal years. We do not expect the effect to be material to our financial statements.

In September 2006, the FASB issued SFAS No. 158, *Employers Accounting for Defined Benefit Pension and Other Postretirement Plans an amendment of FASB Statements No. 87, 88, 106, and 132(R).* This pronouncement requires an employer to recognize the overfunded or underfunded status of a defined benefit postretirement plan (other than a multiemployer plan) as an asset or liability on its statement of financial position. SFAS No. 158 also requires an employer to recognize changes in that funded status in the year in which the changes occur through comprehensive income. On December 31, 2006, we adopted the recognition and disclosure provisions of SFAS No. 158. The effect of adopting Statement 158 is not included on our consolidated financial condition at December 31, 2005 or 2004. SFAS No. 158 s provisions regarding the change in the measurement date of postretirement benefit plans are not applicable as we already use a measurement date of December 31 for its pension plans. See Note 9 to our December 31 consolidated financial statements for further discussion of the effect of adopting SFAS 158.

In February 2007, the FASB issued SFAS No. 159. *The Fair Value Option for financial Assets and Financial Liabilities Including an Amendment of FASB Statement No. 115 (SFAS 159).* SFAS 159 permits entities to choose to measure many financial instruments and certain other items at fair value and is effective for fiscal years beginning after November 15, 2007. Early adoption is permitted as of the beginning of the previous fiscal year provided that the entity makes that choice in the first 120 days of that fiscal year and also elects to apply the provisions of SFAS No. 157. We adopted this pronouncement during the first quarter of 2007. The adoption did not have a material impact to our financial statements.

Qualitative and Quantitative Information about Market Risk

We are exposed to various market risk factors such as fluctuating interest rates and changes in foreign currency rates. At present, we do not utilize derivative instruments to manage this risk.

Foreign Currency Exchange Rate Risk

Currency translation. The results of operations of our foreign subsidiaries are translated into U.S. dollars at the average exchange rates for each period concerned. The balance sheets of foreign subsidiaries are translated into U.S. dollars at the exchange rates in effect at the end of each period. Any adjustments resulting from the translation are recorded as other comprehensive income. As of December 31, 2006 and March 31, 2007, the aggregate total assets (based on book value) of our non-guarantor subsidiaries were $138.3 million and $140.3 million, respectively, representing approximately 33.8% and 36.1%, respectively, of our total assets (based on book value).

Our foreign currency exchange rate exposure is primarily with respect to the Euro and British Pound. The approximate exchange rates in effect at December 31, 2006 and March 31, 2007 were $1.31 and $1.33, respectively to the Euro. The approximate exchange rates in effect at December 31, 2006 and March 31, 2007 were $1.96 and $1.96, respectively to the British Pound. The result of a hypothetical 10% strengthening of the U.S. dollar against the Euro and British Pound would result in a decrease in the book value of the aggregate total assets of foreign subsidiaries of approximately $4.8 million as of March 31, 2007. The result of a hypothetical 10% strengthening of the U.S. dollar against the Euro and British Pound would result in a decrease in net income of approximately $0.1 million for the three months ended March 31, 2007.

Currency transaction exposure. Currency transaction exposure arises where actual sales and purchases are made by a business or company in a currency other than its own functional currency. Any transactional differences at an international location are accounted for on a monthly basis.

Interest Rate Risk

We are subject to market exposure to changes in interest rates based on our financing activities. This exposure relates to borrowings under our senior revolving credit facility that are payable at prime rate plus 0.25% in the case of prime rate loans, or LIBOR rate plus 1.75%, in the case of LIBOR rate loans. As of March 31, 2007, we had no outstanding borrowings and $2.9 million of outstanding letters of credit under our senior revolving credit facility. Because we have no outstanding debt under our senior revolving credit facility, a hypothetical change in interest rates of 1% would not have a material effect on our near-term financial condition or results of operations. In connection with the TB Wood s Acquisition, we assumed $5.3 million in variable rate demand revenue bonds which bear variable interest rates (3.77% as of December 31, 2006). See Description of Indebtedness.

The Sarbanes-Oxley Act of 2002 and Material Weakness in Internal Control

In connection with their audit of our 2006 consolidated financial statements, our independent registered public accounting firm expressed concerns that as of the date of their opinion, certain plant locations had encountered difficulty closing their books in a timely and accurate manner. Due to the nature of our decentralized organization, the auditors believe there is a risk that a number of individually insignificant errors at various plant locations could aggregate to a material amount in the consolidated financial statements. The independent registered public accounting firm informed senior management and the Audit Committee of the Board of Directors that they believe this is a material weakness in internal controls. We have actively taken steps to address this material weakness. These steps included hiring a Director of Internal Audit during 2006 who has organized and managed our efforts to comply with the internal control requirements of Section 404 of the Sarbanes-Oxley Act, standardizing the financial close process, providing greater corporate oversight and review as well as implementing other internal control procedures as part of our ongoing Sarbanes-Oxley compliance program. We believe that with the addition of these steps we should be able to deliver financial information in a timely and accurate manner. See *Risk Factors Risks Related to our Business Material weaknesses in our internal controls over financial reporting have been identified which could result in a*

decrease in the value of our common stock.

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BUSINESS

Our Company

We are a leading global designer, producer and marketer of a wide range of MPT and motion control products serving customers in a diverse group of industries, including energy, general industrial, material handling, mining, transportation and turf and garden. Our product portfolio includes industrial clutches and brakes, enclosed gear drives, open gearing, belted drives, couplings, engineered bearing assemblies, linear components, electronic drives and other related products. Our products are used in a wide variety of high-volume manufacturing processes, where the reliability and accuracy of our products are critical in both avoiding costly down time and enhancing the overall efficiency of manufacturing operations. Our products are also used in non-manufacturing applications where product quality and reliability are especially critical, such as clutches and brakes for elevators and residential and commercial lawnmowers. For the year ended December 31, 2006 on a pro forma basis, we had net sales of $588.2 million, net income of $4.2 million and EBITDA of $70.3 million.

We market our products under well recognized and established brand names, including Warner Electric, Boston Gear, TB Wood s, Kilian, Nuttall Gear, Ameridrives, Wichita Clutch, Formsprag Clutch, Bibby Transmissions, Stieber, Matrix, Inertia Dynamics, Twiflex, Industrial Clutch, Huco Dynatork, Marland Clutch, Delroyd, Warner Linear and Saftek. Most of these brands have been in existence for over 50 years. We believe over 50% of our sales are generated from products where, according to the most recently published Motion Systems Design magazine survey, our brands on a consolidated basis have the number one or number two brand recognition in the markets we serve.

Our products are either incorporated into products sold by original equipment manufacturers, or OEMs, sold to end-users directly or sold through industrial distributors. We sell our products in over 70 countries to over 1,000 direct OEM customers and over 3,000 distributor outlets through our global sales and marketing network. Substantially all of our products are moving, wearing components which are consumed in use. Due to the complexity of many of our customers manufacturing operations and the high cost of process failure, our customers have demonstrated a strong preference to replace their worn Altra brand products with new Altra products. This replacement dynamic drives recurring replacement sales, resulting in aftermarket revenue that we estimate accounted for approximately 46% of our revenues, on a pro forma basis, for the year ended December 31, 2006.

We are led by a highly experienced management team with over 330 years of cumulative industrial business experience and an average of 11 years with our companies. Our management team has established a proven track record of execution, successfully completing and integrating major strategic acquisitions and delivering significant growth in both revenue and profits. We employ a comprehensive business process called the ABS, which focuses on eliminating inefficiencies from every business process to improve quality, delivery and cost.

Our Industry

Based on industry data supplied by Penton Information Services, we estimate that industrial power transmission products generated sales in the United States of approximately $33.3 billion in 2006. These products are used to generate, transmit, control and transform mechanical energy. The industrial power transmission industry can be divided into three areas: MPT products; motors and generators; and adjustable speed drives. We compete primarily in the MPT area which, based on industry data, we estimate was a $16.7 billion market in the United States in 2006. In addition to the MPT segment, TB Wood s also competes in the adjustable speed drives segment which we estimate was a $4.9 billion market in the United States in 2006.

The global MPT market is highly fragmented, with over 1,000 small manufacturers. While smaller companies tend to focus on regional niche markets with narrow product lines, larger companies that generate annual sales of over $100 million generally offer a much broader range of products and have global capabilities. The industry s customer base is broadly diversified across many sectors of the economy and

typically places a premium on factors such as quality, reliability, availability and design and application engineering support. We believe the most successful industry participants are those that leverage their distribution network, their products reputations for quality and reliability and their service and technical support capabilities to maintain attractive margins on products and gain market share.

Our Strengths

We believe the following business strengths have allowed us to develop and maintain a leading position within the mechanical power transmission industry:

Leading Market Shares and Brand Names. We believe we hold the number one or number two market position in key products across several of our core platforms. For example, according to a report published by the Global Industry Analysts, Inc., in February 2005, we are one of the leading manufacturers of industrial clutches and brakes in the world. Our brands, most of which have been in existence for more than 50 years, are widely known in the MPT product markets. We believe over 50% of our sales are derived from products where we hold the number one or number two share and brand recognition, on a consolidated basis with our brands in the same product category, in the markets we serve.

Large Installed Base Supporting Aftermarket Sales. With a history dating back to 1857 with the formation of TB Wood s, we believe we benefit from one of the largest installed customer bases in the industry. Given the moving, wearing nature of our products, which require regular replacement, our large installed base of products with a diversified group of end-user customers, generates significant aftermarket replacement demand creating a recurring revenue stream. Many of our products serve critical functions, where the cost of product failure would substantially exceed any potential cost reduction benefits from using cheaper, less proven parts. This end-user preference and consistently recurring replacement demand in turn help to stabilize our revenue base from the cyclical nature of the broader economy. On a pro forma basis for the year ended December 31, 2006, we estimate that approximately 46% of our revenues were derived from aftermarket sales.

Diversified End-Markets. Our revenue base has balanced exposure across a diverse mix of end-user industries, including energy, general industrial, material handling, mining, transportation and turf and garden, which helps mitigate the impact of business and economic cycles. On a pro forma basis for the year ended December 31, 2006, no single industry represented more than 8% of our total sales and approximately 27% of our sales were from outside North America. Our geographic diversification is further enhanced as some of our products sold into the North American market are ultimately exported into international markets as part of the final product sold by the customer.

Strong Relationships with Distributors and OEMs. We have over 1,000 direct OEM customers and enjoy established, long-term relationships with the leading MPT industrial distributors, both of which are critical factors that contribute to our high base of recurring aftermarket revenues. We sell our products through more than 3,000 distributor outlets worldwide. We believe our scale, end-user preference and expansive product lines make our product portfolio attractive to both large and multi-branch distributors, as well as regional and independent distributors in our industry.

Experienced, High-Caliber Management Team. We are led by a highly experienced management team with over 330 years of cumulative industrial business experience and an average of 11 years with our companies. Our CEO, Michael Hurt, has over 40 years of experience in the MPT industry, while COO Carl Christenson has over 26 years of experience. Our management team has established a proven track record of execution, successfully completing and integrating major strategic acquisitions and delivering significant growth and profitability.

The Altra Business System. We benefit from an established culture of lean management emphasizing quality, delivery and cost through the ABS. ABS is at the core of our performance-driven culture and drives both our strategic

development and operational improvements. We estimate that in the period from January 1, 2005 through December 31, 2006, ABS has enabled us to achieve savings of over $5 million through various initiatives, including: (a) set-up time reduction and productivity improvement, (b) finished goods inventory

reduction, (c) improved quality and reduction of internal scrap, (d) on-time delivery improvement, (e) utilizing value stream mapping to minimize work in process inventory and increase productivity and (f) headcount reductions. We believe these initiatives will continue to provide us with recurring annual savings. We intend to continue to aggressively implement operational excellence initiatives by utilizing the ABS tools throughout our company.

Proven Product Development Capabilities. Our extensive application engineering know-how drives both new and repeat sales. Our broad portfolio of products, knowledge and expertise across various MPT applications allows us to provide our customers customized solutions to meet their specific needs. We are highly focused on developing new products in response to customer requirements. We employ approximately 208 non-manufacturing engineers involved with product development, research and development, test and technical customer support. Recent new product development examples include the Foot/Deck Mount Kopper Kool Brake which was designed for very high heat dissipation in extremely rugged tensioning applications such as draw works for oil and gas wells and anchoring systems for on-shore and off-shore drilling platforms.

Our Business Strategy

We intend to continue to increase our sales through organic growth, expand our geographic reach and product offering through strategic acquisitions and improve our profitability through cost reduction initiatives. We seek to achieve these objectives through the following strategies:

> *Leverage Our Sales and Distribution Network.* We intend to continue to leverage our relationships with our distributors to gain shelf space, further integrate our recently acquired brands with our core brands and sell new products. In addition, we intend to continue to actively pursue new OEM opportunities with innovative and cost-effective product designs and applications to help maintain and grow our aftermarket revenues. For example, in 2002 we launched a new product in the wrap spring category. Despite established competition within this particular category, we were able to quickly penetrate the market and we exceeded 15% in global market share in 2006 due to the strength of our Warner Electric brand. We seek to capitalize on customer brand preference for our products to generate pull-through aftermarket demand from our distribution channel. We believe this strategy also allows our distributors to achieve high profit margins, further enhancing our preferred position with them.
>
> *Focus our Strategic Marketing on New Growth Opportunities.* We intend to expand our emphasis on strategic marketing to focus on new growth opportunities in key end-user markets. Through a systematic process that leverages our core brands and products, we seek to identify attractive markets and product niches, collect customer and market data, identify market drivers, tailor product and service solutions to specific market and customer requirements and deploy resources to gain market share and drive future sales growth.
>
> *Accelerate New Product and Technology Development.* We are highly focused on developing new products across our business in response to customer needs in various markets. In total, we expect new products developed by us during the past three years to generate approximately $60 million in revenues in 2007.
>
> Recent new product development examples include the Foot/Deck Mount Kopper Kool Brake, a new clutch brake design which significantly extends product life and can dramatically reduce blade stop time on commercial and residential lawn tractors, a new magnetic particle clutch designed to solve a number of long-standing performance issues on soft-drink bottle capping applications, and the RA10 speed reducer, designed for use in the rapidly growing market for armor-fitted military vehicles used

by the U.S. military.

Capitalize on Growth and Sourcing Opportunities in the Asia-Pacific Market. We intend to leverage our established sales offices in China, Taiwan and Singapore, as well as add representation in Japan and South Korea. We also intend to expand our manufacturing presence in Asia beyond our current plant in Shenzhen, China, to increase sales in the high-growth Asia-

Pacific region. This region also offers opportunities for low-cost country sourcing of raw materials. During 2006, we sourced approximately 17% of our purchases from low-cost countries, resulting in average cost reductions of approximately 45% for these products. Within the next five years, we intend to utilize our sourcing office in Shanghai to significantly increase our current level of low-cost country sourced purchases. We may also consider additional opportunities to outsource some of our production from North American and Western European locations to Asia.

Continue to Improve Operational and Manufacturing Efficiencies through ABS. We believe we can continue to improve profitability through cost control, overhead rationalization, global process optimization, continued implementation of lean manufacturing techniques and strategic pricing initiatives. Our operating plan, based on manufacturing centers of excellence, provides additional opportunities to reduce costs by sharing best practices across geographies and business lines and by consolidating purchasing processes. We have implemented these principles with our recent acquisitions of Hay Hall, Bear Linear and TB Wood s and intend to apply such principles to future acquisitions.

Pursue Strategic Acquisitions that Complement our Strong Platform. With our extensive MPT and motion control products, our strong customer and distributor relationships and our know-how in implementing lean enterprise initiatives through ABS, we believe we have an ideal platform for acquiring and successfully integrating related businesses, as evidenced through our acquisition and integration of Hay Hall and Bear Linear. Management believes that there may be a number of attractive potential acquisition candidates in the future, in part due to the fragmented nature of the industry. We plan to continue our disciplined pursuit of strategic acquisitions to accelerate our growth, enhance our industry leadership and create value.

Products

We produce and market a wide variety of MPT products. Our product portfolio includes industrial clutches and brakes, open and enclosed gearing, couplings, engineered belted drives, adjustable speed drives, engineered bearing assemblies and other related power transmission components which are sold across a wide variety of industries. Our products benefit from our industry leading brand names including Warner Electric, Boston Gear, TB Wood s, Kilian, Nuttall Gear, Ameridrives, Wichita Clutch, Formsprag Clutch, Bibby Transmissions, Stieber, Matrix, Inertia Dynamics, Twiflex, Industrial Clutch, Huco Dynatork, Marland Clutch, Delroyd, Warner Linear and Saftek. Our products serve a wide variety of end markets including aerospace, energy, food processing, general industrial, material handling, mining, petrochemical, transportation and turf and garden. We primarily sell our products to OEMs and through long-standing relationships with the industry s leading industrial distributors such as Motion Industries, Applied Industrial Technologies, Kaman Industrial Technologies and W.W. Grainger. The following discussion of our products does not include detailed product category revenue because such information is not individually tracked by our financial reporting system and is not separately reported by our general purpose financial statements. Conducting a detailed product revenue internal assessment and audit would involve unreasonable effort and expense as revenue information by product line is not available. We maintain sales information by operating facility, but do not maintain any accounting sales data by product line.

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Our products, principal brands and markets and sample applications are set forth below:

Products	Principal Brands	Principal Markets	Sample Applications
Clutches and Brakes	Warner Electric, Wichita Clutch, Formsprag Clutch, Stieber Clutch, Matrix, Inertia Dynamics, Twiflex, Industrial Clutch, Marland Clutch	Aerospace, energy, material handling, metals, turf and garden, mining	Elevators, forklifts, lawn mowers, oil well draw works, punch presses, conveyors
Gearing	Boston Gear, Nuttall Gear, Delroyd	Food processing, material handling, metals, transportation	Conveyors, ethanol mixers, packaging machinery, rail car wheel drives
Engineered Couplings	Ameridrives, Bibby Transmissions, TB Wood s	Energy, metals, plastics, chemical	Extruders, turbines, steel strip mills, pumps
Engineered Bearing Assemblies	Kilian	Aerospace, material handling, transportation	Cargo rollers, steering columns, conveyors
Power Transmission Components	Warner Electric, Boston Gear, Huco Dynatork, Warner Linear, Matrix, Saftek, TB Wood s	Material handling, metals, turf and garden	Conveyors, lawn mowers, machine tools
Engineered Belted Drives	TB Wood s	Aggregate, HVAC, material handling	Pumps, sand and gravel conveyors, industrial fans
Adjustable Speed Drives and Systems	TB Wood s	Food processing, textile, water	Pumps, conveyors, carpet looms

Clutches and Brakes. Clutches are devices which use mechanical, magnetic, hydraulic, pneumatic, or friction type connections to facilitate engaging or disengaging two rotating members. Brakes are combinations of interacting parts that work to slow or stop machinery. We manufacture a variety of clutches and brakes in three main product categories: electromagnetic, overrunning and heavy duty. Our core clutch and brake manufacturing facilities are located in Connecticut, Indiana, Illinois, Michigan, Texas, the United Kingdom, Germany, France and China.

Electromagnetic Clutches and Brakes. Our industrial products include clutches and brakes with specially designed controls for material handling, forklift, elevator, medical mobility, mobile off-highway, baggage handling and plant productivity applications. We also offer a line of clutch and brake products for walk-behind mowers, residential lawn tractors and commercial mowers. While industrial applications are predominant, we also manufacture several vehicular niche applications including on-road refrigeration compressor clutches and agricultural equipment clutches. We market our electromagnetic products under the Warner Electric, IDI and Matrix brand names.

Overrunning Clutches. Specific product lines include the Formsprag and Stieber indexing and backstopping clutches. Primary industrial applications include conveyors, gear reducers, hoists and cranes, mining machinery, machine tools, paper machinery, packaging machinery, pumping equipment and other specialty machinery. We market and sell these products under the Formsprag, Marland and Stieber brand names.

Heavy Duty Clutches and Brakes. Our heavy duty clutch and brake product lines serve various markets including metal forming, off-shore and land-based oil and gas drilling platforms, mining material handling, marine applications and various off-highway and construction equipment segments. Our line of heavy duty pneumatic, hydraulic and caliper clutches and brakes are marketed under the Wichita Clutch and Twiflex brand names.

Gearing. Gears reduce the output speed and increase the torque of an electric motor or engine to the level required to drive a particular piece of equipment. These products are used in various industrial, material handling, mixing, transportation and food processing applications. Specific product lines include vertical and horizontal gear drives, speed reducers and increasers, high-speed compressor drives, enclosed custom gear drives, various enclosed gear drive configurations and open gearing products such as spur, helical, worm and miter/bevel gears. We design and manufacture a broad range of gearing products under the Boston Gear, Nuttall Gear and Delroyd brand names. We manufacture our gearing products at our facilities in New York and North Carolina and sell to a variety of end markets.

Engineered Couplings. Couplings are the interface between two shafts, which enable power to be transmitted from one shaft to the other. Because shafts are often misaligned, we designed our couplings with a measure of flexibility that accommodates various degrees of misalignment. Our coupling product line includes gear couplings, high-speed disc and diaphragm couplings, elastomeric couplings, grid couplings, universal joints, jaw couplings and spindles. Our coupling products are used in a wide range of markets including power generation, steel and custom machinery industries. We manufacture a broad range of coupling products under the Ameridrives, Bibby and TB Wood s brand names. Our engineered couplings are manufactured in our facilities in Mexico, Michigan, Pennsylvania, Texas and the United Kingdom.

Engineered Bearing Assemblies. Bearings are components that support, guide and reduce friction of motion between fixed and moving machine parts. Our engineered bearing assembly product line includes ball bearings, roller bearings, thrust bearings, track rollers, stainless steel bearings, polymer assemblies, housed units and custom assemblies. We manufacture a broad range of engineered bearing products under the Kilian brand name. We sell bearing products to a wide range of end markets, including the general industrial and automotive markets, with a particularly strong OEM customer focus. We manufacture our bearing products at our facilities in New York, Canada and China.

Engineered Belted Drives. Belted drives incorporate both a rubber-based belt and at least two sheaves or sprockets. Belted drives typically change the speed of an electric motor or engine to the level required for a particular piece of equipment. Our belted drive line includes three types of v-belts, three types of synchronous belts, standard and made-to-order sheaves and sprockets, and split taper bushings. We sell belted drives to a wide range of end markets, including aggregate, energy, chemical and material handling. Our engineered belted drives are primarily manufactured under the TB Wood s brand in our facilities in Pennsylvania, Mexico and Texas.

Electronic Adjustable Speed Drives and Systems. Adjustable speed drives control the speed and performance characteristics of an electric motor. We offer ten families of standard drives, specializing in rugged wash down duty products. We also offer custom AC drives as well as engineered drive systems which are both designed to a customer s specific application criteria. Our drives are used in various industries and applications including water pumping, food processing, and material handling. Our adjustable speed drives are principally marketed under the TB Wood s brand name and are manufactured at our facilities in Pennsylvania, Tennessee and Italy.

Power Transmission Components. Power transmission components are used in a number of industries to generate, transfer or control motion from a power source to an application requiring rotary or linear motion. Power transmission products are applicable in most industrial markets, including, but not limited to metals processing, turf and garden and material handling applications. Specific product lines include linear actuators, miniature and small precision

couplings, air motors, friction materials, hydrostatic drives and other various items. We manufacture or market a broad array of power transmission components under several businesses including Warner Linear, Huco Dynatork, Saftek, Boston Gear, Warner Electric, TB Wood s and

Matrix. Our core power transmission component manufacturing facilities are located in Illinois, Michigan, North Carolina, the United Kingdom and China.

Warner Linear. Warner Linear is a designer and manufacturer of rugged service electromechanical linear actuators for off-highway vehicles, agriculture, turf care, special vehicles, medical equipment, industrial and marine applications.

Huco Dynatork. Huco Dynatork is a leading manufacturer and supplier of a complete range of precision couplings, universal joints, rod ends and linkages.

Saftek. Saftek manufactures a broad range of high quality non-asbestos friction materials for industrial, marine, construction, agricultural and vintage and classic cars and motorcycles.

Other Accessories. Our Boston Gear, Warner Electric, Matrix and TB Wood s businesses make or market several other accessories such as sensors, sleeve bearings, AC/DC motors, shaft accessories, face tooth couplings, mechanical variable speed drives, and fluid power components that are used in numerous end markets.

Research and Development and Product Engineering

We closely integrate new product development with marketing, manufacturing and product engineering in meeting the needs of our customers. We have product engineering teams that work to enhance our existing products and develop new product applications for our growing base of customers that require custom solutions. We believe these capabilities provide a significant competitive advantage in the development of high quality industrial power transmission products. Our product engineering teams focus on:

lowering the cost of manufacturing our existing products;

redesigning existing product lines to increase their efficiency or enhance their performance; and

developing new product applications.

Our continued investment in new product development is intended to help drive customer growth as we address key customer needs.

Sales and Marketing

We sell our products in over 70 countries to over 1,000 direct OEM customers and over 3,000 distributor outlets. We offer our products through our direct sales force comprised of 126 company-employed sales associates as well as independent sales representatives. Our worldwide sales and distribution presence enables us to provide timely and responsive support and service to our customers, many of which operate globally, and to capitalize on growth opportunities in both developed and emerging markets around the world.

We employ an integrated sales and marketing strategy concentrated on both key industries and individual product lines. We believe this dual vertical market and horizontal product approach distinguishes us in the marketplace allowing us to quickly identify trends and customer growth opportunities and deploy resources accordingly. Within our key industries, we market to OEMs, encouraging them to incorporate our products into their equipment designs, to distributors and to end-users, helping to foster brand preference. With this strategy, we are able to leverage our industry experience and product breadth to sell MPT and motion control solutions for a host of industrial applications.

Distribution

Our MPT components are either incorporated into end products sold by OEMs or sold through industrial distributors as aftermarket products to end-users and smaller OEMs. We operate a geographically diversified business. On a pro forma basis, for the year ended December 31, 2006, 73% of our net sales were derived from customers in North America, 20% from customers in Europe and 7% from customers in Asia and the rest of the world. Our global customer base is served by an extensive global sales network comprised of our sales staff as well as our network of over 3,000 distributor outlets.

Rather than serving as passive conduits for delivery of product, our industrial distributors are active participants in influencing product purchasing decisions in the MPT industry. In addition, distributors play a critical role through stocking inventory of our products, which affects the accessibility of our products to aftermarket buyers. It is for this reason that distributor partner relationships are so critical to the success of the business. We enjoy strong established relationships with the leading distributors as well as a broad, diversified base of specialty and regional distributors.

Competition

We operate in highly fragmented and very competitive markets within the MPT market. Some of our competitors have achieved substantially more market penetration in certain of the markets in which we operate, such as helical gear drives and adjustable speed drives, and some of our competitors are larger than us and have greater financial and other resources. In particular, we compete with Emerson Power Transmission Manufacturing, L.P., Regal-Beloit Corporation, Rexnord LLC and Baldor Electric Company. In addition, with respect to certain of our products, we compete with divisions of our OEM customers. Competition in our business lines is based on a number of considerations including quality, reliability, pricing, availability and design and application engineering support. Our customers increasingly demand a broad product range and we must continue to develop our expertise in order to manufacture and market these products successfully. To remain competitive, we will need to invest regularly in manufacturing, customer service and support, marketing, sales, research and development and intellectual property protection. We may have to adjust the prices of some of our products to stay competitive. In addition, some of our larger, more sophisticated customers are attempting to reduce the number of vendors from which they purchase in order to increase their efficiency. There is substantial and continuing pressure on major OEMs and larger distributors to reduce costs, including the cost of products purchased from outside suppliers such as us. As a result of cost pressures from our customers, our ability to compete depends in part on our ability to generate production cost savings and, in turn, find reliable, cost-effective outside component suppliers or manufacture our products. See *Risk Factors Risks Related to our Business We operate in the highly competitive mechanical power transmission and adjustable speed drives industries and if we are not able to compete successfully our business may be significantly harmed.*

Intellectual Property

We rely on a combination of patents, trademarks, copyright and trade secret laws in the United States and other jurisdictions, as well as employee and third-party non-disclosure agreements, license arrangements and domain name registrations to protect our intellectual property. We sell our products under a number of registered and unregistered trademarks, which we believe are widely recognized in the MPT industry. With the exception of Boston Gear, Warner Electric and TB Wood s, we do not believe any single patent, trademark or trade name is material to our business as a whole. Any issued patents that cover our proprietary technology and any of our other intellectual property rights may not provide us with adequate protection or be commercially beneficial to us and, patents applied for, may not be issued. The issuance of a patent is not conclusive as to its validity or its enforceability. Competitors may also be able to design around our patents. If we are unable to protect our patented technologies, our competitors could commercialize technologies or products which are substantially similar to ours.

With respect to proprietary know-how, we rely on trade secret laws in the United States and other jurisdictions and on confidentiality agreements. Monitoring the unauthorized use of our technology is difficult and the steps we have taken may not prevent unauthorized use of our technology. The disclosure or misappropriation of our intellectual property could harm our ability to protect our rights and our competitive position.

Some of our registered and unregistered trademarks include: Warner Electric, Boston Gear, TB Wood s, Kilian, Nuttall Gear, Ameridrives, Wichita Clutch, Formsprag Clutch, Bibby Transmissions, Stieber, Matrix, Inertia Dynamics, Twiflex, Industrial Clutch, Huco Dynatork, Marland Clutch, Delroyd, Warner Linear and Saftek.

Backlog

Our backlog of unshipped orders was $125.5 million at March 31, 2007, $128.2 million at December 31, 2006 and $102.0 million at December 31, 2005.

Employees

As of April 30, 2007, we had approximately 3,450 full-time employees, of whom approximately 64% were located in North America, 23% in Europe, and 13% in Asia. Approximately 18% of our full-time factory North American employees are represented by labor unions. In addition, approximately 34% of our employees in our facility in Scotland are represented by a labor union. The four U.S. collective bargaining agreements to which we are a party will expire on August 10, 2007, September 19, 2007, June 2, 2008 and February 1, 2009. We are currently in negotiations with the union in Scotland and we do not expect the negotiations to have a material adverse effect on our operations. Two of the four U.S. collective bargaining agreements contain provisions for additional, potentially significant, lump-sum severance payments to all employees covered by the agreements who are terminated as the result of a plant closing and one of our collective bargaining agreements contains provisions restricting our ability to terminate or relocate operations. See *Risk Factors Risks Related to Our Business We may be subject to work stoppages at our facilities, or our customers may be subjected to work stoppages, which could seriously impact our operations and the profitability of our business.*

The remainder of our European facilities have employees who are generally represented by local and national social works councils which are common in Europe. Social works councils meet with employer industry associations every two to three years to discuss employee wages and working conditions. Our facilities in France and Germany often participate in such discussions and adhere to any agreements reached.

Properties

In addition to our leased headquarters in Quincy, Massachusetts, we maintain 31 production facilities, sixteen of which are located in the United States, two in Canada, eleven in Europe, one in Mexico and one in China. The following table lists all of our facilities, other than sales offices and distribution centers, as of

April 30, 2007, indicating the location, principal use, square footage and whether the facilities are owned or leased.

Location	Brand	Major Products	Sq. Ft.	Owned/ Leased	Lease Expiration
United States					
Chambersburg, Pennsylvania	TB Wood s	Couplings, Belted Drives, Castings	440,000	Owned	N/A
South Beloit, Illinois	Warner Electric	Electromagnetic Clutches & Brakes	104,288	Owned	N/A
Syracuse, New York	Kilian	Engineered Bearing Assemblies	97,000	Owned	N/A
Wichita Falls, Texas	Wichita Clutch	Heavy Duty Clutches and Brakes	90,400	Owned	N/A
Warren, Michigan	Formsprag	Overrunning Clutches	79,000	Owned	N/A
Erie, Pennsylvania	Ameridrives	Couplings	76,200	Owned	N/A
Chattanooga, Tennessee	TB Wood s	Integrated Electronic Drive Systems	52,000	Owned	N/A
Scotland, Pennsylvania	TB Wood s	Electronic Products	42,400	Owned	N/A
San Marcos, Texas	TB Wood s	Couplings and Belted Drives	51,000	Owned	N/A
Columbia City, Indiana	Warner Electric	Electromagnetic Clutches & Brakes & Coils	35,000	Owned	N/A
Mt. Pleasant, Michigan	TB Wood s	Power Transmission Components, Couplings	30,000	Owned	N/A
Charlotte, North Carolina	Boston Gear	Gearing & Power Transmission Components	193,000	Leased	February 28, 2013
Niagara Falls, New York	Nuttall Gear	Gearing	155,509	Leased	March 31, 2008
Torrington, Connecticut	Inertia Dynamics	Electromagnetic Clutches & Brakes	32,000	Leased	(3)
Quincy, Massachusetts(1)	Altra, Boston Gear		30,350	Leased	February 12, 2008
Belvidere, Illinois	Warner Linear	Linear Actuators	21,000	Leased	June 30, 2009
New Braunsfels, Texas	Ameridrives	Couplings	16,200	Leased	December 31, 2009
International					
Heidelberg, Germany	Stieber	Overrunning Clutches	57,609	Owned	N/A
Saint Barthelemy, France	Warner Electric	Electromagnetic Clutches & Brakes	50,129	Owned	N/A
Bedford, England	Wichita Clutch	Heavy Duty Clutches and Brakes	49,000	Owned	N/A
Allones, France	Warner Electric	Electromagnetic Clutches & Brakes	38,751	Owned	N/A
Toronto, Canada	Kilian	Engineered Bearing Assemblies	29,000	Owned	N/A
Dewsbury, England	Bibby Transmissions	Couplings	26,100	Owned	N/A
Shenzhen, China	Warner Electric	Electromagnetic Clutches, Brakes &	112,271	Leased	December 15, 2008

		Precision Components			
San Luis Potosi, Mexico	TB Wood s	Couplings and Belted Drives	71,800	Leased	June 8, 2014
Brechin, Scotland	Matrix	Clutch Brakes, Couplings	52,500	Leased	February 28, 2011
Garching, Germany	Stieber	Overrunning Clutches	32,292	Leased	(2)
Toronto, Canada	Kilian	Engineered Bearing Assemblies	30,120	Leased	(3)
Twickenham, England	Twiflex	Heavy Duty Clutches and Brakes	27,500	Leased	September 30, 2009
Naturns, Italy	TB Wood s	Electronic Products	19,500	Leased	December 31, 2009(4)
Hertford, England	Huco Dynatork	Couplings, Power Transmission Components	13,565	Leased	July 31, 2007
Telford, England	Saftek	Friction Material	4,400	Leased	August 31, 2008

(1) Corporate Headquarters and selective Boston Gear functions.

(2) Must give the lessor twelve months notice for termination.

(3) Month to month lease.

(4) Must give the lessor six months notice for termination.

Suppliers and Raw Materials

We obtain raw materials, component parts and supplies from a variety of sources, generally from more than one supplier. Our suppliers and sources of raw materials are based in both the United States and other countries and we believe that our sources of raw materials are adequate for our needs for the foreseeable future. We do not believe the loss of any one supplier would have a material adverse effect on our business or result of operations. Our principal raw materials are steel, castings and copper. We generally purchase our materials on the open market, where certain commodities such as steel and copper have increased in price significantly in recent years. We have not experienced any significant shortage of our key materials and have not historically engaged in hedging transactions for commodity suppliers.

Regulation

We are subject to a variety of government laws and regulations that apply to companies engaged in international operations. These include compliance with the Foreign Corrupt Practices Act, U.S. Department of Commerce export controls, local government regulations and procurement policies and practices (including regulations relating to import-export control, investments, exchange controls and repatriation of earnings). We maintain controls and procedures to comply with laws and regulations associated with our international operations. In the event we are unable to remain compliant with such laws and regulations, our business may be adversely affected.

Environmental and Health and Safety Matters

We are subject to a variety of federal, state, local, foreign and provincial environmental laws and regulations, including those governing health and safety requirements, the discharge of pollutants into the air or water, the management and disposal of hazardous substances and wastes and the responsibility to investigate and cleanup contaminated sites that are or were owned, leased, operated or used by us or our predecessors. Some of these laws and regulations require us to obtain permits, which contain terms and conditions that impose limitations on our ability to emit and discharge hazardous materials into the environment and periodically may be subject to modification, renewal and revocation by issuing authorities. Fines and penalties may be imposed for non-compliance with applicable environmental laws and regulations and the failure to have or to comply with the terms and conditions of required permits. From time to time our operations may not be in full compliance with the terms and conditions of our permits. We periodically review our procedures and policies for compliance with environmental laws and requirements. We believe that our operations generally are in material compliance with applicable environmental laws and requirements and that any non-compliance would not be expected to result in us incurring material liability or cost to achieve compliance. Historically, the costs of achieving and maintaining compliance with environmental laws and requirements have not been material.

Certain environmental laws in the United States, such as the federal Superfund law and similar state laws, impose liability for the cost of investigation or remediation of contaminated sites upon the current or, in some cases, the former site owners or operators and upon parties who arranged for the disposal of wastes or transported or sent those wastes to an off-site facility for treatment or disposal, regardless of when the release of hazardous substances occurred or the lawfulness of the activities giving rise to the release. Such liability can be imposed without regard to fault and, under certain circumstances, can be joint and several, resulting in one party being held responsible for the entire obligation. As a practical matter, however, the costs of investigation and remediation generally are allocated among the viable responsible parties on some form of equitable basis. Liability also may include damages to natural resources. We have not been notified that we are a potentially responsible party in connection with any sites we currently or formerly owned or operated or for liability at any off-site waste disposal facility.

However, there is contamination at some of our current facilities, primarily related to historical operations at those sites, for which we could be liable for the investigation and remediation under certain environmental laws. The potential for contamination also exists at other of our current or former sites, based on historical uses of those sites. We currently are not undertaking any remediation or investigations and our

costs or liability in connection with potential contamination conditions at our facilities cannot be predicted at this time because the potential existence of contamination has not been investigated or not enough is known about the environmental conditions or likely remedial requirements. Currently, other parties with contractual liability are addressing or have plans or obligations to address those contamination conditions that may pose a material risk to human health, safety or the environment. In addition, while we attempt to evaluate the risk of liability associated with our facilities at the time we acquire them, there may be environmental conditions currently unknown to us relating to our prior, existing or future sites or operations or those of predecessor companies whose liabilities we may have assumed or acquired which could have a material adverse effect on our business.

We are being indemnified, or expect to be indemnified by third parties subject to certain caps or limitations on the indemnification, for certain environmental costs and liabilities associated with certain owned or operated sites. Accordingly, based on the indemnification and the experience with similar sites of the environmental consultants who we have hired, we do not expect such costs and liabilities to have a material adverse effect on our business, operations or earnings. We cannot assure you, however, that those third parties will in fact satisfy their indemnification obligations. If those third parties become unable to, or otherwise do not, comply with their respective indemnity obligations, or if certain contamination or other liability for which we are obligated is not subject to these indemnities, we could become subject to significant liabilities.

Legal Proceedings

We are, from time to time, party to various legal proceedings arising out of our business. These proceedings primarily involve commercial claims, product liability claims, intellectual property claims, environmental claims, personal injury claims and workers compensation claims. We cannot predict the outcome of these lawsuits, legal proceedings and claims with certainty. Nevertheless, we believe that the outcome of any currently existing proceedings, even if determined adversely, would not have a material adverse effect on our business, financial condition and results of operations.

MANAGEMENT

Our directors and principal officers, and their positions and ages as of May 15, 2007, are as follows:

Name	Age	Position(s)
Michael L. Hurt	61	Chief Executive Officer and Chairman of the Board of Directors
Carl R. Christenson	47	President and Chief Operating Officer
David A. Wall	49	Chief Financial Officer
Gerald Ferris	57	Vice President of Global Sales
Timothy McGowan	50	Vice President of Human Resources
Edward L. Novotny	55	Vice President and General Manager, Gearing and Belted Drives (Altra Industrial)
Todd B. Patriacca	37	Vice President of Finance, Corporate Controller
Craig Schuele	44	Vice President of Marketing and Business Development
Jean-Pierre L. Conte	43	Director
Richard D. Paterson(1)	64	Director
Darren J. Gold(2)(3)	37	Director
Larry McPherson(1)(2)	61	Director
James H. Woodward Jr.(1)(3)	54	Director
Edmund M. Carpenter(2)(3)	65	Director

(1) Member of the Audit Committee of our Board of Directors.

(2) Member of the Nominating and Corporate Governance Committee of our Board of Directors.

(3) Member of the Compensation Committee of our Board of Directors.

Michael L. Hurt, P.E. has been our Chief Executive Officer and a director since our formation in 2004. In November 2006, Mr. Hurt was elected as chairman of our board. During 2004, prior to our formation, Mr. Hurt provided consulting services to Genstar Capital and was appointed Chairman and Chief Executive Officer of Kilian in October 2004. From January 1991 to November 2003, Mr. Hurt was the President and Chief Executive Officer of TB Wood s Incorporated, a manufacturer of industrial power transmission products. Prior to TB Wood s, Mr. Hurt spent 23 years in a variety of management positions at the Torrington Company, a major manufacturer of bearings and a subsidiary of Ingersoll Rand. Mr. Hurt holds a B.S. degree in Mechanical Engineering from Clemson University and an M.B.A. from Clemson-Furman University.

Carl R. Christenson has been our President and Chief Operating Officer since January 2005. From 2001 to 2005, Mr. Christenson was the President of Kaydon Bearings, a manufacturer of custom-engineered bearings and a division of Kaydon Corporation. Prior to joining Kaydon, Mr. Christenson held a number of management positions at TB Wood s Incorporated and several positions at the Torrington Company. Mr. Christenson holds a M.S. and B.S. degree in Mechanical Engineering from the University of Massachusetts and an M.B.A. from Rensselaer Polytechnic.

David A. Wall has been our Chief Financial Officer since January 2005. From 2000 to 2004, Mr. Wall was the Chief Financial Officer of Berman Industries, a manufacturer and distributor of portable lighting products. From 1994 to 2000, Mr. Wall was the Chief Financial Officer of DoALL Company, a manufacturer and distributor of machine tools and industrial supplies. Mr. Wall is a Certified Public Accountant and holds a B.S. degree in Accounting from the University of Illinois and an M.B.A. in Finance from the University of Chicago.

Gerald Ferris has been our Vice President of Global Sales since May 2007 and held the same position with Power Transmission Holdings, LLC, our Predecessor, since March 2002. He is responsible for the worldwide sales of our broad product platform. Mr. Ferris joined our Predecessor in 1978 and since joining has held various positions. He became the Vice President of Sales for Boston Gear in 1991. Mr. Ferris holds a B.A. degree in Political Science from Stonehill College.

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Timothy McGowan has been our Vice President of Human Resources since May 2007 and held the same position with our Predecessor since June 2003. Prior to joining us, from 1994 to 1998 and again from 1999 to 2003 Mr. McGowan was Vice President, Human Resources for Bird Machine, part of Baker Hughes, Inc., an oil equipment manufacturing company. Before his tenure with Bird Machine, Mr. McGowan spent many years with Raytheon in various Human Resources positions. Mr. McGowan holds a B.A. degree in English from St. Francis College in Maine.

Edward L. Novotny has been our Vice President and General Manager of Gearing and Belted Drives since November 2004 and held the same position with our Predecessor since May 2001. Prior to joining our Predecessor in 1999, Mr. Novotny served in a plant management role and then as the Director of Manufacturing for Stabilus Corporation, an automotive supplier, since October 1990. Prior to Stabilus, Mr. Novotny held various plant management and production control positions with Masco Industries and Rockwell International. Mr. Novotny holds a B.S. degree in Business Management from Youngstown State University.

Todd B. Patriacca has been our Vice President of Finance and Corporate Controller since May 2007. Prior to his current position, Mr. Patriacca has been Corporate Controller since May 2005. Prior to joining us, Mr. Patriacca was Corporate Finance Manager at MKS Instrument Inc., a semi-conductor equipment manufacturer since March 2002. Prior to MKS, Mr. Patriacca spent over ten years at Arthur Andersen LLP in the Assurance Advisory practice. Mr. Patriacca is a Certified Public Accountant and holds a B.A. in History from Colby College and an M.B.A. and an M.S. in Accounting from Northeastern University.

Craig Schuele has been our Vice President of Marketing and Business Development since May 2007 and held the same position with our Predecessor since July 2004. Prior to his current position, Mr. Schuele has been Vice President of Marketing since March 2002, and previous to that he was a Director of Marketing. Mr. Schuele joined our Predecessor in 1986 and holds a B.S. degree in Management from Rhode Island College.

Jean-Pierre L. Conte was elected as one of our directors in connection with the PTH Acquisition, which occurred in November 2004. Mr. Conte also served as chairman of our board from November 2004 until November 2006. Mr. Conte is currently Chairman and Managing Director of Genstar Capital. Mr. Conte joined Genstar Capital in 1995. Prior to leading Genstar Capital, Mr. Conte was a principal for six years at the NTC Group, Inc., a private equity investment firm. He began his career at Chase Manhattan in 1985. He has served as a director and chairman of the board of PRA International, Inc. since 2000. Mr. Conte also has served as a director of Propex Fabrics, Inc. since December 2004 and as a director of Panolam Industries International, Inc. since September 2005. Mr. Conte holds a B.A. degree from Colgate University and an M.B.A. from Harvard University.

Richard D. Paterson was elected as one of our directors in connection with the PTH Acquisition. Since 1987, Mr. Paterson has been a Managing Director at Genstar Capital. Prior to joining Genstar Capital, Mr. Paterson was a Senior Vice President and Chief Financial Officer of Genstar Corporation, a New York Stock Exchange listed company. He has served as a director of North American Energy Partners Inc. since 2005, Propex Fabrics, Inc. since 2004, American Pacific Enterprises, LLC since 2004, Wood s Equipment Company since 2004 and INSTALLS inc, LLC since 2004. Mr. Paterson is a Chartered Accountant and holds a Bachelor of Commerce degree from Concordia University.

Darren J. Gold was elected as one of our directors in connection with the PTH Acquisition. Mr. Gold is currently a Managing Director of Genstar Capital. Mr. Gold joined Genstar Capital in 2000. Prior to joining Genstar Capital, Mr. Gold was an engagement manager with McKinsey & Company. He has served as a director at INSTALLS inc., LLC since 2002 and Panolam Industries International, Inc. since 2005. Mr. Gold holds a B.A. in Political Science and History from the University of California, Los Angeles and a J.D. from the University of Michigan.

Larry McPherson was elected as one of our directors in January 2005. Prior to joining our board, Mr. McPherson was a Director of NSK Ltd., a manufacturer and seller of industrial machinery bearings and automobile components, from 1997 until his retirement in 2003 and served as Chairman and CEO of NSK Europe from January 2002 to December 2003. In total he was employed by NSK Ltd. for 21 years and was

Chairman and CEO of NSK Americas for the six years prior to his European assignment. Mr. McPherson continues to serve as an advisor to the board of directors of NSK Ltd. as well as a board member of McNaughton and Gunn, Inc. and of a privately owned printing company. Mr. McPherson earned his M.B.A. from Georgia State and his B.S. degree in Electrical Engineering from Clemson University.

James H. Woodward, Jr. was elected as one of our directors in March 2007. Mr. Woodward has been Executive Vice President and Chief Financial Officer of Joy Global Inc., a mining machinery and services company, since January 2007. Prior to joining Joy Global Inc., Mr. Woodward was Executive Vice President and Chief Financial Officer of JLG Industries, Inc., a manufacturer and marketer of industrial access equipment, from August 2000 until its sale in December 2006. Prior to JLG Industries, Inc., Mr. Woodward held various financial positions at Dana Corporation since 1982. Mr. Woodward holds a B.A. degree in Accounting from Michigan State University.

Edmund M. Carpenter was elected as one of our directors in March 2007. Mr. Carpenter was President and Chief Executive Officer of Barnes Group Inc., a manufacturer of precision metal components and distributor of industrial supplies, from 1998 until his retirement in December 2006. Prior to joining Barnes Group Inc., Mr. Carpenter was Senior Managing Director of Clayton, Dubilier & Rice from 1996 to 1998, and Chief Executive Officer of General Signal from 1988 to 1995. He has served as a director at Campbell Soup Company since 1990 and Dana Corporation since 1991. He holds both an M.B.A. and a B.S.E. in Industrial Engineering from the University of Michigan.

Board Composition

Our bylaws provide that the size of the Board of Directors shall be determined from time to time by our Board of Directors. Our Board of Directors currently consists of seven members. Each of our executive officers and directors, other than non-employee directors, devotes his or her full time to our affairs. Our non-employee directors devote the amount of time to our affairs as necessary to discharge their duties. Edmund M. Carpenter, Larry McPherson and James H. Woodward Jr. are each independent within the meaning of the Marketplace Rules of the NASDAQ Global Market, or the NASDAQ Rules, and the federal securities laws. Our Board of Directors currently complies with the NASDAQ Rules regarding independence requirements pursuant to an exemption from the requirement that a majority of the Board members must be independent provided by Rule 4350(a)(5) of the NASDAQ Rules. We expect some of our non-independent directors will be replaced so that the majority of our Board of Directors will be independent within 12 months of December 14, 2006, the effective date of our registration statement for our initial public offering.

Committees of the Board of Directors

Pursuant to our bylaws, our Board of Directors is permitted to establish committees from time to time as it deems appropriate. To facilitate independent director review and to make the most effective use of our directors time and capabilities, our Board of Directors has established the following committees: the Audit Committee, the Compensation Committee and the Nominating and Corporate Governance Committee. The charter of each of the committees discussed below is available on our website at http://www.altraindustrialmotion.com. Printed copies of these charters may be obtained, without charge, by contacting the Corporate Secretary, Altra Holdings, Inc., 14 Hayward Street, Quincy, Massachusetts 02171, telephone (617) 328-3300. The membership and function of each committee are described below.

Audit Committee

The primary purpose of the audit committee is to assist the board s oversight of:

the integrity of our financial statements;

our internal controls and risk management;

our compliance with legal and regulatory requirements;

our independent auditors   qualifications and independence;

the performance of our independent auditors and our internal audit function; and

the preparation of the report required to be prepared by the committee pursuant to SEC rules.

The Audit Committee was established in accordance with Section 3(a)(58)(A) of the Exchange Act and currently consists of Messrs. Woodward, McPherson and Paterson. Mr. Woodward serves as chairman of our Audit Committee. Mr. Woodward and Mr. McPherson qualify as independent audit committee financial experts as such term has been defined by the SEC in Item 407 of Regulation S-K. The Audit Committee currently complies with NASDAQ and federal securities law independence requirements pursuant to an exemption from the requirement that all Audit Committee members must be independent provided by Rule 4350(a)(5) of the NASDAQ Rules and Rule 10A-3(b)(1)(iv) of the Exchange Act. Mr. Woodward was appointed to the Audit Committee in March 2007 to comply with the independence phase-in requirements of the NASDAQ Rules and the Exchange Act. Mr. Paterson is the only member of the Audit Committee not currently considered to be an independent director as provided by the NASDAQ Rules, and the Securities Exchange Act of 1934, or the Exchange Act. We expect that all of our Audit Committee members will be independent within 12 months of December 14, 2006, the effective date of our registration statement for our initial public offering.

Nominating and Corporate Governance Committee

The primary purpose of the nominating and corporate governance committee is to:

identify and to recommend to the board individuals qualified to serve as directors of our company and on committees of the board;

advise the board with respect to the board composition, procedures and committees;

develop and recommend to the board a set of corporate governance principles and guidelines applicable to us; and

oversee the evaluation of the board and our management.

Messrs. McPherson, Carpenter and Gold serve on the Nominating and Corporate Governance Committee. Mr. McPherson serves as chairman of the Nominating and Corporate Governance Committee. Our Nominating and Corporate Governance Committee currently complies with NASDAQ Rules regarding independence requirements pursuant to an exemption from the requirement that all Nominating and Corporate Governance Committee members must be independent provided by Rule 4350(a)(5) of the NASDAQ Rules. Mr. Carpenter was appointed to the Nominating and Corporate Governance Committee in March 2007 to comply with the independence phase-in requirements of the NASDAQ Rules and the Exchange Act. Mr. Gold is the only member of the Nominating and Corporate Governance Committee not currently considered to be an independent director as provided by the NASDAQ Rules and the Exchange Act. We expect that all of our Nominating and Corporate Governance Committee members will be independent within 12 months of December 14, 2006, the effective date of our registration statement for our initial public offering. Please see the section entitled Corporate Governance herein for further discussion of the roles and responsibilities of the Nominating and Corporate Governance Committee.

Compensation Committee

The primary purpose of our Compensation Committee is to oversee our compensation and employee benefit plans and practices, review director compensation policy and produce a report on executive compensation as required by SEC rules. Messrs. Carpenter, Gold and Woodward serve on the Compensation Committee. Mr. Carpenter serves as

chairman of the Compensation Committee. Our Compensation Committee currently complies with NASDAQ Rules regarding independence requirements pursuant to an exemption from the requirement that all Compensation Committee members must be independent provided by Rule 4350(a)(5) of the NASDAQ Rules. Messrs. Carpenter and Woodward were appointed to the Compensation Committee in March 2007 to comply with the independence phase-in requirements of the NASDAQ Rules and the Exchange Act. Mr. Gold is the only member of the Compensation Committee not currently considered to be an

independent director as provided by the NASDAQ Rules and the Exchange Act. We expect that all of our Compensation Committee members will be independent within 12 months of December 14, 2006, the effective date of our registration statement for our initial public offering.

Compensation Committee Interlocks and Insider Participation

During our last completed fiscal year, none of the members of the Compensation Committee was our employee, officer or former officer. None of our executive officers served on the board of directors or compensation committee of any entity in 2006 that had an executive officer serving as a member of our Board or Compensation Committee.

Mr. Richard Paterson, who was a member of the Compensation Committee during the year 2006, and Mr. Darren Gold, a current Compensation Committee member, are employees of Genstar Capital, our largest stockholder. Please see Certain Relationships and Related Transactions for a description of Genstar Capital s relationship with us.

Director Compensation

All members of our Board of Directors are reimbursed for their usual and customary expenses incurred in connection with attending all Board and other committee meetings. Our non-employee directors receive director fees of $40,000 per year. In January of 2005, Mr. Larry McPherson was granted 34,125 shares of restricted common stock, which stock is subject to vesting over a period of five years. In January of 2005, Mr. Frank E. Bauchiero was also granted 34,125 shares of restricted common stock, which stock became fully vested by Board action upon his departure from the Board in March 2007.

The following table sets forth information concerning compensation paid to our non-employee directors during the fiscal year ended December 31, 2006.

Non-Employee Director Compensation Table

Name	Fees Earned or Paid in Cash ($)	Stock Awards ($)	Non-Equity Incentive Plan Compensation ($)	All Other Compensation ($)	Total ($)
Frank E. Bauchiero[1]	40,000				40,000
Edmund M. Carpenter					
Jean-Pierre L. Conte					
Darren J. Gold					
Larry McPherson	40,000				40,000
Richard D. Paterson					
James H. Woodward Jr.					

(1) Frank E. Bauchiero resigned from our Board of Directors, effective March 14, 2007.

In May 2007, the Compensation Committee, upon consultation with Hay Group, an independent outside consultant, approved the 2007 compensation for our non-employee directors. For 2007, each of our non-employee directors will receive an annual retainer fee of $60,000. In addition, the Chairman of the Audit Committee will receive a fee of

$8,000, the Chairman of the Compensation Committee will receive a fee of $5,000, and the Chairman of the Nominating and Corporate Governance Committee will receive a fee of $5,000 for their services in 2007.

EXECUTIVE COMPENSATION

Compensation of Named Executives

The following table summarizes all compensation paid to our principal executive officer, our principal financial officer and to our three other most highly compensated executive officers whose total annual salary and bonus exceeded $100,000 for services rendered in all capacities to us during the year ended December 31, 2006. We will refer to these executive officers as the named executive officers.

Summary Compensation Table

Name and Principal Position	Year	Salary	Stock[1]	Non-Equity Incentive Plan Compensation[7]	All Other Compensation	Total Compensation
Michael L. Hurt Chief Executive Officer	2006	$ 373,190	$ 1,258,164(2)	$ 521,902	$ 26,587(8)	$ 2,179,843
Carl R. Christenson President & Chief Operating Officer	2006	$ 273,542	$ 646,334(3)	$ 320,650	$ 25,127(8)	$ 1,265,653
David A. Wall Chief Financial Officer	2006	$ 228,750	$ 7,410(4)	$ 214,544	$ 25,068(8)	$ 475,772
Edward L. Novotny Vice President of Altra Industrial Motion and General Manager of Boston Gear, Overrunning Clutch, Huco	2006	$ 187,600	$ 3,705(5)	$ 132,239	$ 25,967(8)	$ 349,511
Gerald Ferris Vice President of Global Sales, Altra Industrial Motion	2006	$ 184,037	$ 3,705(6)	$ 169,303	$ 20,793(9)	$ 377,838

(1) The amounts in this column represent the amount recognized for financial statement reporting purposes with respect to the fiscal year 2006. This expense is recognized in our financial statements on a straight-line basis over the vesting period. For discussion of factors and assumptions taken into account in our calculation, see Note 11 to our consolidated financial statements contained in this prospectus.

(2) Reflects the shares of restricted stock held by Mr. Hurt that vested in 2006, which include two-fifths of the shares of restricted stock granted to Mr. Hurt in 2006 and one-fifth of the shares of restricted stock granted to Mr. Hurt in each of 2004 and 2005. The aggregate restricted stock holdings of Mr. Hurt at the end of 2006 were 847,259 shares.

(3) Reflects the shares of restricted stock held by Mr. Christenson that vested in 2006, which include two-fifths of the shares of restricted stock granted to Mr. Christenson in 2006 and one-fifth of the shares of restricted stock granted to Mr. Christenson in 2005. The aggregate restricted stock holdings of Mr. Christenson at the end of

2006 were 568,221 shares.

(4) Reflects the shares of restricted stock held by Mr. Wall that vested in 2006, which include one-fifth of the shares of restricted stock granted to Mr. Wall in 2005. The aggregate restricted stock holdings of Mr. Wall at the end of 2006 were 220,500 shares.

(5) Reflects the shares of restricted stock held by Mr. Novotny that vested in 2006, which include one-fifth of the shares of restricted stock granted to Mr. Novotny in 2005. The aggregate restricted stock holdings of Mr. Novotny at the end of 2006 were 126,000 shares.

(6) Reflects the shares of restricted stock held by Mr. Ferris that vested in 2006, which include one-fifth of the shares of restricted stock granted to Mr. Ferris in 2005. The aggregate restricted stock holdings of Mr. Ferris at the end of 2006 was 110,250 shares.

(7) Reflects bonus amounts approved by our Compensation Committee for the fiscal year 2006 under our Management Incentive Compensation Program, or MICP. For further discussion of the MICP and the

determination of 2006 bonus amounts for our named executive officers, see the Compensation Analysis and Discussion section of this prospectus.

(8) Represents our 401(k) contribution of $13,200, premiums paid for medical and dental insurance of $8,000 and premiums paid for life and disability benefits.

(9) Represents our 401(k) contribution of $7,650, premiums paid for medical and dental insurance of $8,000 and premiums paid for life and disability benefits.

The following table presents information regarding grants of plan based awards to our named executive officers during the fiscal year ended December 31, 2006.

Grants of Plan-Based Awards

Name	Grant Date of Stock Awards	Estimated Future Payouts Under Non-Equity Incentive Plan Awards Target[1]	All Other Stock Awards: Number of Shares of Stock or Units	Market Price on Grant Date	Grant Date Fair Value of Stock & Option Awards
Michael L. Hurt	August 30, 2006	$ 223,914	203,899(2)	$ 16.00	$ 3,262,384
Carl R. Christenson	August 30, 2006	$ 136,771	103,857(3)	$ 16.00	$ 1,661,704
David A. Wall		$ 91,500			
Edward L. Novotny		$ 65,660			
Gerald Ferris		$ 73,615			

(1) Reflects the target bonus amounts for the fiscal year 2006 under our Management Incentive Compensation Program, or MICP. The amounts reflect 60% of Mr. Hurt s base salary, 50% of Mr. Christenson s base salary, 40% of Mr. Wall s base salary, 35% of Mr. Novotny s base salary, and 40% of Mr. Ferris base salary, respectively. There were no specific threshold or maximum bonus amounts contemplated under the MICP. Instead, downward or upward adjustments would be made based on our target financial performance. The Compensation Committee approved bonuses in excess of the target amounts shown in this column, due to our better-than-expected financial performance in 2006. For actual 2006 bonus amounts approved for our named executive officers, see the Non-Equity Incentive Plan Compensation column of the Summary Compensation Table above. For further discussion of the MICP and the determination of 2006 bonus amounts for our named executive officers, see the Compensation Analysis and Discussion section of this prospectus.

(2) This award of restricted stock vests over four years in the following manner: 81,559 shares in January 2007 and 40,780 shares in January 2008, 2009 and 2010. Although we typically grant equity awards that vest over a five-year period, the vesting schedule of any particular award is determined by the Compensation Committee.

(3)

This award of restricted stock vests over four years in the following manner: 41,554 shares in January 2007 and 20,771 shares in January 2008, 2009 and 2010. Although we typically grant equity awards that vest over a five-year period, the vesting schedule of any particular award is determined by the Compensation Committee.

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Outstanding Equity at Fiscal Year-End

	Option Awards				Stock Awards	
	Number of Options (#)	Number of Securities Options (#)	Option Price ($)	Option Expiration Date	Number of Shares or Units of Stock That Have Not Vested (#)	Market Value of Shares or Units of Stock That Have Not Vested ($)
Michael L. Hurt					564,632(1)	$ 7,933,078
Carl R. Christenson					415,857(2)	$ 5,842,784
David A. Wall					156,000(3)	$ 2,191,800
Edward L. Novotny					78,000(4)	$ 1,095,900
Gerald Ferris					78,000(4)	$ 1,095,900

(1) 149,792 shares will vest in January 2007; 29,267 shares will vest in October 2007, 2008 and 2009; and 109,013 shares will vest in January 2008, 2009 and 2010.

(2) 119,544 shares will vest in January 2007, and 98,771 shares will vest in January 2008, 2009 and 2010.

(3) 39,000 shares will vest in January 2007, 2008, 2009 and 2010.

(4) 19,500 shares will vest in January 2007, 2008, 2009 and 2010.

The following table presents information concerning the vesting of restricted stock for our named executive officers during the fiscal year ended December 31, 2006. We have not granted any options.

Option Exercises and Stock Vested

Name	Number of Shares Acquired on Exercise (#)	Value Realized on Exercise ($)	Number of Shares Acquired on Vesting (#)	Value Realized on Vesting ($)
Michael L. Hurt			97,500	$ 580,176
Carl R. Christenson			78,000	$ 127,920
David A. Wall			39,000	$ 63,960
Edward L. Novotny			19,500	$ 31,980
Gerald Ferris			19,500	$ 31,980

Pension Benefits

The following table presents information concerning payments or other benefits for our named executive officers in connection with their retirement.*

Name	Plan Name	Number of Years Credited Service (#)	Present Value of Accumulated Benefits ($)	Payments During Last Fiscal Year
Michael L. Hurt				
Carl R. Christenson				
David A. Wall				
Edward L. Novotny				
Gerald Ferris[(1)]	Altra Industrial Motion, Inc. Retirement Plan	21	$ 310,756	0

* For further discussion of the valuation method and material assumptions used in quantifying the present value of accumulated benefit, see Note 9 of our Consolidated Financial Statements.

(1) Reflects pension benefits accrued for Mr. Ferris under PTH s Colfax PT Pension Plan, which Altra assumed in connection with its acquisition of PTH. Mr. Ferris s participation in and benefits accrued under such plan were frozen since December 31, 1998. Altra Industrial Motion, Inc. Retirement Plan manages the assumed liabilities under the Colfax Plan. Under the provisions of the Colfax Plan, upon reaching the normal retirement age of 65, Mr. Ferris will receive annual payments of approximately $38,700. Mr. Ferris is eligible to receive a reduced annual payment in the event of his early retirement.

2004 Equity Incentive Plan

Our 2004 Equity Incentive Plan, or Incentive Plan, permits the grant of restricted stock, stock units, stock appreciation rights, cash, non-qualified stock options and incentive stock options to purchase shares of our common stock, par value $0.001 per share. Currently, the maximum number of shares of our common stock that may be issued under the terms of the Incentive Plan is 3,004,256 and the maximum number of shares that may be subject to incentive stock options (within the meaning of Section 422 of the Code) is 1,750,000 shares. The Compensation Committee administers the Incentive Plan and has discretion to establish the specific terms and conditions for each award. Our employees, consultants and directors are eligible to receive awards under our Incentive Plan. Stock options, stock appreciation rights, restricted stock, stock units and cash awards may constitute performance-based awards in accordance with Section 162(m) of the Code at the discretion of the Compensation Committee. Any grant of restricted stock under the Incentive Plan may be subject to vesting requirements, as provided in its applicable award agreement, and will generally vest in five equal annual installments. The Compensation Committee may provide that any time prior to a change in control, any outstanding stock options, stock appreciation rights, stock units and unvested cash awards shall immediately vest and become exercisable and any restriction on restricted stock awards or stock units shall immediately lapse. In addition, the Compensation Committee may provide that all awards held by participants who are in our service at the time of the change of control, shall remain exercisable for the remainder of their terms notwithstanding any subsequent termination of a participant s service. All awards shall be subject to the terms of any agreement effecting a change of control. Other than Mr. Hurt s grants, upon a participant s termination of employment (other than for cause), unless the Board or committee provides otherwise: (i) any outstanding stock options or stock appreciation rights may be exercised 90 days after termination, to the extent vested, (ii) unvested restricted stock awards and stock units shall expire and (iii) cash awards and performance-based awards shall be forfeited. Under the terms of his restricted stock agreements, in the event Mr. Hurt s employment is terminated by us other than for cause, or terminates for good reason, death or disability all of his unvested restricted stock awards shall vest automatically.

Potential Payments Upon Termination or Change-In-Control

Severance Policy

Employment Agreements

Three of our named executives, Messrs. Hurt, Christenson and Wall, entered into employment agreements with us and Altra Industrial in early January 2005. Mr. Hurt s employment agreement was subsequently amended on December 5, 2006. Under the terms of his employment agreement, Mr. Hurt has a three-year employment term, following which the agreement will automatically renew for successive one-year terms unless either Mr. Hurt or Altra terminates the agreement upon 6 months prior notice to such renewal date. Under the terms of their respective employment agreements, Messrs. Christenson and Wall have five-year employment terms. The employment agreements contain usual and customary restrictive covenants, including 12 month non-competition provisions and non-solicitation/no hire of employees or customers provisions, non-disclosure of proprietary information provisions and non-disparagement provisions. In the event of a termination without cause or departure for good reason, the terminated senior executives are entitled to severance equal to 12 months salary, continuation of medical and dental

benefits for the 12-month period following the date of termination, and an amount equal to their pro-rated bonus for the year of termination. In addition, upon such termination, all of Mr. Hurt s unvested restricted stock received from our Incentive Plan shall automatically vest.

Under the agreements, each of Messrs. Hurt, Christenson and Wall is eligible to participate in all compensation or employee benefit plans or programs and to receive all benefits and perquisites for which salaried employees of Altra Industrial generally are eligible under any current or future plan or program on the same basis as other senior executives of Altra Industrial. Each of Messrs. Hurt, Christenson and Wall is also eligible to receive, upon termination due to death or disability, an amount equal to his pro-rated bonus for the year of termination, as well as any earned but unpaid salary or benefits.

As part of the compensation review process, the Compensation Committee of the our Board of Directors, or the Compensation Committee, is currently reviewing the 2007 compensation levels and terms for Messrs. Hurt, Christenson and Wall with the assistance of outside consultants.

Retirement

As part of the PTH Acquisition, we agreed to assume active pension plan liabilities of PTH, including certain liabilities under its Colfax PT Pension Plan. Mr. Ferris previously participated in the Colfax PT Pension Plan; however, on December 31, 1998, his participation in and benefits accrued under such plan were frozen. Under the provisions of the plan, upon reaching the normal retirement age of 65, Mr. Ferris will receive annual payments of approximately $38,700. This amount was determined from a formula set forth in the plan and is based upon (i) a participant s years of service, (ii) a participant s compensation at the time the plan was frozen, and (iii) a standard set of benefit percentage multipliers. The assumed liabilities of the Colfax PT Pension Plan, including the retirement benefits payable to Mr. Ferris, will be managed under our Retirement Plan, which has been frozen at identical levels to the Colfax PT Pension Plan.

Change of Control

As more fully discussed in the caption 2004 Equity Incentive Plan herein, the Compensation Committee has the authority to effect immediate vesting of various employee incentive awards upon a change of control of Altra. The Compensation Committee may provide that any time prior to a change in control, any outstanding stock options, stock appreciation rights, stock units and unvested cash awards shall immediately vest and become exercisable and any restriction on restricted stock awards or stock units shall immediately lapse. In addition, the Compensation Committee may provide that all awards held by participants who are in our service at the time of the change of control, shall remain exercisable for the remainder of their terms notwithstanding any subsequent termination of a participant s service. For the market value of unvested equity awards held by our named executive officers as of December 31, 2006, which may be vested upon a change of control at the sole discretion of the Compensation Committee, see the table entitled Outstanding Equity at Fiscal Year-End contained elsewhere in the prospectus.

As more fully discussed under the caption Severance Policy, Messrs. Hurt, Christenson and Wall may be eligible to receive certain severance benefits pursuant to their respective employment agreements.

Potential Post-Employment Payments to Named Executive Officers

The table below sets forth potential payments that could be received by our named executive officers upon termination of their employment with us, assuming such event took place on December 31, 2006 for the purposes of quantifying the amounts below. Messrs. Novotny and Ferris are not entitled to any potential post-employment payments.*

	Michael L. Hurt			Carl R. Christenson			David A. Wall		
	Death or Disability	Termination Without Cause or for Good Reason	Involuntary for Cause/ Voluntary Termination	Death or Disability	Termination Without Cause or for Good Reason	Involuntary for Cause/ Voluntary Termination	Death or Disability	Termination Without Cause or for Good Reason	Inv for Vo Ter
	Incremental and Earned Compensation								
erance[1]	$	$ 373,190	$	$	$ 273,875	$	$	$ 228,750	$
surance[1]		8,000			8,000			8,000	
Stock[2][3]	7,933,078	7,933,078			1,145,912				
nce Bonus[1]	521,902	521,902	521,902	320,650	320,650	320,650	214,544	214,544	
	$ 8,454,980	$ 8,836,170	$ 521,802	$ 320,650	$ 1,748,437	$ 320,650	$ 214,544	$ 451,294	$

(1) Cash severance, health insurance and performance bonus amounts payable upon termination as reflected herein were determined by the terms of each of the executive s employment agreement, which are further discussed in this prospectus under the caption Severance Policy.

(2) The restricted stock values were determined using the number of shares that will immediately vest upon termination per each of the executive s stock agreement multiplied by our per share stock price of $14.05 at December 29, 2006.

(3) Pursuant to his restricted stock grant agreement, 83,085 shares of Mr. Christenson s restricted stock would vest if he was terminated before January 6, 2007. As of January 6, 2007 such shares vested and the vesting upon termination indicated in the table is no longer applicable.

* Mr. Ferris will be entitled to receive certain annual pension payments upon reaching the normal retirement age of 65 or a reduced benefit if earlier than normal retirement age, as further described in this prospectus under the caption Retirement. In addition, Messrs. Ferris and Novotny were both parties to transition agreements that provided for certain severance benefits upon the sale of our company, but such transition agreements terminated on April 1, 2007 and neither Mr. Ferris nor Novotny received any payments from Altra in connection with such agreements.

COMPENSATION DISCUSSION AND ANALYSIS

The following discussion provides an overview and analysis of our compensation programs and policies and the major factors that shape the creation and implementation of those policies. In this discussion and analysis, and in the more detailed tables and narrative that follow, we will discuss compensation and compensation decisions relating to the following persons, whom we refer to as our named executive officers:

Michael L. Hurt, Chief Executive Officer and Chairman of the Board;

Carl R. Christenson, President and Chief Operating Officer;

David A. Wall, Chief Financial Officer, Treasurer and Secretary;

Edward L. Novotny, Vice President and General Manager, Gearing and Belted Drives (Altra Industrial); and

Gerald Ferris, Vice President of Global Sales.

Compensation Committee

The Compensation Committee of our Board of Directors, or the Compensation Committee, has responsibility for establishing, implementing and monitoring adherence with our compensation program. The role of the Compensation Committee is to oversee, on behalf of the Board and for our benefit and our shareholders, our compensation and benefit plans and policies, review and approve equity grants to directors and executive officers and determine and approve annually all compensation relating to the CEO and our other executive officers. The Compensation Committee utilizes our Human Resources Department and reviews data from market surveys and proxy statements to assess our competitive position with respect to base salary, annual incentives and long-term incentive compensations. The Compensation Committee has the authority to engage the services of independent compensation consultants and has recently done so to perform an executive compensation study for purposes of assisting in the establishment of 2007 executive compensation. The Compensation Committee meets a minimum of four times annually to review executive compensation programs, determine compensation levels and performance targets, review management performance, and approve final executive bonus distributions.

The Compensation Committee operates in accordance with a charter which sets forth its rights and responsibilities. The Compensation Committee and the Board review the charter annually and it was recently updated in November 2006.

Objectives of Our Compensation Programs

We believe that compensation paid to executive officers should be closely aligned with our performance on both a short-term and long-term basis, and that such compensation should assist us in attracting and retaining key executives critical to our success. To this end, our compensation program for executive officers is structured to achieve the following objectives:

Recruiting and Retention of Talented Professionals

We believe that it is primarily the dedication, creativity, competence and experience of our workforce that enables us to compete, given the realities of the industry in which we operate. We aim to compensate our executives at

competitive levels in order to attract and retain highly qualified professionals critical to our success. There are many important factors in attracting and retaining qualified individuals. Compensation is one of them but not the only one.

Alignment of Individual and Short-Term and Long-Term Organizational Goals

We attempt to link compensation to executive short-term performance by structuring a significant portion of executive compensation as a performance-based bonus. In particular, the level of cash incentive

compensation is determined by the use of annual performance targets, which we believe encourages superior short-term performance.

We strive to align the long-term interests of our executives with those of our stockholders and foster an ownership mentality in our executives by giving them a meaningful stake in our success through our equity incentive programs. Our equity compensation program for executives is designed to link the long-term compensation levels of our executives to the creation of lasting shareholder value.

Rewarding Meaningful Results

We believe that compensation should be structured to encourage and reward performance that leads to meaningful results for us. Both our cash and equity incentive compensation programs are tied primarily to each executive s contribution to earnings growth and our working capital management. Our strategy is to compensate our executives at competitive levels, with the opportunity to earn above-median compensation for above-market performance as compared to our peer group, through programs that emphasize performance-based incentive compensation in the form of annual cash payments and equity-based awards. We believe that the total compensation paid or awarded to our named executive officers during 2006 was consistent with our financial performance and the individual performance of each of the named executive officers. Based on ours and our Compensation Committee s analysis, we believe that the 2006 compensation was reasonable in its totality and is consistent with the compensation philosophies as described above.

Elements of Compensation

Total compensation for our executive officers consists of the following elements of pay:

- Base salary;
- Annual cash incentive bonus dependent on our financial performance and achievement of individual objectives;
- Long-term incentive compensation through grants of equity-based awards. Past equity awards have been in the form of restricted stock;
- Participation in retirement benefits through a 401(k) Savings Plan;
- Severance benefits payable upon termination under specified circumstances to certain of our key executive officers;
- Medical and dental benefits that are available to substantially all our employees. We share the expense of such health benefits with our employees, the cost depending on the level of benefits coverage an employee elects to receive. Our health plan offerings are the same for our executive officers and our other non-executive employees; and
- The named executive officers are provided with the same life, short-term and long-term disability insurance benefits as our other salaried employees. Additionally, the named executive officers are provided with supplemental long-term disability benefits that are not available to all salaried employees.

What We Reward, Why We Pay Each Element of Compensation and How Each Element Relates to Our Compensation Objectives

We compensate our executives through programs that emphasize performance-based incentive compensation. We have structured annual cash and long-term non-cash compensation to motivate executives to achieve the business goals set by us and reward the executives for achieving such goals.

Base salary is intended to provide a level of income commensurate with the executive s position, responsibilities and contributions to us. We believe the combined value of base salary plus annual cash incentives is competitive with the salary and bonus provided to similarly situated executives in the industry.

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Through our annual cash bonus program, we attempt to tailor performance goals to each individual executive officer and to our current priorities and needs. Through our long-term non-cash incentive compensation, we attempt to align the interests of our executive officers with those of our stockholders by rewarding our executives based on increases in our stock price over time through awards of restricted stock.

How We Determine the Amounts We Pay

The Compensation Committee has conducted a review of its executive compensation structure and practices, which concluded in May 2007. As permitted in its charter, the Compensation Committee was assisted by the Hay Group, an independent compensation consultant, in this review. The Compensation Committee has discussed and reviewed fully the Hay Group Executive and Director s Compensation Survey, which benchmarked our current programs against industry peers and other public companies of similar size and provided insight into the structuring of compensation programs to achieve various short-term and long-term objectives. Based on the foregoing, in May 2007, the Compensation Committee approved the 2007 compensation for our named executive officers as described below. For the 2007 non-employee director compensation, please see the section entitled Director Compensation in this prospectus.

Base Salary

Base salaries for executives are determined based upon job responsibilities, level of experience, individual performance, comparisons to the salaries of executives in similar positions, as well as internal comparisons of the relative compensation paid to the members of our executive team.

Our CEO, Mr. Hurt, makes recommendations to the Compensation Committee with respect to the base compensation of our executives other than himself. In the case of the CEO, the Compensation Committee evaluates his performance and makes a recommendation of base compensation to the Board. These
recommendations are then evaluated, discussed, modified as appropriate and ultimately approved by the Compensation Committee or the Board as appropriate. Pursuant to the employment agreements we have entered into with Messrs. Hurt, Christenson and Wall, the Board may not reduce, but may increase, their base salaries so long as their employment agreements are in effect. For further discussion of the employment agreements, please see the section entitled Executive Compensation Employment Agreements in this prospectus.

Base salaries of our named executive officers for the year 2006 are disclosed in the Summary Compensation Table in this prospectus and in the table below. For the year 2007, certain of our named executive officers will receive base salaries as set forth below.

Officer	2006 Base	2007 Base	Percentage Increase
Michael L. Hurt	$ 373,190	$ 475,000(1)	27.3%
Carl R. Christenson	$ 273,542	$ 325,000(1)	18.8%
David A. Wall	$ 228,750	$ 250,000(1)	9.3%
Edward L. Novotny	$ 187,600	$ 195,000(2)	3.9%
Gerald Ferris	$ 184,037	$ 200,000(2)	8.7%

(1) Increase is retroactive to January 1, 2007.

(2) Increase is effective June 1, 2007.

Annual Cash Incentives

Our executive officers are eligible to participate in the Management Incentive Compensation Program, or MICP. The Compensation Committee annually establishes a target bonus opportunity. Under the MICP, the Compensation Committee approves an annual incentive cash bonus calculation for the executive officers. Our financial performance targets in 2006 were based on adjusted EBITDA and working capital management. Adjusted EBITDA is established by the Compensation Committee and consists of earnings before interest,

income taxes, depreciation and amortization and is adjusted further for certain non-recurring costs, including, but not limited to, inventory fair value adjustments recorded in connection with acquisitions. The working capital management target was based on the prior year s ending working capital. For fiscal year 2006, Messrs. Hurt, Christenson, Wall, Novotny and Ferris had target bonus percentage amounts of 60%, 50%, 40%, 35% and 40% of base salary, respectively. These percentages are then adjusted upwards or downwards based on our financial performance in relation to our targeted EBITDA and working capital numbers. Based on the approved MICP, the named executives would earn no bonus if they did not achieve at least 80% of their respective targets. Based on our performance in 2006, it achieved levels substantially in excess of the targets established by the Compensation Committee. Therefore, the Compensation Committee approved bonuses equal to 220% of the target bonus times a working capital multiplier of 1.06 for Messrs. Hurt, Christenson, Wall and Ferris. Mr. Novotny s award was 190% of his target bonus times a working capital multiplier of 1.06. The bonuses earned are fully paid in cash following the end of the year earned and after the completion of the consolidated financial statement audit.

In May 2007, the Compensation Committee approved for Messrs. Hurt, Christenson, Wall, Novotny and Ferris their 2007 target bonus percentage amounts of 75%, 60%, 50%, 35% and 50% of 2007 base salary, respectively.

Long-Term Incentive Compensation

We believe that equity-based compensation ensures that our executives have a continuing stake in our long-term success. We issue equity-based compensation in the form of restricted stock, which generally vests ratably over five years. The purpose of these equity incentives is to encourage stock ownership, offer long-term performance incentive and to more closely align the executive s compensation with the return received by our shareholders.

Prior to 2006, we made grants of an aggregate of 1,267,500 shares of restricted stock to our named executive officers.

During 2006 and prior to our initial public offering, we granted an additional 203,899 and 103,857 shares of restricted common stock to our CEO and President and COO, respectively.

As part of its review of executive compensation following our initial public offering, the Compensation Committee is reviewing the long-term incentive compensation structure of its executive officers. Any future grants of equity-based compensation to our executive officers, if any, will be based upon the findings of such review.

Other Benefits

We have a 401(k) plan in which the named executive officers currently participate. We also have a frozen defined benefit plan from which Mr. Ferris is eligible to receive benefits. We also provide life, disability, medical and dental insurance as part of our compensation package. The Compensation Committee considers all of these plans and benefits when reviewing the total compensation of our executive officers.

The 401(k) plan offers a company match of $0.50 for every dollar contributed by a named executive officer to the plan, up to 6% of pre-tax pay. Additionally, we contribute an amount equal to 3% of a named executive s pre-tax pay to their account regardless of the amount of the contributions made by the named executive officer.

Mr. Ferris previously participated in the Colfax PT Pension Plan, however on December 31, 1998 participation in and benefits accrued under such plan were frozen. Under the provisions of the plan, upon reaching the normal retirement age of sixty-five, Mr. Ferris will receive annual payments of approximately $38,700. As part of its acquisition of Power Transmission Holding LLC from Colfax Corporation, we assumed certain liabilities of the Colfax PT Pension Plan, including such future payments to Mr. Ferris.

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The named executive officers are provided with the same short-term and long-term disability benefits as our other salaried employees. Additionally, the named executive officers are provided with supplemental long-term disability benefits that are not available to all salaried employees.

Perquisites

We do not provide the named executive officers with perquisites or other personal benefits such as company vehicles, club memberships, financial planning assistance, tax preparation or other such benefits.

Change of Control Matters and Employment Contracts

Employment Agreements

Three of our named executives, Messrs. Hurt, Christenson and Wall, entered into employment agreements with us and Altra Industrial in early January 2005. Mr. Hurt s employment agreement was subsequently amended on December 5, 2006. Under the terms of his employment agreement, Mr. Hurt has a three-year employment term, following which the agreement will automatically renew for successive one-year terms unless either Mr. Hurt or we terminate the agreement upon 6 months prior notice to such renewal date. Under the terms of their respective employment agreements, Messrs. Christenson and Wall have five-year employment terms. The employment agreements contain usual and customary restrictive covenants, including 12 month non-competition provisions and non-solicitation/no hire of employees or customers provisions, non-disclosure of proprietary information provisions and non-disparagement provisions. In the event of a termination without cause or departure for good reason, the terminated senior executives are entitled to severance equal to 12 months salary, continuation of medical and dental benefits for the 12-month period following the date of termination, and an amount equal to their pro-rated bonus for the year of termination. In addition, upon such termination, all of Mr. Hurt s unvested restricted stock received from our Incentive Plan shall automatically vest.

Under the agreements, each of Messrs. Hurt, Christenson and Wall is also eligible to participate in all compensation or employee benefit plans or programs and to receive all benefits and perquisites for which salaried employees of Altra Industrial generally are eligible under any current or future plan or program on the same basis as other senior executives of Altra Industrial.

As part of the annual review process, the Compensation Committee is currently reviewing the 2007 compensation levels and terms for Messrs. Hurt, Christenson and Wall with the assistance of outside consultants.

Change of Control Provisions

Pursuant to the terms of the employment agreements discussed above under the caption Employment Agreements, we provide benefits to Messrs. Hurt, Christenson and Wall upon terminations of employment from us under certain circumstances. The benefits described under the caption Employment Agreements are in addition to the benefits to which the executives would be entitled upon a termination of employment generally (i.e. vested retirement benefits accrued as of the date of termination, stock awards that are vested as of the date of termination and the right to elect continued health coverage pursuant to COBRA).

Amounts payable to our named executive officers due to termination of employment or a change of control under any employment agreements or otherwise are disclosed in further detail in the table entitled Executive Compensation Potential Post-Employment Payments to Named Executive Officers contained in this prospectus.

CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Equity Investments

Genstar & CDPQ Purchase. In connection with the PTH Acquisition, the Genstar Funds and Caisse de dépôt et placement du Québec, or CDPQ, purchased approximately 26.3 million shares of our preferred stock for approximately $26.3 million.

Pursuant to our initial public offering, the Genstar Funds and CDPQ sold 5,933,801 and 1,598,484 shares, respectively, of our common stock and now own a total of 7,058,700 shares and 1,901,516 shares, respectively.

The Kilian Transactions. Prior to our organization, the Genstar Funds formed Kilian to facilitate an acquisition of the Kilian Manufacturing Corporation from Timken U.S. Corporation. Michael L. Hurt, our CEO, purchased 5,000 shares of Kilian preferred stock at a price of $100 per share upon its formation. In addition, Mr. Hurt served as CEO of Kilian and received 2,922 shares of Kilian restricted common stock pursuant to Kilian s equity incentive plan. On October 22, 2004, Kilian acquired Kilian Manufacturing Corporation from Timken U.S. Corporation for $8.8 million in cash and the assumption of $12.2 million of debt.

Prior to the consummation of the PTH Acquisition, the Genstar Funds determined that the Kilian and PTH businesses should be combined. Consequently, concurrently with the consummation of the PTH Acquisition, the Genstar Funds, Mr. Hurt, and certain other Kilian investors exchanged all of their Kilian preferred stock, at a value of $8.8 million, for an additional 8.8 million shares of our preferred stock. In addition, members of Kilian s management who had received a total of 8,767 shares of Kilian restricted common stock, exchanged all such shares for a total of 439,057 shares of our restricted common stock pursuant to our equity incentive plan. As part of this exchange, Mr. Hurt exchanged his 5,000 shares of Kilian preferred stock for 500,000 shares of our preferred stock and his 2,922 shares of Kilian restricted common stock for 146,336 shares of our restricted common stock. The Kilian preferred stock and restricted common stock we received from these exchanges represented all of the outstanding ownership interests in Kilian.

Contribution to Us. All of the cash and Kilian preferred stock we received from such sales of our preferred stock and the exchange of our restricted common stock were contributed to Altra Industrial, and the cash portion thereof provided a portion of the funds necessary to complete the PTH Acquisition.

Employee Grants and Sales. In January 2005 and January 2006, we issued an aggregate of 1,394,165 shares and 39,000 shares, respectively, of our restricted common stock to members of our management pursuant to our equity incentive plan. In addition, in August 2006 we issued 203,899 shares of our restricted common stock to Mr. Hunt and 103,857 shares of our restricted common stock to Carl Christenson, our President and COO, in each case, pursuant to our equity incentive plan.

In 2005, subsequent to their date of hire, Mr. Christenson and David Wall, our CFO, also purchased 300,000 and 100,000 shares of our preferred stock for a purchase price of $300,000 and $100,000, respectively.

CDPQ Subordinated Notes Investment

In connection with the PTH Acquisition, CDPQ entered into a note purchase agreement with us, pursuant to which CDPQ purchased $14.0 million of our subordinated notes, to provide a portion of the funds necessary to complete the transaction.

During 2006, we repaid the outstanding balance under the CDPQ subordinated notes.

Genstar Advisory Services Agreement

In connection with the PTH Acquisition, we entered into an advisory services agreement with Genstar Capital, L.P., an affiliate of Genstar Management LLC, for management, business strategy, consulting and financial advisory and acquisition related services to be provided to us and our subsidiaries. The agreement

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provides for the payment to Genstar Capital, L.P. of an annual fee of $1 million (payable quarterly) for advisory and other consulting services. In addition, Genstar Capital, L.P. is entitled to receive an advisory fee of 2% of the aggregate consideration relating to any merger, acquisition, disposition or other strategic transactions, as approved by our board of directors, plus reimbursement of out-of-pocket expenses, including legal fees. Following the completion of our IPO and payment of a $3.0 million fee to Genstar Capital L.P., the advisory services agreement terminated in accordance with its terms.

Management Consulting Service Fees

Following the consummation of the PTH Acquisition, our board of directors granted, and Mr. Hurt and Frank E. Bauchiero, one of our former directors, were paid, one-time consulting fees of $125,000 and $75,000, respectively, for certain consulting and advisory services rendered to us in connection with the PTH Acquisition.

Severance Agreements

Upon completion of the PTH Acquisition, we assumed severance agreements with certain of our named executive officers as described in *Management Severance Agreements.* As of December 31, 2005 all severance agreements had expired.

Indebtedness of Management

On January 10, 2006, Altra Industrial loaned Mr. Wall $100,000 at an interest rate of 4.05%, our then current rate of funds. The loan was paid in full and terminated on March 22, 2006.

Stockholders Agreement

We have entered into an agreement with our stockholders that grants certain rights to and places certain limitations on the actions of our stockholders. These rights and restrictions generally include (i) restrictions on the right to sell or transfer our stock, (ii) the Genstar Funds rights of first refusal and drag-along rights with respect to sales of shares by other stockholders, (iii) the stockholders rights to participate in the sale of the our shares by the Genstar Fund (a co-sale right), (iv) the stockholders right of first offer with respect to additional sales of shares by us and (v) the Genstar Funds right to designate all of our directors. In addition, stockholders who are part of our management are subject to non-competition and non-solicitation provisions and also grant us and the Genstar Funds the right to repurchase their shares upon their termination of employment. The right of first offer does not apply to this offering.

Registration Rights Agreement

We entered into a registration rights agreement pursuant to which we have agreed to register for sale under the Securities Act shares of our common stock in the circumstances described below. This agreement provides some stockholders with the right to require us to register common stock owned by them.

Demand Rights. The holders of a majority of the shares of common stock issued to the Genstar Funds or any affiliate thereof, or the Genstar Holders, acting as a single group, have the right to require us to register all of the Genstar Holders beneficial interests in our common stock, or the Genstar Securities, under the Securities Act. We call the right to require us to register the Genstar Securities a demand right, and the resulting registration a demand registration. The Genstar Holders may make an unlimited number of such demands for registration on Form S-1 or, if available to us, on Form S-3. Holders of piggyback rights, described below, may include shares they own, subject to certain restrictions, in a demand registration.

Piggyback Rights. Our stockholders who are a party to the agreement, including the Genstar Funds, CDPQ and stockholders who are members of management, can request to participate in, or piggyback on, registrations of any of our securities for sale by us. We call this right a piggyback right, and the resulting registration a piggyback registration. The piggyback right applies to any registration other than, among other things, a registration on Form S-4 or Form S-8 or in an initial public offering.

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Bear Linear Acquisition

On May 18, 2006, Altra Industrial entered into a purchase agreement with Bear Linear and certain of its members to purchase the business and substantially all of the assets of Bear Linear for $5.0 million. We based the value of Bear Linear on a multiple of the estimated future earnings of the business. Bear Linear was founded by its three members in 2001 and manufactured high value-added linear actuators for mobile off-highway and industrial applications. One of the three members of Bear Linear, Robert F. Bauchiero, is the son of Frank E. Bauchiero, who served as a member of our board of directors at that time. The Board of Directors of Altra Industrial unanimously approved the acquisition of Bear Linear which was conducted by arms-length negotiations between the parties.

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PRINCIPAL AND SELLING STOCKHOLDERS

The following table sets forth information, as of the date of this prospectus, regarding the beneficial ownership of our common stock to reflect the sale of the shares of common stock in this offering by:

beneficial owners of more than 5% of our outstanding common stock;

our named executive officers;

our directors;

directors and executive officers as a group; and

the other selling stockholders.

Beneficial ownership is determined under the rules of the SEC and generally includes voting or investment power over securities. Except in cases where community property laws apply or as indicated in the footnotes to this table, we believe that each stockholder identified in the table possesses sole voting and investment power over all shares of common stock shown as beneficially owned by the stockholder. Percentage of beneficial ownership is based on 23,087,591 shares of common stock outstanding as of the date of this prospectus, and 24,847,820 shares of common stock outstanding after the completion of this offering. Unless indicated otherwise in the footnotes, the address of each individual listed in the table is c/o Altra Holdings, Inc., 14 Hayward Street, Quincy, Massachusetts 02171.

	Number of Shares Beneficially Owned Prior to the Offering			Number of Shares Beneficially Owned After the Offering			Number of Sha Beneficially Owned After Exercise of Over-allotme
and Address of Beneficial Owner	Number	%	Number of Shares Offered	Number	%	Number of Over-allotment Shares	Number
ockholders and Selling holders:							
r Capital Partners III, L.P.[1]	6,813,132	30.6%	6,813,132				
de dépôt et placement du Québec[2]	1,901,516	8.2%	1,901,516				
Selling Stockholders:							
n III, L.P.[3]	245,568	1.1%	245,568				
n J. Duff[4][5]	130,050	*	3,000	127,050	*		127,050
s Tatarczuch[6]	42,500	*	4,250	38,250	*	7,013	31,237
tuebe[4][7]	39,525	*	3,953	35,572	*	2,174	33,398
Ebling[4][8]	39,000	*	3,900	35,100	*	2,145	32,955
a Christenson[9]	10,625	*	1,063	9,562	*	584	8,978
tive Officers and Directors:							
el L. Hurt[4][10]	706,049	3.1%	150,000	556,049	2.2%	82,500	473,549
hristenson[4][11]	536,653	2.3%	53,665	482,988	1.9%	29,516	453,472
d L. Novotny[4][12]	119,000	*	11,900	107,100	*	6,545	100,555

Schuele[4][13]	104,125	*	5,206	98,919	*		98,919
erre L. Conte[1]	7,058,700	30.6%	7,058,700				
d D. Paterson[1]	7,058,700	30.6%	7,058,700				
J. Gold[1]	7,058,700	30.6%	7,058,700				
Bauchiero[4][14][15]	306,843	1.3%	30,684	276,159	1.1%	101,258	174,901
McPherson[4][16]	119,343	*	11,934	107,409	*		107,409
ectors and executive officers as a	8,950,713	38.8%	7,322,089	1,628,624	6.6%	219,819	1,408,805

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* Less than one percent (1%).

(1) Genstar Capital exercises investment discretion and control over the shares held by Genstar Capital Partners III, L.P., a Delaware limited partnership (Genstar III). Jean-Pierre L. Conte, the chairman and a managing director of Genstar Capital, Richard D. Paterson, a managing director of Genstar Capital, and Darren Gold, a managing director of Genstar Capital, may be deemed to share beneficial ownership of the shares shown as beneficially owned by Genstar III. Each of Mr. Conte, Mr. Paterson and Mr. Gold disclaims such beneficial ownership except to the extent of his pecuniary interest therein. The address of Genstar III is Four Embarcadero Center, Suite 1900, San Francisco, California 94111. On November 30, 2004, Genstar III purchased 25,080,999 shares of our preferred stock for $25,080,999. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(2) CDPQ is a limited partner of Genstar III and its address is 1000 place Jean-Paul-Riopelle, Montreal, Quebec. Luc Houle, Senior Vice President, Investments Manufacturing Sector and Louise Lalonde, Investment Director Manufacturing, exercise voting and investment control over such shares and may be deemed to beneficially own the shares. Mr. Houle and Ms. Lalonde disclaim beneficial ownership of all such shares. On November 30, 2004, CDPQ purchased 7,000,000 shares of our preferred stock for $7,000,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(3) Genstar Capital exercises investment discretion and control over the shares held by Stargen III, L.P., a Delaware limited partnership. Jean-Pierre L. Conte, the chairman and a managing director of Genstar Capital, Richard D. Paterson, a managing director of Genstar Capital, and Darren Gold, a managing director of Genstar Capital, may be deemed to share beneficial ownership of the shares shown as beneficially owned by Stargen III, L.P. Each of Mr. Conte, Mr. Paterson and Mr. Gold disclaims such beneficial ownership except to the extent of his pecuniary interest therein. The address of Stargen III, L.P. is Four Embarcadero Center, Suite 1900, San Francisco, California 94111. On November 30, 2004, Stargen III, L.P. purchased 904,001 shares of our preferred stock for $904,001. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(4) Includes restricted common stock (par value $0.001 per share) granted pursuant to our equity incentive plan for services rendered.

(5) On November 30, 2004, Mr. Duff received a grant of 78,000 shares of our restricted common stock. On November 30, 2004, Mr. Duff purchased 150,000 shares of our preferred stock for $150,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(6) On November 30, 2004, Mr. Tatarczuch purchased 100,000 shares of our preferred stock for $100,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(7) On January 6, 2005, Mr. Stuebe received a grant of 39,000 shares of our restricted common stock. On January 6, 2005, Mr. Stuebe purchased 15,000 shares of our preferred stock for $15,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(8) On January 1, 2006, Mr. Ebling received a grant of 39,000 shares of our restricted common stock.

(9) In September 2006, Mrs. Christenson acquired 25,000 shares of our preferred stock from Mr. Christenson. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common

stock at a ratio of 2:1.

(10) Mr. Hurt received grants of 146,335, 341,165 and 203,899 shares of our restricted common stock on November 30, 2004, January 6, 2005 and August 30, 2006, respectively. On November 30, 2004, Mr. Hurt purchased 500,000 shares of our preferred stock for $500,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

footnotes continued on following page

(11) Mr. Christenson received grants of 390,000 and 103,857 shares of our restricted common stock on January 25, 2005 and August 30, 2006, respectively. On May 6, 2005, Mr. Christenson purchased 300,000 shares of our preferred stock for $300,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(12) Mr. Novotny received a grant of 97,500 shares of our restricted common stock on January 6, 2005. On January 6, 2005, Mr. Novotny purchased 85,000 shares of our preferred stock for $85,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(13) Mr. Schuele received a grant of 97,500 shares of our restricted common stock on January 6, 2005. On January 6, 2005, Mr. Schuele purchased 50,000 shares of our preferred stock for $50,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

(14) Mr. Bauchiero, who resigned from our Board of Directors effective March 14, 2007, is a Strategic Advisor.

(15) On January 6, 2005, Frank Bauchiero MKC Worldwide, a limited liability company wholly-owned by Mr. Bauchiero, purchased 750,000 shares of our preferred stock for $750,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1. Mr. Bauchiero received a grant of 34,125 shares of our restricted common stock on January 6, 2005.

(16) Mr. McPherson received a grant of 34,125 shares of our restricted common stock on January 6, 2005. On January 6, 2005, Mr. McPherson purchased 250,000 shares of our preferred stock for $250,000. In connection with our IPO, all shares of preferred stock were automatically converted into shares of common stock at a ratio of 2:1.

DESCRIPTION OF CAPITAL STOCK

Upon completion of this offering, our authorized capital stock will consist of 90,000,000 shares of common stock, par value $0.001 per share, and 10,000,000 shares of preferred stock, par value $0.001 per share. As of the date of this prospectus, there were 23,087,591 shares of common stock issued and outstanding (out of 90,000,000 authorized), and no shares of preferred stock issued and outstanding (out of 10,000,000 authorized).

All of our existing stock is, and the shares of common stock being offered by us in this offering will be, upon payment therefore, validly issued, fully paid and nonassessable. The discussion set forth below describes the most important terms of our capital stock, certificate of incorporation and bylaws as will be in effect upon completion of this offering. Because it is only a summary, this section does not contain all the information that may be important to you. For a complete description you should refer to our certificate of incorporation and bylaws, copies of which have been filed as exhibits to the registration statement of which the prospectus is a part.

Common Stock

Voting Rights. The holders of our common stock are entitled to one vote per share on all matters submitted for action by the stockholders. There is no provision for cumulative voting with respect to the election of directors. Accordingly, a holder of more than 50% of the shares of our common stock can, if it so chooses, elect all of our directors. In that event, the holders of the remaining shares will not be able to elect any directors.

Dividend Rights. All shares of our common stock are entitled to share equally in any dividends our board of directors may declare from legally available sources, subject to the terms of any outstanding preferred stock.

Liquidation Rights. Upon liquidation or dissolution of our company, whether voluntary or involuntary, all shares of our common stock are entitled to share equally in the assets available for distribution to stockholders after payment of all of our prior obligations, including any then-outstanding preferred stock.

Other Matters. The holders of our common stock have no preemptive or conversion rights, and our common stock is not subject to further calls or assessments by us. There are no redemption or sinking fund provisions applicable to the common stock. All outstanding shares of our common stock, including the common stock offered in this offering, are fully paid and non-assessable.

Preferred Stock

Our board of directors has the authority to issue preferred stock in one or more classes or series and to fix the designations, powers, preferences and rights, and the qualifications, limitations or restrictions thereof including dividend rights, dividend rates, conversion rights, voting rights, terms of redemption, redemption prices, liquidation preferences and the number of shares constituting any class or series, without further vote or action by the stockholders. The issuance of preferred stock may have the effect of delaying, deferring or preventing a change of control of our company without further action by the stockholders and may adversely affect the voting and other rights of the holders of common stock. At present, we have no plans to issue any of the preferred stock.

Certain Anti-Takeover, Limited Liability and Indemnification Provisions

Requirements for Advance Notification of Stockholder Nominations and Proposals. Our bylaws establish advance notice procedures with respect to stockholder proposals and the nomination of candidates for election as directors,

other than nominations made by or at the direction of the board of directors or one of its committees.

No Action without Meeting. Our certificate of incorporation and bylaws provide that action required or permitted to be taken by our stockholders at any special or annual meeting of stockholders must be effected

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at a duly called annual or special meeting of stockholders and may not be taken or effected by a written consent of stockholders in lieu of a duly called meeting.

Special Meetings. Our certificate of incorporation and bylaws provide that, except as otherwise required by statute or future rights, if any, of the holders of any series of preferred stock, special meetings of the stockholders may only be called by our board of directors acting pursuant to a resolution approved by the affirmative vote of a majority of the directors then in office. Only those matters set forth in the notice of the special meeting may be considered or acted upon at a special meeting of stockholders.

No Cumulative Voting. The Delaware General Corporation Law provides that stockholders are denied the right to cumulate votes in the election of directors unless our certificate of incorporation provides otherwise. Our certificate of incorporation does not provide for cumulative voting of shares.

Delaware Anti-Takeover Law. We are a Delaware corporation subject to Section 203 of the Delaware General Corporation Law. Under Section 203, certain business combinations between a Delaware corporation whose stock generally is publicly traded or held of record by more than 2,000 stockholders and an interested stockholder are prohibited for a three-year period following the date that such stockholder became an interested stockholder, unless:

the corporation has elected in its certificate of incorporation not to be governed by Section 203;

the business combination or the transaction which resulted in the stockholder becoming an interested stockholder was approved by the board of directors of the corporation before such stockholder became an interested stockholder;

upon consummation of the transaction that made such stockholder an interested stockholder, the interested stockholder owned at least 85% of the voting stock of the corporation outstanding at the commencement of the transaction excluding voting stock owned by directors who are also officers or held in employee benefit plans in which the employees do not have a confidential right to tender stock held by the plan in a tender or exchange offer; or

the business combination is approved by the board of directors of the corporation and authorized at a meeting by two-thirds of the voting stock which the interested stockholder did not own.

The three-year prohibition also does not apply to some business combinations proposed by an interested stockholder following the announcement or notification of an extraordinary transaction involving the corporation and a person who had not been an interested stockholder during the previous three years or who became an interested stockholder with the approval of a majority of the corporation s directors. The term business combination is defined generally to include mergers or consolidations between a Delaware corporation and an interested stockholder, transactions with an interested stockholder involving the assets or stock of the corporation or its majority-owned subsidiaries, and transactions which increase an interested stockholder s percentage ownership of stock. The term interested stockholder is defined generally as those stockholders who become beneficial owners of 15% or more of a Delaware corporation s voting stock, together with the affiliates or associates of that stockholder.

Limitation of Officer and Director Liability and Indemnification Arrangements. Our certificate of incorporation limits the liability of our directors to the maximum extent permitted by Delaware law. Delaware law provides that directors will not be personally liable for monetary damages for breach of their fiduciary duties as directors, except liability for:

any breach of their duty of loyalty to the corporation or its stockholders;

acts or omissions not in good faith or which involve intentional misconduct or a knowing violation of law;