

TOWER AUTOMOTIVE INC  
Form 424B3  
January 09, 2001

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PROSPECTUS

EXCHANGE OFFER FOR  
EURO150,000,000  
R.J. TOWER CORPORATION  
9.25% SENIOR NOTES DUE 2010  
GUARANTEED BY TOWER AUTOMOTIVE, INC.

[TOWER AUTOMATIVE LOGO]

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We are offering to exchange:

up to Euro150,000,000 of our new 9.25% senior notes due 2010

for

a like amount of our outstanding 9.25% senior notes due 2010.  
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Material Terms of Exchange Offer:

- The terms of the notes to be issued in the exchange offer are substantially identical to the outstanding notes, except that the transfer restrictions and registration rights relating to the outstanding notes will not apply to the exchange notes.
  - The outstanding notes are listed on the Luxembourg Stock Exchange and we expect that the exchange notes will also be listed on that exchange. We do not intend to list the exchange notes on any other securities exchange or seek approval for quotation through any automated trading system.
  - The exchange offer expires at 5:00 p.m., London time, February 6, 2001, unless extended.
  - We believe that the exchange of notes will not be a taxable event for U.S. federal income tax purposes.
  - You may withdraw your tender of notes at any time before the expiration of the exchange offer. We will exchange all of the outstanding notes that are validly tendered and not withdrawn.
  - We will not receive any proceeds from the exchange offer.
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Each broker-dealer that receives exchange notes for its own account pursuant to the exchange offer must acknowledge that it will deliver a prospectus in connection with any resale of such exchange notes. The letter of transmittal states that by so acknowledging and by delivering a prospectus, a broker-dealer will not be deemed to admit that it is an "underwriter" within the meaning of the Securities Act. This prospectus, as it may be amended or supplemented from time to time, may be used by a broker-dealer in connection with resales of exchange notes received in exchange for outstanding notes where such outstanding notes were acquired by such broker-dealer as a result of market-making activities or other trading activities. We have agreed that, for a period of 180 days after the expiration date of the exchange offer, we will make this prospectus available to any broker-dealer for use in connection with any

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such resale. See "Plan of Distribution."

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FOR A DISCUSSION OF CERTAIN FACTORS THAT YOU SHOULD CONSIDER BEFORE PARTICIPATING IN THIS EXCHANGE OFFER, SEE "RISK FACTORS" BEGINNING ON PAGE 12 OF THIS PROSPECTUS.

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NEITHER THE SEC NOR ANY STATE SECURITIES COMMISSION HAS APPROVED THE NOTES TO BE DISTRIBUTED IN THE EXCHANGE OFFER, NOR HAVE ANY OF THESE ORGANIZATIONS DETERMINED THAT THIS PROSPECTUS IS TRUTHFUL OR COMPLETE. ANY REPRESENTATION TO THE CONTRARY IS A CRIMINAL OFFENSE.

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The date of this prospectus is December 22, 2000.

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You should rely only on the information contained in this document or to which we have referred you. We have not authorized anyone to provide you with information that is different. This document may only be used where it is legal to sell these securities. The information in this document may only be accurate on the date of this document.

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### PROSPECTUS SUMMARY

The following summary is qualified in its entirety by the more detailed information and consolidated financial statements and related notes appearing elsewhere or incorporated by reference in this prospectus. Unless the context indicates otherwise, as used in this prospectus, the terms "us," "we," "our" and "Tower Automotive" refer to Tower Automotive, Inc., its consolidated subsidiaries and their respective predecessors; "Parent" refers to Tower Automotive, Inc., exclusive of its consolidated subsidiaries; and "Issuer" refers to R.J. Tower Corporation, a direct, wholly owned subsidiary of Parent.

### TOWER AUTOMOTIVE

#### GENERAL

We are a leading global designer and producer of structural components and assemblies used by every major automotive original equipment manufacturer, or "OEM," in the world. Our customers include Ford, DaimlerChrysler, General Motors, Saturn, Honda, Toyota, Nissan, Auto Alliance, Fiat, BMW and Volkswagen, as well as a number of heavy truck OEMs. We currently employ more than 13,000 colleagues in 52 locations worldwide.

Since our inception in April 1993, our revenues and EBITDA have grown rapidly through a focused strategy of internal growth and a highly disciplined acquisition program. We have successfully completed 13 acquisitions and established joint ventures in China, Mexico, Korea and the United States. As a result of these acquisitions and internal growth, our revenues and EBITDA have increased from approximately \$165.5 million and \$18.4 million in 1994 to approximately \$2.2 billion and \$336.7 million in 1999, representing compound annual growth rates of approximately 67% and 79%, respectively. Our North American content per vehicle has increased from \$10.83 in 1994 to \$123.13 in 1999.

Based on revenues, we believe we are the largest independent global supplier of structural components and assemblies to the automotive market. Our principal products include:

- Lower vehicle structures -- full frames, engine cradles, floor pan components, cross members and other large stampings;

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- Body structures and assemblies -- body pillars, roof rails, side sills, parcel shelves, intrusion beams and fuel filler assemblies;
- Suspension components, modules and systems -- chassis and suspension modules, control arms, suspension links, track bars, spring and shock towers and trailing axles; and
- Class A surfaces and modules -- body sides, pick-up box sides, door panels and fenders.

Many of our products are critical to the structural integrity of the vehicle. Increasingly, we are using our products in combination with products manufactured by other suppliers to produce assemblies and modules consisting of multiple component parts. As a result of our design, engineering and program management capabilities, we are able to offer our customers fully integrated modules and assemblies for substantial portions of a vehicle. We have strengthened our relationships with OEMs as the ability to deliver complete assemblies and modules reduces our customers' production and inventory management costs.

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We have both a diversified base of OEM customers as well as a broad array of structural products. The following charts set forth our revenues by major customer and principal product category for 1999:

### REVENUE BY CUSTOMER

[REVENUE BY CUSTOMER PIE CHART]

Ford	38
DaimlerChrysler	29
GM	10
Heavy Truck OEMs	7
Fiat	5
Honda	3
Toyota	2
Nissan	1
Other	5

### REVENUE BY PRODUCT CATEGORY

[REVENUE BY PRODUCT CATEGORY PIE CHART]

Lower Vehicle Structures	50
Other	1
Suspension Components, Modules and Systems	20
Body Structures and Assembles	24
Class A Surfaces and Modules	5

### INDUSTRY OVERVIEW

We operate in the large and highly fragmented structural segment of the automotive supply industry, which continues to undergo significant consolidation. In order to lower costs and improve quality, OEMs are reducing their supplier base by awarding sole-source contracts to full-service suppliers who are able to supply larger portions of a vehicle on a global basis. OEMs' criteria for supplier selection include not only cost, quality and

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responsiveness, but also full-service design, engineering and program management capabilities. OEMs are increasingly seeking suppliers capable of providing complete systems or modules rather than suppliers who only provide separate component parts. In addition, OEMs are increasingly requiring their suppliers to have the capability to design and manufacture their products in multiple geographic markets. As a full-service supplier with strong OEM relationships, we expect to continue to benefit from these trends within the structural segment of the automotive supply industry.

### COMPETITIVE STRENGTHS

We have developed key competitive strengths that allow us to capitalize on industry trends and provide us the opportunity to successfully execute our operating and growth strategies. These key strengths include:

**Comprehensive Technical Design and Engineering Support.** We operate eight technical design and engineering support facilities worldwide, have over 400 full time engineers and employ the latest advanced engineering simulation technology.

**Strong OEM Partnerships.** We have formed strong relationships with our major OEM customers due to our high level of product quality, engineering capabilities, product design and customer service.

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**Broad Product Offering and Program Management Capability.** We believe that we produce the largest array of structural products in the automotive supply industry and are the only supplier able to deliver a full range of structural components and assemblies on a global basis.

**Proven Management Team.** Our management team, led by President and CEO Dugald Campbell, who has over 27 years of experience in the automotive industry, has successfully executed a targeted growth and acquisition program that has increased our revenues from approximately \$165.5 million in 1994 to approximately \$2.2 billion in 1999.

### BUSINESS STRATEGY

Our business objective is to continue to capitalize on the consolidation, globalization and system/modular sourcing trends in the automotive supply industry. Where appropriate, we outsource the production of commodity components to Tier II and Tier III manufacturers, as well as seek to provide program management and administrative services to these manufacturers to maximize supply chain efficiency. This also allows us to optimize the use and return on capital employed in our operations. In addition, we have implemented an economic value added management system to aid in guiding our investment decisions, rewarding our colleagues and measuring our performance.

Key elements of our operating and growth strategies are as follows:

#### Operating Strategy

- Offer full-service technical design, engineering and program management capabilities;
- Utilize efficient manufacturing/continuous improvement programs;
- Expand our global presence; and
- Promote a decentralized, participative culture.

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### Growth Strategy

- Pursue strategic acquisitions;
- Continue to expand modular product opportunities;
- Increase vehicle penetration; and
- Pursue "world car" opportunities.

### RECENT DEVELOPMENTS

On December 7, 2000, we sold our Roanoke, Virginia heavy truck rail manufacturing business to our existing joint venture, Metalsa S. de R.L. for \$55 million, which approximates its book value as of September 30, 2000, plus an earnout of up to \$30 million based on achieving specified profit levels over the next three years. We acquired our 40% equity interest in Metalsa in October 1997. Metalsa is the largest supplier of vehicle frames and structures in Mexico. The remaining 60% of Metalsa is owned by Promotora de Empresas Zano, S.A. de C.V., known as "Proeza." In connection with that joint venture, we entered into a technology sharing arrangement with Proeza with respect to the sharing of product and process technology.

Additionally, on October 2, 2000, our board of directors approved a comprehensive operational realignment plan, which is intended to improve our long-term competitive position and lower our cost structure. The plan currently includes phasing out the heavy truck rail manufacturing in Milwaukee, Wisconsin; reducing stamping capacity by closing the Kalamazoo, Michigan facility; and consolidating related support activities across the enterprise. We plan to record a charge to operations of approximately \$140 million in the fourth quarter of 2000, which reflects the estimated qualifying "exit costs" to be incurred over the next 12 months under the plan. Certain of the estimates used for the severance and outplacement costs are subject to

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collective bargaining discussions and thus these costs will qualify as "exit costs" only upon completion of these negotiations.

The charge will include costs associated with asset impairments, severance and outplacement costs related to employee terminations, and loss contract provisions. These activities are anticipated to result in a reduction of more than 800 employees. The estimated realignment charge does not cover certain aspects of the plan, including movement of equipment and employee relocation and training. These costs will be recognized in future periods as incurred.

The asset impairments consist of long-lived assets, including fixed assets, manufacturing equipment and land, from the facilities we intend to dispose of or discontinue. For assets that will be disposed of currently, we measured impairment based on estimated proceeds on the sale of the facilities and equipment. For assets that will be held and used in the future, we prepared a forecast of expected undiscounted cash flows to determine whether asset impairment existed, and we used fair values to measure the required write-downs.

Based on the current plan, we anticipate this charge will require cash payments of approximately \$38 million over the next 12 months combined with the write-off of assets having a book value of approximately \$102 million. These assets include Milwaukee heavy truck rail manufacturing machinery and equipment of approximately \$47 million, Milwaukee and corporate campus support operating assets of approximately \$52 million, and the Kalamazoo stamping operation's land, buildings and equipment of approximately \$3 million.

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Based upon the historical financial results of the discontinued and transferred operations, as well as certain assumptions relating to the future performance of the transferred business, the costs of implementing the restructuring, and other factors over which we have no control, we could realize annual savings of between 15 and 25 cents per share from this restructuring.

In addition to the gross proceeds of \$55 million realized on the sale of Roanoke, we expect working capital savings of approximately \$20 million relating to the exiting businesses. We also expect to realize approximately \$10 million in cash tax savings as a result of the above actions. These cash proceeds will more than offset the approximately \$38 million of cash payments expected to be incurred due to the restructuring activities.

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### SUMMARY OF THE EXCHANGE OFFER

#### The Initial Offering of

Outstanding Notes..... We sold the outstanding notes on July 25, 2000 in a private placement to Chase Manhattan International Limited, Bank of America International Limited, ABN AMRO Incorporated, Donaldson, Lufkin & Jenrette International, First Chicago Limited and Scotia Capital (USA) Inc. We collectively refer to the parties in this prospectus as the "initial purchasers." The initial purchasers subsequently resold the outstanding notes to qualified institutional buyers pursuant to Rule 144A under the Securities Act and to qualified buyers outside the United States in reliance upon Regulation S under the Securities Act.

#### Exchange and Registration

Rights Agreement..... Simultaneously with the initial sale of the outstanding notes, we entered into an exchange and registration rights agreement. In the registration rights agreement, we agreed, among other things, to use our reasonable best efforts to file a registration statement with the SEC and to complete an exchange offer by January 21, 2001. Under certain circumstances outlined in the registration rights agreement, we may be required to file a "shelf" registration statement for a continuous offering pursuant to Rule 415 under the Securities Act with respect to the outstanding notes. This exchange offer is intended to satisfy certain of our obligations under the registration rights agreement. After the exchange offer is complete, you may no longer be entitled to any exchange or registration rights with respect to your outstanding notes.

The Exchange Offer..... We are offering to exchange E1,000 principal amount of exchange notes, which have been registered under the Securities Act, for each E1,000 principal amount of outstanding notes, which were issued on July 25, 2000 in the initial offering. In order to be exchanged, an outstanding note must be properly tendered and accepted. All outstanding notes that are validly tendered and not withdrawn will be

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exchanged. We will issue exchange notes promptly after the expiration of the exchange offer.

### Resales of the Exchange

Notes..... We believe that the exchange notes issued in the exchange offer may be offered for resale, resold and otherwise transferred by you without compliance with the registration and prospectus delivery provisions of the Securities Act provided that:

- you acquire the exchange notes in the ordinary course of your business;
- you are not participating, do not intend to participate, and have no arrangement or understanding with any person to participate, in the distribution of the exchange notes issued to you in the exchange offer; and
- you are not an affiliate of ours within the meaning of Rule 405 under the Securities Act.

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If any of these conditions are not satisfied and you transfer any exchange notes issued to you in the exchange offer without delivering a prospectus meeting the requirements of the Securities Act or without an exemption from registration of your exchange notes from these requirements, you may incur liability under the Securities Act. We will not assume, nor will we indemnify you against, any such liability.

Each broker-dealer that is issued exchange notes in the exchange offer for its own account in exchange for outstanding notes that were acquired by that broker-dealer as a result of market-making or other trading activities, must acknowledge that it will deliver a prospectus meeting the requirements of the Securities Act in connection with any resale of the exchange notes.

A broker-dealer may use this prospectus for an offer to resell, resale or other retransfer of the exchange notes issued to it in the exchange offer. We have agreed that, for a period of 180 days after the date this exchange offer is completed, we will make this prospectus available to any broker-dealer for use in connection with any such resale.

### Accrued Interest on the Exchange Notes and the Outstanding Notes.....

Each exchange note will bear interest from its issuance date. The holders of outstanding notes that are accepted for exchange will receive, in cash, accrued interest on those notes to, but not including, the issuance date of the exchange notes. This interest will be paid with the first interest payment on the exchange notes. Interest on the outstanding notes accepted for exchange will cease



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to accrue upon issuance of the exchange notes.

Consequently, if you exchange your outstanding notes for exchange notes you will receive the same interest payment that you would have received if you had not accepted this exchange offer.

Record Date..... We mailed this prospectus and the related exchange offer documents to the registered holders of outstanding notes as of January 8, 2001.

Expiration Date..... The exchange offer will expire at 5:00 p.m., London time, February 6, 2001, unless we decide to extend the expiration date.

Conditions to the Exchange Offer..... The exchange offer is subject to certain customary conditions, including the condition that the exchange offer not violate applicable law or any applicable interpretation of the Staff of the SEC. The exchange offer is not conditioned upon any minimum principal amount of the outstanding notes being tendered.

Procedures for Tendering Outstanding Notes..... We issued the outstanding notes as global securities. When the outstanding notes were issued, we deposited the global notes with Deutsche Bank Luxembourg S.A., as book-entry

depository. Deutsche Bank Luxembourg S.A. issued a certificateless depository interest in each global note, which represents a 100% interest in the notes, to Deutsche Bank AG London, as depository for Euroclear and Clearstream, Luxembourg. Beneficial interests in the outstanding notes, which are held by direct or indirect participants in Euroclear and Clearstream, Luxembourg through the certificateless depository interest, are shown on records maintained in book-entry form by Euroclear and Clearstream, Luxembourg.

You may tender your outstanding notes through the book-entry transfer systems of Euroclear and/or Clearstream, Luxembourg. To tender your outstanding notes by a means other than book-entry transfer, a letter of transmittal must be completed and signed according to the instructions contained in the letter. The letter of transmittal and any other documents required by the letter of transmittal must be delivered to the exchange agent by mail, facsimile, hand delivery or overnight carrier. In addition, you must deliver the outstanding notes to the exchange agent. See "The Exchange Offer -- Procedures for Tendering Outstanding

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Notes" for more information.

Do not send letters of transmittal and certificates representing outstanding notes to us. Send these documents only to the exchange agent. See "The Exchange Offer -- Exchange Agent" for more information.

### Special Procedures for

#### Beneficial Owners.....

If you are the beneficial owner of book-entry interests and your name does not appear on a security position listing of Euroclear and/or Clearstream, Luxembourg as the holder of the book-entry interests or if you are a beneficial owner of outstanding notes that are registered in the name of a broker, dealer, commercial bank, trust company or other nominee and you wish to tender the book-entry interest or outstanding notes in the exchange offer, you should contact the person in whose name your book-entry interests or outstanding notes are registered promptly and instruct that person to tender on your behalf.

#### Withdrawal Rights.....

You may withdraw the tender of your outstanding notes at any time prior to 5:00 p.m., London time, on February 6, 2001.

### Federal Income Tax

#### Considerations.....

Based upon advice of counsel, we believe that the exchange of outstanding notes will not be a taxable event for United States federal income tax purposes.

#### Use of Proceeds.....

We will not receive any proceeds from the issuance of exchange notes pursuant to the exchange offer. We will pay all of our expenses incident to the exchange offer.

#### Exchange Agent.....

Deutsche Bank AG London is serving as principal exchange agent in connection with the exchange offer. Deutsche Bank Luxembourg S.A. is serving as Luxembourg exchange agent in connection with exchange offer.

### SUMMARY OF THE EXCHANGE NOTES

The form and terms of the exchange notes are the same as the form and terms of the outstanding notes, except that the exchange notes will be registered under the Securities Act. As a result, the exchange notes will not bear legends restricting their transfer and will not contain the registration rights and liquidated damage provisions contained in the outstanding notes. The exchange notes represent the same debt as the outstanding notes. Both the outstanding notes and the exchange notes are governed by the same indenture. We use the term notes in this prospectus to collectively refer to the outstanding notes and the exchange notes.

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Issuer..... R.J. Tower Corporation, a Michigan corporation.

Notes Offered..... E150,000,000 aggregate principal amount of 9.25% senior notes due 2010.

Maturity..... August 1, 2010.

Interest Payment Dates..... February 1 and August 1 of each year, commencing February 1, 2001.

Sinking Fund..... None.

Optional Redemption..... The exchange notes will be redeemable, at the option of the Issuer, at any time, in whole or in part, at a redemption price equal to the greater of (1) 100% of the principal amount of the notes to be redeemed or (2) the sum of the present values of the Remaining Scheduled Payments on the notes to be redeemed, discounted to the date of redemption, on a semiannual basis, at the Reference Dealer Rate plus 50 basis points, plus, in either case, accrued interest to the date of redemption. See "Description of the Notes -- Optional Redemption."

Ranking..... The exchange notes will be senior unsecured obligations of the Issuer and will rank:

- equally with all of the Issuer's unsecured indebtedness
- senior to all of the Issuer's subordinated indebtedness and
- effectively subordinated to the Issuer's secured indebtedness to the extent of the value of the assets securing such indebtedness.

See "Description of the Notes -- Ranking."

Guarantees..... The exchange notes will be guaranteed on a senior unsecured basis (collectively, the "Guarantees") by Parent and by each existing and future U.S. subsidiary of the Issuer (collectively, the "Guarantors") on a joint and several basis under the circumstances set forth herein. Each Guarantee will rank:

- equally with all of the Guarantor's unsecured indebtedness
- senior to all of the Guarantor's subordinated indebtedness and
- effectively subordinated to the Guarantor's secured indebtedness to the extent of the value of the assets securing such indebtedness.

Change of Control..... Upon the occurrence of a "Change of Control," the

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Issuer will be required to make an offer to repurchase each holder's exchange notes at a price equal to 101% of the principal amount thereof, plus accrued and unpaid interest, if any, to the date of repurchase. See "Description of the Notes -- Change of Control."

Certain Covenants..... The exchange notes will be issued under the same indenture under which the outstanding notes were issued. This indenture contains covenants, which impose, among other things:

- limitations on the creation of liens,
- limitations on sale and lease-back transactions and
- restrictions on consolidations, mergers and the sale or lease of substantially all of our assets.

These covenants are subject to a number of important exceptions. See "Description of the Notes -- Certain Covenants."

Absence of a Public Market for the Notes..... The exchange notes generally will be freely transferable, but they will be new securities for which there will be no established market. Accordingly, there can be no assurance as to the development or liquidity of any market for any of the exchange notes. Application has been made to list the exchange notes on the Luxembourg Stock Exchange. The initial purchasers have advised us that they intend to make a market in the exchange notes. However, they are not obligated to do so, and may discontinue any market making with respect to the exchange notes, at any time in their sole discretion. We do not intend to apply for listing of the exchange notes on any other securities exchange or to arrange for any quotation system to quote them.

### RISK FACTORS

You should carefully consider the discussion of risks beginning on page 12 and the other information included in this prospectus before making a decision to participate in the exchange offer.

### ADDITIONAL INFORMATION

The Issuer, R.J. Tower Corporation, was incorporated under the laws of the State of Michigan in August 1955. Our principal executive offices are located at 5211 Cascade Road, Suite 300, Grand Rapids, Michigan 49546, and our telephone number is (616) 802-1600.

### SUMMARY HISTORICAL FINANCIAL DATA

The following information is qualified in its entirety by our consolidated financial statements. The following summary consolidated financial data as of

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the dates and for the periods indicated were derived from the audited and unaudited consolidated financial statements of Tower Automotive contained elsewhere in this prospectus. The unaudited consolidated financial data at September 30, 2000 and for the nine months ended September 30, 1999 and September 30, 2000 include all adjustments (consisting only of normal recurring adjustments) that management considers necessary for a fair presentation of the financial information for these unaudited periods. The results of operations for the nine months ended September 30, 2000 are not necessarily indicative of the results of operations that may be expected for the full year. The following summary consolidated financial data should be read in conjunction with "Management's Discussion and Analysis of Results of Operations and Financial Condition" and the consolidated financial statements of Tower Automotive and the related notes thereto.

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	
(IN MILLIONS, EXCEPT RATIOS AND CONTENT PER VEHICLE AMOUNT)					
<b>INCOME STATEMENT DATA:</b>					
Revenues.....	\$1,235.8	\$1,836.5	\$2,170.0	\$1,565.4	\$1,565.4
Gross profit.....	177.1	274.3	346.9	248.8	248.8
Operating income.....	109.7	175.7	225.1	160.7	160.7
Interest expense.....	36.7	42.5	39.5	25.2	25.2
Net income.....	\$ 46.2	\$ 88.0	\$ 117.1	\$ 84.4	\$ 84.4
<b>OTHER DATA:</b>					
Capital expenditures, net.....	\$ 117.4	\$ 185.1	\$ 197.3	\$ 160.3	\$ 160.3
Depreciation and amortization.....	48.0	87.4	111.6	80.7	80.7
EBITDA(1).....	157.7	263.1	336.7	241.4	241.4
North American content per vehicle(2).....	71.3	112.6	123.1	123.0	123.0
Ratio of earnings to fixed charges(3).....	2.6x	2.9x	3.3x	3.3x	3.3x

SEPTEMBER 30,  
2000

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ACTUAL  
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**BALANCE SHEET DATA:**

Cash and cash equivalents.....	\$ 1.4
Working capital.....	187.4
Total assets.....	2,909.6
Total debt.....	1,472.4
Stockholders' investment.....	825.0

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(1) "EBITDA" is operating income plus depreciation and amortization. EBITDA does not represent and should not be considered as an alternative to net income or cash flow from operations, as determined by generally accepted accounting principles, and our calculation thereof may not be comparable to that reported by other companies. We believe that it is widely accepted that

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EBITDA provides useful information regarding a company's ability to service and/or incur indebtedness. This belief is based on our negotiations with our lenders who have indicated that the amount of indebtedness we will be permitted to incur will be based, in part, on our EBITDA. EBITDA does not take into account our working capital requirements, debt service requirements and other commitments and, accordingly, is not necessarily indicative of amounts that may be available for discretionary use.

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- (2) "North American content per vehicle" is our North American revenues divided by total North American vehicle production, which is comprised of car and light truck production in the United States, Canada and Mexico, as estimated by us from industry sources.
- (3) Calculated by dividing earnings by total fixed charges. Earnings consist of net income plus income taxes and fixed charges excluding capitalized interest. Fixed charges consist of interest expense, whether expensed or capitalized, amortization of debt expense and a portion of rental expense that can be demonstrated to be representative of the interest factor in the particular case.

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### RISK FACTORS

You should read and consider carefully each of the following factors, as well as the other information contained in or incorporated by reference into this prospectus, before making a decision to participate in the exchange offer.

#### RISKS ASSOCIATED WITH THE EXCHANGE OFFER

WE CANNOT GUARANTEE THAT A PUBLIC MARKET FOR THE EXCHANGE NOTES WILL DEVELOP AND, AS A RESULT, YOU MAY NOT BE ABLE TO RESELL YOUR EXCHANGE NOTES

The exchange notes will be registered under the Securities Act, but will constitute a new issue of securities with no established trading market, and there can be no assurance as to:

- the liquidity of any trading market that may develop;
- the ability of holders to sell their exchange notes; or
- the price at which the holders would be able to sell their exchange notes.

We expect to list the exchange notes on the Luxembourg Stock Exchange, but the liquidity of the market, if any, achieved through this listing may be limited. If a trading market were to develop, the exchange notes might trade at higher or lower prices than their principal amount or purchase price, depending on many factors, including prevailing interest rates, the market for similar notes and our financial performance.

We understand that the initial purchasers presently intend to make a market in the notes. However, they are not obligated to do so, and any market-making activity with respect to the notes may be discontinued at any time without notice. In addition, any market-making activity will be subject to the limits imposed by the Securities Act and the Securities Exchange Act, and may be limited during the exchange offer or the pendency of an applicable shelf registration statement. There can be no assurance that an active trading market

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will exist for the notes or that any trading market that does develop will be liquid.

In addition, any outstanding note holder who tenders in the exchange offer for the purpose of participating in a distribution of the exchange notes may be deemed to have received restricted securities, and if so, will be required to comply with the registration and prospectus delivery requirements of the Securities Act in connection with any resale transaction.

YOU OUTSTANDING NOTES WILL NOT BE ACCEPTED FOR EXCHANGE IF YOU FAIL TO FOLLOW THE EXCHANGE OFFER PROCEDURES

We will issue exchange notes pursuant to this exchange offer only after a timely receipt of your outstanding notes, a properly completed and duly executed letter of transmittal and all other required documents. Therefore, if you want to tender your outstanding notes, please allow sufficient time to ensure timely delivery. We are under no duty to give notification of defects or irregularities with respect to the tenders of outstanding notes for exchange.

IF YOU DO NOT EXCHANGE YOUR OUTSTANDING NOTES, YOUR OUTSTANDING NOTES WILL CONTINUE TO BE SUBJECT TO THE EXISTING TRANSFER RESTRICTIONS AND YOU MAY BE UNABLE TO SEE YOUR OUTSTANDING NOTES

We did not register the outstanding notes, nor do we intend to do so following the exchange offer. Outstanding notes that are not tendered will therefore continue to be subject to the existing transfer restrictions and may be transferred only in limited circumstances under the U.S. federal securities laws. If you do not exchange your outstanding notes, you may lose your right to have your outstanding notes registered under the federal securities laws. As a result, if you hold outstanding notes after the exchange offer, you may be unable to sell your outstanding notes.

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### RISKS RELATED TO THE NOTES

#### OUR BUSINESS MAY BE ADVERSELY IMPACTED AS A RESULT OF OUR LEVERAGE

We have a significant amount of indebtedness. As of September 30, 2000, our ratio of total debt to total capitalization was approximately 55%. We may also incur substantial debt in the future. As of September 30, 2000, we were able to incur approximately \$390 million of additional borrowings under the terms of our new senior credit facility.

Our indebtedness could have several important consequences to you, including but not limited to the following:

- it may be difficult for us to satisfy our obligations with respect to the notes;
- our ability to obtain additional financing in the future for working capital, capital expenditures, potential acquisition opportunities, general corporate purposes or other purposes may be impaired;
- a substantial portion of our cash flow from operations must be dedicated to the payment of principal and interest on our indebtedness;
- we may be more vulnerable to economic downturns, may be limited in our ability to withstand competitive pressures and may have reduced flexibility in responding to changing business, regulatory and economic conditions; and

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- fluctuations in market interest rates will affect the cost of our borrowings to the extent not covered by interest rate hedge agreements because a portion of our indebtedness is payable at variable rates.

In the future, our business may not continue to generate sufficient cash flow from operations to service our debt and make necessary capital expenditures. If this occurs, we may be required to adopt one or more alternatives, such as reducing or delaying planned expansion, selling assets, restructuring debt or obtaining additional equity capital. There is no certainty that any of these strategies could be implemented on satisfactory terms or without substantial additional expenses for us. These and other factors could have a material adverse effect on our results of operations, liquidity and financial condition and on the marketability, price and future value of the notes.

### WE ARE SUBJECT TO SUBSTANTIAL RESTRICTIONS AND COVENANTS UNDER THE NEW SENIOR CREDIT FACILITY

Our new senior credit facility limits our ability to incur additional debt and to dispose of assets. The new senior credit facility also requires us to make interest and principal payments and payments from material dispositions, from "excess cash flow" and from the proceeds of certain issuances of capital stock or debt. We are also required to comply with certain financial ratios and minimum net worth tests. There is no certainty that these requirements will be met in the future. If we do not comply with these requirements, the resulting default under the new senior credit facility could lead to acceleration of other debt that contains cross-acceleration or cross-default provisions. In such a case, we might not be able to refinance or otherwise repay such indebtedness. See "Description of Other Indebtedness -- New Senior Credit Facility."

### THE NOTES AND THE GUARANTEES ARE UNSECURED OBLIGATIONS OF THE ISSUER AND THE GUARANTORS

The notes are unsecured obligations of the Issuer, and the Guarantees are unsecured obligations of the Guarantors. The payment of principal of, and premium (if any) and interest on the notes is effectively subordinated in right of payment to all secured indebtedness of the Issuer, and the payment of the Guarantees is effectively subordinated in right of payment to all secured indebtedness of the Guarantors, in each case to the extent of the value of the assets securing

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such indebtedness. As of September 30, 2000, the Issuer had no secured indebtedness and the Guarantors had approximately \$66 million of secured indebtedness.

### THE ISSUER CONDUCTS SUBSTANTIALLY ALL OF ITS OPERATIONS THROUGH SUBSIDIARIES AND NOT ALL OF THE ISSUER'S SUBSIDIARIES ARE GUARANTORS OR RESTRICTED UNDER THE INDENTURE

The Issuer conducts substantially all of its operations through subsidiaries. Distributions and intercompany transfers from the Issuer's subsidiaries to the Issuer may be restricted by covenants contained in debt agreements and other agreements to which such subsidiaries may be subject and may be restricted by other agreements entered into in the future and by applicable law. We cannot assure you that the operating results of the Issuer's subsidiaries at any given time will be sufficient to make distributions to the Issuer. In addition, the Issuer does not own all of the equity interests of certain of its foreign subsidiaries, and consequently must share profits with



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certain minority shareholders.

The Guarantors will include Parent and the Issuer's existing or future U.S. subsidiaries. As a result, the notes are effectively subordinated to all existing and future liabilities (including trade payables) of the Issuer's foreign subsidiaries. In addition, all of the Issuer's existing and future foreign subsidiaries who do not have manufacturing facilities in the United States will not be subject to the covenants contained in the indenture.

THERE IS NO ASSURANCE THAT THE ISSUER WILL BE ABLE TO PURCHASE THE NOTES UPON A CHANGE OF CONTROL

If the Issuer undergoes a Change of Control (as defined in the indenture), we may need to refinance large amounts of our debt, including the notes and the debt under our new senior credit facility. If a Change of Control occurs, we must offer to buy back the notes for a price equal to 101% of the notes' principal amount, plus any interest that has accrued and remains unpaid as of the repurchase date. We would fund any repurchase obligation with our available cash, borrowings, sales of equity, or funds provided by a new controlling person. However, we cannot assure you that there will be sufficient funds available for any required repurchases of the notes if a Change of Control occurs. If we fail to repurchase the notes in that circumstance, we will go into default under both the notes and the new senior credit facility. Any future debt that we incur may also contain restrictions on repayment which come into effect upon a Change of Control. If a Change of Control occurs, we cannot assure you that we will have sufficient funds to satisfy all of our debt obligations. These buyback requirements may also delay or make it harder for others to obtain control of our company. In addition, certain important corporate events, such as leveraged recapitalizations, that would increase the level of our indebtedness, would not constitute a Change of Control under the Indenture. See "Description of the Notes -- Change of Control."

A COURT MAY VOID THE GUARANTEES OF THE NOTES OR SUBORDINATE THE GUARANTEES TO OTHER OBLIGATIONS OF THE GUARANTORS

Although standards may vary depending on the applicable body of law, generally under the federal bankruptcy law and comparable provisions of state fraudulent transfer laws, if a court

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were to find that, at the time any Guarantor of the notes incurred the debt evidenced by its Guarantee of the notes, such Guarantor:

either:

- was insolvent or rendered insolvent by reason of such incurrence;
- was engaged or about to engage in a business or transaction for which that Guarantor's remaining assets constituted unreasonably small capital;
- was a defendant in an action for money damages, or had a judgment for money damages docketed against it, if in either case, after a final judgment, the judgment were unsatisfied, or
- intended to incur, or believed that it would incur, debts beyond its ability to pay such debts as they mature;

and

- that Guarantor received less than reasonably equivalent value or fair

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consideration for the incurrence of such debt; or

- that Guarantor incurred such debt or made related distributions or payments with the intent of hindering, delaying or defrauding creditors,

the court could void the Guarantee of that Guarantor, or claims by holders of the notes under that Guarantee could be subordinated to other debts of that Guarantor. In addition, any payment by that Guarantor pursuant to its Guarantee could be required to be returned to that Guarantor or to a fund for the benefit of the creditors of that Guarantor.

The measure of insolvency for purposes of the foregoing considerations will vary depending upon the law applied in any proceeding. Generally, however, a Guarantor of the notes would be considered insolvent if: (1) the sum of its debts, including contingent liabilities, was greater than the saleable value of all of its assets at a fair valuation; or (2) the present fair saleable value of its assets was less than the amount that would be required to pay its probable liability on its existing debts, including contingent liabilities, as they become absolute and mature; or (3) it could not pay its debts as they become due.

### RISKS RELATING TO TOWER AUTOMOTIVE AND THE AUTOMOTIVE SUPPLY INDUSTRY

#### WE ARE DEPENDENT ON FORD, DAIMLERCHRYSLER AND GM AS OUR LARGEST CUSTOMERS

Our revenues from Ford, DaimlerChrysler and GM represented approximately 38%, 29%, and 10%, respectively, of our revenues in 1999. The loss of Ford, DaimlerChrysler or GM or any other significant customer could have a material adverse effect on us. The contracts we have entered into with many of our customers provide for supplying the customers' requirements for a particular model, rather than for manufacturing a specific quantity of products. These contracts range from one year to the life of the model, usually three to seven years, and do not require the purchase by the customer of any minimum number of parts. Therefore, the loss of any one of such customers or a significant decrease in demand for certain key models or a group of related models sold by any of our major customers could have a material adverse effect on us.

There is substantial and continuing pressure from the major OEMs to reduce costs, including the cost of products purchased from outside suppliers such as us. If we are unable to generate sufficient production cost savings in the future to offset price reductions, our gross margin could be adversely affected.

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#### WE ARE SUBJECT TO CERTAIN RISKS ASSOCIATED WITH OUR FOREIGN OPERATIONS

We have significant international operations, specifically in Europe and South America. Certain risks are inherent in international operations, including:

- we may have difficulty enforcing agreements and collecting receivables through certain foreign legal systems;
- foreign customers may have longer payment cycles than customers in the United States;
- tax rates in certain foreign countries may exceed those in the United States, and foreign earnings may be subject to withholding requirements or the imposition of tariffs, exchange controls or other restrictions;
- general economic and political conditions in countries where we operate

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may have an adverse effect on our operations in those countries;

- we may find it difficult to manage a large organization spread throughout various countries; and
- we may find it difficult to comply with foreign laws and regulations.

As we continue to expand our business globally, our success will depend, in part, on our ability to anticipate and effectively manage these and other risks. We cannot assure you that these and other factors will not have a material adverse effect on our international operations or our business as a whole. In addition, we generate a significant portion of our revenues and incur a significant portion of our expenses in currencies other than U.S. dollars. To the extent that we are unable to match revenues received in foreign currencies with costs paid in the same currency, exchange rate fluctuations in any such currency could have an adverse effect on our financial results.

### WE MAY BE ADVERSELY IMPACTED BY WORK STOPPAGES AND OTHER LABOR MATTERS

Many OEMs and their suppliers have unionized work forces. Work stoppages or slow-downs experienced by OEMs or their suppliers could result in slow-downs or closures of assembly plants where our products are included in assembled vehicles. For example, strikes by the United Auto Workers led to the shutdown of most of GM's North American assembly plants in June and July 1998. We estimate that this work stoppage at GM's facilities had an unfavorable impact of approximately \$24.7 million on our 1998 revenues. In the event that one or more of our customers experiences a material work stoppage, such work stoppage could have a material adverse effect on our business.

In addition, approximately 6,500 of our employees are unionized (representing approximately 50% of our employees at September 30, 2000). No assurance can be given that we will not encounter strikes, further unionization efforts or other types of conflicts with labor unions or our employees. Any of these factors may have an adverse effect on us or may limit our flexibility in dealing with our workforce.

### WE MAY BE ADVERSELY AFFECTED BY THE IMPACT OF ENVIRONMENTAL AND SAFETY REGULATIONS TO WHICH WE ARE SUBJECT

We are subject to the requirements of federal, state, local and foreign environmental and occupational health and safety laws and regulations. There can be no assurance that we are at all times in complete compliance with all such requirements. We have made and will continue to make capital and other expenditures to comply with environmental regulations. If a release of hazardous substances occurs on or from one of our properties or any associated offsite disposal location, or if contamination is discovered at any of our current or former properties, we may be

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held liable, and the amount of such liability could be material. See "Business -- Environmental Matters."

### CYCLICALITY AND SEASONALITY COULD ADVERSELY AFFECT US

The automotive market is highly cyclical and is dependent on consumer spending. The automotive industry is currently experiencing a downturn in production levels as compared to 1999 levels. Economic factors adversely affecting automotive production and consumer spending could adversely impact us. In addition, our business is somewhat seasonal. We typically experience decreased revenues and operating income during the third calendar quarter of

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each year due to the impact of scheduled OEM plant shutdowns in July and August for vacations and new model changeovers.

### WE OPERATE IN THE HIGHLY COMPETITIVE AUTOMOTIVE SUPPLY INDUSTRY

The automotive component supply industry is highly competitive. Some of our competitors are companies, or divisions or subsidiaries of companies, that are larger and have greater financial and other resources than we do. In addition, with respect to certain of our products, we compete with divisions of our OEM customers. There can be no assurance that our products will be able to compete successfully with the products of these other companies. Our competitive position in the automotive component supply industry could be adversely affected in the event that we are unsuccessful in making strategic acquisitions or establishing joint ventures that will enable us to expand our global presence.

We principally compete for new business both at the beginning of the development of new models and upon the redesign of existing models by our major customers. New model development generally begins two to five years prior to the marketing of such models to the public. The failure to obtain new business on new models or to retain or increase business on redesigned existing models could adversely affect our business. In addition, as a result of the relatively long lead times required for many of our complex structural components, it may be difficult in the short term for us to obtain new sales to replace any unexpected decline in the sale of existing products. We may incur significant expense in preparing to meet anticipated customer requirements which may not be recovered.

### DISCLOSURE REGARDING FORWARD-LOOKING STATEMENTS

This prospectus contains forward-looking statements that are subject to risks and uncertainties. You should not place undue reliance on those statements because they only speak as of the date of this prospectus. Forward-looking statements include information concerning our possible or assumed future results of operations, including descriptions of our business strategy. These statements often include words such as "believe," "expect," "anticipate," "intend," "plan," "estimate," or similar expressions. These statements are based on assumptions that we have made in light of our experience in the industry as well as our perceptions of historical trends, current conditions, expected future developments and other factors we believe are appropriate under the circumstances. As you read and consider this prospectus, you should understand that these statements are not guarantees of performance or results. They involve risks, uncertainties and assumptions. Although we believe that these forward-looking statements are based on reasonable assumptions, you should be aware that many factors could affect our actual financial results or results of operations and could cause actual results to differ materially from those in the forward-looking statements. These factors include:

- general economic or business conditions affecting the automotive industry (which is dependent on consumer spending), either nationally or regionally, being less favorable than expected;

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- our failure to develop or successfully introduce new products;
- increased competition in the automotive components supply market;
- unforeseen problems associated with international sales, including gains and losses from foreign currency exchange;
- implementation of or changes in the laws, regulations or policies governing the automotive industry that could negatively affect the

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automotive components supply industry;

- changes in general economic conditions in the United States and Europe;  
and
- various other factors beyond our control.

All future written and oral forward-looking statements by us or persons acting on our behalf are expressly qualified in their entirety by the cautionary statements contained or referred to above. Except for our ongoing obligations to disclose material information as required by the federal securities laws, we do not have any obligation or intention to release publicly any revisions to any forward-looking statements to reflect events or circumstances in the future or to reflect the occurrence of unanticipated events. YOU SHOULD ALSO READ CAREFULLY THE FACTORS DESCRIBED IN THE "RISK FACTORS" SECTION OF THIS PROSPECTUS.

### USE OF PROCEEDS

This exchange offer is intended to satisfy certain of our obligations under the registration rights agreement. We will not receive any cash proceeds from the issuance of the exchange notes. In consideration for issuing the exchange notes contemplated in this prospectus, we will receive outstanding notes in like principal amount, the form and terms of which are the same as the form and terms of the exchange notes, except as otherwise described in this prospectus.

Our net proceeds from the sale of the outstanding notes (after deducting the initial purchasers' discounts and commissions and offering expenses payable by Tower Automotive) were approximately \$134.7 million. We used the net proceeds to reduce our revolving credit borrowings under our then-existing senior credit facility.

Our then-existing senior credit facility had a scheduled final maturity in April 2003 with respect to the revolving credit facility and June 2004 with respect to the term loan. The revolving credit facility bore interest at a rate per annum equal to, at our option, the prime rate or LIBOR plus a margin ranging from 17 to 50 basis points depending upon the ratio of our consolidated indebtedness to our total capitalization. The weighted average interest rate for such borrowings was 6.95% at September 30, 2000. Borrowings under our existing senior credit facility were used to finance the acquisitions of Caterina, Algoods and Dr. Meleghy and our investments in Seojin and J. L. French (each as defined herein).

On July 25, 2000, we entered into a new unsecured senior credit facility that provides for revolving credit borrowings of up to \$825.0 million and a term loan of \$325.0 million. Our new senior credit facility matures in July 2006. See "Description of Other Indebtedness -- New Senior Credit Facility."

We continually evaluate possible acquisitions and engage in discussions with acquisition candidates from time to time. Except as otherwise discussed herein, we currently do not have any acquisitions that are probable.

Affiliates of certain of the initial purchasers were lenders under our former senior credit facility and are be lenders under our new senior credit facility.

### CURRENCIES AND EXCHANGE RATE DATA

References in this prospectus to "U.S. dollars," "dollars" or "\$" are to

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the currency of the United States of America and references to "euro" or "E" are to the currency that was introduced at the start of the third stage of economic and monetary union pursuant to the treaty establishing the European Economic Community, as amended by the Treaty on European Union, signed at Maastricht, the Netherlands on February 7, 1992.

The following table sets forth, for the periods indicated, certain exchange rates set forth as U.S. dollars per euro based on the noon buying rates in New York City for cable transfers in euro as certified for customs Federal Reserve Bank of New York. On November 24, 2000, the noon buying rate was \$0.8436 = E1.00. These exchange rates are provided solely for your convenience and you should not construe them as a representation that amounts of euro actually represent such dollar amounts or that euro could be converted into dollars at these or any other rates.

	U.S. DOLLARS PER EURO	
	AS OF AND FOR THE YEAR ENDED DECEMBER 31, 1999	AS OF AND FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000
Exchange rate at end of period.....	\$1.0062	\$0.8830
Average exchange rate during period(a).....	1.0597	0.9417
Highest exchange rate during period.....	1.1837	1.0336
Lowest exchange rate during period.....	1.0013	0.8480

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(a) The average of the noon buying rates as of the last day of each month of the respective periods.

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### CAPITALIZATION

The following table sets forth our actual capitalization as of September 30, 2000. This table should be read in conjunction with our consolidated financial statements and notes thereto included elsewhere in this prospectus.

	SEPTEMBER 30, 2000	
	(IN MILLIONS, EXCEPT SHARE AMOUNTS)	
Cash and cash equivalents.....	\$ 1.4	=====
Long-term debt, including current maturities:		
Senior credit facility(1).....	\$ 752.9	
Industrial development revenue bonds and other(2).....	127.2	
9.25% senior notes (3).....	132.6	
Total senior debt.....	1,012.7	
5.0% convertible subordinated notes.....	200.0	
Edgewood notes.....	0.9	

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Total debt.....	1,213.6
Trust Preferred Securities(4).....	258.8
Stockholders' investment:	
Preferred stock, par value \$1.00; 5,000,000 shares authorized; no shares issued or outstanding.....	--
Common stock, par value \$.01; 200,000,000 shares authorized; 47,445,675 shares outstanding on an actual and pro forma basis.....	0.5
Additional paid-in capital.....	452.4
Retained earnings.....	377.9
Deferred income stock plan.....	(8.9)
Accumulated other comprehensive income.....	3.1
	-----
Total stockholders' investment.....	825.0
	-----
Total capitalization.....	\$2,297.4
	=====

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- (1) The weighted average interest rate for such borrowings was 6.95% at September 30, 2000. Our new senior credit facility provides for revolving credit borrowings of up to \$825.0 million and a term loan of \$325.0 million.
- (2) Includes: (i) an aggregate of \$43.8 million of indebtedness from the issuance of industrial development revenue bonds to finance the construction of our Bardstown facility and the purchase of related equipment, (ii) capitalized lease obligations of \$22.4 million and (iii) other indebtedness of \$61.0 million.
- (3) In consideration for issuing the exchange notes contemplated by this prospectus, we will receive outstanding notes in like principal amount. As a result, the exchange offer will not have any effect on our capitalization.
- (4) Represents the 6 3/4% Trust Convertible Preferred Securities (the "Trust Preferred Securities") issued by the Tower Automotive Capital Trust in June 1998. The sole assets of the Trust are approximately \$266.8 million in principal amount of Parent's 6 3/4% Convertible Subordinated Debentures due June 30, 2018, such amount being the sum of the stated liquidation preference of the Trust Preferred Securities and the capital contributed by Parent in exchange for the common securities of the Trust.

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### UNAUDITED PRO FORMA FINANCIAL STATEMENTS

The following Unaudited Pro Forma Statements of Operations for the year ended December 31, 1999, the nine months ended September 30, 1999 and 2000, give effect to the following transactions as if these transactions had occurred at the beginning of the period:

- the acquisitions of Dr. Meleghy and Active (each as defined herein),
- the refinancing of our existing bank indebtedness under our new senior credit facility, and
- the completion of the sale of the notes and the application of the net proceeds therefrom.

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The unaudited pro forma financial data presented in this prospectus are based on the assumptions and adjustments described in the accompanying notes. The Unaudited Pro Forma Statements of Operations do not purport to represent what our results of operations actually would have been if the events described above had occurred as of the dates indicated or what our results will be for any future periods. The Unaudited Pro Forma Financial Statements are based upon assumptions and adjustments that we believe are reasonable. You should read the Unaudited Pro Forma Financial Statements and the accompanying notes in conjunction with the historical financial statements, including the related notes, included elsewhere in this prospectus.

The acquisitions of Dr. Meleghy and Active have been accounted for using the purchase method of accounting and, accordingly, the assets acquired and liabilities assumed have been recorded at their fair values as of the dates of their respective acquisitions. These amounts have been recorded based upon preliminary estimates as of such dates. Further adjustments to the acquired assets and assumed liabilities will be reflected as a change in goodwill.

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### TOWER AUTOMOTIVE, INC.

#### UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS FOR THE NINE MONTHS ENDED SEPTEMBER 30, 1999 (IN MILLIONS)

	TOWER AUTOMOTIVE (1)	ACTIVE (2)	DR. MELEGHY (3)	PRO FORMA ADJUSTMENTS	PR
	-----	-----	-----	-----	-----
Revenues.....	\$1,565.4	\$193.9	\$89.3	\$ --	\$1
Cost of sales.....	1,316.6	167.7	71.1	--	1
	-----	-----	-----	-----	-----
Gross profit.....	248.8	26.2	18.2	--	
Selling, general and administrative expenses.....	76.4	20.6	7.1	--	
Amortization expense.....	11.7	--	--	4.6 (4)	
	-----	-----	-----	-----	-----
Operating income (loss).....	160.7	5.6	11.1	(4.6)	
Interest expense.....	25.9	3.2	--	27.7 (5)	
Interest income.....	(0.7)	--	--	--	
	-----	-----	-----	-----	-----
Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest.....	135.5	2.4	11.1	(32.3)	
Provision for income taxes.....	54.2	--	--	(7.5) (6)	
	-----	-----	-----	-----	-----
Income (loss) before equity in earnings of joint ventures and minority interest....	81.3	2.4	11.1	(24.8)	
Equity in earnings of joint ventures.....	11.0	--	--	--	
Minority interest -- dividends on trust preferred securities,					



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net.....	(7.9)	--	--	--	--
	-----	-----	-----	-----	-----
Income before extraordinary loss...	\$ 84.4	\$ 2.4	\$11.1	\$ (24.8)	\$
	=====	=====	=====	=====	=====

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TOWER AUTOMOTIVE, INC.

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS  
FOR THE NINE MONTHS ENDED SEPTEMBER 30, 2000  
(IN MILLIONS)

	TOWER AUTOMOTIVE (1)	PRO FORMA ADJUSTMENTS	PRO FORMA
	-----	-----	-----
Revenues.....	\$1,902.6	\$ --	\$1,902.6
Cost of sales.....	1,611.8	--	1,611.8
	-----	-----	-----
Gross profit.....	290.8	--	290.8
Selling, general and administrative expenses.....	99.6	--	99.6
Amortization expense.....	15.8	--	15.8
	-----	-----	-----
Operating income.....	175.4	--	175.4
Interest expense.....	48.3	6.1 (5)	54.4
Interest income.....	(5.2)	--	(5.2)
	-----	-----	-----
Income (loss) before provision for income taxes, equity in earnings of joint ventures and minority interest.....	132.3	(6.1)	126.2
Provision for income taxes.....	52.9	(2.4) (6)	50.5
	-----	-----	-----
Income (loss) before equity in earnings of joint ventures and minority interest.....	79.4	(3.7)	75.7
Equity in earnings of joint ventures.....	14.9	--	14.9
Minority interest -- dividends on trust preferred securities, net.....	(7.9)	--	(7.9)
	-----	-----	-----
Income before extraordinary loss.....	\$ 86.4	\$ (3.7)	\$ 82.7
	=====	=====	=====

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TOWER AUTOMOTIVE, INC.

UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS  
FOR THE YEAR ENDED DECEMBER 31, 1999  
(IN MILLIONS)

TOWER AUTOMOTIVE (1)	ACTIVE (2)	DR. MELEGHY (3)	PRO FORMA ADJUSTMENTS	PR
-----	-----	-----	-----	-----

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Revenues.....	\$2,170.0	\$193.9	\$117.1	\$ --	\$2
Cost of sales.....	1,823.1	167.7	93.2	--	2
	-----	-----	-----	-----	-----
Gross profit.....	346.9	26.2	23.9	--	
Selling, general and administrative expenses.....	106.0	20.6	9.4	--	
Amortization expense.....	15.8	--	--	4.2 (4)	
	-----	-----	-----	-----	-----
Operating income.....	225.1	5.6	14.5	(4.2)	
Interest expense.....	39.5	3.2	--	30.2 (5)	
Interest income.....	(1.5)	--	--	--	
	-----	-----	-----	-----	-----
Income before provision for income taxes, equity in earnings of joint ventures and minority interest....	187.1	2.4	14.5	(34.4)	
Provision for income taxes.....	74.9	--	--	(7.1) (6)	
	-----	-----	-----	-----	-----
Income before equity in earnings of joint ventures and minority interest.....	112.2	2.4	14.5	(27.3)	
Equity in earnings of joint ventures.....	15.3	--	--	--	
Minority interest -- dividends on trust preferred securities, net.....	(10.4)	--	--	--	
	-----	-----	-----	-----	-----
Net income.....	\$ 117.1	\$ 2.4	\$ 14.5	\$ (27.3)	\$
	=====	=====	=====	=====	=====

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NOTES TO UNAUDITED PRO FORMA STATEMENTS OF OPERATIONS

- (1) Represents the results of operations of Tower Automotive for the year ended December 31, 1999 and the results of operations of Active and Dr. Meleghy from their respective dates of acquisition.
- (2) Represents the results of operations for Active from January 1, 1999 through the date of acquisition, July 29, 1999.
- (3) Represents the results of operations for Dr. Meleghy from January 1, 1999 through the effective date of the acquisition, January 1, 2000.
- (4) Represents the additional amortization of goodwill arising from the acquisitions of Active and Dr. Meleghy (in millions):

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	YEAR ENDED DECEMBER 31, 1999
	-----	-----	-----
Active.....	\$3.3	--	\$2.5
Dr. Meleghy.....	1.3	--	1.7
	-----	-----	-----
	\$4.6	\$--	\$4.2

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Goodwill is amortized on a straight-line basis over a forty-year period.

(5) Represents the change in interest expense arising from (in millions):

	NINE MONTHS ENDED SEPTEMBER 30, 1999	NINE MONTHS ENDED SEPTEMBER 30, 2000	YEAR ENDED DECEMBER 31, 1999
	-----	-----	-----
Interest expense on senior credit facility.....	\$ 11.0	\$ 36.0	\$ 20.9
Interest expense on Notes offered hereby.....	11.2	9.8	14.7
Interest expense related to Active acquisition.....	17.8	--	13.8
Interest expense related to Dr. Meleghy acquisition.....	6.9	--	9.2
	-----	-----	-----
	46.9	45.8	58.6
Less: interest expense previously recorded..	(19.2)	(39.7)	(28.4)
	-----	-----	-----
Net increase.....	\$ 27.7	\$ 6.1	\$ 30.2
	=====	=====	=====

(6) Adjusts the provision for income taxes on a pro forma basis to reflect our estimated annual tax rate of 40%.

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SELECTED CONSOLIDATED FINANCIAL DATA

The selected consolidated financial data for Tower Automotive presented below for and as of the end of each of the years in the five-year period ended December 31, 1999, is derived from Tower Automotive's Consolidated Financial Statements, which have been audited by Arthur Andersen LLP, independent public accountants. The consolidated financial statements at December 31, 1998 and 1999 and for each of the three years in the period ended December 31, 1999 and the report of independent public accountants thereon are included elsewhere in this prospectus. The consolidated financial statements at and for the years ended December 31, 1994, 1995 and 1996 are not included herein. The consolidated financial data for the nine months ended September 30, 1999 and 2000 have been derived from the unaudited consolidated financial statements of Tower Automotive, which, in the opinion of management, reflect all adjustments (consisting of only normal recurring adjustments) necessary for fair presentation. Results for the nine months ended September 30, 2000 are not necessarily indicative of results for the full year. The selected consolidated financial data below should be read in conjunction with the consolidated financial statements and the notes thereto of Tower Automotive included elsewhere in this prospectus and "Management's Discussion and Analysis of Results of Operations and Financial Condition."

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	YEARS ENDED DECEMBER 31,					NINE MO
	1995	1996	1997	1998	1999	SEPTE
	(IN MILLIONS, EXCEPT RATIOS AND PER SHARE AND CONTENT PER VEHICLE)					
<b>INCOME STATEMENT DATA:</b>						
Revenues.....	\$222.8	\$399.9	\$ 1,235.8	\$1,836.5	\$2,170.0	\$1,565.4
Cost of sales.....	185.4	338.3	1,058.7	1,562.2	1,823.1	1,317.6
Gross profit.....	37.4	61.6	177.1	274.3	346.9	248.8
Selling, general and administrative expenses....	14.3	20.0	57.9	85.2	106.0	76.4
Amortization expense.....	1.2	2.2	9.5	13.5	15.8	11.6
Operating income.....	21.9	39.4	109.7	175.7	225.1	160.7
Interest expense, net.....	1.8	5.1	29.0	40.3	38.0	25.2
Provision for income taxes...	8.1	13.7	32.3	54.1	74.9	54.2
Net income.....	12.1	20.6	46.2	88.0	117.1	84.4
Basic earnings per share.....	\$ 0.56	\$ 0.81	\$ 1.14	\$ 1.91	\$ 2.50	\$ 1.80
Diluted earnings per share...	0.52	0.77	1.09	1.68	2.10	1.52
<b>OTHER DATA:</b>						
Capital expenditures, net....	\$ 26.1	\$ 16.3	\$ 117.4	\$ 185.1	\$ 197.3	\$ 160.3
Depreciation and amortization.....	6.5	12.8	48.0	87.4	111.6	80.7
EBITDA(1).....	28.5	52.2	157.7	263.1	336.7	241.4
Cash provided by (used in):						
Operating activities.....	13.9	30.0	100.9	221.1	227.3	99.7
Investing activities.....	(34.1)	(88.9)	(1,006.9)	(267.4)	(599.2)	(489.4)
Financing activities.....	21.1	97.5	866.4	49.7	372.1	387.3
Ratio of earnings to fixed charges (2).....	6.2x	5.0x	2.6x	2.9x	3.3x	3.3x
North American content per vehicle(3).....	14.9	26.7	71.3	112.6	123.1	123.0
<b>BALANCE SHEET DATA (AT END OF PERIOD):</b>						
Cash and cash equivalents....	\$ 1.0	\$ 39.6	\$ --	\$ 3.4	\$ 3.6	\$ 3.6
Working capital.....	32.2	85.5	140.6	106.9	126.9	126.9
Total assets.....	209.5	402.6	1,680.1	1,936.2	2,552.6	2,552.6
Total debt.....	71.1	114.2	748.9	560.5	935.1	1,198.3
Stockholders' investment.....	85.6	181.9	515.3	606.8	727.1	727.1

Footnotes to table appear on the following page.

Footnotes to table on the previous page:

- (1) "EBITDA" is operating income plus depreciation and amortization. EBITDA does not represent and should not be considered an alternative to net income or cash flow from operations, as determined by GAAP, and our calculation thereof may not be comparable to that reported by other companies. We believe that it is widely accepted that EBITDA provides useful information regarding a company's ability to service and/or incur indebtedness. This belief is based on our negotiations with our lenders who have indicated that the amount of indebtedness we will be permitted to incur will be based, in part, on our EBITDA. EBITDA does not take into account our working capital

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requirements, debt service requirements and other commitments and, accordingly, is not necessarily indicative of amounts that may be available for discretionary use.

- (2) Calculated by dividing earnings by total fixed charges. Earnings consist of net income plus income taxes and fixed charges excluding capitalized interest. Fixed charges consist of interest expense, whether expensed or capitalized, amortization of debt expense and a portion of rental expense that can be demonstrated to be representative of the interest factor in the particular case.
- (3) "North American content per vehicle" is our North American revenues divided by total North American vehicle production, which is comprised of car and light truck production in the United States, Canada and Mexico, as estimated by us from industry sources.

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

This discussion should be read in conjunction with our consolidated financial statements and notes to consolidated financial statements included elsewhere in this prospectus.

#### HISTORY

Parent was formed to acquire R.J. Tower Corporation, the acquisition of which was completed in April 1993 for an aggregate cost of approximately \$26 million. During the last five years, we have successfully completed ten strategic acquisitions and established four joint ventures. A summary of certain of these transactions is set forth below:

Yorozu. On September 21, 2000, we acquired a 17 percent equity interest in Yorozu Corporation or "Yorozu", a supplier of suspension modules and structural parts to the Asian and North American automotive markets, from Nissan Motor Co. Ltd. or "Nissan". Yorozu is based in Japan and is publicly traded on the first tier of the Tokyo Stock Exchange. Its principal customers include Nissan, Auto Alliance, General Motors, Ford, and Honda. We will pay Nissan approximately \$38 million over the next two and a half years to acquire the 17 percent interest. In addition, we will have the opportunity to increase our holdings in Yorozu through the purchase of additional Yorozu shares.

Algoods. On May 3, 2000, we announced the acquisition of Algoods Inc., or "Algoods," a manufacturer of aluminum heat shields and impact discs for the North American automotive industry. We paid approximately \$33 million for the acquisition. Algoods had 1999 revenues of approximately \$55 million, and its principal customer is DaimlerChrysler. Algoods operates a mini-mill and manufacturing facility located in Toronto, Ontario. This acquisition benefits our existing business by adding patent rights to processing technology for lightweight materials. This acquisition also complements our existing heat shield capabilities and provides a leadership team that has extensive experience in providing technical solutions for lightweight structural products.

DTA Development. On March 23, 2000, we announced the formation of a product technology and development joint venture with Defiance Testing & Engineering Services, Inc., a subsidiary of GenTek Inc. The joint venture, DTA Development, located in Westland, Michigan, is expected to be fully operational in the third quarter of 2000 and will provide us with product-testing services. Traditionally, we utilize both internal and external product testing extensively to validate complex systems during the development stage of a program. This

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joint venture will allow us to have access to a broader and more cost efficient range of testing capabilities. DTA Development will blend the benefits of chassis product technology and development activities with leading edge commercial testing services.

Dr. Meleghy. Effective January 1, 2000, we acquired all of the outstanding shares of Dr. Meleghy GmbH & Co. KG Werkzeugbau und Presswerk, Bergisch Gladbach, or "Dr. Meleghy," for approximately \$86 million, plus the assumption of \$22 million of indebtedness. Dr. Meleghy designs and produces structural stampings, exposed surface panels and modules for the European automotive industry. Dr. Meleghy had 1999 revenues of approximately \$100 million. Dr. Meleghy also designs and manufactures tools and dies for use in its production and for the external market. Dr. Meleghy operates three facilities in Germany and one facility in each of Hungary and Poland. Dr. Meleghy's principal customers include DaimlerChrysler, Audi, Volkswagen, Ford, Opel and BMW. Products offered by Dr. Meleghy include body side panels, floor pan assemblies, and miscellaneous structural stampings. We may pay an additional \$38 million for this acquisition if it achieves certain operating targets in 2000. The acquisition was financed under our existing senior credit facility.

Seojin. In October 1999, we invested \$21 million for new shares representing a 49% equity interest in Seojin Industrial Company Limited, or "Seojin." Seojin is a supplier of frames, modules

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and structural components to the Korean automotive industry. Total consideration for the equity interest was financed under our senior credit facility. In addition, we advanced \$19 million to Seojin in exchange for variable rate convertible bonds due October 30, 2009. The convertible bonds are unsecured and rank equally with all other present and future obligations of Seojin. Interest on the convertible bonds is payable annually beginning October 30, 2000 and each October 30 thereafter until maturity. We have the right to convert the bonds into common stock of Seojin any time on or after October 30, 2000. The conversion rate is based upon a predetermined formula that would increase our equity interest to approximately 66%. On October 31, 2000, we exercised our right to convert the bonds into 17% of the common stock of Seojin. Based upon the formula for conversion of the Seojin variable rate bonds, we paid \$1.2 million for the additional equity interest.

Active. On July 29, 1999, we acquired all of the outstanding stock of Active Tool & Manufacturing Co., Inc., and Active Products Corporation, or collectively, "Active" for approximately \$315 million. Active, which has five facilities, designs and produces a variety of large unexposed structural stampings, exposed surface panels, and modules for the North American automotive industry. Active had 1998 revenue of approximately \$311 million. Active's principal customers include DaimlerChrysler, Ford, General Motors and Saturn. Active's products include body sides, pick-up box sides, fenders, floor pan assemblies, door panels, pillars and heat shields. Our acquisition of Active enhances our ability to manufacture large and complex structures, as well as exposed surface panels. The acquisition was financed under our existing senior credit facility.

IMAR and OSLAMT. In July 1998, we acquired IMAR s.r.l., or "IMAR," and OSLAMT S.p.A., or "OSLAMT." IMAR designs and manufactures structural parts and assemblies from two facilities in Italy, primarily for Fiat. OSLAMT designs and manufactures tools and assemblies for the automotive market from its facility in Turin, Italy. The purchase price consisted of approximately \$32.5 million cash plus the assumption of approximately \$17 million of indebtedness, and an additional amount of \$15 million as a result of IMAR achieving certain operating targets subsequent to the acquisition.

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Caterina. In March 1998, we acquired a 40% equity interest in Caterina, a supplier of structural stampings and assemblies to the Brazilian automotive market. This investment provided us with a substantial manufacturing presence in one of the fastest growing automotive markets in the world and added Volkswagen and Mercedes as new customers. In July 2000, we acquired the remaining 60% of the equity of Caterina for approximately \$42 million in cash. We paid approximately \$44 million for our initial equity interest.

Metalsa. In October 1997, we acquired a 40% equity interest in Metalsa S. de R.L., or "Metalsa." In addition, we have entered into a technology sharing arrangement that will allow us to utilize the latest available product and process technology. Metalsa is the largest supplier of vehicle frames and structures in Mexico. We paid approximately \$120 million for our equity interest with an additional amount of up to \$45 million payable based upon Metalsa's future net earnings. Based upon Metalsa's earnings to date, we have paid approximately \$17 million of additional consideration.

SIMES. In May 1997, we acquired Societa Industria Meccanica e Stampaggio S.p.A., or "SIMES," an Italian automotive parts manufacturer, for approximately \$50.7 million in cash, plus an additional \$3.0 million as a result of SIMES achieving certain operating targets following the acquisition. SIMES generated revenues of approximately \$70.0 million in 1996, with Fiat representing substantially all of these revenues. The acquisition of SIMES:

- significantly expanded our global capabilities by providing us with a manufacturing presence in Europe;
- added Fiat as a new customer; and
- enhanced our design and engineering capabilities.

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APC. In April 1997, we acquired Automotive Products Company, or "APC," from A.O. Smith Corporation for approximately \$700 million. APC is a leading designer and producer of structural and suspension components for the automotive, light truck and heavy truck markets. APC had revenues of \$863.0 million in 1996. We believe that the acquisition of APC provided us with several strategic benefits, including:

- expanded product offerings and modular product opportunities;
- increased customer penetration within each of the three major North American OEMs and within certain foreign OEMs with manufacturing operations in North America;
- increased penetration in the light truck segment and other key models;
- complementary new technology;
- opportunities to reduce costs and improve operational efficiency; and
- an expanded presence in China (through a joint venture known as Tower Golden Ring), Japan and South America, which complemented our existing European initiatives.

MSTI. In May 1996, we acquired MascoTech Stamping Technologies, Inc., or "MSTI," from MascoTech, Inc. for approximately \$75 million, plus additional earn-out payments of approximately \$30 million as a result of MSTI achieving certain operating targets in the first three years following the acquisition.

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MSTI had revenues of \$152.9 million in 1995. The acquisition of MSTI:

- expanded our product capabilities into chassis and suspension components;
- provided chassis and suspension technology as well as value-added processing technologies including assembling, painting and welding; and
- increased our content per vehicle on key light truck and sport utility vehicles such as the Ford F-Series, Explorer and Windstar and the DaimlerChrysler Ram and Dakota as well as on high volume passenger cars such as the Ford Taurus/Sable.

Trylon. In January 1996, we acquired Trylon Corporation, or "Trylon," from MascoTech, Inc. for approximately \$25 million in cash. Trylon generated \$47.9 million in revenues in 1995. The acquisition of Trylon:

- broadened our product offerings to include small, precision metal stampings and assemblies, which were previously outsourced to third parties;
- established a relationship with General Motors; and
- increased our content on Ford models, primarily the Villager.

### OTHER TRANSACTIONS

J.L. French. In October 1999, we invested \$30.0 million in J.L. French Automotive Castings, Inc., or "J.L. French." This investment was originally evidenced by a convertible subordinated promissory note due October 15, 2009. On November 30, 2000, we converted this subordinated promissory note into 7,124 shares of J.L. French's Class A-1 common stock, which has a 7.5% pay-in-kind dividend right. In May 2000, we invested an additional \$11.0 million in J.L. French through the purchase of Class A common stock.

Hinge Business. In August 1998, we sold our hinge business to Dura Automotive Systems, Inc. for net proceeds of approximately \$36.9 million, which approximated the book value of the net assets sold. The net proceeds were used to repay outstanding indebtedness under our existing senior credit facility.

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### RESULTS OF OPERATIONS

The following table sets forth the percentage relationship of certain items to revenues for the periods indicated:

	YEARS ENDED DECEMBER 31,			NINE MONTHS ENDED SEPTEMBER 30,	
	1997	1998	1999	1999	2000
Revenues.....	100.0%	100.0%	100.0%	100.0%	100.0%
Cost of sales.....	85.7	85.1	84.0	84.1	84.7
Gross profit.....	14.3	14.9	16.0	15.9	15.3
Selling, general and administrative expenses.....	4.7	4.6	4.9	4.9	5.2



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Amortization expense.....	0.8	0.7	0.7	0.7	0.8
	-----	-----	-----	-----	-----
Operating income.....	8.8	9.6	10.4	10.3	9.3
Interest expense, net.....	2.3	2.2	1.8	1.6	2.3
	-----	-----	-----	-----	-----
Income before provision for income taxes, equity earnings of joint ventures and minority interest.....	6.5	7.4	8.6	8.7	7.0
Provision for income taxes.....	2.6	3.0	3.4	3.5	2.8
	-----	-----	-----	-----	-----
Income before equity earnings of joint ventures and minority interest.....	3.9	4.4	5.2	5.2	4.2
Equity in earnings of joint ventures....	--	0.7	0.7	0.7	0.8
Minority interest -- dividends on trust preferred securities.....	--	(0.3)	(0.5)	(0.5)	(0.4)
	-----	-----	-----	-----	-----
Income before extraordinary item.....	3.9%	4.8%	5.4%	5.4%	4.6%
	=====	=====	=====	=====	=====

COMPARISON OF THE NINE MONTHS ENDED SEPTEMBER 30, 2000 TO THE NINE MONTHS ENDED SEPTEMBER 30, 1999

Revenues. Revenues for the nine months ended September 30, 2000 were \$1,902.6 million, compared to \$1,565.4 million for the nine months ended September 30, 1999. The increase in revenue of \$337.2 million was composed primarily of net new business on the Lincoln LS/Jaguar S-Type, Ford Explorer, Ford Focus, and Ford Excursion of \$111.2 million. These increases were offset by decreases of \$92.3 million on the General Motors truck programs, which ended during the 1999 period. Additionally, the acquisitions of Active, Dr. Meleghy, Algoods, and Caterina contributed approximately \$370 million of our new sales. These new sales related predominately to our customer DaimlerChrysler, both in North America and in Europe. Heavy Truck rail manufacturing sales declines totaled \$36.1 million in 2000 compared to the 1999 period. Overall net declines on all other platforms of \$15.6 million composed the balance of the revenue change.

Cost of Sales. Cost of sales as a percentage of revenues for the nine months ended September 30, 2000 was 84.7% compared to 84.1% for the nine months ended September 30, 1999. The increase in cost of sales during the 2000 period was primarily due to the accelerated softening of Heavy Truck rail sales of approximately \$9.1 million and the impact of costs incurred to support launch and pre-launch activity on new programs, including the next generation Ford Explorer, of approximately \$3 million. Additional impacts on cost of sales due to softening volumes during the third quarter of 2000 were effectively offset by increased volumes during the first and second quarters.

S, G & A Expenses. Selling, general and administrative expenses increased to \$99.6 million, or 5.2% of revenues, for the nine months ended September 30, 2000 compared to \$76.4 million, or 4.9% of revenues, for the nine months ended September 30, 1999. The increased expense

was due to incremental costs associated with our acquisitions of Active, Dr. Meleghy, Algoods, and Caterina of \$19.7 million and increased engineering, program development, and launch costs related to new business of approximately \$5.4 million. The realization of gains on the cash settlement of amounts due under the interest rate swap and lock agreements during the first nine months of 1999 had the effect of reducing the 1999 expense by \$1.9 million.

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Amortization Expense. Amortization expense for the nine months ended September 30, 2000 was \$15.8 million compared to \$11.6 million for the nine months ended September 30, 1999. The increase was due to amortization related to incremental goodwill amortization related to the acquisitions of Active in July 1999, Dr. Meleghy in January 2000, Algoods in May 2000, and Caterina in July 2000.

Interest Expense. Interest expense for the nine months ended September 30, 2000 was \$43.1 million compared to \$25.2 million for the nine months ended September 30, 1999. The increase in interest expense was primarily due to increased borrowings to fund our acquisitions of Active, Dr. Meleghy, Algoods, Caterina, and investments in J.L. French and Seojin of approximately \$17.9 million. Additionally, the effects of a general increase in rates, the increased spreads on the new credit facility and the rate increase with the new Euro bonds of \$7.9 million was offset by increases in interest income and capitalized interest of \$7.8 million.

Income Taxes. The effective income tax rate was 40% for the nine months ended September 30, 2000 and 1999. The effective rates differed from the statutory rates primarily as a result of state taxes and non-deductible goodwill amortization.

Equity in Earnings of Joint Ventures. Equity in earnings of joint ventures for the first nine months of 2000 and 1999 represents our share of the earnings from our joint venture interests in Metalsa, Caterina and Tower Golden Ring, and Seojin.

Minority Interest. Minority interest for the first nine months of 2000 and 1999 represents dividends, net of income tax benefits, on the Preferred Securities.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1999 TO THE YEAR ENDED DECEMBER 31, 1998

Revenues. Revenues for the year ended December 31, 1999 were \$2.2 billion, an 18.2% increase, compared to \$1.8 billion for the year ended December 31, 1998. The increase was partially due to net new business of approximately \$157.3 million. The new business related primarily to the Ford Explorer, F-Series pick-up, Ranger, Excursion and Lincoln LS/Jaguar S Type, Dodge Durango and Dakota, Chrysler LH, and Fiat. Additional increases of \$190.5 million related to the acquisitions of IMAR and OSLAMT in July 1998, and Active in July 1999 were offset by \$39.0 million related to the sale of Tower Automotive's hinge business in August 1998. The General Motors strike reduced our revenues in the 1998 period by approximately \$24.7 million.

Cost of Sales. Cost of sales as a percent of revenues for the year ended December 31, 1999 was 84.0% compared to 85.1% for the year ended December 31, 1998. Improvement in gross profit was due to increased production volumes and product mix on light truck, sport utility and other models served by us. The improvement from increased production was partially offset by inefficiencies caused by customer demand exceeding planned capacity at certain locations, resulting in weekend overtime to meet production, and inefficiencies due to significant launch activity.

S, G & A Expenses. Selling, general and administrative expenses increased to \$106.0 million, or 4.9% of revenues, for the year ended December 31, 1999 compared to \$85.2 million, or 4.6% of revenues, for the year ended December 31, 1998. The increased expense was due to incremental costs associated with our acquisitions of IMAR, OSLAMT, and Active of \$11.9 million and increased engineering, program development, and launch costs related to new business of

approximately \$9.1 million. Additionally, we wrote off certain expenses of approximately \$1.7 million relating to unsuccessful acquisition efforts. This increase was offset partially by the realization of gains totaling \$1.9 million on the cash settlement of amounts due under the interest rate swap and lock agreements during 1999.

**Amortization Expense.** Amortization expense for the year ended December 31, 1999 was \$15.8 million compared to \$13.5 million for the year ended December 31, 1998. The increase was due to amortization related to the costs associated with the June 1998 offering of the Trust Preferred Securities, incremental goodwill amortization related to the acquisitions of IMAR and OSLAMT including performance payments, and the goodwill amortization associated with the Active acquisition.

**Interest Expense.** Interest expense for the year ended December 31, 1999 was \$38.0 million compared to \$40.3 million for the year ended December 31, 1998. Interest expense was affected by:

- increased borrowings incurred to fund our joint venture interest in Caterina in March 1998,
- increased borrowings to fund our acquisition of IMAR and OSLAMT in July 1998,
- increased borrowings to fund our acquisition of Active in July 1999,
- the proceeds from the June 1998 offering of the Trust Preferred Securities, which were used to reduce borrowings under our senior credit facility, and
- increased capitalized interest on construction projects.

**Income Taxes.** The effective income tax rate was 40% for the years ended December 31, 1999 and 1998. The effective rates differed from the statutory rates primarily as a result of state taxes and non-deductible goodwill amortization.

**Equity in Earnings of Joint Ventures.** Equity in earnings of joint ventures net of tax was \$15.3 million and \$12.7 million for the years ended December 31, 1999 and 1998, respectively. These amounts represent our share of the earnings from our joint venture interests in Metalsa, Caterina, Tower Golden Ring and Seojin.

**Minority Interest.** Minority interest for the years ended December 31, 1999 and 1998 represents dividends, net of income tax benefits, on the Trust Preferred Securities.

COMPARISON OF THE YEAR ENDED DECEMBER 31, 1998 TO THE YEAR ENDED DECEMBER 31, 1997

**Revenues.** Revenues for the year ended December 31, 1998 were \$1.8 billion, a 48.6% increase, compared to \$1.2 billion for the year ended December 31, 1997. The increase is due to the acquisitions of APC in April 1997, SIMES in May 1997 and IMAR and OSLAMT in July 1998, which totaled approximately \$352.9 million, and new business awards, which totaled approximately \$310.5 million, including business relating to the Ford Ranger, Explorer, F-Series and Econoline, Dodge Durango, Dakota and Ram Club Cab pick-ups, Honda Accord and the Chrysler LH line. These increases were offset by a decline in production of certain models served by us of approximately \$38.7 million. In addition, the General Motors strike reduced our revenues by approximately \$24.7 million during 1998.

**Cost of Sales.** Cost of sales as a percent of revenues for the year ended December 31, 1998 was 85.1% compared to 85.7% for the year ended December 31, 1997. The increase in gross margin was due to operating efficiencies and

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productivity initiatives of approximately \$12.6 million implemented particularly at certain of our business units acquired from A.O. Smith Corporation in 1997 as well as increased production volumes on models served by us. These increases were partially offset by a higher proportion of components purchased from outside suppliers as a result of the APC acquisition and launch costs associated with new business totaling approximately \$1.8 million.

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S, G & A Expenses. Selling, general and administrative expenses increased to \$85.2 million, or 4.6% of revenues, for the year ended December 31, 1998 compared to \$57.9 million, or 4.7% of revenues, for the year ended December 31, 1997. Approximately \$4.8 million of the increase relates to a charge taken to mark to market an interest rate agreement. The remaining increase was due primarily to incremental costs associated with our acquisitions of APC, SIMES, IMAR and OSLAMT as well as increased engineering and program development costs related to new business.

Amortization Expense. Amortization expense for the year ended December 31, 1998 was \$13.5 million compared to \$9.5 million for the year ended December 31, 1997. The increase was due to amortization related to the costs associated with:

- the July 1997 sale of \$200 million of 5% convertible subordinated notes,
- the June 1998 offering of the Trust Preferred Securities, and
- incremental goodwill amortization related to the acquisitions of APC, SIMES, IMAR and OSLAMT.

Interest Expense. Interest expense for the year ended December 31, 1998 was \$40.3 million compared to \$29.0 million for the year ended December 31, 1997. Interest expense was affected by:

- increased borrowings incurred to fund the acquisitions of APC, SIMES, IMAR and OSLAMT,
- increased borrowings incurred to fund our investments in our joint venture interests in Metalsa in October 1997 and Caterina in March 1998,
- more favorable terms related to our borrowings under the credit agreement entered into in April 1997,
- the proceeds from the April 1997 offering of 17,000,000 shares of common stock at \$17.50 per share,
- the proceeds from the July 1997 sale of the 5.0% convertible subordinated notes, and
- the proceeds from the June 1998 offering of the Trust Preferred Securities.

Income Taxes. The effective income tax rate was 40% for the year ended December 31, 1998 and 39.9% for the year ended December 31, 1997. The effective rates differed from the statutory rates primarily as a result of state taxes and non-deductible goodwill amortization.

Equity in Earnings of Joint Ventures. Equity in earnings of joint ventures, net of tax, was \$12.7 million and \$0.2 million for the years ended December 31, 1998 and 1997, respectively. These amounts represent our share of the earnings from our joint venture interests in Metalsa, Caterina, and Tower Golden Ring.

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Minority Interest. Minority interest for the year ended December 31, 1998 represents dividends, net of income tax benefits, on the Trust Preferred Securities.

### LIQUIDITY AND CAPITAL RESOURCES

During the first nine months of 2000, we generated \$137.2 million of cash from operations compared with \$99.7 million in the comparable 1999 period. Cash provided by net income, depreciation and amortization, deferred income tax provision and the extraordinary loss of \$213.8 million in 2000 and \$165.1 million in 1999, was partially offset by cyclical increases in working capital requirements of \$76.5 million and \$65.3 million, respectively. During the year ended December 31, 1999, we generated \$227.3 million of cash from operations. This compares with \$221.1 million provided during the same period in 1998. Cash provided by net income before depreciation and amortization was \$228.7 million and \$175.4 million for 1999 and 1998, respectively. Other operating items and working capital requirements relating to customer tooling development and related receivables during the pre-launch phase decreased operating cash flow

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by approximately \$1.4 million during 1999 and increased operating cash flow \$45.7 million during the 1998 period.

Net cash used in investing activities was \$390.2 million during the first nine months of 2000 as compared to \$489.4 million in the prior comparable 1999 period. For the first nine months of 2000, acquisitions and investments in joint ventures were approximately \$232.9 million and \$329.1 million, respectively. Net capital expenditures totaled \$157.5 million in the first nine months of 2000 for equipment and dedicated tooling purchases related to new or replacement programs. This compares with net capital expenditures of \$160.3 million for the prior period. Net cash used in investing activities was \$599.2 million during the year ended December 31, 1999 as compared to \$267.4 million in the prior period. Net capital expenditures totaled \$197.3 million and \$185.1 million for the comparable 1999 and 1998 periods, respectively. Acquisitions and investments in joint ventures were approximately \$401.9 million and \$119.2 million for the 1999 and 1998 periods, respectively. The sale of our hinge business contributed \$36.9 million during the 1998 period.

Net cash provided by financing activities totaled \$250.8 million for the first nine months of 2000 compared with \$387.3 million in prior comparable 1999 period. Net cash provided by financing activities totaled \$372.1 million for the year ended December 31, 1999 compared with \$49.7 million in the prior period. Net proceeds from borrowings were \$367.5 million in 1999, and net repayments of borrowings were \$203.3 million in 1998. The issuance of stock contributed \$4.6 million and \$253.0 million to cash flow for 1999 and 1998, respectively.

On July 25, 2000, we replaced our existing \$675 million revolving credit agreement and our \$325 million term loan with a new six-year \$1.15 billion senior unsecured credit agreement. The new credit agreement includes a non-amortizing revolving facility of \$825 million along with an amortizing term loan of \$325 million. The new facility also includes a multi-currency borrowing feature that allows us to borrow up to \$500 million in certain freely tradeable offshore currencies, and letter of credit sublimits of \$100 million. As of September 30, 2000, approximately \$8.7 million of the outstanding borrowings are denominated in Japanese yen and \$52.1 million of the outstanding borrowings are denominated in Euro. Interest on the new credit facility is at the financial institution's reference rate, LIBOR, or the Eurodollar rate plus a margin ranging from 0 to 200 basis points depending on the ratio of the consolidated funded debt for our restricted subsidiaries to our total EBITDA. The weighted average interest rate for such borrowings was 6.95% for the nine months ended

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September 30, 2000. The new credit agreement has a final maturity of 2006. As a result of the debt replacement, we recorded an extraordinary loss, net of tax, of \$3.0 million during the third quarter of 2000.

On July 25, 2000, we issued Euro-denominated senior unsecured notes in the amount of E150 million. The notes bear interest at a rate of 9.25%, payable semi-annually. The notes rank equally with all of our other unsecured and unsubordinated debt. The net proceeds after issuance costs were used to repay a portion of our existing Euro-denominated indebtedness under our existing credit facility. The notes mature on August 1, 2010.

For the periods presented through July 24, 2000, our former credit agreement included a revolving credit facility that provided for borrowings of up to \$750 million on an unsecured basis with a letter of credit sublimit of \$75 million. In addition, under the terms of this revolving credit facility, the equivalent of up to \$85 million in borrowings could be denominated in Italian lira. The amount available under the revolving credit facility reduced to \$675 million in April 2000, \$600 million in April 2001 and \$500 million in April 2002. The credit agreement had a final maturity of April 2003. Interest on the credit facility was at the prime rate or LIBOR plus a margin ranging from 17 to 50 basis points depending upon the ratio of our consolidated indebtedness to our total capitalization.

During September 2000, we entered into an interest rate swap contract to hedge against interest rate exposure on approximately \$160 million of our floating rate indebtedness. The

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contracts have the effect of converting the floating rate interest to a fixed rate of approximately 6.9%, plus any applicable margin required under the revolving credit facility. The interest rate swap contract was executed to balance our fixed-rate and floating-rate debt portfolios.

During 1997, we entered into interest rate swap contracts to hedge against interest rate exposures on certain floating-rate indebtedness. These contracts, which were to expire in November 2002, had the effect of converting the floating-rate interest related to a notional amount of \$300 million of borrowings outstanding under the revolving credit facility into a fixed rate of approximately 6.75%. The interest rate swap contract was executed to balance our fixed rate and floating-rate debt portfolios. During June 1999, we terminated our position in the interest rate swap contracts resulting in a gain of \$0.5 million.

During 1997, we entered into an interest rate contract in a notional amount of \$75 million in anticipation of financing that did not materialize. Accordingly, we adjusted the interest rate contract to market as of December 31, 1998 and 1997. The write-down to fair value of approximately \$6.4 million and \$2.0 million, respectively, was recorded as an expense in the consolidated statements of operations. During the first quarter of 1999, we settled the \$75 million contract with a cash payment of approximately \$7.0 million.

In certain instances, we are committed under existing agreements to supply products to our customers at selling prices that are not sufficient to cover our direct costs to produce those parts. We are obligated to supply these products to our customers for the life of the related vehicles, three to ten years. Accordingly, we recognize losses at the time these losses are probable and reasonably estimable at an amount equal to the minimum amount necessary to fulfill our obligations to our customers. The reserves established in connection with these recognized losses are reversed as the product is shipped to the customers. Such amounts reversed during the years ended December 31, 1999, 1998 and 1997 were \$16.8 million, \$9.7 million, and \$4.6 million, respectively.

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In June 1998, Tower Automotive Capital Trust, a statutory business trust created at our direction, completed the offering of \$258.8 million of the Trust Preferred Securities, resulting in net proceeds of approximately \$249.7 million. The Trust Preferred Securities are redeemable, in whole or in part, on or after June 30, 2001 and all Trust Preferred Securities must be redeemed no later than June 30, 2018. The Trust Preferred Securities are convertible, at the option of the holder, into our common stock at a rate of 1.6280 shares of common stock for each Trust Preferred Security, which is equivalent to a conversion price of \$30.713 per share. The net proceeds of the offering were used to repay outstanding indebtedness.

In July 1997, we completed the sale of our 5.0% convertible subordinated notes in a private placement. The convertible notes are due on August 1, 2004 and are convertible into our common stock at a conversion price of \$25.88 per share. The convertible notes are unsecured and may not be redeemed until August 1, 2000, except in the event of a change of control. Proceeds from the notes were used to repay outstanding indebtedness under the revolving credit facility.

In conjunction with our acquisitions, we have established reserves for certain costs associated with facility shutdown and consolidation activities and for general and payroll related costs primarily for planned employee termination activities. As of December 31, 1998, approximately \$21.1 million and \$3.6 million were recorded for facility shutdown and payroll related costs, respectively. Additional reserves of \$5.4 million related to facility shutdown costs and \$8.7 million for payroll related costs were recorded for the year ended December 31, 1999. Costs incurred and charged to such reserves amounted to \$2.5 million for facility shutdown costs and \$5.2 million for payroll related termination costs during the year ended December 31, 1999. Additionally, as a result of revisions to these restructuring plans, \$10.2 million of facility related costs and \$0.7 million of payroll related costs were reversed against goodwill in 1999. At December 31, 1999, liabilities for approximately \$13.8 million for costs associated with facility

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shutdown and consolidation and \$6.4 million of costs for planned employee termination activities remained. The timing of facility shutdown and consolidation activities has been adjusted to reflect customer concerns with supply interruption. These reserves have been utilized as originally intended and management believes the liabilities recorded for shutdown and consolidation activities are adequate but not excessive as of December 31, 1999.

At September 30, 2000, we had unused borrowing capacity of approximately \$390 million under the most restrictive debt covenant of our then existing senior credit facility. We believe the borrowing availability under our new senior credit facility, together with funds generated by operations, should provide liquidity and capital resources to pursue our business strategy for the foreseeable future, with respect to working capital, capital expenditures, and other operating needs. We estimate our 2000 capital expenditures will approximate \$225 million. Under present conditions, management does not believe access to funds will restrict our ability to pursue our acquisition strategy.

### EFFECTS OF INFLATION

Inflation generally affects us by increasing the interest expense of floating-rate indebtedness and by increasing the cost of labor, equipment and raw materials. We believe that inflation has not significantly affected our business over the past 12 months. However, because selling prices generally cannot be increased until a model changeover, the effects of inflation must be offset by productivity improvements and volume from new business awards.

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### MARKET RISK

We are exposed to various market risks, including changes in foreign currency exchange rates and interest rates. Market risk is the potential loss arising from adverse changes in market rates and prices, such as foreign currency exchange and interest rates. Our policy is to not enter into derivatives or other financial instruments for trading or speculative purposes. We periodically enter into financial instruments to manage and reduce the impact of changes in interest rates.

Interest rate swaps are entered into as a hedge of underlying debt instruments to effectively change the characteristics of the interest rate without actually changing the debt instrument. Therefore, these interest rate swap agreements convert outstanding floating rate debt to fixed rate debt for a period of time. For fixed rate debt, interest rate changes affect the fair market value but do not impact earnings or cash flows. Conversely for floating rate debt, interest rate changes generally do not affect the fair market value but do impact future earnings and cash flows, assuming other factors are held constant.

At September 30, 2000, we had total debt and obligations under capital leases of \$1.2 billion. The debt is comprised of fixed rate debt of \$493 million and floating rate debt of \$721 million. The pre-tax earnings and cash flows impact for the next year resulting from a one percentage point increase in interest rates on variable rate debt would be approximately \$7.2 million, holding other variables constant. A one percentage point increase in interest rates would not materially affect the fair value of the fixed rate debt.

During September 2000, we entered into an interest rate swap contract to hedge against interest rate exposure on approximately \$160 million of our floating rate indebtedness. The contracts have the effect of converting the floating rate interest to a fixed rate of approximately 6.9%, plus any applicable margin required under the revolving credit facility. The interest rate swap contract was executed to balance our fixed-rate and floating-rate debt portfolios.

During June 1999, we terminated our position in interest rate swaps in the notional amount of \$300 million, resulting in a gain of \$0.5 million. The swaps were held as a hedge to convert floating rate indebtedness to fixed rate indebtedness without changing the underlying debt instrument. We believe that over the life of the revolving credit facility, interest rates will continue to remain stable, decreasing the effectiveness of the interest swap, and therefore, we terminated the hedge.

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A portion of our revenues were derived from manufacturing operations in Europe. The results of operations and financial position of our operations in Europe are principally measured in the respective currency and translated into U.S. dollars. The effects of foreign currency fluctuations in Europe are somewhat mitigated by the fact that expenses are generally incurred in the same currency in which revenues are generated. The reported income of these subsidiaries will be higher or lower depending on a weakening or strengthening of the U.S. dollar against the respective foreign currency.

A portion of our assets is based in our foreign operations and translated into U.S. dollars at foreign currency exchange rates in effect as of the end of each period, with the effect of such translation reflected as a separate component of stockholders' investment. Accordingly, our consolidated stockholders' investment will fluctuate depending upon the weakening or strengthening of the U.S. dollar against the respective foreign currency.



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Our strategy for management of currency risk relies primarily upon conducting our operations in a country's respective currency and we may, from time to time, engage in hedging programs intended to reduce our exposure to currency fluctuations. As of September 30, 2000, we held no foreign currency hedge positions. Management believes the effect of a one percent change in foreign currency rates would not materially affect our financial position or results of operations for the nine months ended September 30, 2000 or the years ended December 31, 1999 and 1998.

### YEAR 2000

We have completed our effort in resolving the impact of the year 2000 on the processing of date-sensitive information by our computerized and embedded systems. We experienced no significant business interruption as a result of the year 2000; either internally or externally from suppliers. We do not anticipate any further impact relating to date-sensitive information processing capabilities. We spent approximately \$2.0 million on year 2000 readiness activities.

### RECENTLY ISSUED ACCOUNTING PRONOUNCEMENTS

SFAS No. 133, "Accounting for Derivative Instruments and Hedging Activities," as amended by SFAS No.'s 137 and 138, becomes effective for the years beginning after June 15, 2000. SFAS No. 133 establishes accounting and reporting standards requiring that every derivative instrument, including certain derivative instruments embedded in other contracts, be recorded in the balance sheet as either an asset or liability measured at its fair value. SFAS No. 133 requires that changes in the derivative's fair value be recognized currently in earnings unless specific hedge criteria are met. Special accounting for qualifying hedges allows a derivative's gains or losses to offset related results on the hedged item in the income statement and requires that a company must formally document, designate and assess the effectiveness of transactions that receive hedge accounting. We are currently analyzing and quantifying the impact of adopting SFAS No. 133, 137 and 138, and believe the impact will not be material to the financial statements.

In April 1998, the Financial Accounting Standards Board issued Statement of Position (SOP) No. 98-5, "Reporting on the Costs of Start-Up Activities." SOP 98-5 requires the expensing of start-up activities as incurred, versus capitalizing and expensing them over a period of time. Our adoption of SOP 98-5 during the first quarter of 1999 did not materially affect our consolidated results of operations or our financial position.

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### BUSINESS

#### GENERAL

We are a leading global designer and producer of structural components and assemblies used by every major automotive OEM in the world. Our customers include Ford, DaimlerChrysler, General Motors, Saturn, Honda, Toyota, Nissan, Auto Alliance, Fiat, BMW and Volkswagen, as well as a number of heavy truck OEMs. We currently employ more than 13,000 colleagues in 52 locations worldwide.

Since our inception in April 1993, our revenues and EBITDA have grown rapidly through a focused strategy of internal growth and a highly disciplined acquisition program. We have successfully completed 13 acquisitions and established joint ventures in China, Mexico, Korea and the United States. As a result of these acquisitions and internal growth, our revenues and EBITDA have increased from approximately \$165.5 million and \$18.4 million in 1994 to

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approximately \$2.2 billion and \$336.7 million in 1999, representing compound annual growth rates of approximately 67% and 79%, respectively. Our North American content per vehicle has increased from \$10.83 in 1994 to \$123.13 in 1999.

Based on revenues, we believe we are the largest independent global supplier of structural components and assemblies to the automotive market. Our principal products include:

- Lower vehicle structures -- full frames, engine cradles, floor pan components, cross members and other large stampings;
- Body structures and assemblies -- body pillars, roof rails, side sills, parcel shelves, intrusion beams and fuel filler assemblies;
- Suspension components, modules and systems -- chassis and suspension modules, control arms, suspension links, track bars, spring and shock towers and trailing axles; and
- Class A surfaces and modules -- body sides, pick-up box sides, door panels and fenders.

Many of our products are critical to the structural integrity of the vehicle. Increasingly, we are using our products in combination with products manufactured by other suppliers to produce assemblies and modules consisting of multiple component parts. As a result of our design, engineering and program management capabilities, we are able to offer our customers fully integrated modules and assemblies for substantial portions of a vehicle. We have strengthened our relationships with OEMs as the ability to deliver complete assemblies and modules reduces our customers' production and inventory management costs.

### INDUSTRY TRENDS

We operate in the large and highly fragmented structural segment of the automotive supply industry, which continues to undergo significant consolidation. Our performance and growth are directly related to certain trends within the automotive market, including the consolidation of the component supply industry, the increase in global sourcing and the growth of system/modular sourcing.

Supplier Consolidation. The automotive supply industry has been undergoing significant consolidation. In order to lower costs and improve quality, OEMs are reducing their supplier base by awarding sole-source contracts to full-service suppliers who are able to supply larger segments of a vehicle. OEMs' criteria for supplier selection include not only cost, quality and responsiveness, but also full-service design, engineering and program management capabilities. For full-service suppliers like us, this environment provides an opportunity to grow by obtaining business previously provided by other non-full service suppliers and by acquiring suppliers that further enhance product, manufacturing and service capabilities. OEMs rigorously evaluate

suppliers on the basis of product quality, cost control, reliability of delivery, product design capability, financial strength, new technology implementation, quality and condition of facilities and overall management. Suppliers that obtain superior ratings are considered for sourcing new business. Although these new supplier policies have already resulted in significant consolidation of component suppliers in certain segments, we believe that consolidation within the structural and suspension component segments of the

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automotive industry will continue to provide attractive opportunities to acquire high-quality companies that complement our existing business.

**Global Sourcing.** Regions such as Asia, Latin America, Mexico and Eastern Europe are expected to experience significant growth in vehicle demand over the next ten years. OEMs are positioning themselves to reach these emerging markets in a cost-effective manner by seeking to design and produce "world cars" which can be designed in one vehicle center to a single global standard but produced and sold in different geographic markets, thereby allowing OEMs to reduce design costs, take advantage of low-cost manufacturing locations and improve product quality and consistency. OEMs increasingly are requiring their suppliers to have the capability to design and manufacture their products in multiple geographic markets.

**System/Modular Sourcing.** OEMs are increasingly seeking suppliers capable of providing complete systems or modules rather than suppliers who only provide separate component parts. A system is a group of component parts that operate together to provide a specific engineering driven functionality, whereas a module is a group of systems and/or component parts that are assembled and shipped to the OEM for installation in a vehicle as a unit. By outsourcing complete systems or modules, OEMs are able to reduce their costs associated with the design and integration of different components and improve quality by enabling their suppliers to assemble and test major portions of the vehicle prior to beginning production.

### COMPETITIVE STRENGTHS

We have developed key competitive strengths that allow us to capitalize on industry trends and provide us the opportunity to successfully execute our operating and growth strategies. These key strengths include:

**Comprehensive Technical Design and Engineering Support.** We operate eight technical design and engineering support facilities worldwide, have over 400 full time engineers and employ the latest simulation technology. We have internally developed predictive software enhancements to perform ride and handling analysis, weld distortion simulation, hydroform simulation, and predictive crash and virtual proving ground analysis. By utilizing our proprietary predictive analysis, we can avoid costly prototype construction and provide cost savings and higher quality products to our customers. We also use our advanced technology to continuously develop alternative products and processes to deliver the same functional requirements at a lower price and lighter weight. In order to integrate our product design efforts with those of OEMs, we frequently place design engineers at customer facilities. The technologically advanced capabilities that we possess enable us to successfully bid product and platform contracts with OEM customers.

**Strong OEM Partnerships.** We have formed strong relationships with our major OEM customers due to our high level of product quality, engineering capabilities, product design and customer service. We currently supply products on each of the 1999 top ten selling vehicles in North America and four of the top ten selling vehicles in Europe. We believe that we are the largest supplier of frames, engine cradles, body structures and suspension components to Ford and the largest supplier of frames and body structures to DaimlerChrysler. Our strong focus on meeting our customers' requirements has been recognized through various quality awards, including Ford's "Q1" and DaimlerChrysler's "Pentastar," as well as consistently receiving Ford's highest commercial ratings for suppliers in the stamping segment. These strong relationships and our focus on meeting customer expectations have resulted in winning new business including

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increased content on the redesigned 2001 Ford Explorer and new programs such as the GM Sigma platform, BMW x5, Ford Escape and Dodge Dakota Quad Cab.

**Broad Product Offering and Program Management Capability.** We believe that we produce the largest array of structural products in the automotive supply industry and are the only supplier able to deliver a full range of structural components and assemblies on a global basis. For example, we supply 146 distinct components in various assemblies for the Lincoln LS model. In addition, our program management skills enable us to efficiently coordinate the sourcing of components produced by Tier II and Tier III suppliers and assemble these into complete modules. By delivering these modules to our OEM customers, we allow the OEMs to reduce their production and inventory management costs.

**Proven Management Team.** Our management team, led by President and CEO Dugald Campbell, who has over 27 years of experience in the automotive industry, has successfully executed a targeted growth and acquisition program that has increased our revenues and EBITDA from approximately \$165.5 million and \$18.4 million in 1994 to approximately \$2.2 billion and \$336.7 million in 1999, respectively. We possess a strong track record of accretive acquisitions and have proven our consolidation abilities by successfully integrating multiple acquisitions and extracting significant cost savings and synergies. In 1997, we successfully integrated the acquisition of Automotive Products Company, which at that time more than doubled our size in terms of revenues.

### BUSINESS STRATEGY

Our business objective is to continue to capitalize on the consolidation, globalization and system/modular sourcing trends in the automotive supply industry. Where appropriate, we outsource the production of commodity components to Tier II and Tier III manufacturers, as well as seek to provide program management and administrative services to these manufacturers to maximize supply chain efficiency. This also allows us to optimize the use and return on capital employed in our operations. In addition, we have implemented an economic value added management system to aid in guiding our investment decisions, rewarding our colleagues and measuring our performance.

Key elements of our operating and growth strategies are outlined below:

### OPERATING STRATEGY

**Offer Full-Service Technical Design, Engineering and Program Management Capabilities.** We strive to maintain a competitive advantage through investment in research and product development, advanced engineering and program management. We work with OEMs throughout the product development process from concept vehicle and prototype development through the design and implementation of manufacturing process to provide full-service capabilities to our customers. In some cases, we place design engineers at customer facilities to coordinate our product design efforts with those of our OEM customers. During 1999, we added a technical and customer service center in Hyderabad, India to enable around-the-clock product development across several time zones.

**Utilize Efficient Manufacturing/Continuous Improvement Programs.** We utilize manufacturing practices designed to maximize product quality, timeliness of delivery and eliminate waste and inefficiency. We continue to upgrade our manufacturing equipment and processes through substantial investment in new equipment, maintenance of existing equipment and utilization of our manufacturing engineering capabilities. We employ flexible manufacturing processes that allow us to maximize equipment utilization in meeting our customers' expectations for product quality and timely delivery.

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Expand Our Global Presence. We offer manufacturing and support services to our customers on a global basis through a combination of international wholly owned facilities and by entering into joint ventures and partnerships with foreign suppliers. We have technical/customer service centers in Yokohama, Japan; Turin, Italy; Hyderabad, India; and with the acquisition of Dr. Meleghy, Bergisch-Gladbach, Germany. The acquisition of Dr. Meleghy complements our existing European operations and provides a strong base for continued expansion. Furthermore, we have relocated certain technical personnel resources to locations where OEMs are developing "world cars."

Promote Decentralized, Participative Culture. Our decentralized approach to managing our manufacturing facilities encourages decision making and employee participation in areas such as manufacturing processes and customer service. Our leadership team meets frequently at various company locations in order to maintain a unified company culture. To increase employee productivity, we utilize incentive programs for all salaried and hourly employees and provide incentives for employees who take advantage of our continuous improvement programs and who provide cost savings ideas.

### GROWTH STRATEGY

Pursue Strategic Acquisitions. We continue to believe that consolidation in the automotive supply industry will provide further attractive opportunities to acquire high-quality companies that complement our existing business. We seek to make acquisitions that:

- provide additional product, manufacturing and technical capabilities;
- broaden our geographic coverage to strengthen our ability to supply products on a global basis;
- increase the number of models for which we supply products and the content supplied for existing models; and
- add new customers.

Continue to Expand Modular Product Opportunities. We have capitalized on the system/modular sourcing needs of OEMs by offering higher value-added module production capabilities through an increasing focus on the production of engineered assemblies consisting of multiple components. We have the ability to supply OEMs with modular assemblies on a global basis.

Increase Vehicle Penetration. We have developed strong relationships with certain OEM engineering and purchasing personnel that allow us to identify business opportunities and to react to customer needs in the early stages of vehicle design. We believe that these relationships give us a competitive advantage over smaller and less capable suppliers in marketing our broad range of products and in developing new product concepts that complement our existing product lines, including the expanded use of modules.

Pursue "World Car" Opportunities. We have been working closely with certain customers on the development of "world cars," which are designed by OEMs in one vehicle center to a single global standard but produced and sold in different geographic markets. Suppliers for a specific "world car" are often required to provide their products on a worldwide basis. We believe that we have a competitive advantage in supplying certain "world cars" given our international presence, full-service capabilities and existing position as a leading supplier on the Ford Focus and Lincoln LS luxury car, as well as on other existing vehicle platforms that may eventually evolve into "world cars."

PRODUCTS

We produce a broad range of structural components and assemblies, many of which are critical to the structural integrity of a vehicle. Many of our stamped, formed and welded components and assemblies are attached directly to the frame of an automobile at the OEM assembly plant and comprise the major structure of a vehicle. Our products generally can be classified into the following categories: lower vehicle structures; body structures and assemblies; suspension components, modules and systems; and Class A surfaces and modules.

**Lower Vehicle Structures.** Our lower vehicle structures include products that form the basic lower body structure of the vehicle and include large metal stampings such as light truck frames, automotive engine cradles, floor pan components, cross members and heavy truck frame rails. Critical to the strength and safety of vehicles, these products carry the load of the vehicle and provide crash integrity.

**Body Structures and Assemblies.** Our body structures include products that form the basic upper body structure of the vehicle and include large metal stampings such as body pillars, roof rails, side sills, parcel shelves and intrusion beams. Our current assemblies include a broad array of highly engineered parts such as brake components and fuel filler assemblies. Such engineered assemblies are a natural extension to our other products in that they are attached to both lower vehicle and body structures.

**Suspension Components, Modules and Systems.** Our current suspension component products include stamped, formed and welded products such as control arms, suspension links, track bars, spring and shock towers and trailing axles. Critical to the ride, handling and noise characteristics of a vehicle, suspension components are a natural extension of our larger structural components.

**Class A Surfaces and Modules.** Our current Class A surfaces include exposed sheet metal components such as body sides, pick-up box sides, door panels and fenders. The capability to produce these type of components complements our substantial presence in lower vehicle and body structures and allows for the combination of these offerings into modules for supply to customers.

**Other.** We also manufacture a variety of other products, including heat shields and other precision stampings, for our OEM customers.

The following table sets forth the percentage of revenues derived from the sale of certain products in the years indicated:

PERCENTAGE OF REVENUES BY PRODUCT CATEGORY

PRODUCT CATEGORY	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Lower vehicle structures.....	50%	54%	41%
Body structures and assemblies.....	24	29	46
Suspension components, modules and systems.....	20	17	13
Class A surfaces and modules.....	5	--	--
Other.....	1	--	--
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Total.....	100%	100%	100%
	===	===	===

We produce value-added assemblies and systems comprised of components that we manufacture as well as those produced by other manufacturers. Assemblies are groups of components that are grouped according to their relative location, while systems are components that are grouped based upon providing functionality. We sell these products to OEMs who have

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been increasingly outsourcing assemblies and systems in order to reduce their production and inventory management costs. We currently produce axle assemblies, which consist of stamped metal trailing axles, assembled brake shoes, hoses and tie rods and front and rear structural suspension systems, which are consist of control arms and suspension links.

### CUSTOMERS AND MARKETING

The North American automotive market is dominated by General Motors, Ford and DaimlerChrysler, with foreign OEMs with manufacturing operations in North America representing approximately 23% of this market in 1999. We currently supply our products primarily to Ford, DaimlerChrysler, General Motors, Saturn, Honda, Toyota, Nissan, Auto Alliance, Fiat, BMW and Volkswagen. We also supply products to a number of heavy truck OEMs such as Freightliner, Peterbilt, Mack and Volvo.

The following table sets forth the percentage of revenues derived from the sale of products to certain customers in the years indicated:

CUSTOMER	YEARS ENDED DECEMBER 31,		
	1999	1998	1997
Ford.....	38%	40%	48%
DaimlerChrysler.....	29	27	19
General Motors.....	10	10	13
Heavy truck OEMs.....	7	7	6
Fiat.....	5	2	3
Other.....	11	14	11
	---	---	---
Total.....	100%	100%	100%
	===	===	===

OEMs typically award contracts that cover parts to be supplied for a particular car model. These contracts range from one year to over the life of the model, which is generally three to ten years, and do not require the customer to purchase any minimum number of parts. We also compete for new business to supply parts for successor models and therefore we are subject to the risk that the OEM will not select us to produce parts on a successor model. We supply parts for a broad cross-section of both new and mature models, thereby reducing our reliance on any particular model. For example, we supply parts for substantially all models produced by Ford, Honda and DaimlerChrysler and also currently supply DaimlerChrysler with substantially all of its

full frame requirements. The following table presents an overview of the major models for which we supply products:

CUSTOMER -----	CAR MODELS -----	TRUCK MODELS -----
Ford.....	Taurus/Sable, Contour/ Mystique, Mustang, Escort, Crown Victoria, Grand Marquis, Fiesta, Continental, Focus, LS/Jaguar S-Type, Cougar, Thunderbird, Towncar, Mondeo	Explorer, Ranger, F-Series, Econoline, Villager, Windstar, Medium Trucks, Expedition/Navigator, Excursion
DaimlerChrysler.....	Concorde/Intrepid, Neon, Viper, Avenger, Stratus/ Cirrus/Breeze, 300m, Sebring, C-Class, E-Class	Ram Pick-up, Dakota, Grand Cherokee, Voyager, Sprinter, Caravan, Ram Van, Wrangler, Durango, Sprinter, S-KN, L-KN
General Motors.....	Cavalier, Sunfire, Grand Am, Lumina, Grand Prix	C/K Pick-up, Silverado, Sierra, Tahoe, Yukon, Astro, Safari
Saturn.....	LS	
Honda.....	Accord, Civic, Acura Integra	Odyssey
Mazda.....	626, MX6	
Toyota.....	Avalon, Camry, Solara	Sienna, Tacoma, Tundra
Nissan.....	Sentra, Altima	Quest, Xterra, Frontier
Isuzu.....		Rodeo, Amigo
Fiat.....	Marea, Punto, Bravo	
Audi/Volkswagen.....	Passat, Audi A4, Audi A6	
BMW.....	3 Series, 5 Series	
Opel.....	Omega, Astra, Agila	

Most of the parts we produce have a lead time of two to five years from product development to production. See "Design and Engineering Support." We generally negotiate the selling prices of these products with our customers and are typically not subject to a competitive bid process.

Sales of our products to OEMs are made directly by our sales and engineering forces, located at our technical/customer service centers in Novi, Rochester Hills and Roseville, Michigan; Milwaukee, Wisconsin; Yokohama, Japan; Turin, Italy; Bergisch-Gladbach, Germany; and Hyderabad, India. Through our technical centers, we service our OEM customers and manage our continuing programs of product design improvement and development. We periodically place engineering staff at various customer facilities to facilitate the development of new programs.

DESIGN AND ENGINEERING SUPPORT

We strive to maintain a technological advantage through investment in product development and advanced engineering capabilities. Our manufacturing engineering capabilities enable us to design and build high-quality and efficient manufacturing systems, processes and equipment and to continually improve our production processes and equipment. Our manufacturing engineers are located at each of our manufacturing facilities. Our engineering staff currently consists of over 400 full-time engineers, whose responsibilities range from



research and development,

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advanced product development, product design, testing and initial prototype development to the design and implementation of manufacturing processes.

Because assembled parts must be designed at an early stage in the development of new vehicles or model revisions, we are increasingly given the opportunity to utilize our product engineering resources early in the planning process. Advanced development engineering resources create original engineering designs, computer-aided designs, feasibility studies, working prototypes and testing programs to meet customer specifications. We also have full-service design capability for chassis components.

#### GLOBAL INITIATIVES

A current focus of our acquisition strategy is to continue to acquire foreign suppliers that will provide us with a manufacturing presence in new geographic areas and afford us access to new customer opportunities. For example, we recently acquired Dr. Meleghy, which operates three facilities in Germany and one facility in each of Hungary and Poland, and purchased the remaining 60% equity interest in Caterina. In addition, we have formed, or are in the process of forming, strategic alliances with other suppliers throughout the world, including those located in Europe, Asia and Latin America. As part of our acquisition of APC, we acquired a 60% equity interest in a joint venture, Tower Golden Ring, that manufactures structural components in China. We also have equity interests in Metalsa and Seojin. We also have a European sales and engineering office to service our U.K. and German OEM customers.

#### MANUFACTURING

Our manufacturing operations consist primarily of stamping operations, system and modular assembly operations, roll-forming and hydroforming operations and associated coating and other ancillary operations.

Stamping involves passing metal through dies in a stamping press to form the metal into three-dimensional parts. We produce stamped parts using over 640 precision single-stage, progressive and transfer presses, ranging in size from 150 to 4,000 tons, that perform multiple functions as raw material proceeds through the press and is converted into a finished product. We continually invest in our press technology to increase flexibility, improve safety and minimize die changeover time.

After forming is completed, stampings that are to be used in assemblies are placed in work-in-progress staging areas from which they are fed into cell-oriented assembly operations that produce complex, value-added assemblies through the combination of multiple parts that are welded or fastened together. Our assembly operations are performed on either dedicated, high-volume welding/fastening machines or on flexible-cell oriented robotic lines for units with lower volume production runs. The assembly machines attach additional parts, fixtures or stampings to the original metal stampings. In addition to standard production capabilities, our assembly machines are also able to perform various statistical control functions and identify improper welds and attachments. We continually work with manufacturers of fixed/robotic welding systems to develop faster, more flexible machinery. We designed several of the welding systems.

In manufacturing our products, we use various grades and thicknesses of steel and aluminum, including hot and cold rolled, galvanized, organically coated, stainless and aluminized steel. We also produce exposed sheet metal

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components, such as exterior body panels. See "Suppliers and Raw Materials."

OEMs have established quality rating systems involving rigorous inspections of suppliers' facilities and operations. OEMs' factory rating programs provide a quantitative measure of a company's success in improving the quality of its operations. We have received quality awards from Ford (Q1) and DaimlerChrysler (Pentastar) and have consistently received Ford's highest

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commercial ratings for suppliers in the stamping segment. The automotive industry adopted a quality rating system known as QS-9000. We have received QS-9000 certification in compliance with the automotive industry requirements.

### COMPETITION

We operate in a highly competitive, fragmented market segment of the automotive supply industry, with a limited number of competitors generating revenues in excess of \$200 million. The number of our competitors has decreased in recent years and is expected to continue to decrease due to the supplier consolidation resulting from changing OEM policies. Our principal competitors include The Budd Company, a subsidiary of Thyssen-Krupp AG ("Budd"), Magna International, Inc. ("Magna") and Dana Corporation ("Dana"), with whom which we compete across most of our product categories. With respect to body structures and assemblies, we also compete with Midway Products Corp., Modern Tool & Die Co., Oxford Automotive, Inc. and Veltri Corporation. Our principal competitors in suspension components, modules and systems include Magna, Dana, TRW Inc., Thyssen-Krupp, Delphi Automotive Systems, Inc. and Visteon. Our principal competitors in Class A surfaces and modules include divisions of OEMs with internal stamping and assembly operations. Many of our competitors have substantial financial resources.

We principally compete for new business both at the beginning of the development of new models and upon the redesign of existing models. New model development generally begins two to five years before the marketing of such models to the public. Once a producer has been designated to supply parts for a new program, an OEM usually will continue to purchase those parts from the designated producer for the life of the program, although not necessarily for a redesign. Competitive factors in the market for our products include product quality and reliability, cost and timely delivery, technical expertise and development capability, new product innovation and customer service.

### SUPPLIERS AND RAW MATERIALS

The primary raw material used to produce the majority of our products is steel. We purchase hot and cold rolled, galvanized, organically coated, stainless and aluminized steel from a variety of suppliers. We employ just-in-time manufacturing and sourcing systems enabling us to meet customer requirements for faster deliveries while minimizing our need to carry significant inventory levels. We have not experienced any significant shortages of raw materials and normally do not carry inventories of raw materials or finished products in excess of those reasonably required to meet production and shipping schedules. Raw material costs represented approximately 52% of our revenues in 1999.

Ford, Honda and DaimlerChrysler currently purchase all of the steel used by us for their models directly from steel producers. As a result, we have minimal exposure to changes in steel prices for parts supplied to Ford, Honda and DaimlerChrysler, which collectively represented 70% of our revenues in 1999.

We expect that the content level of metal in cars and light trucks will

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remain constant or increase slightly due to the trend toward increased vehicle size and a greater emphasis on metal recycling. Although the search for improved fuel economy and weight reduction has resulted in attempts to reduce the sheet metal content of light vehicles, an efficient, cost-effective substitute for steel used in our structural products has not been found. While various polymers have been used recently for fenders, hoods and decks, such products do not have the inherent strength or structural integrity on a cost-effective basis to be used for structural components. We are involved in ongoing evaluations of the potential for the use of aluminum and of specialty steel in our products.

Other raw materials purchased by us include dies, fasteners, tubing, springs, rivets and rubber products, all of which are available from numerous sources.

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### EMPLOYEES

As of September 30, 2000, we had approximately 13,000 employees, of whom approximately 6,500 are covered under collective bargaining agreements. These collective bargaining agreements expire between 2000 and 2005. We believe that our future success will depend in part on our ability to continue to recruit, retain and motivate qualified personnel at all levels. We have instituted a large number of employee programs to increase employee morale and expand the employees' participation in our business. We have not experienced any work stoppages and consider our relations with our employees to be good.

### PROPERTIES

The following table provides information regarding our principal facilities. We maintain several manufacturing facilities located in close proximity to many of the high-volume vehicle assembly plants of our customers. Our facilities are geographically located in such a way as to enable us to optimize our management and logistical capabilities on a regional basis.

LOCATION -----	SQUARE FOOTAGE -----	TYPE OF INTEREST -----	DESCRIPTION OF USE -----
Milwaukee, Wisconsin.....	3,465,000	Owned	Manufacturing/Engineering
Elkton, Michigan.....	1,100,000	Owned	Manufacturing
Caserta, Italy (2 locations).....	751,000	Owned	Manufacturing
Milan, Tennessee.....	531,000	Owned	Manufacturing
Turin, Italy (4 locations).....	512,000	Mixed	Manufacturing/Engineering/Office
Granite City, Illinois.....	458,000	Owned	Manufacturing
Zwickau, Germany.....	409,000	Owned	Manufacturing
Clinton Township, Michigan.....	385,000	Owned	Manufacturing
Sebewaing, Michigan.....	366,000	Owned	Manufacturing
Toronto, Ontario.....	329,400	Owned	Manufacturing/Office
Bardstown, Kentucky.....	300,000	Owned	Manufacturing
Plymouth, Michigan.....	294,000	Leased	Manufacturing
Corydon, Indiana.....	290,000	Leased	Manufacturing
Kalamazoo, Michigan (2 locations).....	220,000	Mixed	Manufacturing/Warehouse/Office
Roanoke, Virginia.....	185,000	Owned	Manufacturing
Sao Paulo, Brazil.....	171,000	Owned	Manufacturing/Office
Traverse City, Michigan.....	170,000	Owned	Manufacturing
Greenville, Michigan.....	156,000	Owned	Manufacturing/Office
Changchun, China.....	140,500	Leased(1)	Manufacturing
Rockford, Illinois.....	140,000	Leased	Manufacturing
Auburn, Indiana.....	132,000	Owned	Manufacturing/Office

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Kendallville, Indiana.....	131,000	Owned	Manufacturing
Bellevue, Ohio.....	126,000	Owned	Manufacturing
Bluffton, Ohio.....	102,000	Owned	Manufacturing
Bergisch-Gladbach, Germany.....	102,000	Owned	Manufacturing/Engineering/Off
Rochester Hills, Michigan.....	89,000	Leased	Office/Engineering/Design
Barrie, Ontario.....	72,000	Leased	Manufacturing
Belcamp, Maryland.....	70,000	Owned	Manufacturing
Minas Gerais, Brazil.....	60,000	Owned	Manufacturing
Upper Sandusky, Ohio.....	56,000	Owned	Manufacturing
Buchholz, Germany.....	54,000	Owned	Manufacturing
Opole, Poland.....	54,000	Owned	Manufacturing
Novi, Michigan.....	47,000	Leased	Engineering/Design/Sales
Bowling Green, Kentucky.....	46,000	Owned	Manufacturing
Fenton, Missouri.....	41,000	Leased	Warehouse

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LOCATION -----	SQUARE FOOTAGE -----	TYPE OF INTEREST -----	DESCRIPTION OF USE -----
Tokod, Hungary.....	22,000	Owned	Manufacturing
Roseville, Michigan.....	21,000	Owned	Office/Engineering
Grand Rapids, Michigan.....	11,000	Leased	Operating Headquarters
Minneapolis, Minnesota.....	5,700	Leased	Corporate Headquarters
Hyderabad, India.....	2,800	Leased	Engineering/Design
Yokohama, Japan.....	1,000	Leased	Sales/Engineering

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(1) Facility is leased by a joint venture in which Tower Automotive holds a 60% equity interest.

Management believes that substantially all of our property and equipment is in good condition. In order to increase efficiency, we expect to continue to make capital expenditures for equipment upgrades at our facilities as necessary.

We believe that our existing facilities will be adequate to meet our production demands for the foreseeable future. Our facilities were specifically designed for the manufacturing of our products. The utilization and capacity of such facilities are dependent upon the mix of products being produced by us.

#### LEGAL PROCEEDINGS

We are not currently involved in any material lawsuits. We believe we maintain adequate insurance, including product liability coverage. We historically have not been required to pay any material liability claims.

#### ENVIRONMENTAL MATTERS

We believe we conduct our operations in substantial compliance with applicable environmental and occupational health and safety laws. We do not expect to incur material capital expenditures for environmental compliance during our current or succeeding fiscal year. However, as is the case with manufacturers in general, if a release of hazardous substances occurs on or from our properties or at any associated offsite disposal location, if contamination from prior activities is discovered at any of our properties or if

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non-compliance with environmental regulations or permits is discovered, we may be held liable and the amount of such liability could be material.

In connection with our acquisition of Trylon, MascoTech agreed to indemnify us for all losses (including reasonable legal expenses) resulting from:

- a breach of its representations set forth in the acquisition agreement relating to environmental and safety matters (to the extent that such breach results in a claim being made by January 2001 and subject to a \$500,000 cap); and
- each known environmental condition identified on a schedule to the acquisition agreement.

In connection with our acquisition of MSTI, MascoTech agreed to indemnify us for all losses (including reasonable legal expenses) resulting from:

- a breach of its representations set forth in the acquisition agreement relating to environmental and safety matters (to the extent that such breach results in a claim being made by May 2001 and subject to a \$1.5 million threshold for all losses resulting from breaches of representations and warranties contained in the acquisition agreement);
- MSTI's non-compliance with applicable federal, state, local and foreign statutes, regulations, ordinances and similar provisions that have the force or effect of law, judicial orders

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and common law concerning public health and safety, worker health and safety and pollution or protection of the environment prior to the acquisition; and

- any remediation that may be required at the Kendallville facility.

In connection with our acquisition of APC, A.O. Smith agreed to retain environmental liabilities for offsite disposal of hazardous substances prior to our acquisition of APC.

In connection with our acquisition of Active, we will be indemnified, subject to certain limitations, for all losses (including reasonable legal fees and expenses) resulting from claims arising under environmental laws relating to pre-closing environmental matters. This indemnification obligation applies to certain claims submitted by us by July 2001 that exceed a \$1.0 million threshold for all indemnification claims. To the extent that indemnification claims exceed the \$1.0 million threshold, this indemnification obligation will be satisfied only out of escrowed funds held pursuant to an escrow agreement, up to a maximum indemnification obligation of \$15.0 million under the acquisition agreement.

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### MANAGEMENT

#### DIRECTORS AND EXECUTIVE OFFICERS

The following table sets forth certain information with respect to the directors and executive officers of Parent as of September 30, 2000:

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NAME ----	AGE ---	POSITION -----
S.A. Johnson.....	60	Chairman and Director
Dugald K. Campbell.....	53	President, Chief Executive Officer and Director
James W. Arnold.....	47	Vice President
Anthony A. Barone.....	50	Vice President and Chief Financial Officer
Richard S. Burgess.....	46	Vice President
Roland J. Loup.....	57	Vice President
Tommy G. Pitser.....	52	Vice President
Scott D. Rued.....	43	Vice President, Corporate Development and Director
Antonio R. Zarate.....	55	Vice President
Kim B. Clark.....	50	Director
Jurgen M. Geissinger.....	40	Director
F.J. (Joe) Loughrey.....	50	Director
James R. Lozelle.....	54	Director
Enrique Zambrano.....	44	Director

S.A. (Tony) Johnson has served as Chairman and a Director since April 1993. Mr. Johnson is the founder, Chief Executive Officer and President of Hidden Creek Industries ("Hidden Creek"), a private industrial management company based in Minneapolis that has provided certain management and other services to Tower Automotive. Mr. Johnson is also the managing partner of J2R Partners ("J2R"), an investment partnership that participated in the acquisition of R.J. Tower. Prior to forming Hidden Creek, Mr. Johnson served from 1985 to 1989 as Chief Operating Officer of Pentair, Inc., a diversified industrial company. From 1981 to 1985, Mr. Johnson was President and Chief Executive Officer of Onan Corp., a diversified manufacturer of electrical generating equipment and engines for commercial, defense and industrial markets. Mr. Johnson currently serves as Chairman and a director of Dura Automotive Systems, Inc., a manufacturer of mechanical assemblies and integrated systems for the automotive industry, and J.L. French, a manufacturer of aluminum die cast components, and served as Chairman and a director of Automotive Industries Holding, Inc., a supplier of automotive interior trim components, from May 1990 until its sale to Lear Corporation in August 1995.

Dugald K. Campbell has served as President, Chief Executive Officer and a Director since December 1993. From 1991 to 1993, Mr. Campbell served as a consultant to Hidden Creek. From 1988 to 1991, he served as Vice President and General Manager of the Sensor Systems Division of Siemens Automotive, a manufacturer of engine management systems and components. From 1972 to 1988, he held various executive, engineering and marketing positions with Allied Automotive, a manufacturer of vehicle systems and components and a subsidiary of Allied Signal, Inc. Mr. Campbell also currently serves as a director of J.L. French.

James W. Arnold has served as Vice President since 1999, with current responsibility for Tower Automotive's Asian strategy. Mr. Arnold joined Tower Automotive in 1998. From 1977 to 1998, Mr. Arnold held a variety of manufacturing, sales, marketing and Asian general management positions at Allied Signal.

Anthony A. Barone has served as Vice President and Chief Financial Officer since May 1995. From 1984 to 1995, Mr. Barone served as Chief Financial Officer of O'Sullivan Corporation, a manufacturer of interior trim components for the

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automotive industry.

Richard S. Burgess has served as Vice President with responsibility for colleague growth and development since January 1996. From June 1994 to January 1996, Mr. Burgess served as the colleague growth and development leader during the start-up of the Bardstown, Kentucky operation. From October 1991 to June 1994, Mr. Burgess filled various roles in colleague growth and development of R.J. Tower Corporation.

Roland J. Loup has served as Vice President since May 2000, with responsibility for constructing systems, processes and procedures to facilitate the exchange of information throughout Tower Automotive. From 1986 to 2000, Mr. Loup was a partner in Dannemiller Tyson Associates, a consulting firm.

Tommy G. Pitser has served as Vice President since May 1996, with current responsibility for Tower Automotive's European and South American strategy. Mr. Pitser previously had responsibility for Tower Automotive's joint venture investment in China and operations in Bane, Ontario; Plymouth, Michigan; Yokohama, Japan; Romulus, Michigan; Manchester, Michigan and Novi, Michigan, since May 1996. Prior to joining Tower Automotive, Mr. Pitser served in various sales and marketing capacities at MSTI. Prior to joining MSTI, Mr. Pitser served as Market Director-Automotive at AE Goetze North America. From 1969 to 1992, Mr. Pitser was an employee of Borg-Warner Corporation, most recently as General Manager-Marine & Industrial Transmissions.

Scott D. Rued has served as Vice President, Corporate Development and a Director since April 1993. Mr. Rued served as Vice President, Chief Financial Officer and a director of Automotive Industries Holding, Inc. from April 1990 until its sale to Lear Corporation in August 1995. Mr. Rued, a partner of J2R, has also served as Executive Vice President and Chief Financial Officer of Hidden Creek since January 1994 and served as its Vice President-Finance and Corporate Development from June 1989 through 1993. Mr. Rued is also a director of The Rottlund Company, Inc., a corporation engaged in the development and sale of residential real estate.

Antonio R. Zarate has served as Vice President since May 2000, with responsibility for Tower Automotive's operations in Mexico and South America. From 1994 to 2000, Mr. Zarate served as President of the Automotive Division of Proeza, S.A. de C.V., a diversified international company that has operations primarily in the automotive and citrus juice processing industries.

Kim B. Clark has served as a Director since December 1995. Mr. Clark has served as Dean of the Graduate School of Business Administration at Harvard University in Cambridge, Massachusetts since September 1995. Since 1978, Dean Clark has served as a professor of business administration at Harvard Business School. Dean Clark is also a director of Guidant Corp., a manufacturer of medical implants, and Fleet Financial, a financial services company.

Jurgen M. Geissinger has served as a Director since May 2000. Mr. Geissinger has served as President and Chief Executive Officer of INA Holding GmbH & Co. KG, a global manufacturer of bearings, linear guidance systems, automotive transmissions and engine systems since November 1998. From 1992 to October 1998, Mr. Geissinger served in various positions at ITT Automotive, most recently as Senior Vice President with responsibility for the Brakes and Chassis Engineering Division worldwide.

F.J. (Joe) Loughrey has served as a Director since November 1994. Mr. Loughrey joined Cummins Engine Company, Inc. in 1974 and has served as Executive Vice President and President -- Engine Business since October 1999. Prior thereto, Mr. Loughrey served as Executive Vice President and Group President -- Industrial and Chief Technical Officer from 1996 to 1999.

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James R. Lozelle has served as a Director since May 1994. Mr. Lozelle served as Executive Vice President for Tower Automotive, with responsibility for Tower Automotive's operations in Milwaukee, Wisconsin and Roanoke, Virginia from April 1997 to January 1999. From the acquisition of Edgewood Tool and Manufacturing Company in May 1994 until March 1997, Mr. Lozelle served at the Tower Automotive Technical Centers, with responsibility for advanced product development and customer service. Mr. Lozelle served as President of Edgewood from 1982 until it was acquired by Tower Automotive. Mr. Lozelle joined Edgewood in 1970 and served as Vice President from 1971 to 1982. Mr. Lozelle is chairman of the Near Zero Stamping research project of the Autobody Consortium.

Enrique Zambrano has served as a Director since December 1997. Mr. Zambrano has served as Chief Executive Officer and a director of Proeza, S.A. de C.V., a diversified international company that has operations primarily in the automotive and citrus juice processing industries, since 1988. Mr. Zambrano is also a Director of IMSA, a steel processing company, Dataflux, a leading value added distributor of computer equipment, and ITESM, the largest private University in Mexico.

There are no family relationships between any of the foregoing persons or any of Tower Automotive's executive officers. There are no arrangements or understandings between any of these officers pursuant to which any of them served as an officer.

### COMMITTEES OF THE BOARD

The Board of Directors has established the following committees, the functions and current members of which are noted below.

**Executive Committee.** The Executive Committee of the Board of Directors consists of S.A. Johnson (Chairman), Dugald K. Campbell, James R. Lozelle and Scott D. Rued. The Executive Committee has all the power and authority vested in or retained by the Board of Directors and may exercise its power and authority in any manner as it shall deem for the best interest of Tower Automotive in all cases in which specific direction shall not have been given by the Board of Directors and subject to any specific limitations imposed by law or a resolution of the Board of Directors.

**Audit Committee.** The Audit Committee of the Board of Directors consists of Kim B. Clark and F.J. Loughrey. The Audit Committee is responsible for reviewing, as it shall deem appropriate, and recommending to the Board of Directors, internal accounting and financial controls for Tower Automotive and accounting principles and auditing practices and procedures to be employed in the preparation and review of Tower Automotive's financial statements. The Audit Committee is also responsible for recommending to the Board of Directors independent public accountants to audit the annual financial statements of Tower Automotive.

**Compensation Committee.** The Compensation Committee of the Board of Directors consists of Kim B. Clark and F.J. Loughrey. During the last fiscal year, the Compensation Committee made recommendations to the Board of Directors with respect to salaries, compensation and benefits of directors and executive officers of Tower Automotive and granted options under the 1998 Tower Automotive, Inc. Long-Term Incentive Plan to purchase common stock of Tower Automotive.

### COMPENSATION OF DIRECTORS

For service in 1999, directors who are not employees of Tower Automotive or any of its affiliates each receive an annual fee of \$18,000 for serving as a



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director of Tower Automotive. In addition, each non-employee director receives \$1,000 for each Board of Directors meeting attended, \$500 for each committee meeting attended and reimbursement of out of pocket expenses incurred to attend such meetings.

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Effective May 2000, each director that is not an employee or otherwise associated with a significant shareholder will be paid an annual retainer of \$75,000. No other amounts for meetings or other services will be paid, nor will any options be granted for such year.

### EXECUTIVE COMPENSATION

The following table sets forth compensation packages for the years ended December 31, 1999, 1998 and 1997 for the chief executive officer and the four other executive officers of Tower Automotive who were the most highly compensated officers of Tower Automotive for the year ended December 31, 1999. We refer to these five individuals as our "named executive officers."

SUMMARY COMPENSATION TABLE

NAME AND PRINCIPAL POSITION	YEAR	ANNUAL COMPENSATION			LONG-TERM COMPENSATION	ALL OTHER COMPENSATION
		SALARY (\$)(1)	BONUS (\$)(2)	OTHER ANNUAL COMPENSATION (\$)	OPTIONS GRANTED (#)	
Dugald K. Campbell.....	1999	\$531,690	\$248,400	\$ --	115,000	\$18,783
President and Chief	1998	487,812	200,000	--	100,000	19,392
Executive Officer	1997	386,250	585,000	--	40,000	11,069
Anthony A. Barone.....	1999	254,443	137,500	--	50,000	17,117
Vice President and	1998	218,222	57,500	--	40,000	17,211
Chief Financial Officer	1997	165,750	180,000	--	20,000	12,526
Luigi Candusso.....	1999	243,417	100,000	--	40,000	17,128
Vice President(4)	1998	220,344	--	38,246(3)	40,000	17,166
	1997	173,750	185,000	--	30,000	12,298
Tommy G. Pitser.....	1999	247,482	96,000	--	40,000	17,040
Vice President	1998	220,787	68,100	--	40,000	17,352
	1997	174,738	180,000	--	40,000	12,175
James W. Arnold.....	1999	210,319	--	--	15,000	9,598
Vice President(5)	1998	57,517	--	--	15,000	214

(1) Includes amounts deferred by employees under our 401(k) employee savings plan, pursuant to Section 401(k) of the Internal Revenue Code.

(2) Represents amounts earned under our bonus plan, but excludes amounts foregone at the election of the named executive officer and payable in shares of our common stock under the Tower Automotive's Key Leadership Deferred Income Stock Purchase Plan, as reported in the Long-Term Incentive Plan table.

(3) Represents reimbursement of relocation costs in 1998.

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(4) Effective May 25, 2000, Mr. Candusso ceased to be employed by us.

(5) Mr. Arnold became our employee on September 16, 1998.

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(6) The amounts disclosed in this column include: (a) amounts contributed by us to our 401(k) employees savings plan and profit sharing plan, and (b) dollar value of premiums paid by us for term life insurance on behalf of the named executive officers as follows:

		1999	1998	1997
		-----	-----	-----
D.K. Campbell.....	(a)	\$15,747	\$16,528	\$11,069
	(b)	3,036	2,864	--
A.A. Barone.....	(a)	15,797	16,480	12,180
	(b)	1,320	731	346
L. Candusso.....	(a)	15,872	16,435	11,945
	(b)	1,256	731	353
T.G. Pitser.....	(a)	15,797	16,142	11,639
	(b)	1,243	1,210	518
J.W. Arnold.....	(a)	8,949	--	--
	(b)	649	214	--

OPTION GRANT TABLE

The following table shows all grants of options to acquire shares of our common stock to the named executive officers under the Stock Option Plan during the last fiscal year.

OPTION GRANTS IN LAST FISCAL YEAR

NAME	NUMBER OF SECURITIES UNDERLYING OPTIONS GRANTED (#) (1)	% OF TOTAL OPTIONS GRANTED TO EMPLOYEES IN FISCAL YEAR	EXERCISE PRICE (PER SHARE)	EXPIRATION DATE	POTENTIAL REALIZABL ASSUMED ANNUAL R STOCK PRICE APPRECI OPTION TERM (	
					5%	
D.K. Campbell.....	115,000	9.6%	\$19.25	3/2/2009	\$1,392,215	\$3
A.A. Barone.....	50,000	4.2%	19.25	3/2/2009	605,311	1
L. Candusso.....	40,000	3.3%	19.25	3/2/2009	484,249	1
T.G. Pitser.....	40,000	3.3%	19.25	3/2/2009	484,249	1
J.W. Arnold.....	15,000	1.2%	19.25	3/2/2009	181,593	

(1) These options vest ratably over four years commencing one year from the date of grant.

(2) Amounts reflect certain assumed rates of appreciation set forth in the executive compensation disclosure rules of the Securities and Exchange Commission. Actual gains, if any, on stock option exercises depend on future

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performance of our common stock and overall stock market conditions. No assurances can be made that the amounts reflected in these columns will be achieved.

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### OPTION EXERCISE AND YEAR-END VALUE TABLE

The following table shows aggregate exercise of options in the year ended December 31, 1999 by the named executive officers and the aggregate number and value of unexercised options held by each named executive officer as of December 31, 1999.

#### AGGREGATED OPTION EXERCISES IN LAST FISCAL YEAR AND YEAR-END OPTION VALUES

NAME	SHARES ACQUIRED ON EXERCISE (#)	VALUE REALIZED (\$ (1))	NUMBER OF UNEXERCISED OPTIONS AT YEAR-END (#) ----- EXERCISABLE/ UNEXERCISABLE	VALUE OF UNEXERCISED IN-THE-MONEY OPTIONS YEAR-END (\$) (2) ----- EXERCISABLE/ UNEXERCISABLE
D.K. Campbell.....	40,000	\$731,846	45,000/220,000	\$0/\$78,750
A.A. Barone.....	18,000	337,642	20,000/92,500	0/39,375
L. Candusso.....	4,000	75,564	44,000/92,500	162,375/59,063
T.G. Pitser.....	--	--	30,000/90,000	0/0
J.W. Arnold.....	--	--	3,750/26,250	0/0

(1) Represents the aggregate market value of shares acquired at time of exercise, less aggregate exercise price paid by the employee to us.

(2) Values are based on the difference between the closing bid price of our common stock on December 31, 1999 (\$15.4375) and the exercise prices of the options.

#### LONG-TERM INCENTIVE PLAN

NAME	NUMBER OF SHARES, UNITS OR OTHER RIGHTS (#) (1) -----	PERFORMANCE OR OTHER PERIOD UNTIL MATURAT OR PAYOUT (2) -----
D.K. Campbell.....	47,193.89	3 years
A.A. Barone.....	11,195.93	3 years
L. Candusso.....	12,213.75	3 years
T.G. Pitser.....	11,725.19	3 years
J.W. Arnold.....	13,435.12	3 years

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- (1) Represents the number of units credited to an employee's account under the terms of our Key Leadership Deferred Income Stock Purchase Plan, or the "DISP Plan." Under the terms of the DISP Plan, participants may elect to defer all or a portion (but not less than 25%) of their cash bonus payment. Deferred amounts are credited in stock units, based on the value of our stock as of the end of the month in which the bonus would have been paid to the employee. Stock units are payable only in shares of our common stock. Includes the following number of restricted stock units credited to each of the named executive officer's premium account, as described in footnote 2 below: D.K. Campbell -- 11,798.47, A.A. Barone -- 2,798.98, L. Candusso -- 3,053.44, T.G. Pitser -- 2,931.30, and J.W. Arnold -- 3,358.78
- (2) Under the terms of the DISP Plan, the number of restricted stock units credited to a participant's basic account must equal the amount of the deferred bonus, divided by the value of a share of our common stock on the last day of the month in which the cash bonus would otherwise be paid. In addition, participants are concurrently credited with additional stock units to a separate premium account equal to one-third of the number of the restricted stock units credited to their basic account. Restricted stock units credited to this premium account do not vest until the first day of the third plan year following the date the units are credited to a participant's account, provided that the participant is then a colleague of ours. The DISP Plan allows for accelerated vesting in the event of a participant's death, disability, retirement or termination during a period of 24 months following a change in our control.

SECURITY OWNERSHIP OF CERTAIN  
BENEFICIAL OWNERS AND MANAGEMENT

All of the outstanding capital stock of the Issuer is owned by Parent. Unless otherwise noted, the following table sets forth certain information regarding ownership of the common stock of Parent as of September 30, 2000 by (i) the beneficial owners of more than 5% of the common stock, (ii) each of our directors and named executive officers and (iii) all of our directors and executive officers as a group. To our knowledge, each of these stockholders has sole voting and investment power as to the shares shown unless otherwise noted. Beneficial ownership of the common stock listed in the table has been determined in accordance with the applicable rules and regulations promulgated under the Securities Exchange Act of 1934.

DIRECTORS, EXECUTIVE OFFICERS AND 5% STOCKHOLDERS	BENEFICIAL OWNERSHIP OF COMMON STOCK	
	NUMBER OF SHARES	PERCENT OF CLASS
S.A. Johnson.....	380,812	*
Dugald K. Campbell(1).....	519,636	1.1%
James W. Arnold.....	11,250	*
Anthony A. Barone.....	65,713	*
Tommy G. Pitser.....	62,700	*
Scott D. Rued.....	89,478	*
Kim B. Clark.....	45,600	*
Jurgen M. Geissinger.....	--	--
F.J. Loughrey.....	49,600	*
James R. Lozelle(2).....	487,808	1.0

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Enrique Zambrano.....	--	--
American Express Company(3).....	3,891,930	8.2
Capital Research and Management Co.(4).....	3,688,000	7.8
Morgan Stanley Dean Witter & Co.(5).....	2,813,388	5.9
Lazard Freres & Co. LLC(6).....	2,666,887	5.6
All Directors and Executive Officers as a group (11 persons).....	1,767,753	3.7

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\* Less than one percent.

- (1) Includes: (i) 365,309 shares held in an annuity trust, of which Mr. Campbell is the trustee; (ii) 9,781 shares held in an annuity trust, of which Mr. Campbell's wife is the trustee, and (iii) 118,750 shares issuable upon the exercise of currently exercisable options held by Mr. Campbell. Mr. Campbell disclaims beneficial ownership of the shares held by his wife in trust.
- (2) Includes: (i) 163,882 shares of common stock issuable upon the conversion of convertible notes, and (ii) 309,468 shares issuable upon the exercise of currently exercisable options held by Mr. Lozelle.
- (3) American Express Company ("AEC") and American Express Financial Corporation ("AEFC") each reported as of December 31, 1999 shared dispositive power with respect to 3,891,930 shares of common stock and shared voting power with respect to 145,000 shares of common stock. The address for AEC is American Express Tower, 200 Vesey Street, New York, New York 10285 and the address for AEFC is IDS Tower 10, Minneapolis, Minnesota 55440.
- (4) Capital Research and Management Company reported as of February 10, 2000 sole dispositive power with respect to 3,688,000 shares of common stock. The address for Capital Research and Management Company is 333 South Hope Street, Los Angeles, California 90071.

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- (5) Morgan Stanley Dean Witter & Co. reported as of February 4, 2000 shared voting power with respect to 2,721,088 shares of common stock and shared dispositive power with respect to 2,813,388 shares of common stock. The address of Morgan Stanley Dean Witter & Co. is 1585 Broadway, New York, New York 10036.
- (6) Lazard Freres & Co. LLC reported as of February 2, 2000 sole voting power with respect to 2,250,990 shares of common stock and sole dispositive power with respect to 2,666,877 shares of common stock. The address of Lazard Freres & Co. LLC is 30 Rockefeller Plaza, New York, New York 10020.

### CERTAIN RELATIONSHIPS AND RELATED TRANSACTIONS

Parent, Onex Corporation and certain stockholders, including J2R, S.A. Johnson, Scott Rued, James Lozelle, the former stockholders of Edgewood Tool and Manufacturing Company, including James Lozelle's brother, and MascoTech, Inc. are parties to a registration agreement pursuant to which Parent has granted certain rights to register its shares of common stock under the Securities Act.

Directors S.A. Johnson and Scott Rued are partners in Hidden Creek. During 1999, we made payments to Hidden Creek for acquisition-related assistance such as initiating contacts, due diligence, financing, contract negotiation and modeling and for various other management services totaling \$3.1 million. We will pay Hidden Creek a fee of \$1.8 million for services rendered in connection

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with the Offering and the new senior credit facility.

DESCRIPTION OF OTHER INDEBTEDNESS

NEW SENIOR CREDIT FACILITY

On July 25, 2000, the Issuer entered into a new senior credit facility with Bank of America, N.A., as administrative agent, and The Chase Manhattan Bank, as syndication agent, and the other lenders named therein. The new senior credit facility provides for a six year multicurrency revolving credit facility of up to \$825.0 million, with a letter of credit sublimit of \$75.0 million. The senior credit facility also provides a \$325.0 million term loan. Borrowings under the revolving credit facility may be used for working capital and other general corporate purposes, including permitted acquisitions. As of September 30, 2000, we had outstanding borrowings under the senior credit facility of approximately \$752.9 million.

The new senior credit facility has a final maturity of July 2006. Loans made under the term loan will be available in a single borrowing at closing. The term loan will be generally subject to quarterly amortization of principal, based upon the annual amounts set forth below:

YEAR	AMOUNT
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2001.....	\$ 0
2002.....	55,000,000
2003.....	70,000,000
2004.....	70,000,000
2005.....	82,500,000
2006.....	47,500,000

Indebtedness under the senior credit facility is guaranteed by Parent and each existing and future domestic subsidiary and may be guaranteed in the future by certain material foreign subsidiaries of the Issuer in the event that such a guarantee does not result in material adverse tax consequence to the Issuer. No foreign subsidiaries of the Issuer are currently guarantors under the new senior credit facility.

The borrowings under the senior credit facility bear interest at a rate equal to the Eurodollar Rate plus the Applicable Margin or the Base Rate (defined as the higher of (i) the Bank of America reference rate and (ii) the Federal Funds rate plus .50%) plus the Applicable Margin. The Applicable Margin will be determined as follows:

	BASIS POINTS		
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RATIO OF TOTAL FUNDED DEBT TO EBITDA	APPLICABLE MARGIN FOR EURODOLLAR RATE LOANS	COMMITMENT FEE	APPLICABLE MARGIN FOR BASE RATE LOANS
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