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

Table of Contents

Filed pursuant to Rule 424(b)(4)
Registration No. 333-143471
Registration No. 333-143893

PROSPECTUS

11,000,000 Shares

Altra Holdings, Inc.

Common Stock

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

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

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

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

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

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

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

Merrill Lynch & Co.

Robert W. Baird & Co.

Jefferies & Company

KeyBanc Capital Markets

The date of this prospectus is June 20, 2007.

Table of Contents

TABLE OF CONTENTS

	Page
Summary	1
Risk Factors	12
Industry and Market Data	23
Cautionary Notice Regarding Forward-Looking Statements	23
Use of Proceeds	24
Price Range of Our Common Stock	24
Dividend Policy	24
Capitalization	25
Unaudited Pro Forma Condensed Combined Financial Statements	26
Selected Historical Financial and Other Data	35
Management s Discussion and Analysis of Financial Condition and Results of Operations	38
Business	56
Management	68
Executive Compensation	73
Compensation Discussion and Analysis	79
Certain Relationships and Related Transactions	84
Principal and Selling Stockholders	87
Description of Capital Stock	90
Description of Indebtedness	93
Shares Eligible for Future Sale	98
Material United States Tax Considerations for Non-U.S. Holders of Common Stock	99
Underwriting	103
Legal Matters	106
Experts	106
Where You Can Find Additional Information	106
Index to Financial Statements	F-1

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

Table of Contents

SUMMARY

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

Our Company

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

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

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

Our Industry

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

Table of Contents

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

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

Our Strengths

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

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

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

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

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

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

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

Table of Contents

Our Business Strategy

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

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

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

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

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

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

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

Risks Related to Our Strategies

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

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

Table of Contents

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

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

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

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

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

Our Recent Acquisition of TB Wood s

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

Our Formation and Other Transactions

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

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

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

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

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

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

Our Corporate Information

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

Table of Contents

Corporate Structure

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

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

Our Principal Equity Sponsor

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

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

Table of Contents

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

Trademarks

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

Table of Contents

The Offering

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

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

Table of Contents

Summary Consolidated Financial Data
(In thousands)

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

Other Financial Data:

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

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

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

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

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

footnotes continued on following page

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

footnotes continued on following page

Table of Contents

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

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

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

RISK FACTORS

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

Risks Related to Our Business

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

fluctuations in currency exchange rates;

exchange rate controls;

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

potentially negative consequences from changes in tax laws;

interest rates;

unexpected changes in regulatory requirements;

changes in foreign intellectual property law;

differing labor regulations;

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

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

potential political instability and the actions of foreign governments; and

restrictions on our ability to repatriate dividends from our subsidiaries.

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Risks Related to this Offering

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

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

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

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

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

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

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

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

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

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

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

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

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

Table of Contents

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

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

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

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

Table of Contents

INDUSTRY AND MARKET DATA

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

CAUTIONARY NOTICE REGARDING FORWARD-LOOKING STATEMENTS

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

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

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

our substantial indebtedness;

impact of a change of control; and

other factors that are described under Risk Factors.

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

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

USE OF PROCEEDS

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

PRICE RANGE OF OUR COMMON STOCK

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

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

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

DIVIDEND POLICY

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

CAPITALIZATION

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

on an actual basis; and

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

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

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

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

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

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

Table of Contents

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

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

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

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

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

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

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

Table of Contents

Unaudited Pro Forma Condensed Combined Statement of Operations

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

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

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

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

Table of Contents

Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

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

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

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

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

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

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

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

Table of Contents

Notes to Unaudited Pro Forma Condensed Combined Statement of Operations

			Year Ended December 31, 2006 (In thousands)
(1)	Adjustments to net sales as follows:		
	Elimination of net sales of Engineered Systems of Matrix business which is included in the Hay Hall financial statements but which were not acquired by Altra	$	(291)
	Elimination of intercompany sales from Hay Hall to Altra		(378)
	Elimination of intercompany sales from Altra to Hay Hall		(47)
	Total pro forma adjustment	$	(716)
(2)	Adjustments to cost of sales as follows:		
	Elimination of cost of sales of Engineered Systems of Matrix business which is included in the Hay Hall financial statements but which were not acquired by Altra	$	(205)
	Elimination of cost of sales on intercompany sales from Hay Hall to Altra		(378)
	Elimination of cost of sales on intercompany sales from Altra to Hay Hall		(47)
	Adjustment to record additional expense to reflect a full year of depreciation expense resulting from the adjustment to the fair value of property, plant and equipment in connection with the Hay Hall Acquisition		127
	Adjustment to record additional depreciation expense resulting from the adjustment to the fair value of property, plant and equipment in connection with the TB Wood s Acquisition		2,283
	Total pro forma adjustment	$	1,780
(3)	Adjustments to selling, general, administrative and other operating expenses as follows:		
	Adjustment to record additional expense to reflect a full year of amortization expense associated with the intangible assets recorded in connection with the Hay Hall Acquisition	$	116
	Elimination of selling, general, administrative and other operating expenses of Engineered Systems of Matrix business which is included in the Hay Hall financial statements but which were not acquired by Altra		(156)
	Elimination of selling, general, administrative and other operating expenses of Hay Hall s corporate office business which is included in the Hay Hall financial statements but which were not acquired by Altra		(330)
	Adjustment to record additional amortization expense associated with the intangible assets recorded in connection with the TB Wood s Acquisition		2,436
	Elimination of additional expense related to Genstar Capital, L.P. transaction fee in connection with the Hay Hall Acquisition		(1,005)
	Total pro forma adjustment	$	1,061
(4)	Adjustments to interest expense as follows:		
	Elimination of historical interest expense recorded at Hay Hall	$	(195)
	Adjustment to record additional amortization expense associated with debt issuance costs in connection with the Hay Hall Acquisition		47
	Adjustment to record additional interest expense associated with the notes issued to finance the Hay Hall Acquisition		756
			269

Adjustment to record additional interest expense associated with the borrowings under our revolving credit facility in connection with the TB Wood s Acquisition	
Adjustment to record the additional interest expense associated with the issuance of the 9% senior secured notes in connection with the TB Wood s Acquisition	9,450
Adjustment to write-off deferred financing costs and original issue discount associated with the debt repaid in connection with the TB Wood s Acquisition	1,800

Table of Contents

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

31

Table of Contents

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

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

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

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

Table of Contents

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

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

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

Table of Contents

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

Table of Contents

SELECTED HISTORICAL FINANCIAL AND OTHER DATA

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

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

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

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

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

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

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

other long-term
liabilities

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

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

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

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

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

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

footnotes continued on following page

Table of Contents

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

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

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

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

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

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

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

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

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

Overview

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

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

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

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

Key Components of Results of Operations

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

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

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

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

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

History and Recent Acquisitions

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

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

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

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

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

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

market.

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

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

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

Cost Savings and Productivity Enhancement Initiatives

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

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

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

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

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

Non-GAAP Financial Measures

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

Table of Contents

Interim Results of Operations

	Three Months Ended March 31, 2007	Three Months Ended March 31, 2006
	(Unaudited) (In thousands, except percentage data)	
Net sales	$ 132,706	$ 114,784
Cost of sales	94,658	82,930