Altra Holdings, Inc.
Form 10-Q
May 02, 2011

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

FORM 10-Q

þ **QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the quarterly period ended April 2, 2011

or

o **TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934**

For the transition period from __________ to __________

Commission File Number: 001-33209

ALTRA HOLDINGS, INC.

(Exact name of registrant as specified in its charter)

Delaware	**61-1478870**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
300 Granite Street, Suite 201, Braintree, MA	**02184**
(Address of principal executive offices)	(Zip code)

(781) 917-0600

(Registrant s telephone number, including area code)

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

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

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

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

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

As of May 2, 2011, 26,864,828 shares of Common Stock, $.001 par value per share, were outstanding.

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Item 1. Financial Statements

ALTRA HOLDINGS, INC.
Condensed Consolidated Balance Sheets
Amounts in thousands, except share amounts

	April 2, 2011 (Unaudited)	December 31, 2010
ASSETS		
Current assets:		
Cash and cash equivalents	$ 145,522	$ 72,723
Trade receivables, less allowance for doubtful accounts of $1,188 and $1,111 at April 2, 2011 and December 31, 2010, respectively	87,042	67,403
Inventories	92,851	88,217
Deferred income taxes	4,414	4,414
Income tax receivable	3,364	4,126
Assets held for sale (note 8)	1,484	1,484
Prepaid expenses and other current assets	6,905	4,168
Total current assets	341,582	242,535
Property, plant and equipment, net	105,551	105,298
Intangible assets, net	68,620	69,250
Goodwill	77,938	76,897
Deferred income taxes	82	82
Other non-current assets, net	16,207	14,040
Total assets	$ 609,980	$ 508,102
LIABILITIES AND STOCKHOLDERS EQUITY		
Current liabilities:		
Accounts payable	$ 43,659	$ 40,812
Accrued payroll	12,584	18,486
Accruals and other current liabilities	28,055	24,142
Deferred income taxes	59	59
Current portion of long-term debt	3,377	3,393
Total current liabilities	87,734	86,892
Long-term debt less current portion and net of unaccreted discount	273,824	213,109
Deferred income taxes	29,532	20,558
Pension liablities	10,827	11,031
Long-term taxes payable	11,013	10,892
Other long-term liabilities	878	868
Stockholders equity:		
Common stock ($0.001 par value, 90,000,000 shares authorized, 26,495,049 and 26,466,216 issued and outstanding at April 2, 2011 and December 31, 2010, respectively)	26	26

Additional paid-in capital	149,139	133,861
Retained earnings	56,258	45,536
Accumulated other comprehensive income	(9,251)	(14,671)
Total stockholders equity	196,172	164,752
Total liabilities and stockholders equity	$ 609,980	$ 508,102

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

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ALTRA HOLDINGS, INC.
Condensed Consolidated Statements of Operations
Amounts in thousands, except per share data

	Quarter Ended April 2, 2011	Quarter Ended April 3, 2010
	(Unaudited)	
Net sales	$ 159,847	$ 127,706
Cost of sales	112,012	90,303
Gross profit	47,835	37,403
Operating expenses:		
Selling, general and administrative expenses	25,516	20,972
Research and development expenses	2,317	1,779
Restructuring costs		1,046
	27,833	23,797
Income from operations	20,002	13,606
Other non-operarting income and expense:		
Interest expense, net	5,163	4,940
Other non-operating expense (income), net	(286)	295
	4,877	5,235
Income before income taxes	15,125	8,371
Provision for income taxes	4,403	2,632
Net income	$ 10,722	$ 5,739
Consolidated Statement of Comprehensive Income		
Foreign currency translation adjustment	5,420	(3,646)
Comprehensive income	$ 16,142	$ 2,093
Weighted average shares, basic	26,487	26,343
Weighted average shares, diluted	26,608	26,425
Net income per share:		
Basic	$ 0.40	$ 0.22
Diluted	$ 0.40	$ 0.22

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

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ALTRA HOLDINGS, INC.
Condensed Consolidated Statements of Cash Flows
Amounts in thousands

	Quarter Ended April 2, 2011	April 3, 2010
	(Unaudited)	
Cash flows from operating activities		
Net income	$ 10,722	$ 5,739
Adjustments to reconcile net income to net cash flows:		
Depreciation	4,054	4,159
Amortization of intangible assets	1,364	1,383
Amortization and write-offs of deferred financing costs	329	172
Loss on foreign currency, net	51	314
Accretion of debt discount, net	300	73
Stock-based compensation	700	548
Changes in assets and liabilities:		
Trade receivables	(20,402)	(15,037)
Inventories	(3,508)	(1,569)
Accounts payable and accrued liabilities	2,070	14,522
Other current assets and liabilities	(2,643)	(2,002)
Other operating assets and liabilities	(337)	(128)
Net cash provided by (used in) operating activities	(7,300)	8,174
Cash flows from investing activities		
Purchase of property, plant and equipment	(2,754)	(2,694)
Additional purchase price paid for acquisition		(1,177)
Net cash used in investing activities	(2,754)	(3,871)
Cash flows from financing activities		
Payment of debt issuance costs	(3,404)	(63)
Proceeds from issuance of Convertible Notes	85,000	
Shares surrendered for tax withholdings	(62)	(288)
Payment on mortgages	(131)	(121)
Net payments on capital leases	(186)	(175)
Net cash provided by (used in) financing activities	81,217	(647)
Effect of exchange rate changes on cash and cash equivalents	1,636	(1,587)
Net change in cash and cash equivalents	72,799	2,069
Cash and cash equivalents at beginning of year	72,723	51,497

Cash and cash equivalents at end of period	$	145,522	$	53,566
Cash paid during the period for:				
Interest	$	74	$	398
Income taxes	$	3,286	$	192

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

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted

1. Organization and Nature of Operations

Headquartered in Braintree, Massachusetts, Altra Holdings, Inc. (the Company), through its wholly-owned subsidiary Altra Industrial Motion, Inc. (Altra Industrial), is a leading multi-national designer, producer and marketer of a wide range of mechanical power transmission products. The Company brings together strong brands covering over 40 product lines with production facilities in eight countries and sales coverage in over 70 countries. The Company s leading brands include Boston Gear, Warner Electric, TB Wood s, Formsprag Clutch, Ameridrives Couplings, Industrial Clutch, Kilian Manufacturing, Marland Clutch, Nuttall Gear, Stieber Clutch, Wichita Clutch, Twiflex Limited, Bibby Transmissions, Matrix International, Inertia Dynamics, Huco Dynatork, and Warner Linear.

2. Basis of Presentation

The Company was formed on November 30, 2004 following acquisitions of The Kilian Company (Kilian) and certain subsidiaries of Colfax Corporation (Colfax). During 2006, the Company acquired Hay Hall Holdings Limited (Hay Hall) and Bear Linear (Warner Linear). On April 5, 2007, the Company acquired TB Wood s Corporation (TB Wood s), and on October 5, 2007, the Company acquired substantially all of the assets of All Power Transmission Manufacturing, Inc. (All Power).

The Company s unaudited condensed consolidated financial statements have been prepared in accordance with the instructions to Form 10-Q and do not include all of the information and note disclosures required by accounting principles generally accepted in the United States of America. These statements should be read in conjunction with the financial statements and notes thereto included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. In the opinion of management, the accompanying unaudited condensed consolidated financial statements include all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the Company s financial position as of April 2, 2011 and December 31, 2010, and results of operations and cash flows for the quarters ended April 2, 2011 and April 3, 2010.

The Company follows a four, four, five week calendar per quarter with all quarters consisting of thirteen weeks of operations with the fiscal year end always on December 31.

3. Fair Value of Financial Instruments

The carrying values of financial instruments, including accounts receivable, cash equivalents, accounts payable and other accrued liabilities, approximate their fair values due to their short-term maturities. The carrying amount of the 8 $^{1}/_{8}$% Senior Secured Notes was \$210.0 million at each of April 2, 2011 and December 31, 2010. The estimated fair value of the 8 $^{1}/_{8}$% Senior Secured Notes at April 2, 2011 and December 31, 2010 was \$226.8 million and \$221.0 million, respectively, based on quoted market prices for such notes.

The carrying amount of the 2.75% Convertible Senior Notes was \$85.0 million at April 2, 2011. The estimated fair value of the 2.75% Convertible Senior Notes at April 2, 2011, was \$92.9 million, based on quoted market prices for such notes.

Included in cash and cash equivalents as of April 2, 2011 and December 31, 2010 are money market fund investments of \$109.5 million and \$34.0 million, respectively, which are reported at fair value.

4. Net Income per Share

Basic earnings per share is based on the weighted average number of shares of common stock outstanding, and diluted earnings per share is based on the weighted average number of shares of common stock outstanding and all potentially dilutive common stock equivalents outstanding. Common stock equivalents are included in the per share calculations when the effect of their inclusion would be dilutive.

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted

The following is a reconciliation of basic to diluted net income per share:

	Quarter Ended	
	April 2, 2011	April 3, 2010
Net income	$ 10,722	$ 5,739
Shares used in net income per common share basic	26,487	26,343
Incremental shares of unvested restricted common stock	121	82
Shares used in net income per common share diluted	26,608	26,425
Earnings per share:		
Basic	$ 0.40	$ 0.22
Diluted	$ 0.40	$ 0.22

The Company excluded 784,890 shares related to the Convertible Senior Notes (See Note 11) from the above earnings per share calculation as these shares were anti-dilutive.

5. Inventories

Inventories located at certain subsidiaries acquired in connection with the TB Wood s acquisition are stated at the lower of cost or market, principally using the last-in, first-out (LIFO) method. The remaining subsidiaries are stated at the lower of cost or market, using the first-in, first-out (FIFO) method. Market is defined as net realizable value. Inventories at April 2, 2011 and December 31, 2010 consisted of the following:

	April 2, 2011	December 31, 2010
Raw materials	$ 34,744	$ 32,826
Work in process	18,278	16,223
Finished goods	39,829	39,168
Inventories	$ 92,851	$ 88,217

Approximately 13% of total inventories were valued using the LIFO method as of April 2, 2011 and approximately 12% of total inventories were valued using the LIFO method as of December 31, 2010. The Company recorded a $0.1 million provision as a component of cost of sales to value the inventory on a LIFO basis for each of the quarters ended April 2, 2011 and April 3, 2010.

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Notes to Unaudited Condensed Consolidated Interim Financial Statements
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6. Goodwill and Intangible Assets

Changes to goodwill from December 31, 2010 through April 2, 2011 were as follows:

		2011
Gross goodwill balance as of January 1	$	108,707
Impact of changes in foreign currency		1,041
Gross goodwill balance as of April 2		109,748
Accumulated impairment as of January 1		(31,810)
Impairment charge during the period		
Accumulated impairment as of April 2		(31,810)
Net goodwill balance April 2, 2011	$	77,938

Other intangible assets as of April 2, 2011 and December 31, 2010 consisted of the following:

	April 2, 2011				December 31, 2010			
		Cost		Accumulated Amortization		Cost		Accumulated Amortization
Other intangible assets								
Intangible assets not subject to amortization:								
Tradenames and trademarks	$	30,730	$		$	30,730	$	
Intangible assets subject to amortization:								
Customer relationships		62,038		24,952		62,038		23,821
Product technology and patents		5,435		5,152		5,435		4,919
Impact of changes in foreign currency		521				(213)		
Total intangible assets	$	98,724	$	30,104	$	97,990	$	28,740

The Company recorded $1.4 million of amortization expense in each of the quarters ended April 2, 2011 and April 3, 2010.

The estimated amortization expense for intangible assets is approximately $4.1 million for the remainder of 2011, $5.5 million in 2012, and $5.0 million in each of the next three years and then $13.3 million thereafter.

ALTRA HOLDINGS, INC.
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7. Warranty Costs

The contractual warranty period generally ranges from three months to thirty-six months based on product and application of the product. Changes in the carrying amount of accrued product warranty costs for each of the quarters ended April 2, 2011 and April 3, 2010 are as follows:

	April 2, 2011	April 3, 2010
Balance at beginning of period	$ 3,583	$ 4,047
Accrued current period warranty expense	566	387
Payments	(1,291)	(756)
Balance at end of period	$ 2,858	$ 3,678

8. Assets Held for Sale

In October 2010, the Company entered into a purchase and sale agreement for the Chattanooga, Tennessee facility. The Company recorded a $0.1 million impairment of the Chattanooga facility in 2010 based on the estimated fair value as reflected by the quoted price listed in the purchase and sale agreement (level 2). As of April 2, 2011, the building is classified as an asset held for sale and the associated debt of $2.3 million is classified as current in the condensed consolidated balance sheet. The sale of the Chattanooga facility closed on April 14, 2011 for a purchase price of $1.5 million and, prior to closing, the associated debt was repaid.

9. Income Taxes

The estimated effective income tax rates recorded for the quarters ended April 2, 2011 and April 3, 2010, were based upon management s best estimate of the effective tax rate for the entire year. The 2011 provision for income taxes, as a percentage of income before taxes, was lower than that of 2010, primarily due to a favorable discrete tax benefit recognized in the first quarter of 2011, and a higher Section 199 manufacturing deduction benefit. During the first quarter of 2011, the Company received a $0.6 million refund of foreign withholding taxes paid that was previously determined to be more likely than not uncollectible. Upon receipt of the refund, the Company reversed its valuation allowance associated with the receivable. This was partially offset by a 2010 unrecognized tax benefit of $0.3 million related primarily to the expiration of the statute of limitations in a non-U.S. jurisdiction.

At April 2, 2011, the Company had $9.1 million of net unrecognized tax benefits. The Company does not expect the amount of unrecognized tax benefits to change significantly over the next 12 months.

The Company and its subsidiaries file a consolidated federal income tax return in the United States as well as consolidated and separate income tax returns in various state and foreign jurisdictions. In the normal course of business, the Company is subject to examination by taxing authorities in all of these jurisdictions. With the exception of certain foreign jurisdictions, the Company is no longer subject to income tax examinations for the tax years prior to 2007. Additionally, the Company has indemnification agreements with the sellers of the Colfax, Kilian and Hay Hall entities, which provide for reimbursement to the Company for payments made in satisfaction of tax liabilities relating to pre-acquisition periods.

The Company recognizes interest and penalties related to unrecognized tax benefits as a component of income tax expense in the condensed consolidated statements of income. At December 31, 2010 and April 2, 2011, the Company had $3.8 million and $3.9 million of accrued interest and penalties, respectively. The Company accrued $0.1 million of interest and no penalties during the quarter ended April 2, 2011.

10. Pension and Other Employee Benefits

Defined Benefit (Pension) and Post-retirement Benefit Plans

The Company sponsors various defined benefit (pension) and post-retirement (medical, dental and life insurance coverage) plans for certain, primarily unionized, active employees.

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The following table represents the components of the net periodic benefit cost associated with the respective plans for the quarters ended April 2, 2011 and April 3, 2010:

	Quarter Ended			
	Pension Benefits		Other Benefits	
	April 2, 2011	April 3, 2010	April 2, 2011	April 3, 2010
Service cost	$ 25	$	$ 1	$ 1
Interest cost	281	314	4	6
Expected return on plan assets	(246)	(305)		
Amortization of prior service income			(1)	(172)
Amortization of net gain	18		(13)	(40)
Net periodic benefit cost (income)	$ 78	$ 9	$ (9)	$ (205)

There were no required contributions in the first quarter of 2011, however, the Company made $0.5 million of supplemental payments to the pension plan in the quarter ended April 2, 2011.

11. Debt

Outstanding debt obligations at April 2, 2011 and December 31, 2010 were as follows:

	Amounts in thousands	
	April 2, 2011	December 31, 2010
Debt:		
Revolving Credit Agreement	$	$
Convertible Notes	85,000	
Senior Secured Notes	210,000	210,000
Variable rate demand revenue bonds	5,300	5,300
Mortgages	2,411	2,372
Capital leases	1,105	1,257
Total debt	303,816	218,929
Less: debt discount, net of accretion	(26,615)	(2,427)
Total long-term debt, net of unaccreted discount	$ 277,201	$ 216,502
Less current portion of long-term debt	3,377	3,393
Total long-term debt	$ 273,824	$ 213,109

Convertible Senior Notes

On March 7, 2011, the Company issued Convertible Senior Notes (the Convertible Notes) due on March 1, 2031. Interest on the Convertible Notes is payable semiannually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Proceeds from the offering were $81.6 million, net of fees and expenses which were capitalized. The proceeds from the offering will be used to fund the acquisition of substantially all the assets and liabilities of Danfoss Bauer GmbH (Bauer) relating to its gearmotor business (the Bauer Acquisition) as well as bolster the Company s cash position.

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The Convertible Notes will mature on March 1, 2031, unless earlier redeemed, repurchased by the Company or converted, and are convertible into cash or shares, or a combination thereof, at the Company s election. The Convertible Notes are convertible into shares of the Company s common stock based on an initial conversion rate, subject to adjustment, of 36.0985 shares per $1,000 principle amount of notes (which represents an initial conversion price of approximately $27.70 per share of our common stock), in certain circumstances. Prior to March 1, 2030, the Convertible Notes are convertible only in the following circumstances: (1) during any fiscal quarter commencing after June 30, 2011, if the last reported sale price of the Company s common stock is greater than or equal to 130% of the applicable conversion price for at least 20 trading days in the period of 30 consecutive trading days ending on the last trading day of the preceding fiscal quarter; (2) during the five business day period after any 10 consecutive trading day period (the measurement period) in which the trading price per $1,000 principle amount of notes for each trading day in the measurement period was less than 97% of the product of the last reported sale price of the Company s common stock and the conversion rate on such trading day; (3) if the Convertible Notes have been called for redemption; or (4) upon the occurrence of specified corporate transactions. On or after March 1, 2030, and ending at the close of business on the second business day immediately preceding the maturity date, holders may convert their Convertible Notes at any time, regardless of the foregoing circumstances. Upon conversion, the Company will pay or deliver, as the case may be, cash, shares of common stock, or a combination thereof, at the Company s election. The Company intends to settle the principle amount in cash and any additional amounts in shares of stock.

If a fundamental change occurs, the Convertible Notes are redeemable at a price equal to 100% of the principle amount of the notes to be repurchased, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but excluding, the repurchase date. The Convertible Notes are also redeemable on each of March 1, 2018, March 1, 2021, and March 1, 2026 for cash at a price equal to 100% of the principle amount of the notes to be repurchased, plus accrued and unpaid interest (including contingent interest and additional interest, if any) to, but excluding, the option repurchase date.

On or after March 1, 2015, the Company may call all or part of the Convertible Notes at a redemption price equal to 100% of the principle amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest to, but excluding, the redemption date, plus a make-whole premium payment in cash, shares of the Company s common stock, or combination thereof, at the Company s option, equal to the sum of the present values of the remaining scheduled payments of interest on the Convertible Notes to be redeemed through March 1, 2018 to, but excluding, the redemption date, if the last reported sale price of the Company s common stock for 20 or more trading days in a period of 30 consecutive trading days ending on the trading day prior to the date the Company provides notice of redemption exceeds 130% of the conversion price in effect on each such trading day. On or after March 1, 2018, the Company may redeem for cash all or a portion of the notes at a redemption price of 100% of the principle amount of the Convertible Notes to be redeemed, plus accrued and unpaid interest (including contingent and additional interest, if any) to, but not including, the redemption date.

The Company separately accounted for the debt and equity components of the Convertible Notes to reflect the issuer s non-convertible debt borrowing rate, which interests costs are to be recognized in subsequent periods. The note payable principal balance at the date of issuance of $85.0 million was bifurcated into a debt component of $60.5 million and an equity component of $24.5 million. The difference between the note payable principal balance and the value of the debt component is being accreted to interest expense over the term of the notes. The debt component was recognized at the present value of associated cash flows discounted using a 8.25% discount rate, the borrowing rate at the date of issuance for a similar debt instrument without a conversion feature. The Company paid approximately $3.4 million of issuance costs associated with the Convertible Notes. The Company recorded $1.0 million of debt issuance costs as an offset to additional paid-in capital. The balance of $2.4 million of debt issuance costs is classified as other non-current assets and will be amortized over the term of the notes using the effective interest method.

The carrying amount of the equity component and the principal amount of the liability component, the unamortized discount, and the net carrying amount are as follows as of April 2, 2011:

	April 2, 2011
Principal amount of debt	$ 85,000
Unamortized discount	24,268
Carrying value of debt	$ 60,732

ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted

Interest expense associated with the Convertible Notes consisted of the following for the quarter ended April 2, 2011:

		April 2, 2011
Contractual coupon rate of interest	$	195
Accretion of convertible notes discount and amortization of deferred financing costs		249
Interest expense for the Convertible Notes	$	444

The effective interest yield of the Convertible Notes due in 2031 is 8.5% at April 2, 2011 and the cash coupon interest rate is 2.75%.

Senior Secured Notes

In 2009, the Company issued 8 $^1/_8$% Senior Secured Notes (the Senior Secured Notes) with a face value of $210 million. Interest on the Senior Secured Notes is payable semi-annually in arrears, on June 1 and December 1 of each year, commencing on June 1, 2010 at an annual rate of 8 $^1/_8$%. The effective interest rate of the Senior Secured Notes was approximately 8.75% after consideration of the $6.7 million of deferred financing costs (included in other non-current assets) which are being amortized over the term using the effective interest method. The principal balance of the Senior Secured Notes matures on December 1, 2016.

The Senior Secured Notes are guaranteed by the Company s U.S. domestic subsidiaries and are secured by a second priority lien, subject to first priority liens securing the Revolving Credit Agreement, on substantially all of the Company s assets and those of its domestic subsidiaries. The indenture governing the Senior Secured Notes contains covenants which restrict the Company and its subsidiaries. These restrictions limit or prohibit, among other things, the Company s ability to incur additional indebtedness; repay subordinated indebtedness prior to stated maturities; pay cash dividends on or redeem or repurchase stock or make other distributions; make investments or acquisitions; sell certain assets or merge with or into other companies; sell stock in our subsidiaries; and create liens on their assets. There are no financial covenants associated with the Senior Secured Notes.

Revolving Credit Agreement

Concurrently with the closing of the offering of the Senior Secured Notes, Altra Industrial entered into a new senior secured credit facility, (the Revolving Credit Agreement) that provides for borrowing capacity in an initial amount of up to $50.0 million (subject to adjustment pursuant to a borrowing base and subject to increase from time to time in accordance with the terms of the credit facility). The Revolving Credit Agreement replaced Altra Industrial s then existing senior secured credit facility (the Old Revolving Credit Agreement), and the TB Wood s existing credit facility (the Old TB Wood s Revolving Credit Agreement). The Company can borrow up to $37.5 million under the Revolving Credit Agreement without being required to comply with any financial covenants under the agreement. The Company may use up to $30.0 million of its availability under the Revolving Credit Agreement for standby letters of credit issued on its behalf, the issuance of which will reduce the amount of borrowings that would otherwise be available to the Company. The Company may re-borrow any amounts paid to reduce the amount of outstanding borrowings; however, all borrowings under the Revolving Credit Agreement must be repaid in full as of November 25, 2012.

There were no borrowings under the Revolving Credit Agreement at April 2, 2011 and December 31, 2010, however, the lender had issued $9.6 million and $10.1 million of outstanding letters of credit on behalf of the Company as of April 2, 2011 and December 31, 2010, respectively.

Altra Industrial and all of its domestic subsidiaries are borrowers, (collectively, the Borrowers) under the Revolving Credit Agreement. Certain of our existing and subsequently acquired or organized domestic subsidiaries that are not Borrowers do and will guarantee (on a senior secured basis) the Revolving Credit Agreement. Obligations of the other

Borrowers under the Revolving Credit Agreement and the guarantees are secured by substantially all of Borrowers assets and the assets of each of our existing and subsequently acquired or organized domestic subsidiaries that is a guarantor of our obligations under the Revolving Credit Agreement (with such subsidiaries being referred to as the U.S. subsidiary guarantors), including but not limited to: (a) a first-priority pledge of all the capital stock of subsidiaries held by Borrowers or any U.S. subsidiary guarantor (which pledge, in the case of any foreign subsidiary, will be limited to 100% of any non-voting stock and 65% of the voting stock of such foreign subsidiary) and (b) perfected first-priority security interests in and mortgages on substantially all tangible and intangible assets of each Borrower and U.S. subsidiary guarantor, including accounts receivable, inventory, equipment, general intangibles, investment property, intellectual property, certain real property, and cash and proceeds of the foregoing (in each case subject to materiality thresholds and other exceptions).

ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted

An event of default under the Revolving Credit Agreement would occur in connection with a change of control, among other things, if: (i) Altra Industrial ceases to own or control 100% of each of its borrower subsidiaries, or (ii) a change of control occurs under the Senior Secured Notes, or any other subordinated indebtedness.

An event of default under the Revolving Credit Agreement would also occur if an event of default occurs under the indentures governing the Senior Secured Notes or if there is a default under any other indebtedness of any borrower involving an aggregate amount of $10 million or more and such default: (i) occurs at final maturity of such debt, (ii) allows the lender there under to accelerate such debt or (iii) causes such debt to be required to be repaid prior to its stated maturity. An event of default would also occur under the Revolving Credit Agreement if any of the indebtedness under the Revolving Credit Agreement ceases, with limited exception, to be secured by a full lien on the assets of Borrowers and guarantors.

Variable Rate Demand Revenue Bonds

In connection with the acquisition of TB Wood s, the Company assumed obligations for certain Variable Rate Demand Revenue Bonds outstanding as of the acquisition date. TB Wood s had assumed obligations for approximately $3.0 million and $2.3 million of Variable Rate Demand Revenue Bonds issued under the authority of the industrial development corporations of the City of San Marcos, Texas and City of Chattanooga, Tennessee, respectively. These bonds bear variable interest rates (less than 1% as of April 2, 2011) and mature in April 2024 and April 2022, respectively. The bonds were issued to finance production facilities for TB Wood s manufacturing operations in those cities, and are secured by letters of credit issued under the terms of the Revolving Credit Agreement. The Company sold the Chattanooga facility on April 14, 2011 and redeemed the bonds associated with the facility at the time. As of April 2, 2011 and December 31, 2010, the Company has classified these Variable Rate Demand Revenue Bonds as current in the accompanying balance sheet.

Mortgage

In June 2006, the Company entered into a mortgage on its building in Heidelberg, Germany with a local bank. In 2009, the Company refinanced the Heidelberg mortgage and increased the amount borrowed by an additional 1.0 million. The new mortgage has an interest rate of 2.9% and is payable in monthly installments over the next six years. As of April 2, 2011 and December 31, 2010, the mortgage has a remaining principal of 1.7 million or $2.4 million, and of 1.8 million or $2.4 million, respectively.

Capital Leases

The Company leases certain equipment under capital lease arrangements, whose obligations are included in both short-term and long-term debt. Capital lease obligations amounted to approximately $1.1 million and $1.3 million at April 2, 2011 and December 31, 2010, respectively. Assets subject to capital leases are included in property, plant and equipment with the related amortization recorded as depreciation expense.

Overdraft Agreements

Certain of our foreign subsidiaries maintain overdraft agreements with financial institutions. There were no borrowings as of April 2, 2011 and December 31, 2010 under any of the overdraft agreements.

12. Stockholders Equity

Stock-Based Compensation

The Company s Board of Directors established the 2004 Equity Incentive Plan (the Plan) that provides for various forms of stock-based compensation to independent directors, officers and senior-level employees of the Company. The restricted shares of common stock issued pursuant to the Plan generally vest ratably over a period ranging from immediately to 5 years, provided that the vesting of the restricted shares may accelerate upon the occurrence of certain liquidity events, if approved by the Board of Directors in connection with the transactions. Common stock awarded under the Plan is generally subject to restrictions on transfer, repurchase rights, and other limitations and rights as set forth in the applicable award agreements. The shares are valued based on the share price on the date of grant.

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ALTRA HOLDINGS, INC.
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Amounts in thousands, unless otherwise noted

The Plan permits the Company to grant restricted stock to key employees and other persons who make significant contributions to the success of the Company. The restrictions and vesting schedule for restricted stock granted under the Plan are determined by the Personnel and Compensation Committee of the Board of Directors. Compensation expense recorded during the quarters ended April 2, 2011 and April 3, 2010 was $0.7 million and $0.5 million, respectively. Stock-based compensation has been recorded as an adjustment to selling, general and administrative expenses in the accompanying condensed consolidated statements of income. Stock-based compensation expense is recognized on a straight-line basis over the vesting period.

The following table sets forth the activity of the Company s unvested restricted stock grants in the quarter ended April 2, 2011:

	Shares		Weighted-average grant date fair value
Restricted shares unvested January 1, 2011	287,586	$	9.66
Shares granted	114,266		21.94
Shares forfeited			
Shares for which restrictions lapsed	(31,644)		16.93
Restricted shares unvested April 2, 2011	370,208	$	12.83

Total remaining unrecognized compensation cost was $4.0 million as of April 2, 2011, which will be recognized over a weighted average remaining period of three years. The fair market value of the shares in which the restrictions have lapsed during the quarter ended April 2, 2011 was $0.7 million. Restricted shares granted are valued based on the fair market value of the stock on the date of grant.

13. Concentrations of Credit, Segment Data and Workforce

Financial instruments, which are potentially subject to counter party performance and concentrations of credit risk, consist primarily of trade accounts receivable. The Company manages these risks by conducting credit evaluations of customers prior to delivery or commencement of services. When the Company enters into a sales contract, collateral is normally not required from the customer. Payments are typically due within thirty days of billing. An allowance for potential credit losses is maintained, and losses have historically been within management s expectations. No customer represented greater than 10% of total sales for each of the quarters ended April 2, 2011 and April 3, 2010.

The Company is also subject to counter party performance risk of loss in the event of non-performance by counterparties to financial instruments, such as cash and investments. Cash and investments are held by international or well established financial institutions.

The Company has five operating segments that are regularly reviewed by our chief operating decision maker. Each of these operating segments represents a unit that produces mechanical power transmission products. The Company aggregates all of the operating segments into one reportable segment. The five operating segments have similar long-term average gross profit margins. All of our products are sold by one global sales force and we have one global marketing function. Strategic markets and industries are determined for the entire company and then targeted by the brands. All of our operating segments have common manufacturing and production processes. Each segment includes machine shops which use similar equipment and manufacturing techniques. Each of our segments uses common raw materials, such as aluminum, steel and copper. The materials are purchased and procurement contracts are negotiated by one global purchasing function.

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted

We serve the general industrial market by selling to original equipment manufacturers (OEM) and distributors. Our OEM and distributor customers serve the general industrial market. Resource allocation decisions such as capital expenditure requirements and headcount requirements are made at a consolidated level and allocated to the individual operating segments.

Discrete financial information is not available by product line at the level necessary for management to assess performance or make resource allocation decisions.

Net sales to third parties by geographic region are as follows:

	Net Sales Quarter Ended April 2, 2011	Net Sales Quarter Ended April 3, 2010
North America (primarily U.S.)	$ 117,083	$ 93,165
Europe	34,095	27,888
Asia and other	8,669	6,653
Total	$ 159,847	$ 127,706

Net sales to third parties are attributed to the geographic regions based on the country in which the shipment originates.

The net assets of our foreign subsidiaries at April 2, 2011 and December 31, 2010 were $98.3 million and $92.3 million, respectively.

14. Commitments and Contingencies

General Litigation

The Company is involved in various pending legal proceedings arising out of the ordinary course of business. These proceedings primarily involve commercial claims, product liability claims, personal injury claims, and workers compensation claims. None of these legal proceedings are expected to have a material adverse effect on the results of operations, cash flows, or financial condition of the Company. With respect to these proceedings, management believes that the Company will prevail, has adequate insurance coverage or has established appropriate reserves to cover potential liabilities. Any costs that management estimates may be paid related to these proceedings or claims are accrued when the liability is considered probable and the amount can be reasonably estimated. There can be no assurance, however, as to the ultimate outcome of any of these matters, and if all or substantially all of these legal proceedings were to be determined adversely to the Company, there could be a material adverse effect on the results of operations, cash flows, or financial condition of the Company. As of April 2, 2011 and December 31, 2010, the Company cannot estimate the likelihood or potential amount of the liability related to these proceedings. As a result, no amounts were accrued in the accompanying condensed consolidated balance sheets for product liability losses at those dates.

The Company also risks exposure to product liability claims in connection with products it has sold and those sold by businesses that the Company acquired. Although in some cases third parties have retained responsibility for product liability claims relating to products manufactured or sold prior to the acquisition of the relevant business and in other cases the persons from whom the Company has acquired a business may be required to indemnify the Company for certain product liability claims subject to certain caps or limitations on indemnification, the Company cannot assure that those third parties will in fact satisfy their obligations with respect to liabilities retained by them or their indemnification obligations. If those third parties become unable to or otherwise do not comply with their respective obligations including indemnity obligations, or if certain product liability claims for which the Company is obligated were not retained by third parties or are not subject to these indemnities, the Company could become subject to significant liabilities or other adverse consequences. Moreover, even in cases where third parties retain responsibility for product liability claims or are required to indemnify the Company, significant claims arising from products that have been acquired could have a material adverse effect on the Company s ability to realize the benefits from an acquisition, could result in the reduction of the value of goodwill that the Company recorded in connection with an acquisition, or could otherwise have a material adverse effect on the Company s business, financial condition, or operations.

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted

15. Restructuring, Asset Impairment and Transition Expenses

In March 2009, the Company adopted a restructuring plan (2009 Altra Plan) to improve the utilization of the manufacturing infrastructure and to realign the business with the current economic conditions. The 2009 Altra Plan was intended to improve operational efficiency by reducing headcount and consolidating facilities. The Company s total restructuring expense was $1.0 million for the quarter ended April 3, 2010. The Company substantially completed the 2009 Altra Plan in the fourth quarter of 2010.

The Company s restructuring expense, by major component for the quarter ended April 3, 2010, was as follows:

	Quarter Ended April 3, 2010 2009 Altra Plan
Expenses	
Severance	$ 14
Moving and relocation	263
Other cash expenses	769
Total restructuring expenses	1,046

The following is a reconciliation of the accrued restructuring costs between December 31, 2010 and April 2, 2011:

	2009 Altra Plan
Balance at December 31, 2010	$ 159
Cash restructuring expense incurred	
Cash payments	(56)
Balance at April 2, 2011	$ 103

The total restructuring reserve as of April 2, 2011 relates to severance costs to be paid to employees and is recorded in accruals and other current liabilities on the condensed consolidated balance sheet. As of April 2, 2011, the Company has incurred $10.0 million of cumulative expense related to the 2009 Altra Plan. The Company does not expect to incur any additional expenses associated with the consolidation of facilities under the 2009 Altra Plan for the remainder of 2011.

16. Guarantor Subsidiaries

All of the Company s direct and indirect 100% owned U.S. domestic subsidiaries are guarantors of the Company s Senior Secured Notes. The following condensed consolidating financial statements present separately the financial position, results of operations, and cash flows for (a) the Company, as parent, (b) the guarantor subsidiaries of the Company consisting of all of the, directly or indirectly, 100% owned U.S. subsidiaries of the Company, (c) the non-guarantor subsidiaries of the Company consisting of all non-domestic subsidiaries of the Company, and (d) eliminations necessary to arrive at the Company s information on a consolidated basis. These statements are presented in accordance with the disclosure requirements under the Securities and Exchange Commission s Regulation S-X, Rule 3-10. Separate financial statements of the Guarantor Subsidiaries are not presented because their guarantees are full and unconditional and joint and several.

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted
Unaudited Condensed Consolidating Balance Sheet
April 2, 2011

	Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 111,694	$ 33,828	$	$ 145,522
Trade receivables, less allowance for doubtful accounts		56,622	30,420		87,042
Loans receivable from related parties	285,257			(285,257)	
Inventories		63,729	29,122		92,851
Deferred income taxes		3,813	601		4,414
Assests held for sale		1,484			1,484
Income tax receivable		3,364			3,364
Prepaid expenses and other current assets		4,062	2,843		6,905
Total current assets	285,257	244,768	96,814	(285,257)	341,582
Property, plant and equipment, net		73,746	31,805		105,551
Intangible assets, net		53,305	15,315		68,620
Goodwill		56,446	21,492		77,938
Deferred income taxes			82		82
Investment in subsidiaries	177,294			(177,294)	
Other non-current assets	8,248	7,843	116		16,207
Total assets	$ 470,799	$ 436,108	$ 165,624	$ (462,551)	$ 609,980
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 27,806	$ 15,853	$	$ 43,659
Accrued payroll		6,665	5,919		12,584
Accruals and other current liabilities	6,232	13,365	8,458		28,055
Deferred income taxes			59		59
Current portion of long-term debt		2,992	385		3,377
Loans payable to related parties		261,914	23,343	(285,257)	

Total current liabilities	6,232	312,742	54,017	(285,257)	87,734
Long-term debt less current portion and net of unacreted discount	268,395	3,253	2,176		273,824
Deferred income taxes		21,932	7,600		29,532
Pension liablities		7,371	3,456		10,827
Long-term taxes payable		11,013			11,013
Other long-term liabilities		768	110		878
Total stockholders equity	196,172	79,029	98,265	(177,294)	196,172
Total liabilities and stockholders equity	$ 470,799	$ 436,108	$ 165,624	$ (462,551)	$ 609,980

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted
Condensed Consolidating Balance Sheet
December 31, 2010

	Issuer	Guarantor Subsidiaries	Non Guarantor Subsidiaries	Eliminations	Consolidated
ASSETS					
Current assets:					
Cash and cash equivalents	$	$ 37,125	$ 35,598	$	$ 72,723
Trade receivables, less allowance for doubtful accounts		44,020	23,383		67,403
Loans receivable from related parties	204,667			(204,667)	
Inventories		63,226	24,991		88,217
Deferred income taxes		3,813	601		4,414
Assets held for sale		1,484			1,484
Income tax receivable		4,126			4,126
Prepaid expenses and other current assets		2,282	1,886		4,168
Total current assets	204,667	156,076	86,459	(204,667)	242,535
Property, plant and equipment, net		74,956	30,342		105,298
Intangible assets, net		54,321	14,929		69,250
Goodwill		56,446	20,451		76,897
Deferred income taxes			82		82
Investment in subsidiaries	163,069			(163,069)	
Other non-current assets	6,020	7,905	115		14,040
Total assets	$ 373,756	$ 349,704	$ 152,378	$ (367,736)	$ 508,102
LIABILITIES AND STOCKHOLDERS EQUITY					
Current liabilities:					
Accounts payable	$	$ 26,497	$ 14,315	$	$ 40,812
Accrued payroll		12,364	6,122		18,486
Accruals and other current liabilities	1,422	15,458	7,262		24,142
Deferred income taxes			59		59
Current portion of long-term debt		3,028	365		3,393
Loans payable to related parties		185,768	18,899	(204,667)	

Total current liabilities	1,422	243,115	47,022	(204,667)	86,892
Long-term debt less current portion and net of unaccreted discount	207,582	3,338	2,189		213,109
Deferred income taxes		13,043	7,515		20,558
Pension liablities		7,596	3,212		10,808
Other post retirement benefits		223			223
Long-term taxes payables		10,892			10,892
Other long-term liabilities		762	106		868
Total stockholders equity	164,752	70,735	92,334	(163,069)	164,752
Total liabilities and stockholders equity	$ 373,756	$ 349,704	$ 152,378	$ (367,736)	$ 508,102

ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted
Unaudited Condensed Consolidating Statement of Income

	Quarter Ended April 2, 2011				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 119,561	$ 50,885	$ (10,599)	$ 159,847
Cost of sales		87,663	34,948	(10,599)	112,012
Gross profit		31,898	15,937		47,835
Selling, general and administrative expenses		17,672	7,844		25,516
Research and development expenses		1,424	893		2,317
Income from operations		12,802	7,200		20,002
Interest expense, net	4,957	184	22		5,163
Other non-operating income, net		(142)	(144)		(286)
Equity in earnings of subsidiaries	14,225			(14,225)	
Income before income taxes	9,268	12,760	7,322	(14,225)	15,125
Provision (benefit) for income taxes	(1,454)	4,466	1,391		4,403
Net income	$ 10,722	$ 8,294	$ 5,931	$ (14,225)	$ 10,722

Unaudited Condensed Consolidating Statement of Income

	Quarter Ended April 3, 2010				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	$	$ 95,084	$ 41,994	$ (9,372)	$ 127,706
Cost of sales		71,314	28,361	(9,372)	90,303
Gross profit		23,770	13,633		37,403
Selling, general and administrative expenses	26	13,496	7,450		20,972
Research and development expenses		1,084	695		1,779
Restructuring costs		798	248		1,046
Income from operations	(26)	8,392	5,240		13,606
Interest expense, net	4,496	385	59		4,940
Other non-operating expense, net		74	221		295

Equity in earnings of subsidiaries		9,025						(9,025)		
Income before income taxes		4,503		7,933		4,960		(9,025)		8,371
Provision (benefit) for income taxes		(1,236)		2,380		1,488				2,632
Net income	$	5,739	$	5,553	$	3,472	$	(9,025)	$	5,739

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted
Unaudited Condensed Consolidating Statement of Cash Flows

	Year to Date Ended April 2, 2011				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 10,722	$ 8,294	$ 5,931	$ (14,225)	$ 10,722
Undistributed equity in earnings of subsidiaries	(14,225)			14,225	
Adjustments to reconcile net income to net cash flows:					
Depreciation		3,329	725		4,054
Amortization of intangible assets		1,016	348		1,364
Amortization and write-offs of deferred financing costs	195	134			329
Loss on foreign currency, net			51		51
Accretion of debt discount, net	300				300
Stock-based compensation		700			700
Changes in assets and liabilities:					
Trade receivables		(14,906)	(5,496)		(20,402)
Inventories		(503)	(3,005)		(3,508)
Accounts payable and accrued liabilities	4,810	(3,717)	977		2,070
Other current assets and liabilities		(1,780)	(863)		(2,643)
Other operating assets and liabilities		(370)	33		(337)
Net cash provided by (used in) operating activities	1,802	(7,803)	(1,299)		(7,300)
Cash flows used in investing activities					
Purchase of property, plant and equipement		(1,819)	(935)		(2,754)
Net cash used in investing activities		(1,819)	(935)		(2,754)
Cash flows from financing activities					

Proceeds from issuance of Convertible Notes	85,000				85,000
Payment of debt issuance costs	(3,404)				(3,404)
Shares surrendered for tax withholdings	(62)				(62)
Payments on mortgages			(131)		(131)
Payments on capital leases		(85)	(101)		(186)
Change in affiliate debt	(83,336)	84,276	(940)		
Net cash provided by (used in) financing activities	(1,802)	84,191	(1,172)		81,217
Effect of exchange rate changes on cash and cash equivalents			1,636		1,636
Net change in cash and cash equivalents		74,569	(1,770)		72,799
Cash and cash equivalents at beginning of year		37,125	35,598		72,723
Cash and cash equivalents at end of period	$	$ 111,694	$ 33,828	$	$ 145,522

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted
Unaudited Condensed Consolidating Statement of Cash Flows

	Year to Date Ended April 3, 2010				
	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities					
Net income	$ 5,739	$ 5,553	$ 3,472	$ (9,025)	$ 5,739
Undistributed equity in earnings of subsidiaries	(9,025)			9,025	
Adjustments to reconcile net income to net cash flows:					
Depreciation		3,268	891		4,159
Amortization of intangibles		1,032	351		1,383
Loss on foreign currency, net			314		314
Amortization and write-offs of deferred financing costs	172				172
Accretion of debt discount and premium, net	73				73
Deferred income tax		26	(26)		
Stock-based compensation		548			548
Changes in assets and liabilities:					
Trade receivables		(10,494)	(4,543)		(15,037)
Inventories		(421)	(1,148)		(1,569)
Accounts payable and accrued liabilities	4,190	7,318	3,014		14,522
Other current assets and liabilities		(1,316)	(686)		(2,002)
Other operating assets and liabilities	(35)	(113)	20		(128)
Net cash provided by operating activities	1,114	5,401	1,659		8,174
Cash flows from investing activities					
Purchase of property, plant and equipment		(2,349)	(345)		(2,694)
Additional purchase price for acquisition		(1,177)			(1,177)
Net cash used in investing activities		(3,526)	(345)		(3,871)

Cash flows from financing activities					
Payment of debt issuance costs	(64)	1			(63)
Shares surrendered for tax withholdings	(288)				(288)
Net payments on capital leases		(175)			(175)
Payments on mortgages			(121)		(121)
Change in affiliate debt	(762)	618	144		
Net cash provided by (used in) financing activities	(1,114)	444	23		(647)
Effect of exchange rate changes on cash and cash equivalents			(1,587)		(1,587)
Net change in cash and cash equivalents		2,319	(250)		2,069
Cash and cash equivalents at beginning of year	1	19,744	31,752		51,497
Cash and cash equivalents at end of period	$ 1	$ 22,063	$ 31,502	$	$ 53,566

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ALTRA HOLDINGS, INC.
Notes to Unaudited Condensed Consolidated Interim Financial Statements
Amounts in thousands, unless otherwise noted

17. Acquisitions

In February 2011, the Company announced that it had signed a definitive agreement to acquire substantially all of the assets and liabilities of Danfoss Bauer GmbH relating to its gearmotor business for a cash consideration of 43.1 million, subject to adjustments for working capital and other items, which is payable at closing. The finalization of the transaction is subject to customary closing conditions, including receipt of required regulatory approvals, and is expected to take place during the second quarter of 2011.

Bauer is a European manufacturer of high-quality gearmotors, offering engineered solutions to a variety of industries, including material handling, metals, food processing and energy. In addition to a presence in Germany, the company has a well-established sales network in 15 additional countries in Western and Eastern Europe, China, and the United States.

18. Subsequent Events

The Company considers events or transactions that occur after the balance sheet date but before the financial statements are issued to provide additional evidence relative to certain estimates or to identify matters that require additional disclosure. The Company evaluated subsequent events through the date the financial statements were issued. With the exception of the sale of the Chattanooga facility disclosed in Note 8, no subsequent events have been identified that would require disclosure.

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

CAUTIONARY STATEMENT REGARDING FORWARD-LOOKING STATEMENTS

This Quarterly Report on Form 10-Q contains forward-looking statements, within the meaning of Section 27A of the Securities Act of 1933, as amended, and Section 21E of the Securities Exchange Act of 1934, as amended, which reflect the Company s current estimates, expectations and projections about the Company s future results, performance, prospects and opportunities. Forward-looking statements include, among other things, the information concerning the Company s possible future results of operations including revenue, costs of goods sold, and gross margin, future profitability, future economic improvement, business and growth strategies, financing plans, the Company s competitive position and the effects of competition, the projected growth of the industries in which we operate, and the Company s ability to consummate strategic acquisitions and other transactions. Forward-looking statements include statements that are not historical facts and can be identified by forward-looking words such as anticipate, believe, could, estimate, expect, intend, plan, may, should, will, would, project, and similar expressions. T forward-looking statements are based upon information currently available to the Company and are subject to a number of risks, uncertainties, and other factors that could cause the Company s actual results, performance, prospects, or opportunities to differ materially from those expressed in, or implied by, these forward-looking statements.

Important factors that could cause the Corporation s actual results to differ materially from the results referred to in the forward-looking statements the Corporation makes in this report include:

- the Company s access to capital, credit ratings, indebtedness, and ability to raise additional capital and operate under the terms of the Company s debt obligations;
- the risks associated with our debt;
- the effects of intense competition in the markets in which we operate;
- the Company s ability to successfully execute, manage and integrate key acquisitions and mergers, including the Bauer Acquisition;
- the Company s ability to obtain or protect intellectual property rights;
- the Company s ability to retain existing customers and our ability to attract new customers for growth of our business;
- the effects of the loss or bankruptcy of or default by any significant customer, suppliers, or other entity relevant to the Company s operations;
- the Company s ability to successfully pursue the Company s development activities and successfully integrate new operations and systems, including the realization of revenues, economies of scale, cost savings, and productivity gains associated with such operations;
- the Company s ability to complete cost reduction actions and risks associated with such actions;
- the Company s ability to control costs;
- failure of the Company s operating equipment or information technology infrastructure;
- the Company s ability to achieve its business plans, including with respect to an uncertain economic environment;
- changes in employment, environmental, tax and other laws and changes in the enforcement of laws;
- the accuracy of estimated forecasts of OEM customers and the impact of the current global economic environment on our customers;
- fluctuations in the costs of raw materials used in our products;
- the Company s ability to attract and retain key executives and other personnel;
- work stoppages and other labor issues;
- changes in the Company s pension and retirement liabilities;
- the Company s risk of loss not covered by insurance;
- the outcome of litigation to which the Company is a party from time to time, including product liability claims;
- changes in accounting rules and standards, audits, compliance with the Sarbanes-Oxley Act, and regulatory investigations;

changes in market conditions that would result in the impairment of goodwill or other assets of the Company;

changes in market conditions in which we operate that would influence the value of the Company s stock;

the effects of changes to critical accounting estimates; changes in volatility of the Company s stock price and the risk of litigation following a decline in the price of the Company s stock;

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- the cyclical nature of the markets in which we operate;
- the risks associated with the global recession and volatility and disruption in the global financial markets;
- political and economic conditions nationally, regionally, and in the markets in which we operate;
- natural disasters, war, civil unrest, terrorism, fire, floods, tornadoes, earthquakes, hurricanes, or other matters beyond the Company s control;
- the risks associated with international operations, including currency risks;
- the risks associated with the Company s planned investment in a new manufacturing facility in China; and
- other factors, risks, and uncertainties referenced in the Company s filings with the Securities and Exchange Commission, including the Risk Factors set forth in the Company s Annual Report on Form 10-K for the year ended December 31, 2010.

ALL FORWARD-LOOKING STATEMENTS SPEAK ONLY AS OF THE DATE OF THIS REPORT. EXCEPT AS REQUIRED BY LAW, WE UNDERTAKE NO OBLIGATION TO PUBLICLY UPDATE OR RELEASE ANY REVISIONS TO THESE FORWARD-LOOKING STATEMENTS TO REFLECT ANY EVENTS OR CIRCUMSTANCES AFTER THE DATE OF THIS REPORT OR TO REFLECT THE OCCURRENCE OF UNANTICIPATED EVENTS. ALL SUBSEQUENT WRITTEN AND ORAL FORWARD-LOOKING STATEMENTS ATTRIBUTABLE TO US OR ANY PERSON ACTING ON THE COMPANY S BEHALF ARE EXPRESSLY QUALIFIED IN THEIR ENTIRETY BY THE CAUTIONARY STATEMENTS CONTAINED OR REFERRED TO IN THIS SECTION AND IN OUR RISK FACTORS SET FORTH IN PART I, ITEM 1A OF THE COMPANY S ANNUAL REPORT ON FORM 10-K FOR THE YEAR ENDED DECEMBER 31, 2010, AND IN OTHER REPORTS FILED WITH THE SEC BY THE COMPANY.

The following discussion of the financial condition and results of operations of Altra Holdings, Inc. and its subsidiaries should be read together with the audited financial statements of Altra Holdings, Inc. and its subsidiaries and related notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2010. Unless the context requires otherwise, the terms Altra Holdings, the Company, we, us, and our refer to Altra Holdings, Inc. and its subsidiaries.

General

Altra Holdings, Inc. is the parent company of Altra Industrial Motion, Inc. (Altra Industrial), and owns 100% of Altra Industrial s outstanding capital stock. Altra Industrial, directly or indirectly, owns 100% of the capital stock of its 55 subsidiaries. The following chart illustrates a summary of our corporate structure:

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Although we were incorporated in Delaware in 2004, much of our current business has its roots with the prior acquisition by Colfax Corporation, or Colfax, of a series of power transmission businesses. In December 1996, Colfax acquired the MPT group of Zurn Technologies, Inc. Colfax subsequently acquired Industrial Clutch Corp. in May 1997, Nuttall Gear Corp. in July 1997 and the Boston Gear and Delroyd Worm Gear 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 Power Transmission Holding LLC, or PTH , in June 2004 to serve as a holding company for all of these power transmission businesses. Boston Gear was established in 1877, Warner Electric, Inc. in 1927, and Wichita Clutch in 1949.

On November 30, 2004, we acquired our original core business through the acquisition of PTH from Colfax. We refer to this transaction as the PTH Acquisition.

On October 22, 2004, The Kilian Company, or Kilian, a company formed at the direction of Genstar Capital, then the largest stockholder of Altra Holdings, acquired Kilian Manufacturing Corporation from Timken U.S. Corporation. At the completion of the PTH Acquisition, (i) all of the outstanding shares of Kilian capital stock were exchanged for shares of our capital stock and (ii) Kilian and its subsidiaries were transferred to Altra Industrial.

On February 10, 2006, we purchased all of the outstanding share capital of Hay Hall Holdings Limited, or Hay Hall. Hay Hall was a UK-based holding company established in 1996 that was focused primarily on the manufacture of couplings and clutch brakes.

On May 18, 2006, we acquired substantially all of the assets of Bear Linear Inc., or Warner Linear. Warner 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.

On April 5, 2007, the Company acquired all of the outstanding shares of TB Wood s Corporation, or TB Wood s. TB Wood s is an established designer, manufacturer and marketer of mechanical and electronic industrial power transmission products with a history dating back to 1857.

On October 5, 2007, we acquired substantially all of the assets of All Power Transmission Manufacturing, Inc., or All Power, a manufacturer of universal joints.

On December 31, 2007, we sold the TB Wood s adjustable speed drives business, or Electronics Division. We sold the Electronics Division in order to continue our strategic focus on our core electro-mechanical power transmission business.

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, couplings, engineered bearing assemblies, linear components 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.

While the power transmission industry has undergone some consolidation, we estimate that in 2010 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.

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

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

Our Internet address is www.altramotion.com. By following the link Investor Relations and then SEC filings on our Internet website, we make available, free of charge, our Annual Report on Form 10-K, our Quarterly Reports on Form 10-Q, our Current Reports on Form 8-K and amendments to those reports filed or furnished pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934, as amended (the Exchange Act) as soon as reasonably practicable after such forms are filed with or furnished to the SEC. We are not including the information contained on or available through our website as a part of, or incorporating such information by reference into, this Form 10-Q.

Business Outlook

Our future financial performance depends, in large part, on conditions in the markets that we serve and on the U.S. and global economies in general. In 2011, we expect to continue to focus on the execution of our long-term growth strategy, and will also continue to focus on maintaining a reduced cost base. Among other items, we expect our growth initiatives in 2011 will continue to include investing in organic growth, seeking strategic acquisitions, targeting key underpenetrated geographic regions, entering new high-growth markets, enhancing our efficiency and productivity through the Altra Business System and focusing on the development of our people and processes.

During 2011, as a result of the positive demand environment for our products, we expect that early-cycle and late-cycle markets will continue to be strong for the remainder of the year. We expect that the Bauer Acquisition will close in the second quarter of 2011, which will open underpenetrated geographic regions and provide a favorable environment to continue to further execute our acquisition strategy.

Critical Accounting Policies

The preparation of our condensed consolidated financial statements and related disclosures in conformity with accounting principles generally accepted in the United States requires management to make judgments, assumptions and estimates that affect our reported amounts of assets, revenues and expenses, as well as related disclosure of contingent assets and liabilities. We base our estimates on past experiences and other assumptions we believe to be appropriate, and we evaluate these estimates on an on-going basis. Management believes there have been no significant changes in our critical accounting policies since December 31, 2010. See the discussion of critical accounting policies in our Annual Report on Form 10-K for the year ended December 31, 2010.

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Results of Operations

	Quarter Ended	
(In thousands)	April 2, 2011	April 3, 2010
Net sales	$ 159,847	$ 127,706
Cost of sales	112,012	90,303
Gross profit	47,835	37,403
Gross profit percentage	*29.93%*	*29.29%*
Selling, general and administrative expenses	25,516	20,972
Research and development expenses	2,317	1,779
Restructuring costs		1,046
Income from operations	20,002	13,606
Interest expense, net	5,163	4,940
Other non-operating expense	(286)	295
Income before income taxes	15,125	8,371
Provision for income taxes	4,403	2,632
Net income	$ 10,722	$ 5,739

Quarter Ended April 2, 2011 compared with Quarter Ended April 3, 2010
(Amounts in thousands unless otherwise noted)

	Quarter Ended			
	April 2, 2011	April 3, 2010	Change	%
Net sales	$ 159,847	$ 127,706	$ 32,141	25.2%

The majority of the increase in sales during the first quarter of 2011 is due to improvements in the end markets we serve. All of our operating segments had increased sales in the first quarter of 2011. We expect that demand at our early-cycle and late-cycle markets will remain strong and that we will see further improvement from many of our late-cycle markets, such as mining, power generation, and oil production, as the year progresses. We expect to see continued increases in sales in 2011 compared to 2010.

	Quarter Ended			
	April 2, 2011	April 3, 2010	Change	%
Gross Profit	$ 47,835	$ 37,403	$ 10,432	27.9%
Gross Profit as a percent of sales	29.9%	29.3%		

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The increase in gross profit as a percentage of sales was primarily due to productivity improvements we have implemented, price increases implemented during the quarter, low cost country sourcing, as well as, better overhead absorption as a result of higher production levels. These factors were offset by higher material costs in the first quarter of 2011, primarily relating to copper and steel. We expect to be able to offset the majority of material cost increases with price increases to our customers during future periods. We expect our full year 2011 gross profit as a percentage of sales to continue to be higher than 2010.

	Quarter Ended			
	April 2, 2011	April 3, 2010	Change	%
Selling, general and administrative expense (SG&A)	$ 25,516	$ 20,972	$ 4,544	21.7%
SG&A as a percent of sales	16.0%	16.4%		

SG&A increased compared to the first quarter of 2010 due to the reinstatement of certain employee benefits that were temporarily suspended during 2009 and not reinstated until July 2010. These include wage increases and company contributions to 401(k) plans. Costs associated with the acquisition of Bauer, and additional headcount to meet increased demand also contributed to the increase in SG&A. During the remainder of 2011, we expect SG&A as a percentage of sales to remain consistent with the first quarter.

	Quarter Ended			
	April 2, 2011	April 3, 2010	Change	%
Restructuring Expense, net	$	$ 1,046	$ (1,046)	-100.0%

In March 2009, we adopted a restructuring plan to continue to improve the utilization of our manufacturing infrastructure and to realign our business with the current economic conditions by consolidating certain facilities. We have substantially concluded our restructuring efforts as of the fourth quarter 2010 and expect no additional expense associated with this restructuring effort going forward.

	Quarter Ended			
	April 2, 2011	April 3, 2010	Change	%
Interest Expense, net	$ 5,163	$ 4,940	$ 223	4.5%

Net interest expense increased due to the issuance of the Convertible Notes in March 2011.

	Quarter Ended			
	April 2, 2011	April 3, 2010	Change	%
Other non-operating expense (income), net	$ (286)	$ 295	$ (581)	-196.9%

Other non-operating income in each period relates primarily to changes in foreign currency, primarily the British Pound Sterling and Euro.

	Quarter Ended			
	April 2, 2011	April 3, 2010	Change	%
Provision for income taxes	$ 4,403	$ 2,632	$ 1,771	67.3%
Provision for income taxes as a % of income before income taxes	29.1%	31.4%		

The 2011 first quarter provision for income taxes, as a percentage of income before taxes, was lower than that of the first quarter 2010, primarily due to the receipt of a $0.6 million refund of foreign withholding taxes paid that was previously determined to be more likely than not uncollectible, and an increase of $0.8 million Section 199 manufacturing deduction benefit. This was partially offset by a 2010 unrecognized tax benefit of $0.3 million related primarily to the expiration of the statute of limitations in a non-U.S. jurisdiction.

Liquidity and Capital Resources

Overview

We finance our capital and working capital requirements through a combination of cash flows from operating activities and borrowings under our senior secured revolving credit facility (Revolving Credit Agreement). We expect that our primary ongoing requirements for cash will be for working capital, debt service, capital expenditures, acquisitions and pension plan funding. In the event additional funds are needed, we could borrow additional funds under our Revolving Credit Agreement, or attempt to raise capital in the equity and debt markets. Presently, we have capacity under our Revolving Credit Agreement to borrow up to approximately $50.0 million, based on monthly asset collateral calculations, including letters of credit of which we currently have $9.6 million outstanding. Of this total capacity, we can currently borrow up to an additional $27.9 million without being required to comply with any financial covenants under the agreement. There can be no assurance however that additional debt financing will be available on commercially acceptable terms, if at all. Similarly, there can be no assurance that equity financing will be available on commercially acceptable terms, if at all.

Borrowings

	Amounts in millions	
	April 2, 2011	December 31, 2010
Debt:		
Revolving Credit Agreement	$	$
Convertible Notes	85.0	
Senior Secured Notes	210.0	210.0
Variable rate demand revenue bonds	5.3	5.3
Mortgages	2.4	2.4
Capital leases	1.1	1.3
Total Debt	$ 303.8	$ 219.0

Convertible Senior Notes

In March 2011, the Company issued Convertible Senior Notes (the Convertible Notes) due on March 1, 2031. The Convertible Notes are guaranteed by the Company s U.S. domestic subsidiaries and are secured by a second priority lien, subject to first priority liens securing our Revolving Credit Agreement, on substantially all of our assets and those of our domestic subsidiaries. Interest on the Convertible Notes is payable semi-annually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Proceeds from the offering were $81.6 million, net of fees and expenses which were capitalized. The proceeds from the offering will be used to fund the Bauer Acquisition, as well as bolster the Company s cash position

Senior Secured Notes

In November 2009, the Company issued $210 million of $8^1/_8$% Senior Secured Notes (the Senior Secured Notes). The Senior Secured Notes are guaranteed by the Company s U.S. domestic subsidiaries and are secured by a second priority lien, subject to first priority liens securing our Revolving Credit Agreement, on substantially all of our assets and those of our domestic subsidiaries. Interest on the Senior Secured Notes is payable in arrears, semi-annually on June 1 and December 1 of each year, commencing on June 1, 2010. The indenture governing the Senior Secured Notes contains covenants which restrict the Company and our subsidiaries. These restrictions limit or prohibit, among other things, the ability to incur additional indebtedness; repay subordinated indebtedness prior to stated maturities; pay dividends on or redeem or repurchase stock or make other distributions; make investments or acquisitions; sell certain assets or merge with or into other companies; sell stock in our subsidiaries; and create liens on their assets. We were in compliance in all material respects with all covenants of the indenture governing the Senior Secured Notes at April 2, 2011

Senior Secured Credit Facility

Concurrently with the closing of the offering of the Senior Secured Notes, Altra Industrial entered into the Revolving Credit Agreement, which provides for borrowing capacity in an initial amount of up to $50.0 million (subject to adjustment pursuant to a borrowing base and subject to increase from time to time in accordance with the terms of the credit facility). The Revolving Credit Agreement replaced Altra Industrial s then existing senior secured credit facility and the TB Wood s existing credit facility.

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

An event of default under the Revolving Credit Agreement would occur in connection with a change of control, among other things, if: (i) Altra Industrial ceases to own or control 100% of each of its Borrower subsidiaries, or (ii) a change of control occurs under the Senior Secured Notes, or any other subordinated indebtedness.

An event of default under the Revolving Credit Agreement would also occur if an event of default occurs under the indentures governing the Senior Secured Notes or if there is a default under any other indebtedness that any Borrower may have involving an aggregate amount of $10 million or more and such default: (i) occurs at final maturity of such debt, (ii) allows the lender there under to accelerate such debt or (iii) causes such debt to be required to be repaid prior to its stated maturity. An event of default would also occur under the Revolving Credit Agreement if any of the indebtedness under the Revolving Credit Agreement ceases with limited exception to be secured by a full lien of the assets of Borrowers and guarantors.

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As of April 2, 2011, we were in compliance in all material respects with all covenant requirements associated with all of our borrowings. As of April 2, 2011, we had no borrowings and $9.6 million in letters of credit outstanding under the Revolving Credit Agreement.

Cash and Cash Equivalents

	Quarter Ended			
(in thousands)	April 2, 2011	December 31, 2010	Change	%
Cash and cash equivalents	$ 145,522	$ 72,723	$ 72,799	100.1%

Cash Flows for quarter ended April 2, 2011

The primary sources and uses of funds used in operating activities of $7.3 million resulted from cash provided from: (i) net income of $10.7 million; and (ii) the add-back of non-cash depreciation, amortization, stock-based compensation, accretion of debt discount, deferred financing costs, non-cash loss on foreign currency offset by a net increase in working capital all totaling $18.0 million. While a variety of factors can influence our ability to project future cash flow, we expect to see positive cash flows from operating activities during the remainder of 2011.

Net cash used in investing activities was $2.8 million for the quarter ended April 2, 2011. We expect to incur between $17.2 million and $19.2 million of additional capital expenses in 2011.

Net cash provided by financing activities was $81.2 million for the quarter ended April 2, 2011. This resulted primarily from the proceeds of the issuance of $85.0 million in Convertible Notes, offset by the payments of capital lease obligations of $0.2 million, $0.1 million of payments on mortgages, and $3.4 million of costs associated with the issuance of the Convertible Notes.

We intend to use our remaining existing cash and cash equivalents and cash flow from operations to provide for our working capital needs, fund the Bauer Acquisition, and to fund potential future acquisitions, debt service, capital expenditures, and pension funding. We believe our future operating cash flows will be sufficient to meet our future operating and investing cash needs. Furthermore, the existing cash balances and the availability of additional borrowings under our Revolving Credit Agreement provide additional potential sources of liquidity should they be required.

Contractual Obligations

There were no significant changes in our contractual obligations subsequent to December 31, 2010 with the exception of the issuance of the Convertible Notes in March 2011, due on March 1, 2031. Interest on the Convertible Notes is payable semi-annually in arrears, on March 1 and September 1 of each year, commencing on September 1, 2011 at an annual rate of 2.75%. Interest payments on these notes will be approximately $1.9 million in 2011 and approximately $2.3 million of interest will be due each year from 2012 through 2031 when the Convertible Notes become due.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to various market risk factors such as fluctuating interest rates, changes in foreign currency rates, and changes in commodity prices. At present, we do not utilize derivative instruments to manage these risks. During the reporting period, there have been no material changes to the quantitative and qualitative disclosures regarding our market risk set forth in our Annual Report on Form 10-K for the year ended December 31, 2010.

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Item 4. Controls and Procedures

As of April 2, 2011, our management, under the supervision and with the participation of our chief executive officer and chief financial officer, carried out an evaluation of the effectiveness of our disclosure controls and procedures defined in Rules 13a-15(e) and 15d-15(e) of the Securities Exchange Act of 1934, as amended or the Exchange Act. Our disclosure controls and procedures are designed to provide reasonable assurance that information required to be disclosed in reports filed under the Exchange Act, such as this Form 10-Q, is (i) recorded, processed, summarized and reported within the time periods specified in the SEC s rules and forms, and (ii) accumulated and communicated to management, including the principal executive and financial officers, as appropriate to allow timely decisions regarding required disclosures. Based upon that evaluation, our chief executive officer and chief financial officer have concluded that, as of April 2, 2011, our disclosure controls and procedures are effective at a reasonable assurance level.

There has been no change in our internal control over financial reporting (as defined in Rule 13a 15(f) under the Exchange Act) that occurred during our fiscal quarter ended April 2, 2011, that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

PART II OTHER INFORMATION

Item 1. Legal Proceedings

We are, from time to time, party to various legal proceedings arising out of our business. During the reporting period, there have been no material changes to the description of legal proceedings set forth in our Annual Report on Form 10-K for the year ended December 31, 2010.

Item 1A. Risk Factors

The reader should carefully consider the Risk Factors described in our Annual Report on Form 10-K for the year ended December 31, 2010 filed with the Securities and Exchange Commission. Those risk factors described below, elsewhere in this report on Form 10-Q and in our Annual Report on Form 10-K for the year ended December 31, 2010 are not the only ones we face, but are considered to be the most material. These risk factors could cause our actual results to differ materially from those stated in forward looking statements contained in this Form 10-Q and elsewhere. All risk factors stated in our Annual Report on Form 10-K for the year ended December 31, 2010 are incorporated herein by reference.

During the reporting period, except as set forth below, there have been no material changes to the risk factors set forth in our Annual Report on Form 10-K for the year ended December 31, 2010.

Our construction of a new manufacturing facility in China is subject to multiple approvals and uncertainties that could affect our ability to complete the project on schedule or at budgeted cost. We may not realize the expected growth and production savings from the new facility.

The construction of our new manufacturing facility in Chang Zhou, China is currently expected to be completed during the third quarter of 2012. The construction of this new facility involves numerous regulatory, environmental, political, and legal uncertainties beyond our control. The cost of the facility and the equipment required for the facility will require the expenditure of significant amounts of capital that we plan to finance through internal cash flows. Moreover, this facility is being built to capture anticipated future growth in demand in the metals and alternative energy businesses and anticipated savings in production costs over our current manufacturing facilities. There are numerous risks and uncertainties that may prevent us from achieving the revenues we currently anticipate from this facility. Some of these risks and uncertainties relate to our ability to: offer new and innovative products to attract and retain a larger customer base; attract additional customers; undertake more contracted projects; maintain effective control of our costs and expenses; respond to evolving social, economic and political changes in China; respond to competitive market conditions; manage risks associated with intellectual property rights; and attract, retain and motivate qualified personnel. If we are unsuccessful in addressing any of these risks and uncertainties and such growth or production savings do not materialize, or should the timeline for our completion of the facility be delayed, we may be unable to achieve our expected investment return, which could adversely affect our results of operations and financial condition.

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Item 2. Unregistered Sales of Equity Securities and Use of Proceeds

The following table summarizes our share repurchase activity by month for the quarter ended April 2, 2011.

Approximate Period	Total Number of Shares Purchased (1)	Weighted Average Price Paid per Share	Total Number of Shares Purchased as Part of a Publicly Announced Program	Dollar Value of Shares that may be Purchased under the Program
January 1, 2011 to January 29, 2011		$		$
January 30, 2011 to February 26, 2011	2,811	$ 21.93		$
February 27, 2011 to April 2, 2011		$		$

(1) We repurchased these shares of common stock in connection with the vesting of certain stock awards to cover minimum statutory withholding taxes.

Item 3. Defaults Upon Senior Securities

None.

Item 4. (Removed and Reserved)

Item 5. Other Information

None.

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Item 6. Exhibits

The following exhibits are filed as part of this report:

Exhibit Number	Description
3.1(1)	Second Amended and Restated Certificate of Incorporation of the Registrant.
3.2(2)	Second Amended and Restated Bylaws of the Registrant.
4.1(5)	Indenture, dated March 7, 2011, among Altra Holdings, Inc., the Guarantors party thereto and Bank of New York Mellon Trust Company, N.A.
10.1(3)	Amendment No. 1 to Credit Agreement and Waiver and Consent, dated February 24, 2011.
10.2(4)	Sale and Purchase Agreement among Danfoss Bauer GmbH, Danfoss A/S and Altra Holdings, Inc. (and certain of it subsidiaries), dated February 25, 2011.
10.3(5)	Purchase Agreement among the Company, the Guarantors party thereto, Jefferies & Company, Inc. and J.P. Morgan Securities LLC, dated March 1, 2011.
21.1*	Subsidiaries of Altra Holdings, Inc.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.

(1) Incorporated by reference to Altra Holdings, Inc. s Registration Statement on Form S-1A, as amended, filed with the Securities and Exchange Commission on December 4, 2006.

(2) Incorporated by reference to Altra Holdings, Inc. s Current Report on form 8-K filed on October 27, 2008.

(3) Incorporated by reference to Altra Holdings, Inc. s Current Report on form 8-K filed on February 28, 2011.

(4) Incorporated by reference to Altra Holdings, Inc. s Current Report on form 8-K filed on February 28, 2011.

(5) Incorporated by reference to Altra Holdings, Inc. s Current Report on form 8-K filed on March 7, 2011.

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SIGNATURES

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized.

	ALTRA HOLDINGS, INC.
May 2, 2011	By: /s/ Carl R. Christenson
	Name: Carl R. Christenson Title: President and Chief Executive Officer
May 2, 2011	By: /s/ Christian Storch
	Name: Christian Storch Title: Vice President and Chief Financial Officer
May 2, 2011	By: /s/ Todd B. Patriacca
	Name: Todd B. Patriacca Title: Vice President of Finance, Corporate Controller and Treasurer

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EXHIBIT INDEX

Exhibit Number	Description
21.1*	Subsidiaries of Altra Holdings, Inc.
31.1*	Certification of Chief Executive Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2*	Certification of Chief Financial Officer Pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1**	Certification of Chief Executive Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.
32.2**	Certification of Chief Financial Officer Pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

* Filed herewith.

** Furnished herewith.