

TOWER AUTOMOTIVE INC

Form 10-Q

September 15, 2006

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**UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549**

Form 10-Q

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

For the quarterly period ended June 30, 2006

OR

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

For the transition period from _____ to _____

**Commission file number 1-12733
TOWER AUTOMOTIVE, INC.**

(Exact name of Registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

41-1746238

(I.R.S. Employer
Identification No.)

**27175 Haggerty Road
Novi, Michigan**

(Address of principal executive offices)

48377

(Zip Code)

(248) 675-6000

(Registrant's telephone number, including area code)

Not Applicable

(Former name, former address and former fiscal year, if changed since last report)

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, and (2) has been subject to such filing requirements for the past 90 days.

Yes No

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer or a non-accelerated filer. See definition of "accelerated filer and large accelerated filer" in Rule 12(b)-2 of the Securities and Exchange Act.

Large Accelerated Filer Accelerated Filer Non-Accelerated Filer

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12(b)-2 of the Securities and Exchange Act).

Yes No

The number of shares outstanding of the Registrant's Common Stock, par value \$.01 per share, at September 8, 2006, was 58,548,651 shares.

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TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(Amounts in thousands Unaudited)

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 120,123	\$ 65,791
Accounts receivable	392,484	363,040
Inventories	134,316	123,433
Prepaid tooling and other	134,006	185,646
Total current assets	780,929	737,910
Property, plant and equipment, net	983,926	1,038,794
Investments in joint ventures	242,852	228,634
Goodwill	164,524	153,037
Other assets, net	129,480	132,851
Total assets	\$ 2,301,711	\$ 2,291,226
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities not subject to compromise:		
Current maturities of long-term debt and capital lease obligations	\$ 142,375	\$ 151,755
Current portion of debtor-in-possession borrowings	607,000	
Accounts payable	371,878	378,816
Accrued liabilities	181,821	169,248
Total current liabilities	1,303,074	699,819
Liabilities subject to compromise	1,299,553	1,284,217
Non-current liabilities not subject to compromise:		
Long-term debt, net of current maturities	106,383	107,823
Debtor-in-possession borrowings		531,000
Capital lease obligations, net of current maturities	30,876	30,308
Other non-current liabilities	108,893	125,682
Total non-current liabilities	246,152	794,813
Stockholders deficit:		

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Preferred stock		
Common stock	666	666
Additional paid-in-capital	681,653	681,102
Accumulated deficit	(1,192,564)	(1,106,840)
Deferred compensation plans		(6,798)
Accumulated other comprehensive income (loss)	12,501	(6,429)
Treasury stock	(49,324)	(49,324)
Total stockholders' deficit	(547,068)	(487,623)
Total liabilities and stockholders' deficit	\$ 2,301,711	\$ 2,291,226

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

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TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Amounts in thousands, except per share amounts Unaudited)

	Three Months Ended June		Six Months Ended June	
	30,		30,	
	2006	2005	2006	2005
Revenues	\$ 766,907	\$ 923,014	\$ 1,536,627	\$ 1,838,894
Cost of sales	708,778	843,625	1,428,710	1,694,714
Gross profit	58,129	79,389	107,917	144,180
Selling, general and administrative expenses	33,044	39,422	67,081	82,628
Restructuring and asset impairment charges, net	28,342	39,289	30,864	71,184
Other operating income			(520)	
Operating income (loss)	(3,257)	678	10,492	(9,632)
Interest expense (contractual interest of \$40,929 and \$79,810 in 2006 and \$40,819 and \$94,226 in 2005)	22,664	22,392	43,470	66,501
Interest income	(756)	(49)	(1,212)	(488)
Chapter 11 and related reorganization items	43,662	103,287	55,271	144,909
Loss before provision for income taxes, equity in earnings of joint ventures, and minority interest	(68,827)	(124,952)	(87,037)	(220,554)
Provision for income taxes	11,885	9,697	9,730	15,822
Loss before equity in earnings of joint ventures, and minority interest	(80,712)	(134,649)	(96,767)	(236,376)
Equity in earnings of joint ventures, net of tax	7,533	2,222	14,217	6,485
Minority interest, net of tax	(2,206)	(1,223)	(3,172)	(2,557)
Net loss	\$ (75,385)	\$ (133,650)	\$ (85,722)	\$ (232,448)
Basic and diluted loss per share	\$ (1.29)	\$ (2.28)	\$ (1.46)	\$ (3.96)
Weighted average basic and diluted shares outstanding	58,661	58,646	58,657	58,647

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

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TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Amounts in thousands Unaudited)

	Six Months Ended June 30,	2006	2005
			(as restated see Note 1)
OPERATING ACTIVITIES:			
Net loss	\$	(85,722)	\$ (232,448)
Adjustments to reconcile net loss to net cash provided by (used in) operating activities:			
Chapter 11 and related reorganization items, net		38,682	131,535
Non-cash restructuring and impairment, net		26,313	63,722
Depreciation		81,405	89,931
Deferred income tax provision (benefit)		(7,448)	12,711
Equity in earnings of joint ventures, net		(14,217)	(6,485)
Change in working capital and other operating items		(9,994)	(170,509)
Net cash provided by (used in) operating activities		29,019	(111,543)
INVESTING ACTIVITIES:			
Cash disbursed for purchases of property, plant and equipment		(60,359)	(89,718)
Cash proceeds from asset disposal		32,664	
Net cash used in investing activities		(27,695)	(89,718)
FINANCING ACTIVITIES:			
Proceeds from borrowings		20,894	18,452
Repayments of borrowings		(43,886)	(449,871)
Proceeds from DIP credit facility		345,500	866,785
Repayments of DIP credit facility		(269,500)	(331,625)
Net cash provided by financing activities		53,008	103,741
NET CHANGE IN CASH AND CASH EQUIVALENTS		54,332	(97,520)
Cash and cash equivalents, beginning of period		65,791	149,101
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	120,123	\$ 51,581
Supplemental cash flow information:			
Interest paid, net of amounts capitalized	\$	38,920	\$ 29,161

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Income taxes paid (refunded)	\$ 4,140	\$ (292)
Non-cash investing activities:		
Net decrease in liabilities for purchases of property, plant and equipment	\$ (12,321)	\$ (38,181)

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

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TOWER AUTOMOTIVE, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

Note 1. Basis of Presentation

The accompanying condensed consolidated financial statements have been prepared by Tower Automotive, Inc. (the Company), without audit, pursuant to the rules and regulations of the Securities and Exchange Commission (the SEC). The information furnished in the condensed consolidated financial statements includes primarily normal recurring adjustments and reflects all adjustments, which are, in the opinion of management, necessary for a fair presentation of such financial statements. Certain information and disclosures normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States (U.S. GAAP) have been condensed or omitted pursuant to the rules and regulations of the SEC. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these condensed consolidated financial statements should be read in conjunction with the consolidated financial statements and the notes thereto included in the Company's Annual Report on Form 10-K for the year ended December 31, 2005. The interim results for the periods presented are not indicative of the Company's actual annual results.

As indicated in Note 2, Tower Automotive, Inc. and 25 of its U.S. Subsidiaries (collectively, the Debtors) are operating pursuant to Chapter 11 of the United States Bankruptcy Code (the Bankruptcy Code) and continuation of the Company as a going concern is contingent upon, among other things, the Debtors' ability: (i) to comply with the terms and conditions of the Debtor-in-Possession financing agreement described in Note 9; (ii) to obtain confirmation of a plan of reorganization under the Bankruptcy Code; (iii) to undertake certain restructuring actions relative to the Company's operations in North America; (iv) to reduce unsustainable debt and other liabilities and simplify the Company's complex and restrictive capital structure through the bankruptcy process; (v) to return to profitability; (vi) to generate sufficient cash flow from operations; and (vii) to obtain financing sources to meet the Debtors' future obligations. The accompanying condensed consolidated financial statements do not reflect any adjustments relating to the recoverability and classification of liabilities that might result from the outcome of these uncertainties. In addition, a confirmed plan of reorganization will materially change amounts reported in the Company's consolidated financial statements, which do not give effect to any adjustments of the carrying value of assets and liabilities that are necessary as a consequence of reorganization under Chapter 11.

Subsequent to the bankruptcy filing date, the provisions in Statement of Position 90-7, Financial Reporting by Entities in Reorganization Under the Bankruptcy Code (SOP 90-7) applies to the Debtors' financial statements while the Debtors operate under the provisions of Chapter 11. SOP 90-7 does not change the application of U.S. GAAP in the preparation of financial statements. However, SOP 90-7 does require that the financial statements, for periods including and subsequent to the filing of the Chapter 11 petition, distinguish transactions and events that are directly associated with the reorganization from the ongoing operations of the Company.

Change in Accounting Principle

Effective January 1, 2006, the Company accounts for stock-based compensation utilizing the fair value approach described in Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation (Revised 2004) (SFAS No. 123 (R)) as this statement has been amended and revised. On September 20, 2005, the Company fully vested the entire unvested portion of its outstanding stock options. Therefore, the adoption of SFAS No. 123 (R) had no material impact on the Company's financial statements (see Note 12).

Prior to the adoption of SFAS No. 123 (R), the Company accounted for stock options granted to employees in accordance with Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees (APB Opinion No. 25).

Restatement

Subsequent to the issuance of the Company's Condensed Consolidated Financial Statements for the period ended June 30, 2005 the Company concluded that the Company must correct the presentation of its Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2005. Previously, the Company was reporting capital expenditures in its Condensed Consolidated Statement of Cash Flows on an accrual basis rather than on a cash basis. Accordingly, the Company reported capital expenditures in the Condensed Consolidated Statement of Cash Flows in the period in which the Company acquired legal title to the related property, plant or equipment rather than when the

Company actually paid the vendor for such property, plant or equipment. The impact of

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restating this presentation in the Condensed Consolidated Statement of Cash Flows from an accrual basis to a cash basis decreases or increases cash provided by operations with corresponding decreases or increases in cash utilized in investing activities.

As a result, the accompanying Condensed Consolidated Statement of Cash Flows for the six months ended June 30, 2005, including the Consolidating Financial Statements in Note 17, have been restated to correct this error. A summary of the impact of this restatement is as follows (in thousands):

	Six Months Ended June 30, 2005	
	As previously reported	As restated
Consolidated Financial Statement Caption		
<i>Consolidated Statement of Cash Flows</i>		
Change in working capital and other operating items	(208,690)	(170,509)
Net cash used in operating activities	(149,724)	(111,543)
Cash disbursed for purchases of property, plant and equipment*	(51,537)	(89,718)
Net cash used in investing activities	(51,537)	(89,718)
Net decrease in liabilities for purchases of property, plant and equipment		(38,181)

* Previously referred to as Capital expenditures, net when amounts accrued were included.

Note 2. Chapter 11 Reorganization Proceedings

On February 2, 2005 (the Petition Date), the Debtors filed a voluntary petition for relief under the Bankruptcy Code in the United States Bankruptcy Court Southern District of New York (Bankruptcy Court). The cases were consolidated for administrative purposes. The filing was made necessary by: customer pricing pressures, North American automotive production cuts, significantly higher material costs (primarily steel) and the termination of accelerated payment programs of certain customers adversely affecting the Debtors' liquidity and financial condition, all of which raise substantial doubt as to the Company's ability to continue as a going concern. The Debtors are operating their businesses as debtors-in-possession (DIP) pursuant to the Bankruptcy Code. An official committee of unsecured creditors has been appointed.

Pursuant to the provisions of the Bankruptcy Code, all actions to collect upon any of the Debtors' liabilities as of the Petition Date or to enforce pre-petition date contractual obligations are automatically stayed. As a general rule, absent approval from the Bankruptcy Court, the Debtors are prohibited from paying pre-petition obligations. In addition, as a consequence of the Chapter 11 filing, pending litigation against the Debtors is generally stayed, and no party may take any action to collect pre-petition claims except pursuant to an order of the Bankruptcy Court. However, the Debtors have requested that the Bankruptcy Court approve certain pre-petition liabilities, such as employee wages and benefits and certain other pre-petition obligations. Since the filing, all orders sufficient to enable the Debtors to conduct normal business activities, including the approval of the Debtors' DIP financing, have been entered by the Bankruptcy Court. See Note 9 for a description of the DIP financing. While the Debtors are in bankruptcy, transactions of the Debtors outside the ordinary course of business will require the prior approval of the Bankruptcy Court.

The objectives of the Chapter 11 filing were to protect and preserve the value of assets and to restructure and improve the Debtors' operational and financial affairs in order to return to profitability. While the Company believes it will be able to significantly reduce the Debtors' unsustainable liabilities and simplify its complex and restrictive capital structure through the bankruptcy process, there can be no certainty that it will be successful in doing so.

The Debtors intend to file a plan of reorganization with the Bankruptcy Court. The Company is unable to estimate what recovery such a plan of reorganization will provide holders of the Debtors' unsecured pre-petition debt. While the Debtors filed for Chapter 11 to gain relief from significant pre-petition debt levels and to address needed operational restructuring of the business, the extent to which such relief will be achieved is uncertain at this time.

Financial Statement Classification

The majority of the Debtors' pre-petition debt is in default and is classified as Liabilities Subject to Compromise in the accompanying Condensed Consolidated Balance Sheets at June 30, 2006 and December 31, 2005 (see Note 9). In addition to the Debtors' pre-petition debt which is in default, liabilities subject to compromise reflects the Debtors' other liabilities incurred prior to the commencement of the bankruptcy proceedings. These amounts represent the Company's estimate of known or

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potential pre-petition claims to be resolved in connection with the bankruptcy proceedings. Such claims remain subject to future adjustments. Future adjustments may result from: (i) negotiations; (ii) actions of the Bankruptcy Court; (iii) further developments with respect to disputed claims; (iv) rejection of executory contracts and leases; (v) the determination of value of any collateral securing claims; (vi) proofs of claims; or (vii) other events. Payment terms for these claims will be established in connection with a plan of reorganization.

Liabilities subject to compromise consist of the following (in thousands):

	June 30, 2006	December 31, 2005
Debt:		
5.75% Convertible senior debentures	\$ 124,999	\$ 124,999
6.75% Subordinated debentures	258,750	258,750
9.25% Senior Euro notes	191,790	177,600
12% Senior notes	258,000	258,000
Total debt	833,539	819,349
Pension and other post-retirement benefits	153,854	162,886
Pre-petition accounts payable and accruals	175,181	195,294
Accrued interest on debt subject to compromise	21,343	21,343
Executory contracts	115,636	85,345
Total liabilities subject to compromise	\$ 1,299,553	\$ 1,284,217

The Debtors have incurred certain professional and other expenses directly associated with the bankruptcy proceedings. The Company disbursed cash of approximately \$11.0 million and \$9.9 million relating to these expenses during the three months ended June 30, 2006 and 2005, respectively and \$16.6 million and \$13.3 million for the six months ended June 30, 2006 and 2005, respectively. In addition, the Debtors have made certain provisions to adjust the carrying value of certain pre-petition liabilities to reflect the Debtors' estimate of allowed claims. Such costs are classified as Chapter 11 and related reorganization items in the accompanying Statements of Operations for the three months ended June 30, 2006 and 2005 and for the six months ended June 30, 2006 and 2005 and consist of the following (in thousands):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2006	2005	2006	2005
Professional fees directly related to the filing	\$ 12,556	\$ 7,770	\$ 21,136	\$ 19,964
Key employee retention costs	875	1,657	3,836	1,693
Write off of deferred financing costs				29,135
Estimated executory contract rejection damages	30,231	93,712	30,299	93,920
Other expenses directly attributable to the Company's reorganization		148		197
Total	\$ 43,662	\$ 103,287	\$ 55,271	\$ 144,909

Pursuant to the Bankruptcy Code, the Debtors have filed schedules with the Bankruptcy Court setting forth the assets and liabilities of the Debtors as of the Petition Date. The Debtors have issued proof of claim forms to current and prior employees, known creditors, vendors and other parties with whom the Debtors have previously conducted business. To the extent the recipients disagree with the claims quantified on these forms, the recipient may file discrepancies

with the Bankruptcy Court. Differences between the amounts recorded by the Debtors and claims filed by creditors will be investigated and resolved as part of the bankruptcy proceedings. The Bankruptcy Court ultimately will determine liability amounts that will be allowed for these claims. The Company is in the process of receiving, cataloging and reconciling claims received in conjunction with this process. Because the Debtors have not received all claims and have not completed the evaluation of the claims received in connection with this process, the ultimate number and allowed amount of such claims is not presently known. The resolution of such claims could result in a material adjustment to the Company's financial statements.

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Presented below are the condensed combined financial statements of the Debtors. These statements reflect the financial position, results of operations and cash flows of the combined Debtors, including certain transactions and resulting assets and liabilities between the Debtors and non-Debtor subsidiaries of the Company, which are eliminated in the Company's condensed consolidated financial statements.

Debtors Condensed Combined Balance Sheet
Debtors- in-Possession
(Amounts in thousands)

	June 30, 2006	December 31, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	\$ 51,879	\$ 858
Accounts receivable	159,811	173,206
Inventories	61,755	60,068
Prepaid tooling and other	27,546	65,882
Total current assets	300,991	300,014
Property, plant and equipment, net	511,457	538,598
Investments in and advances to non-debtor subsidiaries	856,264	796,662
Other assets, net	51,616	60,959
Total assets	\$ 1,720,328	\$ 1,696,233
LIABILITIES AND STOCKHOLDERS DEFICIT		
Current liabilities not subject to compromise:		
Current maturities of long-term debt and capital lease obligations	\$ 14,255	\$ 14,257
Current portion of debtor-in-possession borrowings	607,000	
Accounts payable	129,809	134,069
Accrued liabilities	95,086	87,098
Total current liabilities	846,150	235,424
Liabilities subject to compromise	1,315,916	1,300,580
Non-current liabilities not subject to compromise:		
Long-term debt, net of current maturities	84,751	84,754
Long-term portion of debtor-in-possession borrowings		531,000
Other noncurrent liabilities	20,579	32,098
Total noncurrent liabilities	105,330	647,852

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Total stockholders' deficit	(547,068)	(487,623)
Total liabilities and stockholders' deficit	\$ 1,720,328	\$ 1,696,233

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Debtors Condensed Combined Statement of Operations
Debtors-in-Possession
(Amounts in thousands)

	Three Months Ended June		Six Months Ended June	
	30,		30,	
	2006	2005	2006	2005
Revenues	\$ 408,392	\$ 557,522	\$ 840,042	\$ 1,135,139
Cost of sales	385,437	519,356	801,695	1,064,500
Gross profit	22,955	38,166	38,347	70,639
Selling, general and administrative expenses	18,229	25,277	39,487	54,059
Restructuring and asset impairment charges, net	7,853	37,538	10,264	69,433
Other operating income	(810)		(2,115)	
Operating loss	(2,317)	(24,649)	(9,289)	(52,853)
Interest expense	20,017	19,402	38,037	60,087
Interest income	(638)	(1)	(959)	(126)
Inter-company interest income	(6,436)	(5,708)	(12,530)	(11,598)
Chapter 11 and related reorganization items	43,662	103,287	55,271	144,909
Loss before provision for income taxes, equity in earnings of joint ventures and equity in earnings from non-Debtor subsidiaries	(58,922)	(141,629)	(89,108)	(246,125)
Provision for income taxes	1,166	4,964	2,104	8,215
Loss before equity in earnings of joint ventures and equity in earnings of non-Debtor subsidiaries	(60,088)	(146,593)	(91,212)	(254,340)
Equity in earnings of joint ventures, net of tax	68	89	136	
Equity in earnings (losses) of non-Debtor subsidiaries	(15,365)	12,854	5,354	21,892
Net loss	\$ (75,385)	\$ (133,650)	\$ (85,722)	\$ (232,448)

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Debtors Condensed Combined Statements of Cash Flows
Debtors- in-Possession
(Amounts in thousands)

	Six Months Ended June 30,	2006	2005
			(as restated)
OPERATING ACTIVITIES:			
Net loss	\$	(85,722)	\$ (232,448)
Adjustments required to reconcile net loss to net cash provided by (used in) operating activities:			
Chapter 11 and related reorganization items, net		38,682	131,535
Non-cash restructuring and impairment, net		10,986	62,155
Depreciation		46,463	56,106
Equity in earnings of joint ventures and subsidiaries, net		(5,490)	(21,892)
Change in working capital and other operating items		(4,929)	(169,570)
Net cash used for operating activities		(10)	(174,114)
INVESTING ACTIVITIES:			
Cash disbursed for purchases of property, plant and equipment		(24,963)	(33,430)
Net cash used for investing activities		(24,963)	(33,430)
FINANCING ACTIVITIES:			
Repayments of borrowings		(6)	(428,941)
Proceeds from DIP credit facility		345,500	866,785
Repayments of DIP credit facility		(269,500)	(331,625)
Net cash provided by financing activities		75,994	106,219
NET CHANGE IN CASH AND CASH EQUIVALENTS		51,021	(101,325)
Cash and cash equivalents, beginning of period		858	107,081
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$	51,879	\$ 5,756

Note 3. New Accounting Pronouncements.

SFAS No. 151, Inventory Costs, an Amendment of ARB No. 43, Chapter 4 (SFAS No. 151) In November 2004, the FASB issued SFAS No. 151. The statement amends Accounting Research Bulletin No. 43, Chapter 4, to clarify that the abnormal amounts of idle facility expense, freight, handling costs and wasted materials (spoilage) be recognized as current period charges. It also requires that allocation of fixed production overheads to the costs of conversion be based on the normal capacity of the production facilities. The adoption of this standard as of January 1, 2006 had no impact on the Company's Condensed Consolidated Financial Statements.

FASB Interpretation No. 48 In July 2006, the FASB issued Interpretation No. 48 (FIN 48), Accounting for Uncertainty in Income Taxes, which clarifies the accounting for uncertainty in income taxes recognized in the financial statements in accordance with SFAS No. 109, Accounting for Income Taxes . FIN 48 provides guidance on the financial statement recognition and measurement of a tax position taken or expected to be taken in a tax return. FIN 48 also provides guidance on derecognition, classification, interest and penalties, accounting in interim periods, disclosures and transition. FIN 48 is effective for fiscal years beginning after December 15, 2006. We are currently evaluating the impact of this standard on the Company s Condensed Consolidated Financial Statements.

Note 4. Accounts Receivable Securitization Facility

On December 30, 2004, the Company, a qualifying special purpose entity (QSPE) and a third-party lender entered into a \$50.0 million accounts receivable securitization facility agreement (the Facility). Pursuant to the terms of the Facility, the Company unconditionally sold certain accounts receivable to the QSPE on an ongoing basis. The QSPE funded its purchases of the accounts receivable through borrowings from the third-party lender. A security interest with respect to such accounts receivable was granted to

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the third-party lender. In addition, the Company was allowed, from time to time, to contribute capital to the QSPE in the form of contributed receivables or cash. The Facility allowed the Company to earn fees for performing collection and administrative functions associated with the Facility. The Facility had an expiration date of the earlier of 36 months subsequent to December 30, 2004 or the occurrence of a termination event as defined in the agreement. The accounts receivable sold were removed from the Consolidated Balance Sheet of the Company as these receivables and the QSPE met the applicable criteria of SFAS No. 140, Accounting for Transfers and Servicing of Financial Assets and Extinguishments of Liabilities. The Facility became unavailable on February 2, 2005, the date on which the Debtors filed a voluntary petition for relief pursuant to the Bankruptcy Code.

Note 5. Inventories

Inventories are valued at the lower of first-in-first-out (FIFO) cost or market, and consist of the following (in thousands):

	June 30, 2006	December 31, 2005
Raw materials	\$ 60,292	\$ 56,309
Work in process	32,855	30,710
Finished goods	41,169	36,414
	\$ 134,316	\$ 123,433

Note 6. Goodwill

The following summarizes the changes in goodwill for the international segment (in thousands):

Balance at December 31, 2005	\$ 153,037
Currency translation adjustment and other	11,487
Balance at June 30, 2006	\$ 164,524

Note 7. Investments in Joint Ventures

On February 10, 2004, the Company announced that a decision had been finalized by DaimlerChrysler to move the current production of the frame assembly for the Dodge Ram light truck from the Company's Milwaukee, Wisconsin facility to the Company's joint venture partner, Metalsa S. de R.L. (Metalsa) headquartered in Monterrey, Mexico. The Dodge Ram frame program produced in the Milwaukee facility was expected to run through 2009. Production at the Milwaukee facility related to this program ceased in June 2005. The Company recognized revenue associated with the Dodge Ram frame program in the amount of \$42.2 million for the three months ended June 30, 2005 and \$88.7 million for the six months ended June 30, 2005. The Company recognized no material revenue associated with the Dodge Ram frame program during the three and six months ended June 30, 2006. The Company is a 40% partner in Metalsa with Promotora de Empresas Zano, S.A. de C.V. (Proeza). Metalsa is the largest supplier of vehicle frames and structures in Mexico. In addition, the Company and Metalsa have a technology sharing arrangement. Metalsa has manufacturing facilities in Monterrey and San Luis Potosi, Mexico and Roanoke, Virginia.

Note 8. Restructuring and Asset Impairment Charges

The Company has executed various restructuring plans and may execute additional plans in the future to respond to its bankruptcy proceedings, customer sourcing decisions, realignment of manufacturing capacity to prevailing global automotive production and to improve the utilization of remaining facilities. Estimates of restructuring charges are based on information available at the time such charges are recorded. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially recorded. Accordingly, the Company may record revisions of previous estimates by adjusting previously established reserves.

In February 2006, the Company announced that it would begin discussions with the union at its Greenville, Michigan manufacturing facility regarding closing the facility. During the first quarter of 2006 the Company finalized its decision to close the facility. Such

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closure is expected to be completed by December 2006. During the fourth quarter of 2006, the Company expects to incur approximately \$7.5 million of employee termination costs, including potential costs to withdraw from a multi-employer retirement plan. In addition, the Company expects to incur approximately \$2.9 million of other cash costs related to the relocation of equipment and other closure costs.

In May 2006, the Company announced its intention to enter into decision bargaining to downsize its Bluffton, OH facility and move work to other facilities in the U.S. In August 2006, the Company announced a new labor agreement, which will reduce labor costs such that the Bluffton, OH facility will remain open (see Note 16).

On June 26, 2006, the Company announced that it will phase out of production at its Toronto, Ontario aluminum foundry and mini-mill by August 31, 2006, as part of its ongoing restructuring plan. This action is part of the Company's ongoing strategy to improve operational efficiency and cost competitiveness while focusing on its core business of automotive structural stampings and assemblies. Total estimated costs associated with this action amount to approximately \$17.3 million, which is comprised of employee related costs of \$3.8 million and asset impairment charges of \$13.5 million. Future cash expenditures for these actions are estimated at \$4.7 million.

The table below summarizes the accrual for the Company's various restructuring actions for the six months ended June 30, 2006 (in thousands):

	Asset		Other Costs	Total
	Impairments	Severance		
Balance at December 31, 2005	\$	\$ 523	\$	\$ 523
Provision	13,511	6,126	7,080	26,717
Cash usage		(2,827)	(1,966)	(4,793)
Non-cash usage and revisions of estimates	(13,511)		(5,114)	(18,625)
Balance at June 30, 2006	\$	\$ 3,822	\$	\$ 3,822

Except as disclosed above, the Company does not anticipate incurring additional material cash charges associated with these actions.

The restructuring and asset impairment charges caption in the accompanying Consolidated Statements of Operations is comprised of both restructuring and non-restructuring related asset impairments. The components of that caption are as follows for the six months ended June 30, 2006 (in thousands):

Note 9. Debt**Chapter 11 Impact**

Under the terms of the Company's pre-petition credit agreement, the Chapter 11 filing created an event of default. Outstanding obligations under the pre-petition credit agreement were \$425 million, which were refinanced through the DIP financing described below.

In addition, the Chapter 11 filing caused a default on the Convertible Debentures, Senior Notes, Senior Euro Notes and Subordinated Debentures (see Note 2).

Pursuant to SOP 90-7, the Company ceased recognizing interest expense on the Convertible Debentures, Senior Notes, Senior Euro Notes and Subordinated Debentures effective February 2, 2005. Contractual interest not accrued during the period from January 1, 2006 through June 30, 2006 is \$36.3 million.

The debt of the Company's foreign subsidiaries is not subject to compromise in the bankruptcy proceedings as the Company's operating foreign subsidiaries are not included in the Chapter 11 filing.

DIP Financing

In February 2005, the Bankruptcy Court approved a Revolving Credit, Term Loan and Guaranty Agreement, as amended (DIP Agreement), between the Company and a national banking institution as agent for the lenders (Lenders) and each of the Lenders.

The DIP Agreement provides for a \$725 million commitment of debtor-in-possession financing comprised of a revolving credit and letter of credit facility in an aggregate principal amount not to exceed \$300 million and a term loan in the aggregate principal amount of \$425 million. The proceeds of the term loan have been used to refinance the Debtors' obligations of amounts outstanding under the

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pre-petition credit agreement. The proceeds of the revolving credit loans shall be used to fund the working capital requirements of the Debtors during the Chapter 11 proceedings. Obligations under the DIP Agreement are secured by a lien on the assets of the Debtors (such lien shall have first priority with respect to a significant portion of the Debtors assets) and by a super-priority administrative expense claim in each of the bankruptcy cases.

Advances under the DIP Agreement bear interest at a fixed rate per annum equal to (x) the greatest (as of the date the advance is made) of the prime rate, the Base CD Rate (as defined in the DIP Agreement) plus 1%, or the Federal Funds Effective Rate (as defined in the DIP Agreement) plus 0.5%, plus (y) 1.75%, in the case of a loan under the revolving facility, or 2.25% in the case of the term loan. Alternatively, the Debtors may request that advances be made at a variable rate equal to (x) the Adjusted LIBO Rate (as defined in the DIP Agreement), for a one-month, three-month, six-month, or nine-month period, at the election of the Debtors, plus (y) 2.75%, in the case of a loan under the revolving facility, or 3.25% in the case of the term loan. In addition, the DIP Agreement obligates the Debtors to pay certain fees to the Lenders as described in the DIP Agreement. At June 30, 2006, \$77.1 million was available for borrowing under the revolving credit and letter of credit facility. For the period of January 1, 2006 through June 30, 2006, the weighted average interest rate associated with borrowings pertaining to the DIP Agreement was 7.96%. DIP commitment fees totaled \$0.2 million during the period of January 1, 2006 through June 30, 2006. The DIP Agreement matures on February 2, 2007; however, the Debtors are obligated to repay all borrowings made pursuant to the DIP Agreement upon substantial consummation of a plan of reorganization of the Debtors that is confirmed pursuant to an order of the Bankruptcy Court.

The DIP Agreement contains various representations, warranties and covenants by the Debtors that are customary for transactions of this nature, including (without limitation) reporting requirements and maintenance of financial covenants. Based on the Company's current operating forecast for the fourth quarter of 2006, the Company does not believe that it will be in compliance with certain of the covenants contained in the DIP Agreement as of the end of 2006. The Company believes, however, that it will be able to obtain modifications of or waivers of those covenants prior to such times so that it will be able to continue to utilize the borrowings available under the DIP Agreement. However, the Company can offer no assurances that it will be able to obtain these modifications or waivers on terms which are acceptable to the Company or at all. Should the Company be unable to obtain modification or waivers, it would be materially adversely affected.

The Debtors' obligations under the DIP Agreement may be accelerated following certain events of default, including (without limitation) any breach by the Debtors of any of the representations, warranties, or covenants made in the DIP Agreement or the conversion of any of the bankruptcy cases to a case under Chapter 7 of the Bankruptcy Code or the appointment of a trustee pursuant to Chapter 7 of the Bankruptcy Code.

Back-Stop Agreement

The Debtors have entered into a Back-Stop Agreement with a finance company (Finance Company). Under the Back-Stop Agreement, in the event any second lien lender under the pre-petition credit agreement wished to assign its deposits, rights and obligations after the Chapter 11 filing, the Finance Company agreed to take by assignment any such second lien holder's deposits, rights and obligations in an aggregate amount not to exceed \$155 million. Draws were made against the second lien letters of credit of \$41 million as of June 30, 2006.

Debt Classified as Not Subject to Compromise

The Company's industrial development revenue bonds and the debt associated with the Company's variable interest entity of \$43.8 million and \$14.3 million, respectively, are classified as liabilities not subject to compromise on the Company's Condensed Consolidated Balance Sheet at June 30, 2006. The Company's foreign subsidiary indebtedness of \$180.6 million at June 30, 2006, is also not subject to compromise as the Company's operating foreign subsidiaries are not included in the bankruptcy proceedings.

Interest Rate Swap Contracts

In February 2005, the Company's interest rate swap contracts were terminated. The Company had previously de-designated one of the contracts as a cash flow hedge. Amounts previously deferred in other comprehensive income were deferred over the initial term of the contract, as the Company expected that the cash flows originally hedged would continue to occur. As of June 30, 2006, no amounts remain deferred in other comprehensive income (loss) as the remaining term of the contract expired during the quarter ended September 30, 2005.

Table of Contents**Note 10. Comprehensive Loss**

The following table presents comprehensive loss:

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2006	2005	2006	2005
Net loss	\$ (75,385)	\$ (133,650)	\$ (85,722)	\$ (232,448)
Change in cumulative translation adjustment	11,598	(9,110)	18,930	(17,061)
Unrealized gain (loss) on qualifying cash flow hedges		1,601		3,328
Comprehensive loss	\$ (63,787)	\$ (141,159)	\$ (66,792)	\$ (246,181)

Note 11. Income Taxes

During the three and six months ended June 30, 2006, the Company recognized an income tax expense of \$11.9 million and \$9.7 million, respectively, in relation to a pre-tax loss of \$68.8 million and \$87.0 million, respectively. The Company recorded income tax expense that resulted from foreign income taxes related to the Company's international operations and U.S. state taxes. Full valuation allowances were provided for U.S. Federal income tax benefits generated during the 2006 period. These collective income tax provisions were offset by an \$8.1 million tax benefit related to the reversal of a valuation allowance for certain tax loss carry-overs during the six months ended June 30, 2006. The reversal of the valuation allowance resulted from the reorganization, completed in the first quarter of 2006, at certain of the Company's international operations. Such reorganization resulted in the ability to utilize tax loss carry-overs in future periods over a sufficiently long carry-forward period to cause the probability of their realization to be considered more likely than not.

During the three and six months ended June 30, 2005, the Company recognized income tax expense of \$9.7 million and \$15.8 million, respectively, in relation to a pre-tax net loss of \$125.0 million and \$220.6 million, respectively. This income tax provision resulted primarily from the recognition of foreign income taxes and state taxes. Full valuation allowances were provided for U.S. Federal income tax benefits generated during the 2005 period.

Note 12. Stockholders' Deficit**Loss Per Share**

Basic loss per share is computed by dividing net loss by the weighted average number of common shares outstanding during the period. The effects of common stock equivalents have not been included in diluted loss per share for all periods presented, as the effect would be anti-dilutive. Common stock equivalents totaled 96.5 million shares for all periods presented during 2006 and 2005.

Stock-Based Compensation

Effective January 1, 2006, the Company adopted the fair value approach described in SFAS No. 123, Accounting for Stock-Based Compensation (Revised 2004), as this statement has been amended and revised, to account for its stock-based compensation.

For the three months and six months ended June 30, 2005, the Company accounted for stock options using the intrinsic value approach in accordance with APB Opinion No. 25, under which no compensation expense is recognized when the stock options are granted to colleagues and directors with an exercise price equal to or greater than fair market value of the stock as of the grant date. The grant date represents the measurement date of the stock options. The Company may also grant stock options to outside consultants. The fair value of options granted to outside consultants is expensed over the period services are rendered based on the Black-Scholes valuation model. The Company has three stock option plans and three stock purchase plans: the 1994 Key Employee Stock Option Plan; the Long Term Incentive Plan; and the Independent Director Stock Option Plan; and, the Employee Stock Purchase Plan; the Key Leadership Deferred Income Stock Purchase Plan; and the Director Deferred Income Stock Purchase Plan, respectively. Had compensation

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expense for these plans been determined using a fair value approach the Company's pro forma net loss and pro forma net loss per share would have been as follows (in thousands, except per share data):

	Three Months Ended June 30, 2005	Six Months Ended June 30, 2005
Net loss		
As Reported	\$ (133,650)	\$ (232,448)
Add: Stock based employee compensation expense included in reported net loss, net of tax related effects	237	511
Deduct: Total stock-based employee compensation (expense) income determined under fair value based method for all awards, net of related tax effects	542	654
Pro forma net loss	\$ (132,871)	\$ (231,283)
Basic loss per share as reported	\$ (2.28)	\$ (3.96)
Pro forma	(2.27)	(3.94)
Diluted loss per share as reported	\$ (2.28)	\$ (3.96)
Pro forma	(2.27)	(3.94)

As of September 20, 2005, the Company fully vested all outstanding stock options. No expense was recognized related to these options.

The fair value of each option grant is estimated on the date of the grant using the Black Scholes option pricing model with the following assumptions for the 2005 period: risk free interest rate of 3.89%; expected life of seven years; expected volatility of 61.21%; and no expected dividends. No options were granted or exercised during the 2006 period.

Stock Option Plans

Pursuant to the 1994 Key Employee Stock Option Plan (the "Stock Option Plan"), which was approved by stockholders, any person who is a full-time, salaried employee of the Company (excluding non-management directors) is eligible to participate (a "Colleague Participant") in the Stock Option Plan. A committee of the Board of Directors selects the Colleague Participants and determines the terms and conditions of the options.

The Stock Option Plan provides for the issuance of options to purchase up to 3,000,000 shares of common stock at exercise prices equal to the market price of the common stock on the date of grant, subject to certain adjustments reflecting changes in the Company's capitalization. As of June 30, 2006, 1,169,660 shares of common stock were available for issuance under the Stock Option Plan.

The only option activity under the Stock Option Plan during the six months ended June 30, 2006 was forfeitures of 6,500 shares with a weighted-average exercise price of \$9.36. The aggregate intrinsic value is zero as the fair value of all options was less than the exercise price.

A summarization of stock options outstanding related to the Stock Option Plan at June 30, 2006 follows:

Range of Exercisable Options	Number Outstanding At 6/30/06	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining	Weighted- Average Exercise Price	Number Exercisable 6/30/06	Weighted- Average Exercise Price

**Contractual
Life**

17.13	22.97	93,500	2.13	\$ 18.25 14	93,500	\$ 18.25
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Table of Contents*Incentive Plan*

The Tower Automotive Inc. Long Term Incentive Plan (Incentive Plan), which was approved by stockholders and adopted in 1999, is designed to promote the long-term success of the Company through stock-based compensation by aligning the interests of participants with those of its stockholders. Eligible participants under the Incentive Plan include key company colleagues, directors, and outside consultants. Awards under the Incentive Plan may include stock options, stock appreciation rights, performance shares and other stock-based awards. The option exercise price must be at least equal to the fair value of the Common Stock at the time the option is granted. The Company's Board of Directors determines vesting at the date of grant and in no event can be less than six months from the date of grant. The Incentive Plan provides for the issuance of up to 3,000,000 shares of common stock. As of June 30, 2006, 1,703,833 shares of common stock were available for issuance under the Incentive Plan. A committee of the Board of Directors is responsible for administration, participant selection and determination of terms and conditions of the Incentive Plan.

The only option activity under the Incentive Plan during the six months ended June 30, 2006 was forfeitures of 172,100 shares with a weighted-average exercise price of \$9.13. The aggregate intrinsic value is zero as the fair value all options was less than the exercise price.

The following table summarizes certain information pertaining to stock options outstanding under the Incentive Plan:

Range of Exercisable	Number Outstanding At	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
Options \$1.99 \$7.08	6/30/06 671,825	7.64	\$ 3.39	6/30/06 671,825	\$ 3.39
11.33 15.56	962,100	4.60	12.94	962,100	12.94
26.81	121,490	2.81	26.81	121,490	26.81

Director Option Plan

In February 1996, the Company's Board of Directors approved the Tower Automotive, Inc. Independent Director Stock Option Plan (the Director Option Plan) that provides for the grant of options to independent directors, as defined in the plan, to acquire up to 200,000 shares of the Company's Common Stock, subject to certain adjustments reflecting changes in the Company's capitalization. As of June 30, 2006, 84,800 shares of common stock were available for issuance under the Director Option Plan. The option exercise price must be at least equal to the fair value of the Common Stock at the time the option is granted. The Company's Board of Directors determines vesting at the date of grant and in no event can be less than six months from the date of grant.

The only option activity under the Director Option Plan during the six months ended June 30, 2006 was forfeitures of 15,000 shares with a weighted-average exercise price of \$7.56. The aggregate intrinsic value is zero as the fair value all options was less than the exercise price.

The following table summarizes certain information pertaining to stock options outstanding under the Director Option Plan follows:

Range of Exercisable	Number Outstanding	Options Outstanding		Options Exercisable	
		Weighted-Average Remaining Contractual Life	Weighted-Average Exercise Price	Number Exercisable	Weighted-Average Exercise Price
Options \$18.94 \$22.97	At 6/30/06 85,200	1.83	\$ 19.63	6/30/06 85,200	\$ 19.63

Table of Contents**Note 13. Retirement Plans**

The following table provides the components of net periodic pension benefit cost and other post-retirement benefit cost for the three months ended June 30, (in thousands):

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Service cost	\$ 1,065	\$ 1,720	\$ 32	\$ 200
Interest cost	3,771	3,790	2,084	2,065
Expected return on plan assets	(3,238)	(3,672)		
Amortization of prior service cost	315	1,231		
Amortization of net losses	764	1,027	1,951	3,229
Net periodic benefit cost	\$ 2,677	\$ 4,096	\$ 4,067	\$ 5,494

The following table provides the components of net periodic pension benefit cost and other post-retirement benefit cost for the six months ended June 30, (in thousands):

	Pension Benefits		Other Benefits	
	2006	2005	2006	2005
Service cost	\$ 2,130	\$ 3,440	\$ 64	\$ 400
Interest cost	7,542	7,580	4,133	4,130
Expected return on plan assets	(6,476)	(7,344)		
Amortization of prior service cost	630	2,462		
Amortization of net losses	1,528	2,054	4,098	6,459
Net periodic benefit cost	\$ 5,354	\$ 8,192	\$ 8,295	\$ 10,989

The Company previously disclosed in its Consolidated Financial Statements for the year ended December 31, 2005 that it expects its minimum pension funding requirements to be \$30.4 million during 2006. During the three and six months ended June 30, 2006, the Company made contributions of \$6.7 million and \$12.2 million, respectively, to its pension plans. The Company presently anticipates contributing an additional \$18.2 million to fund its pension plans in 2006 for a total of \$30.4 million based upon the Company's most recent estimate. The Company's obligations under these retirement plans may be subject to compromise in the Company's bankruptcy proceedings.

The Company contributed \$2.0 million and \$3.8 million during the three and six months ended June 30, 2006, respectively, to its defined contribution employee savings plans.

In April 2006, the Company submitted for approval to the Bankruptcy court settlement agreements with two groups representing current and future retirees. Both settlements include modifications of retiree health care benefits for both retired salaried employees as well as current and future retirees of the Company's Milwaukee, WI facility.

In May 2006, the Bankruptcy Court approved the agreements. As a result, salaried retirees continued to receive current benefits through June 30, 2006. The salaried retirees established a Voluntary Employee Benefit Association (VEBA) trust to administer benefits after June 30, 2006. The Company contributed cash of \$0.6 million to the VEBA on June 30, 2006. The Company will also provide certain cash and equity consideration to the VEBA upon emergence from bankruptcy. Such consideration will total approximately \$5 million. The Company will provide certain supplemental cash payments to the VEBA, until such time as the Company emerges from bankruptcy.

The agreement with current employees and retirees represented by unions at the Company's Milwaukee, WI facility was also submitted for Bankruptcy Court approval. Under the agreement, the Company continued current benefit payments through June 30, 2006. A separate VEBA was established and began administering benefits for retirees and their dependents beginning July 1, 2006. The Company contributed cash of approximately \$2.5 million on June 30, 2006. The Company will contribute approximately \$30 million in equity of the reorganized Company upon emergence

from bankruptcy. In addition, the Company may make additional cash contributions to the VEBA if the reorganized Company meets certain financial targets. The Company will make certain supplemental

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cash payments to the VEBA, until such time as the Company emerges from bankruptcy. In addition, the Company will make payments totaling approximately \$3.5 million in settlement of all other outstanding matters with the impacted employees.

Note 14. Segment Information

The Company produces a broad range of assemblies and modules for vehicle body structures and suspension systems for the global automotive industry. The Company's operations have similar characteristics including the nature of products, production processes and customers. The Company's products include body structures and assemblies, lower vehicle frames and structures, chassis modules and systems and suspension components. Management reviews the operating results of the Company and makes decisions based upon two operating segments: North America and International. Financial information by segment is as follows (in thousands):

	North America	International	Total
Three months ended June 30, 2006:			
Revenues	\$ 415,824	\$ 351,083	\$ 766,907
Operating income (loss)	(20,938)	17,681	(3,257)
Restructuring and asset impairment charges	25,213	3,129	28,342
Total assets	\$1,129,299	\$1,172,412	\$2,301,711
Three months ended June 30, 2005:			
Revenues	\$ 570,397	\$ 352,617	\$ 923,014
Operating income (loss)	(26,346)	27,024	678
Restructuring and asset impairment charges	37,538	1,751	39,289
Total assets	\$1,356,539	\$1,115,262	\$2,471,801
Six months ended June 30, 2006:			
Revenues	\$ 857,211	\$ 679,416	\$1,536,627
Operating income (loss)	(29,794)	40,286	10,492
Restructuring and asset impairment charges	27,624	3,240	30,864
Total assets	\$1,129,299	\$1,172,412	\$2,301,711
Six months ended June 30, 2005:			
Revenues	\$1,160,005	\$ 678,889	\$1,838,894
Operating income (loss)	(56,197)	46,565	(9,632)
Restructuring and asset impairment charges	69,433	1,751	71,184
Total assets	\$1,356,539	\$1,115,262	\$2,471,801

Inter-segment revenues are not significant for any period presented.

Note 15. Commitments and Contingencies**Key Employee Retention Plan Agreements**

On March 30, 2005, the Bankruptcy Court entered an order approving the execution and implementation of a Key Employee Retention program by the Company and the assumption of certain executive contracts. Under the order, three separate retention funds were made available, including specific retention incentives for approximately 100 Key Employees (the Core KERP Agreements). Under the Core KERP Agreements, the Company agreed to pay the applicable employee a retention incentive. The total amount of the retention incentive (which varies by employee from 40% to 110% of base salary) is payable in four installments of 25% each, conditioned upon the employee's continued employment by the Company through each of the scheduled payment dates. The four scheduled payment dates are (1) May 2, 2005; (2) November 2, 2005; (3) the confirmation of a plan of reorganization in the Company's Chapter 11 proceedings; and (4) six months after the confirmation of a plan of reorganization in the Company's Chapter 11 proceedings. In addition, a transition incentive pool was established for Key Employees whose roles will be phased

out, but whose employment during such phase out remains critical and a discretionary fund was made available to address unanticipated retention needs. The cost of the Key Employee Retention program and the assumption of certain executive contracts is approximately \$13.2 million. During the three and six months ended June 30, 2006, the Company recognized expense of \$0.9 million and \$3.9 million, respectively, in relation to this plan.

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Pursuant to each KERP Agreement, if the employee's employment by the Company is voluntarily terminated by the employee (other than upon retirement) or is terminated by the Company for cause (as defined in the KERP Agreement) prior to a scheduled payment date, the employee forfeits all unpaid amounts of the retention incentive. If an employee's employment by the Company is terminated by the Company other than for cause or is terminated as a result of retirement, disability or death, the Company is obligated to pay the employee (or his or her estate) a prorated portion of the unpaid amount of the retention incentive, based upon the date of termination of employment.

Environmental Matters

The Company owns properties which have been impacted by environmental releases. The Company is liable for costs associated with investigation and/or remediation of contamination in one or more environmental media at some of these properties. The Company is actively involved in investigation and/or remediation at several of these locations. At certain of these locations, costs incurred for environmental investigation/remediation are being paid partly or completely out of funds placed into escrow by previous property owners. Nonetheless, total costs associated with remediation of environmental contamination at these properties could be substantial and may have an adverse impact on the Company's financial condition, results of operations or cash flows.

Accruals for environmental matters are recorded when it is probable that a liability has been incurred and the amount of the liability can be reasonably estimated. The established liability for environmental matters is based upon management's best estimates of expected investigation/remediation costs related to environmental contamination. It is possible that actual costs associated with these matters will exceed the environmental reserves established by the Company. Inherent uncertainties exist in the estimates, primarily due to unknown conditions, changing governmental regulations and legal standards regarding liability and evolving technologies for handling site remediation and restoration. As of June 30, 2006 and December 31, 2005, the Company had accrued approximately \$12.0 million and \$11.4 million, respectively, for environmental remediation.

Litigation

The Company is subject to various legal actions and claims incidental to its business. Litigation is subject to many uncertainties and the outcome of individual litigated matters is not predictable with assurance. After discussions with counsel, it is the opinion of management that the outcome of such matters will not have a material adverse impact on the Company's financial position, results of operations or cash flows.

On February 2, 2005, the Debtors filed a voluntary petition for relief under the Bankruptcy Code. The cases of each of the Debtors were consolidated for the purpose of joint administration (see Note 2). As a result of the commencement of the Chapter 11 proceedings by the Debtors, an automatic stay has been imposed against the commencement or continuation of legal proceedings, pertaining to claims existing as of February 2, 2005, against the Debtors outside of the Bankruptcy Court. Claimants against the Debtors may assert their claims in the Chapter 11 proceedings by filing a proof of claim, to which the Debtors may object and seek a determination from the Bankruptcy Court as to the allowability of the claim. Claimants who desire to liquidate their claims in legal proceedings outside of the Bankruptcy Court will be required to obtain relief from the automatic stay by order of the Bankruptcy Court. If such relief is granted, the automatic stay will remain in effect with respect to the collection of liquidated claim amounts. Generally, all claims against the Debtors that seek a recovery from assets of the Debtors' estates will be addressed in the Chapter 11 proceedings and paid only pursuant to the terms of a confirmed plan of reorganization. The Company requested an extension of the required due date for the filing of its plan of reorganization. The Bankruptcy Court approved an extension of the due date to October 25, 2006.

Following the above-referenced filing, certain claims were filed against certain current and former officers and directors of Tower Automotive, Inc., alleging various (1) violations of the federal securities laws (the Securities Litigation), and (2) breaches of fiduciary duties to participants in and beneficiaries of the Company's various 401(k) retirement plans in connection with the availability of the Common Stock of Tower Automotive, Inc. as an investment option under the plans (the ERISA Litigation). Defendants have moved to dismiss the claims in each of the cases. The motions are pending in federal court in the Southern District of New York.

On November 29, 2005, the Company's joint venture partner in Metalsa, Proeza filed a lawsuit in Mexico against Tower Mexico, Metalsa, and certain of Tower Mexico's directors. Proeza's lawsuit alleges certain breaches of Tower Mexico's obligations under the governing documents of the joint venture and asserts certain rights in connection with

the alleged change in control of Tower Mexico. As a result of these allegations, Proeza seeks either the rescission of the joint venture relationship

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or the redemption of Tower Mexico's investment in Metalsa. The Company believes that Proeza's claims and assertions are without merit and have vigorously defended this matter, including the venue of the litigation.

In addition, the Company has initiated an adversary proceeding against Proeza in the Chapter 11 proceedings. In the adversary proceeding, the Company alleges that Proeza filed the Mexico lawsuit in violation of the governing documents of the joint venture and seeks an order staying the Mexico lawsuit and compelling Proeza to arbitrate the claims raised therein under the auspices of the International Chamber of Commerce (ICC) in Paris, France. The Company has also filed with the ICC a request for arbitration of the disputes raised in the Mexico lawsuits.

Note 16. Subsequent Events

On August 25, 2006, the Company issued a press release announcing the ratification of revised collective bargaining agreements with the United Auto Workers union and the United Steelworkers union covering hourly employees at the Company's Bluffton, Ohio and Elkton Michigan facilities, as well as a contract extension and severance agreement at the Company's Clinton, Michigan and Milan, Tennessee facilities respectively. The tentative agreement previously announced on July 19, 2006 covered hourly employees at nine of the Company's North American facilities, but was subsequently modified to govern only the four facilities that ratified the agreement. The U.S. Bankruptcy Court overseeing the Company's Chapter 11 case must still approve the agreement.

On September 14, 2006, the Company announced the planned closure of its Upper Sandusky, Ohio facility.

As part of the bankruptcy process, the Company may undertake additional actions in the future to rationalize and consolidate its operations.

Note 17. Consolidating Guarantor and Non-Guarantor Financial Information

The following consolidating financial information presents balance sheets, statements of operations and cash flow information related to the Company's business. Certain foreign subsidiaries of R.J. Tower Corporation are subject to restrictions on their ability to pay dividends or otherwise distribute cash to R. J. Tower Corporation because they are subject to financing arrangements that restrict them from paying dividends. Each Guarantor, as defined, is a direct or indirect 100% owned subsidiary of the Company and has fully and unconditionally guaranteed the 9.25% senior unsecured Euro notes issued by R. J. Tower Corporation in 2000, the 12% senior unsecured notes issued by R. J. Tower Corporation in 2003 and the DIP financing entered into by R. J. Tower Corporation in February 2005. Tower Automotive, Inc. (the parent company) has also fully and unconditionally guaranteed the notes and the DIP financing and is reflected as the Parent Guarantor in the consolidating financial information. The Non-Guarantor Restricted Companies are the Company's foreign subsidiaries except for Seojin Industrial Company Limited, which is reflected as the Non-Guarantor Unrestricted Company in the consolidating financial information. As a result of the Chapter 11 filing by the Debtors, the above-mentioned notes are subject to compromise pursuant to the bankruptcy proceedings. Separate financial statements and other disclosures concerning the Guarantors have not been presented because management believes that such information is not material to investors.

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TOWER AUTOMOTIVE INC.
Consolidating Balance Sheet at June 30, 2006
(Amounts in thousands)

	R.J. Tower Corporation		Non-Guarantor		Non-Guarantor		
	Parent	Guarantor	Restricted	Unrestricted	Eliminations	Consolidated	
Assets							
Current assets:							
Cash and cash equivalents	\$ 51,852	\$	\$ 27	\$ 68,115	\$ 129	\$	\$ 120,123
Accounts receivable	2,585	4,056	153,170	212,534	20,139		392,484
Inventories			61,755	55,957	16,604		134,316
Prepaid tooling and other	3,911		23,635	79,809	26,651		134,006
Total current assets	58,348	4,056	238,587	416,415	63,523		780,929
Property, plant and equipment, net							
	432		511,025	305,050	167,419		983,926
Investments in and advances to (from) affiliates	579,900	(159,536)	(763,429)	22,936	(3,373)	566,354	242,852
Goodwill				164,524			164,524
Other assets, net	23,125		28,491	61,452	16,412		129,480
	\$ 661,805	\$ (155,480)	\$ 14,674	\$ 970,377	\$ 243,981	\$ 566,354	\$ 2,301,711
Liabilities and Stockholders Investment (Deficit)							
Current liabilities not subject to compromise:							
Current maturities of long-term debt and capital lease obligations	\$	\$	\$ 14,255	\$ 21,007	\$ 107,113	\$	\$ 142,375
Current portion debtor-in-possession borrowings	607,000						607,000
Accounts payable	9,180		120,629	189,597	52,472		371,878
Accrued liabilities	34,891		60,195	77,027	9,708		181,821

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Total current liabilities	651,071		195,079	287,631	169,293		1,303,074
Liabilities subject to compromise	629,016	391,588	295,312			(16,363)	1,299,553
Non-current liabilities not subject to compromise:							
Long-term debt, net of current maturities	40,986		43,765	5,215	16,417		106,383
Obligations under capital leases, net of current maturities				30,876			30,876
Other noncurrent liabilities	9,117		11,462	73,756	14,558		108,893
Total noncurrent liabilities	50,103		55,227	109,847	30,975		246,152
Stockholders investment (deficit)	(668,385)	(547,068)	(530,944)	572,899	43,713	582,717	(547,068)
	\$ 661,805	\$ (155,480)	\$ 14,674	\$ 970,377	\$ 243,981	\$ 566,354	\$ 2,301,711

Table of Contents**TOWER AUTOMOTIVE INC.****Consolidating Statement of Operations for the Three Months Ended June 30, 2006**

(Amounts in thousands)

			Non-Guarantor			
	R.J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations Consolidated
Revenues	\$	\$	\$ 408,392	\$ 269,277	\$ 89,238	\$ 766,907
Cost of sales	(2,081)		387,518	233,860	89,481	708,778
Gross profit	2,081		20,874	35,417	(243)	58,129
Selling, general and administrative expenses	(11,349)		29,578	12,109	2,706	33,044
Restructuring and asset impairment charges, net	(65)	(4,416)	12,334	20,489		28,342
Other operating expense/(income)	(8,891)		8,081	810		
Operating income (loss)	22,386	4,416	(29,119)	2,009	(2,949)	(3,257)
Interest expense	19,093		924	712	1,935	22,664
Interest income	(640)		2	32	(150)	(756)
Intercompany interest expense/(income)	(6,436)			6,778	(342)	
Chapter 11 and related reorganization items	13,437		30,225			43,662
Income (loss) before provision for income taxes, equity in earnings (loss) of joint ventures and subsidiaries, and	(3,068)	4,416	(60,270)	(5,513)	(4,392)	(68,827)

minority interest

Provision (benefit) for income taxes	763	78	325	11,928	(1,209)		11,885
Income (loss) before equity in earnings of joint ventures and subsidiaries, and minority interest	(3,831)	4,338	(60,595)	(17,441)	(3,183)		(80,712)
Equity in earnings (loss) of joint ventures and subsidiaries, net of tax	(75,892)	(79,723)		7,465		155,683	7,533
Minority interest, net of tax				(2,206)			(2,206)
Net income (loss)	\$ (79,723)	\$ (75,385)	\$ (60,595)	\$ (12,182)	\$ (3,183)	\$ 155,683	\$ (75,385)

Table of Contents**TOWER AUTOMOTIVE INC.****Consolidating Statement of Operations for the Six Months Ended June 30, 2006**

(Amounts in thousands)

			Non-Guarantor		Non-Guarantor		
	R.J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations	Consolidated
Revenues	\$	\$	\$ 840,042	\$ 515,291	\$ 181,294	\$	\$ 1,536,627
Cost of sales	(4,180)		805,875	449,384	177,631		1,428,710
Gross profit	4,180		34,167	65,907	3,663		107,917
Selling, general and administrative expenses	(21,225)		60,712	22,325	5,269		67,081
Restructuring and asset impairment charges, net	(60)	(8,558)	18,882	20,792	(192)		30,864
Other operating expense/(income)	(16,839)		14,724	1,595			(520)
Operating income (loss)	42,304	8,558	(60,151)	21,195	(1,414)		10,492
Interest expense	36,258		1,779	1,455	3,978		43,470
Interest income	(958)		(1)	79	(332)		(1,212)
Intercompany interest expense/(income)	(12,530)			13,205	(675)		
Chapter 11 and related reorganization items	24,978	68	30,225				55,271
Income (loss) before provision for income taxes, equity in earnings (loss) of joint ventures and subsidiaries, and	(5,444)	8,490	(92,154)	6,456	(4,385)		(87,037)

minority interest

Provision (benefit) for income taxes	1,509	140	455	8,832	(1,206)		9,730
Income (loss) before equity in earnings of joint ventures and subsidiaries, and minority interest	(6,953)	8,350	(92,609)	(2,376)	(3,179)		(96,767)
Equity in earnings (loss) of joint ventures and subsidiaries, net of tax	(87,119)	(94,072)		14,081		181,327	14,217
Minority interest, net of tax				(3,172)			(3,172)
Net income (loss)	\$ (94,072)	\$ (85,722)	\$ (92,609)	\$ 8,533	\$ (3,179)	\$ 181,327	\$ (85,722)

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2006**

(Amounts in thousands)

	R. J.		Non-Guarantor				
	Tower	Parent	Guarantor	Restricted	Unrestricted	Eliminations	Consolidated
	Corporation	Guarantor	Companies	Companies	Companies		
OPERATING ACTIVITIES:							
Net income (loss)	\$ (94,072)	\$ (85,722)	\$ (92,609)	\$ 8,533	\$ (3,179)	\$ 181,327	\$ (85,722)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:							
Chapter 11 and related reorganization items, net	8,389	68	30,225				38,682
Non-cash restructuring and impairment, net			10,986	15,327			26,313
Depreciation	166		46,297	22,216	12,726		81,405
Deferred income tax provision (benefit)			(2)	(11,605)	4,159		(7,448)
Equity in (earnings) loss of joint ventures and subsidiaries, net	87,119	94,072		(14,081)		(181,327)	(14,217)
Change in working capital and other operating items	(26,442)	(8,418)	29,933	(582)	(4,485)		(9,994)
Net cash provided by (used in) operating activities	(24,840)		24,830	19,808	9,221		29,019
INVESTING ACTIVITIES:							
Cash disbursed for purchases of property, plant and equipment	(10)		(24,953)	(21,231)	(14,165)		(60,359)
Cash proceeds from asset disposal					32,664		32,664

Net cash provided by (used in) investing activities	(10)	(24,953)	(21,231)	18,499	(27,695)
FINANCING ACTIVITIES:					
Proceeds from borrowings			11,295	9,599	20,894
Repayments of borrowings		(6)	(6,547)	(37,333)	(43,886)
Proceeds from DIP credit facility	345,500				345,500
Repayments of DIP credit facility	(269,500)				(269,500)
Net cash provided by (used in) financing activities	76,000	(6)	4,748	(27,734)	53,008
NET CHANGE IN CASH AND CASH EQUIVALENTS	51,150	(129)	3,325	(14)	54,332
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	702	156	64,790	143	65,791
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 51,852	\$ 27	\$ 68,115	\$ 129	\$ 120,123

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TOWER AUTOMOTIVE INC.
Consolidating Balance Sheet at December 31, 2005
(Amounts in thousands)

	R.J.		Non-Guarantor				
	Tower	Parent	Guarantor	Restricted	Unrestricted	Eliminations	Consolidated
	Corporation	Guarantor	Companies	Companies	Companies		
Assets							
Current assets:							
Cash and cash equivalents	\$ 702	\$	\$ 156	\$ 64,790	\$ 143	\$	\$ 65,791
Accounts receivable	3,381	3,210	166,615	168,600	21,234		363,040
Inventories			60,068	48,114	15,251		123,433
Prepaid tooling and other	5,119		60,763	88,555	31,209		185,646
Total current assets	9,202	3,210	287,602	370,059	67,837		737,910
Property, plant and equipment, net							
	602		537,996	303,853	196,343		1,038,794
Investments in and advances to (from) affiliates	601,229	(99,312)	(749,021)	55,675	(3,124)	423,187	228,634
Goodwill				153,037			153,037
Other assets, net	27,386		33,573	53,787	18,105		132,851
	\$ 638,419	\$ (96,102)	\$ 110,150	\$ 936,411	\$ 279,161	\$ 423,187	\$ 2,291,226
Liabilities and Stockholders Investment (Deficit)							
Current liabilities not subject to compromise:							
Current maturities of long-term debt and capital lease obligations	\$	\$	\$ 14,257	\$ 11,074	\$ 126,424	\$	\$ 151,755
Accounts payable	5,372		128,697	186,821	57,926		378,816
Accrued liabilities	25,211		61,887	65,408	16,742		169,248
Total current liabilities	30,583		204,841	263,303	201,092		699,819

Liabilities subject to compromise	622,302	391,521	286,757			(16,363)	1,284,217
Non-current liabilities not subject to compromise:							
Long-term debt, net of current maturities	40,986		43,768	6,608	16,461		107,823
Debtor-in-possession borrowings	531,000						531,000
Obligations under capital leases, net of current maturities				30,308			30,308
Other noncurrent liabilities	11,963		20,135	76,968	16,616		125,682
Total noncurrent liabilities	583,949		63,903	113,884	33,077		794,813
Stockholders investment (deficit)	(598,415)	(487,623)	(445,351)	559,224	44,992	439,550	(487,623)
	\$ 638,419	\$ (96,102)	\$ 110,150	\$ 936,411	\$ 279,161	\$ 423,187	\$ 2,291,226

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Operations for the Three Months Ended June 30, 2005****(Amounts in thousands)**

	R.J. Tower Corporation	Parent Guarantor	Guarantor Companies	Non-Guarantor Restricted Companies	Non-Guarantor Unrestricted Companies	Eliminations	Consolidated
Revenues	\$	\$	\$ 557,522	\$ 259,499	\$ 105,993	\$	\$ 923,014
Cost of sales	(1,799)		522,057	222,803	100,564		843,625
Gross profit	1,799		35,465	36,696	5,429		79,389
Selling, general and administrative expenses	(7,690)		32,968	10,881	3,263		39,422
Restructuring and asset impairment charges, net	398		37,140	1,751			39,289
Operating income (loss)	9,091		(34,643)	24,064	2,166		678
Interest expense	16,542		2,827	1,117	1,857		22,343
Chapter 11 and related reorganization items	103,287						103,287
Income (loss) before provision for income taxes, equity in earnings (loss) of joint ventures and subsidiaries, and minority interest	(110,738)		(37,470)	22,947	309		(124,952)
Provision for income taxes			461	8,438	798		9,697

Income (loss) before equity in earnings (loss) of joint ventures and subsidiaries, and minority interest	(110,738)		(37,931)	14,509	(489)		(134,649)
Equity in earnings (loss) of joint ventures and subsidiaries, net of tax	(22,912)	(133,650)				158,784	2,222
Minority interest, net of tax				(1,223)			(1,223)
Net income (loss)	\$ (133,650)	\$ (133,650)	\$ (37,931)	\$ 13,286	\$ (489)	\$ 158,784	\$ (133,650)

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Operations for the Six Months Ended June 30, 2005**

(Amounts in thousands)

			Non-Guarantor		Non-Guarantor		
	R.J. Tower Corporation	Parent Guarantor	Guarantor Companies	Restricted Companies	Unrestricted Companies	Eliminations	Consolidated
	\$	\$	\$	\$	\$	\$	\$
Revenues			\$ 1,135,138	\$ 502,323	\$ 201,433		\$ 1,838,894
Cost of sales	(3,341)		1,069,634	438,573	189,848		1,694,714
Gross profit	3,341		65,504	63,750	11,585		144,180
Selling, general and administrative expenses	(11,902)		65,962	22,468	6,100		82,628
Restructuring and asset impairment charges, net	503		68,930	1,751			71,184
Operating income (loss)	14,740		(69,388)	39,531	5,485		(9,632)
Interest expense	52,918	2,221	4,787	2,485	3,602		66,013
Chapter 11 and related reorganization items	144,909						144,909
Income (loss) before provision for income taxes, equity in earnings (loss) of joint ventures and subsidiaries, and minority interest	(183,087)	(2,221)	(74,175)	37,046	1,883		(220,554)
Provision (benefit) for income taxes			1,758	12,778	1,286		15,822

Income (loss) before equity in earnings (loss) of joint ventures, and minority interest	(183,087)	(2,221)	(75,933)	24,268	597		(236,376)
Equity in earnings (loss) of joint ventures, net of tax	(47,140)	(230,227)				283,852	6,485
Minority interest, net of tax				(2,557)			(2,557)
Net income (loss)	\$ (230,227)	\$ (232,448)	\$ (75,933)	\$ 21,711	\$ 597	\$ 283,852	\$ (232,448)

Table of Contents**TOWER AUTOMOTIVE, INC.****Consolidating Statement of Cash Flows for the Six Months Ended June 30, 2005**

(Amounts in thousands) (as restated)

	R. J.		Non-Guarantor				
	Tower	Parent	Guarantor	Restricted	Unrestricted	Eliminations	Consolidated
	Corporation	Guarantor	Companies	Companies	Companies		
OPERATING ACTIVITIES:							
Net income (loss)	\$ (230,227)	\$ (232,448)	\$ (75,933)	\$ 21,711	\$ 597	\$ 283,852	\$ (232,448)
Adjustments required to reconcile net income (loss) to net cash provided by (used in) operating activities:							
Chapter 11 and related reorganization items, net	131,535						131,535
Non-cash restructuring and impairment, net			63,722				63,722
Depreciation	166		55,940	22,054	11,771		89,931
Deferred income tax provision (benefit)			(281)	12,722	270		12,711
Equity in (earnings) loss of joint ventures and subsidiaries, net	47,140*	230,227*				(283,852)*	(6,485)
Change in working capital and other operating items	(160,346)*	2,221*	(5,831)	(7,024)	471	*	(170,509)
Net cash provided by (used in) operating activities	(211,732)*	*	37,617	49,463	13,109		(111,543)
INVESTING ACTIVITIES:							
Cash disbursed for purchases of property, plant and equipment			(33,430)	(40,095)	(16,193)		(89,718)
	*	*	(33,430)	(40,095)	(16,193)		(89,718)

Net cash provided by (used in) investing activities						
FINANCING ACTIVITIES:						
Proceeds from borrowings			5,887	12,565		18,452
Repayments of borrowings	(425,000)	(3,941)	(11,626)	(9,304)		(449,871)
Proceeds from DIP credit facility	866,785					866,785
Repayments of DIP credit facility	(331,625)					(331,625)
Net cash provided by (used in) financing activities	110,160	(3,941)	(5,739)	3,261		103,741
NET CHANGE IN CASH AND CASH EQUIVALENTS	(101,572)	246	3,629	177		(97,520)
CASH AND CASH EQUIVALENTS, BEGINNING OF PERIOD	107,599	(517)	41,948	71		149,101
CASH AND CASH EQUIVALENTS, END OF PERIOD	\$ 6,027	\$ (271)	\$ 45,577	\$ 248	\$	\$ 51,581

* These amounts have been corrected to properly present the cash flow impacts of equity in (earnings) loss of joint ventures and subsidiaries. Amounts previously reported for the respective cash flow captions are as follows: (i) R.J. Tower Corporation: \$(6,485), \$123,282, \$18,271 and \$(230,003); (ii) Parent Guarantor: \$, \$2,445, \$(230,003) and \$230,003; and (iii) Eliminations: \$ and \$(283,852).

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

Tower Automotive, Inc. (the Company) produces a broad range of assemblies and modules for vehicle frames, upper body structures and suspension systems for the global automotive industry. Including 100% owned subsidiaries and investments in joint ventures, the Company has production and/or engineering facilities in the United States, Canada, Mexico, Germany, Belgium, Italy, Slovakia, Poland, France, Spain, Brazil, India, South Korea, Japan and China. Since February 2, 2005, the Company and 25 of its U.S. subsidiaries (collectively, the Debtors) are operating under Chapter 11 of the Bankruptcy Code. The Debtors sought protection as a result of a deterioration in liquidity early in 2005. This deterioration was the result of the following factors, among others:

Significant capital expenditures and spending on product launch activities;

High interest costs;

Declining gross margins;

Termination of accelerated payment programs by key customers;

Lower production volumes at the Company's largest customers; and

Significant raw material price increases (primarily steel).

Continuation of the Company as a going concern is contingent upon, among other things, the Debtors' ability to:

Restructure the Company's North American operations;

Comply with the terms and conditions of the DIP financing agreement described in Note 9 to the Condensed Consolidated Financial Statements;

Obtain confirmation of a plan of reorganization under the Bankruptcy Code;

Reduce unsustainable debt and simplify the Company's complex and restrictive capital structure through the bankruptcy process; and

Obtain financing sources to meet the Debtors' future obligations.

Details regarding the Company's plans to restructure its North American operations are included in Restructuring and Asset Impairments. These matters raise substantial doubt regarding the Company's ability to continue as a going concern. See Notes 1, 2 and 9 to the accompanying Condensed Consolidated Financial Statements for additional information.

Results of Operations

Three Months Ended June 30, 2006 Compared to the Three Months Ended June 30, 2005

Revenues. Sales decreased by \$156.1 million, or 16.9%, during the three months ended June 30, 2006 to \$766.9 million from \$923.0 million during the three months ended June 30, 2005. The decrease is primarily due to lower volume, the impact of two frame programs ending and unfavorable product mix, which decreased revenue by \$154.7 million during the 2006 period compared to the 2005 period. In addition, steel price recoveries from certain customers decreased by \$4.2 million during the 2006 period compared to the 2005 period. These impacts were partially offset by favorable foreign exchange, which increased revenue by \$8.2 million during the 2006 period compared to the 2005 period.

Gross Profit and Gross Margin. Gross margin for the quarter ended June 30, 2006 was 7.6% compared to 8.6% for the comparable period of 2005. Gross profit decreased by \$21.3 million, or 26.8%, to \$58.1 million during the 2006 period compared to \$79.4 million during the 2005 period. A decrease in gross profit of \$40.3 million was primarily due to the negative impacts of volume/product mix and raw material steel prices. Improved operating efficiencies had

a positive impact on gross profit totaling \$28.5 million for the second quarter compared to prior year second quarter figures.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by \$6.4 million, or 16.2%, to \$33.0 million during the three months ended June 30, 2006 from \$39.4 million for the corresponding period of 2005. Selling, general and administrative expenses represented 4.3% of revenues during the 2006 and 2005 period. The \$6.4 million decrease resulted

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primarily from lower compensation costs of \$0.5 million, lower professional costs of \$1.4 million and declines in other items of \$3.2 million.

Interest Expense. Interest expense increased by \$0.3 million, or 1.2%, to \$22.7 million during the 2006 period in comparison to \$22.4 million in the 2005 period. The increase was attributable to increased interest of \$4.4 million related to the Company's DIP financing facilities. The increase was offset by: (i) interest savings of \$1.6 million in association with an interest rate swap contract, which matured in September 2005; (ii) \$0.2 million related to an increase in capitalized interest; and (iii) \$2.6 million related to other decreases. In accordance with SOP 90-7,

Reorganization Under the Bankruptcy Code, interest expense during the Company's bankruptcy has been recognized only to the extent that it will be paid during the Company's bankruptcy proceedings or that it is probable that it will be an allowed priority, secured or unsecured claim. Interest expense recognized by the Company is lower than the Company's stated contractual interest for the three months ended June 30, 2006 and 2005 by \$18.3 million and \$18.4 million, respectively.

Chapter 11 and Related Reorganization Items. Chapter 11 and related reorganization expense decreased by \$59.6 million to \$43.7 million during the 2006 period compared to \$103.3 million in the 2005 period. These costs primarily related to professional fees related to the Company's bankruptcy proceedings and lease rejection costs. See Notes 1 and 9 to the Condensed Consolidated Financial Statements.

Provision for Income Taxes. During the three months ended June 30, 2006, the Company recognized an income tax expense of \$11.9 million related to a pre-tax loss of \$68.8 million. The Company recorded income tax expense that resulted from foreign income taxes related to the Company's international operations and U.S. state taxes. Full valuation allowances were provided for U.S. Federal income tax benefits generated during the 2006 period. During the three months ended June 30, 2005, the Company recognized income tax expense of \$9.7 million in relation to a pre-tax loss of \$125.0 million. This income tax provision resulted primarily from the recognition of foreign income taxes and state taxes. Full valuation allowances were provided for U.S. Federal income tax benefits generated during the 2005 period.

Equity in Earnings of Joint Ventures, Net of Tax. Equity in earnings of joint ventures, net of tax increased by \$5.3 million, or 239.0%, to \$7.5 million during the three months ended June 30, 2006 from \$2.2 million during the three months ended June 30, 2005. The increase primarily resulted from the Company's share of earnings from its joint venture interest in Metalsa.

Minority Interest, Net of Tax. Minority interest, net of tax increased by \$1.0 million, or 80.4%, to \$2.2 million during the three months ended June 30, 2006 from \$1.2 million for the corresponding period of 2005.

Six Months Ended June 30, 2006 Compared to the Six Months Ended June 30, 2005

Revenues. Sales decreased by \$302.3 million, or 16.4%, during the six months ended June 30, 2006 to \$1.5 billion from \$1.8 billion during the six months ended June 30, 2005. The decrease is primarily due to lower volume, the impact of two frame programs ending and unfavorable product mix, which decreased revenue by \$301.9 million during the 2006 period compared to the 2005 period. In addition, steel price recoveries from certain customers decreased by \$2.8 million during the 2006 period compared to the 2005 period. These impacts were partially offset by favorable foreign exchange, which increased revenue by \$7.5 million during the 2006 period compared to the 2005 period.

Gross Profit and Gross Margin. Gross margin for the six months ended June 30, 2006 was 7.0% compared to 7.8% for the comparable period of 2005. Gross profit decreased by \$36.3 million, or 25.2%, to \$107.9 million during the 2006 period compared to \$144.2 million during the 2005 period. The decrease in gross profit was primarily due to the negative impacts of volume/product mix and raw material steel prices in the amount of \$79.3 million. Improved operating efficiencies had a positive impact on gross profit totaling \$55.2 million for the six months ended June 30, 2006 compared to the 2005 period.

Selling, General and Administrative Expenses. Selling, general and administrative expenses decreased by \$15.5 million, or 18.8%, to \$67.1 million during the six months ended June 30, 2006 from \$82.6 million for the corresponding period of 2005. Selling, general and administrative expenses represented 4.4% of revenues during the 2006 and 4.5% during the 2005 period. The \$15.5 million decrease resulted primarily from lower compensation costs of \$2.7 million, lower professional costs of \$3.7 million and declines in other items of \$5.3 million.

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Interest Expense. Interest expense decreased by \$23.0 million, or 34.6%, to \$43.5 million during the 2006 period in comparison to \$66.5 million in the 2005 period. The decrease was attributable to: (i) the write-off of deferred financing fees of \$16.4 million related to debt associated with the Company's then-existing credit agreement that was repaid in the first quarter of 2005; (ii) \$6.2 million related to debt that has been classified as subject to compromise for which no interest is being accrued effective February 2, 2005; (iii) interest savings of \$3.3 million in association with an interest rate swap contract; and (iv) \$6.3 million related to other decreases. The decreases were offset by: (i) increased interest of \$8.8 million related to the Company's DIP financing activities; and (ii) \$0.4 million related to other increases. In accordance with SOP 90-7, Reorganization Under the Bankruptcy Code, interest expense during the Company's bankruptcy has been recognized only to the extent that it will be paid during the Company's bankruptcy proceedings or that it is probable that it will be an allowed priority, secured or unsecured claim. Interest expense recognized by the Company is lower than the Company's stated contractual interest for the six months ended June 30, 2006 and 2005 by \$36.3 million and \$27.7 million, respectively.

Chapter 11 and Related Reorganization Items. Chapter 11 and related reorganization expense decreased by \$89.6 million to \$55.3 million during the 2006 period compared to \$144.9 million in the 2005 period. These costs primarily related to professional fees related to the Company's bankruptcy proceedings, write-offs of deferred financing costs and lease rejection costs. See Notes 1 and 9 to the Condensed Consolidated Financial Statements.

Provision for Income Taxes. During the six months ended June 30, 2006, the Company recognized an income tax expense of \$9.7 million related to a pre-tax loss of \$87.0 million. The Company recorded income tax expense that resulted from foreign income taxes related to the Company's international operations and U.S. state taxes. Full valuation allowances were provided for U.S. Federal income tax benefits generated during the 2006 period. These collective income tax provisions were offset by an \$8.1 million tax benefit related to the reversal of a valuation allowance for certain tax loss carry-overs. The reversal of the valuation allowance resulted from the reorganization, completed in the 2006 period, at certain of the Company's international operations. Such reorganization resulted in the ability to utilize tax loss carry-overs in future periods.

During the six months ended June 30, 2005, the Company recognized income tax expense of \$15.8 million in relation to a pre-tax loss of \$220.6 million. This income tax provision resulted primarily from the recognition of foreign income taxes and state taxes. Full valuation allowances were provided for U.S. Federal income tax benefits generated during the 2005 period.

Equity in Earnings of Joint Ventures, Net of Tax. Equity in earnings of joint ventures, net of tax increased by \$7.7 million, or 119.2%, to \$14.2 million during the six months ended June 30, 2006 from \$6.5 million during the six months ended June 30, 2005. The increase primarily resulted from the Company's share of earnings from its joint venture interest in Metalsa.

Minority Interest, Net of Tax. Minority interest, net of tax increased by \$0.6 million, or 24.1%, to \$3.2 million during the six months ended June 30, 2006 from \$2.6 million for the corresponding period of 2005.

Restructuring and Asset Impairment

The Company has executed various restructuring plans and may execute additional plans in the future to respond to its bankruptcy proceedings, customer sourcing decisions, realignment of manufacturing capacity to prevailing global automotive production and to improve the utilization of remaining facilities. Estimates of restructuring charges are based on information available at the time such charges are recorded. Due to the inherent uncertainty involved in estimating restructuring expenses, actual amounts paid for such activities may differ from amounts initially recorded. Accordingly, the Company may record revisions of previous estimates by adjusting previously established reserves. During the first half of 2006, the Company has continued its ongoing restructuring of its North American operations. The Company announced the following initiatives during this period:

In February 2006, the Company announced its decision to enter into decision bargaining to close its Greenville, MI facility and to move the work to other facilities in the U.S.

In April 2006, the Company submitted for approval to the Bankruptcy Court settlement agreements with two groups representing current and future retirees. Both settlements include modifications of retiree health care benefits for both retired salaried employees as well as current and future retirees of the Company's Milwaukee,

WI facility.

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In June 2006, the Company announced that it would phase out of production at its Toronto, Ontario aluminum foundry and mini-mill by August 31, 2006.

In August 2006, the Company announced the ratification of revised collective bargaining agreements with the United Auto Workers union and the United Steelworkers union covering hourly employees at the Company's Bluffton, Ohio and Elkton Michigan facilities, as well as a contract extension and severance agreement at the Company's Clinton, Michigan and Milan, Tennessee facilities respectively. The tentative agreement previously announced on July 19, 2006 covered hourly employees at nine of the Company's North American facilities, but was subsequently modified to govern only the four facilities that ratified the agreement. The U.S. Bankruptcy Court overseeing the Company's Chapter 11 case must still approve the agreement.

See Notes 8 and 16 to the accompanying Condensed Consolidated Financial Statements for further information regarding these actions.

During the three and six months ended June 30, 2006, the Company recognized expense of \$28.3 million and \$30.9 million, respectively, related to restructuring and asset impairments compared to an expense of \$39.3 million and \$71.2 million for the three and six months ended June 30, 2005, respectively. The decrease of \$10.9 million and \$40.3 million is primarily the result of asset impairments during the 2005 period, which did not occur during the comparable 2006 period.

Liquidity and Capital Resources

The following discussion gives effect to the restatement discussed in Note 1 to the Condensed Consolidated Financial Statements.

During the first six months of 2006, the Company's cash requirements were met through operations and a \$725 million commitment of debtor-in-possession financing (DIP Financing). At June 30, 2006, the Company had available liquidity in the amount of \$197.1 million, which consisted of \$120.1 million of cash on hand and the availability of \$77.1 million for borrowing under the DIP Financing.

Net cash provided by operating activities was \$29.0 million during the six months ended June 30, 2006 compared to net cash utilized of \$111.5 million during the six months ended June 30, 2005. The \$140.5 million increase in the amount provided by operating activities during the 2006 period was primarily attributable to a decrease in accounts receivable of \$141.8 million.

Net cash utilized in investing activities was \$27.7 million during the first six months of 2006 compared to net cash utilized of \$89.7 million in the corresponding period of 2005. During the first quarter of 2006, the Company sold its Gunpo, South Korea facility and received cash proceeds of approximately \$32.6 million during the first quarter of 2006. The Company used cash of \$60.4 million for purchases of property, plant and equipment for the six months ended June 30, 2006 as compared to \$89.7 million in the comparable 2005 period.

Net cash provided by financing activities was \$53.0 million during the first six months of 2006 compared to net cash provided of \$103.7 million during the comparable period of 2005. During the six months ended June 30, 2006, borrowings related to the DIP facility more than offset repayments by \$76.0 million. The effect of this provision of cash was partially offset by \$23.0 million of repayments of the Company's non-DIP debt exceeding borrowings associated with that debt.

As disclosed in the Company's Annual Report for the year ended December 31, 2005, the Company's business has significant liquidity requirements. In addition, a summary of the liquidity factors which forced the Company to seek Chapter 11 bankruptcy protection is included as well as the Company's plans regarding these matters related to improving liquidity and operating results. Based on the Company's current operating forecast for the fourth quarter of 2006, the Company does not believe that it will be in compliance with certain of the covenants contained in the DIP Agreement as of the end of 2006. The Company believes, however, that it will be able to obtain modifications of or waivers of those covenants prior to such time so that it will be able to continue to utilize the borrowings available under the DIP Agreement. However, the Company can offer no assurances that it will be able to obtain these modifications or waivers on terms which are acceptable to the Company or at all. Should the Company be unable to obtain modification or waivers, it would be materially adversely affected. The Company believes that funds generated by operations, together with cash on hand and amounts available to borrowing under its DIP Financing, should it be

able to obtain appropriate modifications or waivers, provide sufficient liquidity and capital resources to pursue its business strategy while operating under Chapter 11 bankruptcy protection. However, the Company's DIP Financing expires on February 2, 2007. If the Company does not emerge from Chapter 11 bankruptcy protection by February 2, 2007 or is not able to extend the expiration of the DIP Financing or

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replace the DIP Financing, the Company's operations would be materially adversely affected. The Company has no reason to believe at this time that it will not be able to extend or replace the DIP Financing in the event that it does not emerge from Chapter 11 prior to February 2, 2007. Certain foreign subsidiaries of the Company are subject to restrictions on their ability to dividend or otherwise distribute cash to the Company because they are subject to financing arrangements that restrict them from paying dividends.

Chapter 11 Impact

Under the terms of the Company's then-existing credit agreement, the Chapter 11 filing created an event of default. Upon the Chapter 11 filing, the lenders' obligation to loan additional money to the Company terminated, the outstanding principal of all obligations became immediately due and payable and the Debtors were required to immediately deposit funds into a collateral account to cover the outstanding amounts under the letters of credit issued pursuant to the credit agreement. Outstanding obligations under the credit agreement amounted to \$425 million, which was refinanced through the DIP financing described below.

In addition, the Chapter 11 filing created an event of default under the Convertible Debentures, Senior Notes, Senior Euro Notes, and the Subordinated Debentures. As a result, such indebtedness became immediately due and payable. The ability of the creditors of the Debtors to seek remedies to enforce their rights under the credit facilities described above is stayed as a result of the Chapter 11 filing, and the creditors' rights of enforcement are subject to the applicable provisions of the Bankruptcy Code.

The debt of the Company's foreign subsidiaries is not subject to compromise in the bankruptcy proceedings as the Company's operating foreign subsidiaries are not included in the Chapter 11 filing.

DIP Financing

In February 2005, the Bankruptcy Court approved a Revolving Credit, Term Loan and Guaranty Agreement, as amended (DIP Agreement), between the Company and a national banking institution as agent for the lenders (Lenders) and each of the Lenders.

The DIP Agreement provides for a \$725 million commitment of debtor-in-possession financing comprised of a revolving credit and letter of credit facility in an aggregate principal amount not to exceed \$300 million and a term loan in the aggregate principal amount of \$425 million. The proceeds of the term loan have been used to refinance the Debtors' obligations of amounts outstanding under the Credit Agreement. The proceeds of the revolving credit loans shall be used to fund the working capital requirements of the Debtors during the Chapter 11 proceedings. Obligations under the DIP Agreement are secured by a lien on the assets of the Debtors (such lien shall have first priority with respect to a significant portion of the Debtors' assets) and by a super-priority administrative expense claim in each of the bankruptcy cases.

Advances under the DIP Agreement bear interest at a fixed rate per annum equal to (x) the greatest (as of the date the advance is made) of the prime rate, the Base CD Rate (as defined in the DIP Agreement) plus 1%, or the Federal Funds Effective Rate (as defined in the DIP Agreement) plus 0.5%, plus (y) 1.75%, in the case of a loan under the revolving facility, or 2.25% in the case of the term loan. Alternatively, the Debtors may request that advances be made at a variable rate equal to (x) the Adjusted LIBO Rate (as defined in the DIP Agreement), for a one-month, three-month, six-month, or nine-month period, at the election of the Debtors, plus (y) 2.75%, in the case of a loan under the revolving facility, or 3.25% in the case of the term loan. In addition, the DIP Agreement obligates the Debtors to pay certain fees to the Lenders as described in the DIP Agreement. At June 30, 2006, \$77.1 million was available for borrowing under the revolving credit and letter of credit facility. For the period of January 1, 2006 through June 30, 2006, the weighted average interest rate associated with borrowings pertaining to the DIP Agreement was 7.96%. DIP commitment fees totaled \$0.2 million during the period of January 1, 2006 through June 30, 2006. The DIP Agreement matures on February 2, 2007; however, the Debtors are obligated to repay all borrowings made pursuant to the DIP Agreement upon substantial consummation of a plan of reorganization of the Debtors that is confirmed pursuant to an order of the Bankruptcy Court.

The DIP Agreement contains various representations, warranties and covenants by the Debtors that are customary for transactions of this nature, including (without limitation) reporting requirements and maintenance of financial covenants.

The Debtors' obligations under the DIP Agreement may be accelerated following certain events of default, including (without limitation) any breach by the Debtors of any of the representations, warranties, or covenants made in the DIP Agreement or the conversion of any of the bankruptcy cases to a case under Chapter 7 of the Bankruptcy Code or the appointment of a trustee pursuant to Chapter 7 of the Bankruptcy Code.

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Back-Stop Agreement

The Debtors have entered into a Back-Stop Agreement with a finance company (Finance Company). Under the Back-Stop Agreement, the Finance Company agreed to take by assignment any second lien holder's rights and obligations as a second lien holder in association with second lien letters of credit under the Credit Agreements in an aggregate amount not to exceed \$155 million.

Draws were made against the second lien letters of credit of \$41 million as of June 30, 2006.

Stock Options

Effective January 1, 2006, the Company accounts for stock-based compensation utilizing the fair value approach described in SFAS No. 123, Accounting for Stock-Based Compensation (Revised 2004) (SFAS No. 123 (R)) as this statement has been amended and revised. On September 20, 2005, the Company fully vested the entire unvested portion of its outstanding stock options. The Company accelerated the vesting of these options because it is the Company's opinion that expensing the remaining unvested portion of the options in accordance with SFAS No 123 (R) does not represent the economic cost to the Company given the Company's Chapter 11 status. Therefore, the adoption of SFAS No. 123 (R) had no material impact on the Company's financial statements.

Market Risk

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

At June 30, 2006, the Company had total debt not subject to compromise in the bankruptcy proceedings of \$886.6 million. The debt is composed of fixed rate debt of \$86.7 million and floating rate debt of \$799.9 million. The pre-tax earnings and cash flow impact for the next year resulting from a one percentage point increase in interest rates on variable rate debt not subject to compromise would be approximately \$8.8 million, holding other variables constant. A one-percentage point increase in interest rates would not materially impact the fair value of the fixed rate debt not subject to compromise.

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

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

The Company's strategy for management of currency risk relies primarily upon conducting its operations in a country's respective currency and may, from time to time, also involve hedging programs intended to reduce the Company's exposure to currency fluctuations. Management believes the effect of a 100 basis point movement in foreign currency rates versus the dollar would not materially affect the Company's financial position, results of operations or cash flows for the periods presented.

The majority of the Company's product offerings are produced from steel. A byproduct of the production process is scrap steel, which is sold. Steel prices and scrap steel prices began increasing during early 2004 and declined relative to 2004 levels during 2005, but still remain high relative to historical levels. However, the price for scrap steel declined more significantly than steel during 2005. During 2006, steel prices have risen compared to 2005 levels. Continued volatility in steel prices and scrap steel prices is expected to continue in 2006.

Table of Contents**Opportunities**

The Company's operations are geographically diverse including a significant presence in Europe, South America and Asia. The Company has a strategic customer portfolio strategy to leverage relationships with key customers across geographic boundaries to diversify its customer base and increase penetration with existing key customers, including the New Domestic (Nissan, Toyota and Honda).

Disclosure Regarding Forward-Looking Statements

All statements, other than statements of historical fact, included in this Form 10-Q or incorporated by reference herein, are, or may be deemed to be, forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934, as amended (the Exchange Act). When used in this Form 10-Q, the words anticipate, believe, estimate, expect, intends, project, plan and similar expressions relate to the Company, are intended to identify forward-looking statements. Such forward-looking statements are based on the beliefs of the Company's management as well as on assumptions made by and information currently available to the Company at the time such statements were made. Various economic and competitive factors could cause actual results to differ materially from those discussed in such forward-looking statements, including factors which are outside the control of the Company, such as risks relating to: (i) confirmation of a plan of reorganization under the Bankruptcy Code, which would allow the Company to reduce unsustainable debt and other liabilities and simplify the Company's complex and restrictive capital structure; (ii) the Company's reliance on major customers and selected vehicle platforms; (iii) the cyclicity and seasonality of the automotive market; (iv) the failure to realize the benefits of acquisitions and joint ventures; (v) the Company's ability to obtain new business on new and redesigned models; (vi) the Company's ability to achieve the anticipated volume of production from new and planned supply programs; (vii) the general economic or business conditions affecting the automotive industry (which is dependent on consumer spending), either nationally or regionally, being less favorable than expected; (viii) the Company's failure to develop or successfully introduce new products; (ix) increased competition in the automotive components supply market; (x) unforeseen problems associated with international sales, including gains and losses from foreign currency exchange; (xi) implementation of or changes in the laws, regulations or policies governing the automotive industry that could negatively affect the automotive components supply industry; (xii) changes in general economic conditions in the United States, Europe and Asia; (xiii) various other factors beyond the Company's control; and (xiv) those risks set forth in the Company's Annual Report on Form 10-K in Item IA, Part I. All subsequent written and oral forward-looking statements attributable to the Company or persons acting on behalf of the Company are expressly qualified in their entirety by such cautionary statements.

Item 3. Quantitative and Qualitative Disclosures About Market Risk.

See Market Risk section of Management's Discussion and Analysis of Financial Condition and Results of Operations in Part I, Item 2.

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Item 4. Controls and Procedures.

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company's Chief Executive Officer (the CEO) and the Company's Chief Financial Officer (the CFO) have reviewed and evaluated the effectiveness of the Company's disclosure controls and procedures as defined in Rule 13a-15(e) of the Securities and Exchange Act of 1934, as amended (the Exchange Act) as of the end of the period covered by this report. Based upon this review and evaluation, the CEO and CFO have concluded that the Company's disclosure controls and procedures were not effective as of June 30, 2006. This determination was based upon the identification of material weaknesses as of December 31, 2005, in the Company's internal control over financial reporting, which the Company views as an integral part of its disclosure controls and procedures. The effect of such weaknesses on the Company's disclosure controls and procedures and remedial actions taken and planned are described in Item 9A, Controls and Procedures of the Company's Form 10-K for the year ended December 31, 2005.

CHANGES IN INTERNAL CONTROL OVER FINANCIAL REPORTING.

During the six months ended June 30, 2006, the Company implemented changes in internal controls over financial reporting to continue its centralization and standardization activities. Such changes included:

- Continuing the centralization of purchasing and accounts payable processing in its North American operations; and

- Continuing the standardization of time and attendance systems in its North American operations through the utilization of a common time and attendance system.

No other changes occurred during the most recent fiscal quarter that had a material effect or are reasonable likely to have a material effect on internal control over financial reporting.

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PART II OTHER INFORMATION

Item 1. Legal Proceedings.

A description of the Company's proceedings under Chapter 11 of the United States Bankruptcy Code is described in Part I, Item 3 of the Company's Form 10-K for the year ended December 31, 2005.

The Company requested an extension of the required due date for the filing of its plan of reorganization and the Bankruptcy Court approved an extension of the due date to October 25, 2006.

Item 1A. Risk Factors.

Prolonged continuation of the Chapter 11 Cases may harm the Company's businesses. (Revised)

The prolonged continuation of the Chapter 11 Cases could adversely affect the Company's businesses and operations. So long as the Chapter 11 Cases continue, senior management of the Company will be required to spend a significant amount of time and effort dealing with the Company's reorganization instead of focusing exclusively on business operations. Prolonged continuation of the Chapter 11 Cases will also make it more difficult to attract and retain management and other key personnel necessary to the success and growth of the Company's businesses. In addition, the longer the Chapter 11 Cases continue, the more likely it is that the Company's customers and suppliers will lose confidence in the Company's ability to successfully reorganize their businesses and seek to establish alternative commercial relationships. Furthermore, so long as the Chapter 11 Cases continue, the Company will be required to incur substantial costs for professional fees and other expenses associated with the proceedings. The prolonged continuation of the Chapter 11 Cases may also require the Company to: (i) seek additional financing; (ii) obtain relief from certain covenants contained in the DIP Agreement; and/or (iii) negotiate an extension of the term of the DIP Agreement, either as part of the DIP credit facility or otherwise, in order to service their debt and other obligations. It may not be possible for the Company to obtain additional financing during the pendency of the Chapter 11 Cases on commercially favorable terms or at all. If the Company were to require additional financing during the Chapter 11 Cases and were unable to obtain the financing on favorable terms or at all, the Company's chances of successfully reorganizing its businesses may be seriously jeopardized.

In addition, see Part I, Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2005.

Item 6. Exhibits.

31.1 Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2 Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1 Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

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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.

TOWER AUTOMOTIVE, INC.

Registrant

Date: September 15, 2006

/s/ Christopher T. Hatto

Christopher T. Hatto
Corporate Controller and Chief Accounting
Officer

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Exhibit Index

Exhibit number	Description
31.1	Certification of the Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
31.2	Certification of the Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
32.1	Certification of the Chief Executive Officer and Chief Financial Officer pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.