TRIMAS CORP
Form 10-Q
July 28, 2016
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-Q
(Mark One)

x	Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Quarterly Period Ended June 30, 2016

Or

o	Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934

For the Transition Period from to .
Commission file number 001-10716
TRIMAS CORPORATION
(Exact name of registrant as specified in its charter)

Delaware	38-2687639
(State or other jurisdiction of incorporation or organization)	(IRS Employer Identification No.)

39400 Woodward Avenue, Suite 130
Bloomfield Hills, Michigan 48304
(Address of principal executive offices, including zip code)
(248) 631-5450
(Registrant's telephone number, including area code)
Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes x No o.
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes x No o.
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act. (Check one):

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

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

As of July 22, 2016, the number of outstanding shares of the Registrant's common stock, $0.01 par value, was 45,463,706 shares.

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Forward-Looking Statements

This report may contain 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 about our financial condition, results of operations and business. These forward-looking statements can be identified by the use of forward-looking words, such as “may,” “could,” “should,” “estimate,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “target,” “plan” or other compa by discussions of strategy that may involve risks and uncertainties.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties which could materially affect our business, financial condition or future results including, but not limited to, risks and uncertainties with respect to: the Company's leverage; liabilities imposed by the Company's debt instruments; market demand; competitive factors; supply constraints; material and energy costs; risks and uncertainties associated with intangible assets, including goodwill or other intangible asset impairment charges; technology factors; litigation; government and regulatory actions; the Company's accounting policies; future trends; general economic and currency conditions; various conditions specific to the Company's business and industry; the Company’s ability to identify attractive acquisition candidates, successfully integrate acquired operations or realize the intended benefits of such acquisitions; the Company’s ability to attain targeted savings and free cash flow amounts under its Financial Improvement Plan; future prospects of the Company; and other risks that are discussed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2015. The risks described in our Annual Report on Form 10-K and elsewhere in this report are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deemed to be immaterial also may materially adversely affect our business, financial position and results of operations or cash flows.

The cautionary statements set forth above should be considered in connection with any subsequent written or oral forward-looking statements that we or persons acting on our behalf may issue. We caution readers not to place undue reliance on the statements, which speak only as of the date of this report. We do not undertake any obligation to review or confirm analysts' expectations or estimates or to release publicly any revisions to any forward-looking statement to reflect events or circumstances after the date of this report or to reflect the occurrence of unanticipated events.

We disclose important factors that could cause our actual results to differ materially from our expectations implied by our forward-looking statements under Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," and elsewhere in this report. These cautionary statements qualify all forward-looking statements attributed to us or persons acting on our behalf. When we indicate that an event, condition or circumstance could or would have an adverse effect on us, we mean to include effects upon our business, financial and other conditions, results of operations, prospects and ability to service our debt.

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PART I. FINANCIAL INFORMATION

Item 1. Consolidated Financial Statements
TriMas Corporation
Consolidated Balance Sheet
(Dollars in thousands)

Assets	June 30, 2016 (unaudited)	December 31, 2015
Current assets:		
Cash and cash equivalents	$23,660	$ 19,450
Receivables, net of reserves of approximately $3.9 million and $3.7 million as of June 30, 2016 and December 31, 2015, respectively	124,620	121,990
Inventories	165,800	167,370
Prepaid expenses and other current assets	7,440	17,810
Total current assets	321,520	326,620
Property and equipment, net	178,660	181,130
Goodwill	377,430	378,920
Other intangibles, net	263,510	273,870
Other assets	9,080	9,760
Total assets	$1,150,200	$ 1,170,300
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	$13,820	$ 13,850
Accounts payable	77,820	88,420
Accrued liabilities	41,690	50,480
Total current liabilities	133,330	152,750
Long-term debt, net	392,460	405,780
Deferred income taxes	8,320	11,260
Other long-term liabilities	57,890	53,320
Total liabilities	592,000	623,110
Preferred stock, $0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None	—	—
Common stock, $0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 45,463,706 shares at June 30, 2016 and 45,322,527 shares at December 31, 2015	450	450
Paid-in capital	815,120	812,160
Accumulated deficit	(235,340)	(254,120)
Accumulated other comprehensive loss	(22,030)	(11,300)
Total shareholders' equity	558,200	547,190
Total liabilities and shareholders' equity	$1,150,200	$ 1,170,300

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

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TriMas Corporation
Consolidated Statement of Income
(Unaudited—dollars in thousands, except for per share amounts)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net sales	$203,320	$224,900	$406,200	$449,030
Cost of sales	(146,240)	(163,180)	(293,200)	(324,390)
Gross profit	57,080	61,720	113,000	124,640
Selling, general and administrative expenses	(38,420)	(42,510)	(77,890)	(82,410)
Operating profit	18,660	19,210	35,110	42,230
Other expense, net:				
Interest expense	(3,310)	(3,720)	(6,750)	(7,170)
Debt financing and extinguishment costs	—	(1,970)	—	(1,970)
Other income (expense), net	130	(290)	70	(1,610)
Other expense, net	(3,180)	(5,980)	(6,680)	(10,750)
Income from continuing operations before income tax expense	15,480	13,230	28,430	31,480
Income tax expense	(5,000)	(4,740)	(9,650)	(11,050)
Income from continuing operations	10,480	8,490	18,780	20,430
Loss from discontinued operations, net of tax	—	(6,780)	—	(4,740)
Net income	$10,480	$1,710	$18,780	$15,690
Basic earnings per share:				
Continuing operations	$0.23	$0.19	$0.41	$0.45
Discontinued operations	—	(0.15)	—	(0.10)
Net income per share	$0.23	$0.04	$0.41	$0.35
Weighted average common shares—basic	45,429,851	45,150,827	45,354,421	45,074,394
Diluted earnings per share:				
Continuing operations	$0.23	$0.19	$0.41	$0.45
Discontinued operations	—	(0.15)	—	(0.10)
Net income per share	$0.23	$0.04	$0.41	$0.35
Weighted average common shares—diluted	45,726,348	45,418,907	45,690,582	45,409,875

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

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TriMas Corporation
Consolidated Statement of Comprehensive Income
(Unaudited—dollars in thousands)

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net income	$10,480	$1,710	$18,780	$15,690
Other comprehensive income (loss):				
Defined benefit pension and postretirement plans (Note 13)	150	2,480	300	2,730
Foreign currency translation	(4,080)	880	(6,740)	(5,660)
Derivative instruments (Note 8)	(1,330)	(320)	(4,290)	(710)
Total other comprehensive income (loss)	(5,260)	3,040	(10,730)	(3,640)
Total comprehensive income	$5,220	$4,750	$8,050	$12,050

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

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TriMas Corporation
Consolidated Statement of Cash Flows
(Unaudited—dollars in thousands)

	Six months ended June 30, 2016	2015
Cash Flows from Operating Activities:		
Net income	$18,780	$15,690
Loss from discontinued operations	—	(4,740)
Income from continuing operations	18,780	20,430
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on dispositions of property and equipment	1,120	300
Depreciation	11,980	10,830
Amortization of intangible assets	10,190	10,580
Amortization of debt issue costs	670	1,020
Deferred income taxes	230	(250)
Non-cash compensation expense	4,140	2,870
Excess tax benefits from stock based compensation	(170)	(270)
Debt financing and extinguishment costs	—	1,970
Increase in receivables	(3,660)	(8,930)
(Increase) decrease in inventories	1,130	(9,210)
Decrease in prepaid expenses and other assets	10,650	510
Decrease in accounts payable and accrued liabilities	(21,710)	(8,550)
Other, net	(410)	(820)
Net cash provided by operating activities of continuing operations	32,940	20,480
Net cash used for operating activities of discontinued operations	—	(14,030)
Net cash provided by operating activities	32,940	6,450
Cash Flows from Investing Activities:		
Capital expenditures	(12,960)	(12,890)
Net proceeds from disposition of property and equipment	120	690
Net cash used for investing activities of continuing operations	(12,840)	(12,200)
Net cash used for investing activities of discontinued operations	—	(2,510)
Net cash used for investing activities	(12,840)	(14,710)
Cash Flows from Financing Activities:		
Proceeds from borrowings on term loan facilities	—	275,000
Repayments of borrowings on term loan facilities	(6,950)	(441,360)
Proceeds from borrowings on revolving credit and accounts receivable facilities	216,580	697,890
Repayments of borrowings on revolving credit and accounts receivable facilities	(225,050)	(703,390)
Payments for deferred purchase price	—	(5,710)
Debt financing fees	—	(1,850)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	(650)	(2,620)
Proceeds from exercise of stock options	10	430
Excess tax benefits from stock based compensation	170	270
Cash transferred to the Cequent businesses	—	(17,050)
Net cash used for financing activities of continuing operations	(15,890)	(198,390)
Net cash provided by financing activities of discontinued operations	—	208,400
Net cash provided by (used for) financing activities	(15,890)	10,010
Cash and Cash Equivalents:		
Net increase for the period	4,210	1,750

At beginning of period	19,450	24,420
At end of period	$23,660	$26,170
Supplemental disclosure of cash flow information:		
Cash paid for interest	$5,860	$9,690
Cash paid for taxes	$3,170	$17,390

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

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TriMas Corporation
Consolidated Statement of Shareholders' Equity
Six Months Ended June 30, 2016
(Unaudited—dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balances, December 31, 2015	$ 450	$812,160	$(254,120)	$(11,300)	$547,190
Net income	—	—	18,780	—	18,780
Other comprehensive loss	—	—	—	(10,730)	(10,730)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	—	(650)	—	—	(650)
Stock option exercises and restricted stock vestings	—	10	—	—	10
Tax effect from stock based compensation	—	(540)	—	—	(540)
Non-cash compensation expense	—	4,140	—	—	4,140
Balances, June 30, 2016	$ 450	$815,120	$(235,340)	$(22,030)	$558,200

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

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TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

TriMas Corporation ("TriMas" or the "Company"), and its consolidated subsidiaries, is a global manufacturer and distributor of products for commercial, industrial and consumer markets. The Company is principally engaged in the following reportable segments with diverse products and market channels: Packaging, Aerospace, Energy and Engineered Components. See Note 10, "Segment Information," for further information on each of the Company's reportable segments.

On June 30, 2015, the Company completed the spin-off of its Cequent businesses, creating a new independent publicly traded company, Horizon Global Corporation ("Horizon"). In addition, on June 30, 2015, immediately prior to the effective time of the spin-off, Horizon paid a cash distribution to the Company of $214.5 million using the proceeds of its new debt financing arrangement and cash on hand. The Company incurred approximately $30 million of one-time, pre-tax costs associated with the spin-off, of which approximately $29 million was incurred during the six months ended June 30, 2015. These costs primarily related to financing, legal, tax and accounting services rendered by third parties. Of the $30 million in costs, approximately $18 million was included in the loss from discontinued operations, $9 million was capitalized as deferred financing fees associated with Horizon's debt issuance coincident with the spin-off and was included in the balance sheet of the discontinued operations and approximately $3 million relates to fees associated with the Company's refinancing of long-term debt, of which approximately $2 million was included in the income from continuing operations as debt financing and extinguishment costs and approximately $1 million was capitalized as deferred financing fees in the accompanying consolidated balance sheet. The results of operations and cash flows of the Cequent businesses are reflected as discontinued operations for all periods presented through the date of the spin-off. See Note 3, "Discontinued Operations," for further details regarding the spin-off.

The accompanying consolidated financial statements include the accounts of the Company and its subsidiaries and, in the opinion of management, contain all adjustments, including adjustments of a normal and recurring nature, necessary for a fair presentation of financial position and results of operations. Results of operations for interim periods are not necessarily indicative of results for the full year. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the Company's 2015 Annual Report on Form 10-K.

2. New Accounting Pronouncements

In March 2016, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2016-09, "Compensation - Stock Compensation (Topic 718)" ("ASU 2016-09"). ASU 2016-09 simplifies several aspects of accounting for share-based payment award transactions, including income tax consequences, classification of awards as either equity or liabilities and classification on the statement of cash flows. ASU 2016-09 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016, with early adoption permitted. The Company is in the process of assessing the impact of adoption of ASU 2016-09 on its consolidated financial statements.

In February 2016, the FASB issued ASU 2016-02, "Leases (Topic 842)" ("ASU 2016-02"). ASU 2016-02 requires that lessees, at the lease commencement date, recognize a lease liability representing the lessee's obligation to make lease payments arising from a lease as well as a right-of-use asset, which represents the lessee's right to use, or control the use of a specified asset, for the lease term. The new guidance also aligns lessor accounting to the lessee accounting model and to Topic 606, "Revenue from Contracts with Customers." ASU 2016-02 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2018 and is to be applied using a modified retrospective approach with early adoption permitted. The Company is in the process of assessing the impact of the adoption of ASU 2016-02 on its consolidated financial statements.

In July 2015, the FASB issued ASU 2015-11, "Inventory (Topic 330): Simplifying the Measurement of Inventory" ("ASU 2015-11"). ASU 2015-11 requires an entity to measure inventory at the lower of cost and net realizable value, thereby simplifying the current guidance under which an entity must measure inventory at the lower of cost or market. The ASU defines net realizable value as the estimated selling prices in the ordinary course of business, less reasonably predictable costs of completion, disposal and transportation. ASU 2015-11 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2016 and is to be applied prospectively with early adoption permitted. The Company is in the process of assessing the impact of adoption of ASU 2015-11 on its consolidated financial statements.

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TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. Since the issuance of the original standard, the FASB has issued several subsequent updates including the following: 1) the deferral of ASU 2014-09 by one year, making it effective for annual reporting periods beginning on or after December 15, 2017 while also providing for early adoption, but not before the original effective date (ASU 2015-14); 2) clarification of the implementation guidance on principal versus agent considerations (ASU 2016-08); 3) further guidance on identifying performance obligations in a contract as well as clarifications on the licensing implementation guidance (ASU 2016-10); 4) rescission of several SEC Staff Announcements that are codified in Topic 605, including, among other items, guidance related to accounting for shipping and handling fees and costs, freight services and consideration given by a vendor to a customer (ASU 2016-11); and 5) additional guidance and practical expedients in response to identified implementation issues (ASU 2016-12). The Company is in the process of assessing the impact of the adoption of these ASUs on its consolidated financial statements.

3. Discontinued Operations

On June 30, 2015, the Company completed the spin-off of its Cequent businesses (comprised of the former Cequent Americas and Cequent Asia Pacific Europe Africa ("Cequent APEA") reportable segments), creating a new independent publicly traded company, Horizon, through the distribution of 100% of the Company's interest in Horizon to holders of the Company's common stock. On June 30, 2015, each of the Company's shareholders of record as of the close of business on the record date of June 25, 2015 received two shares of Horizon common stock for every five shares of TriMas common stock held. In addition, on June 30, 2015, immediately prior to the effective time of the spin-off, Horizon entered into a new debt financing arrangement and used the proceeds to make a cash distribution of approximately $214.5 million to the Company.

Following the spin-off, there were no assets or liabilities remaining from the Cequent operations. The Cequent businesses are presented as discontinued operations in the Company's consolidated statement of income and cash flows for all periods presented.

Results of discontinued operations are summarized as follows (dollars in thousands):

	Three months ended June 30, 2015	Six months ended June 30, 2015
Net sales	$158,540	$300,900
Cost of sales	(120,800)	(227,860)
Gross profit	37,740	73,040
Selling, general and administrative expenses	(41,540)	(72,360)
Operating profit (loss)	(3,800)	680
Interest expense	(1,320)	(2,540)
Other expense, net	(720)	(1,970)
Other expense, net	(2,040)	(4,510)
Loss from discontinued operations, before income taxes	(5,840)	(3,830)
Income tax expense	(940)	(910)
Loss from discontinued operations, net of tax	$(6,780)	$(4,740)

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TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

4. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the six months ended June 30, 2016 are summarized as follows (dollars in thousands):

	Packaging	Aerospace	Energy	Engineered Components	Total
Balance, December 31, 2015	$165,730	$206,630	$ —	$ 6,560	$378,920
Foreign currency translation and other	(1,490)	—	—	—	(1,490)
Balance, June 30, 2016	$164,240	$206,630	$ —	$ 6,560	$377,430

The Company amortizes its other intangible assets over periods ranging from one to 30 years. The gross carrying amounts and accumulated amortization of the Company's other intangibles as of June 30, 2016 and December 31, 2015 are summarized below (dollars in thousands).

	As of June 30, 2016		As of December 31, 2015	
Intangible Category by Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
Finite-lived intangible assets:				
Customer relationships, 5 – 12 years	$74,680	$ (29,800)	$74,890	$ (25,960)
Customer relationships, 15 – 25 years	132,230	(41,510)	132,230	(38,060)
Total customer relationships	206,910	(71,310)	207,120	(64,020)
Technology and other, 1 – 15 years	57,790	(24,500)	57,860	(22,770)
Technology and other, 17 – 30 years	43,300	(30,310)	43,300	(29,250)
Total technology and other	101,090	(54,810)	101,160	(52,020)
Indefinite-lived intangible assets:				
Trademark/Trade names	81,630	—	81,630	—
Total other intangible assets	$389,630	$ (126,120)	$389,910	$ (116,040)

Amortization expense related to intangible assets as included in the accompanying consolidated statement of income is summarized as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Technology and other, included in cost of sales	$1,390	$1,480	$2,770	$3,080
Customer relationships, included in selling, general and administrative expenses	3,700	3,740	7,420	7,500
Total amortization expense	$5,090	$5,220	$10,190	$10,580

5. Inventories

Inventories consist of the following components (dollars in thousands):

	June 30, 2016	December 31, 2015
Finished goods	$96,380	$ 101,480
Work in process	26,050	23,620
Raw materials	43,370	42,270
Total inventories	$165,800	$ 167,370

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TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

6. Property and Equipment, Net

Property and equipment consists of the following components (dollars in thousands):

	June 30, 2016	December 31, 2015
Land and land improvements	$15,010	$ 14,820
Buildings	68,260	67,790
Machinery and equipment	279,620	274,650
	362,890	357,260
Less: Accumulated depreciation	184,230	176,130
Property and equipment, net	$178,660	$ 181,130

Depreciation expense as included in the accompanying consolidated statement of income is as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Depreciation expense, included in cost of sales	$ 5,240	$ 5,020	$ 10,470	$ 9,380
Depreciation expense, included in selling, general and administrative expenses	800	730	1,510	1,450
Total depreciation expense	$ 6,040	$ 5,750	$ 11,980	$ 10,830

7. Long-term Debt

The Company's long-term debt consists of the following (dollars in thousands):

	June 30, 2016	December 31, 2015
Credit Agreement	$347,870	$ 371,820
Receivables facility and other	63,790	53,860
Debt issuance costs	(5,380)	(6,050)
	406,280	419,630
Less: Current maturities, long-term debt	13,820	13,850
Long-term debt, net	$392,460	$ 405,780

Credit Agreement

The Company is party to a credit agreement (the "Credit Agreement"), consisting of a $500.0 million senior secured revolving credit facility, which permits borrowings denominated in specific foreign currencies ("Foreign Currency Loans"), subject to a $75.0 million sub limit, which matures on June 30, 2020 and is subject to interest at London Interbank Offered Rates ("LIBOR") plus 1.75%, and a $275.0 million senior secured term loan A facility ("Term Loan A Facility"), which matures on June 30, 2020 and is subject to interest at LIBOR plus 1.75%. The interest rate spread is based upon the leverage ratio, as defined, as of the most recent determination date.

The Credit Agreement also provides incremental term loan and/or revolving credit facility commitments in an amount not to exceed the greater of $300.0 million and an amount such that, after giving effect to such incremental commitments and the incurrence of any other indebtedness substantially simultaneously with the making of such commitments, the senior secured net leverage ratio, as defined, is no greater than 2.50 to 1.00. The terms and conditions of any incremental term loan and/or revolving credit facility commitments must be no more favorable than the existing credit facility.

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TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(unaudited)

The Company may be required to prepay a portion of its Term Loan A Facility in an amount equal to a percentage of the Company's excess cash flow, as defined, with such percentage based on the Company's leverage ratio, as defined. As of June 30, 2016, no amounts are due under this provision.

The Company is also able to issue letters of credit, not to exceed $40.0 million in aggregate, against its revolving credit facility commitments. At June 30, 2016 and December 31, 2015, the Company had letters of credit of approximately $18.5 million and $21.6 million, respectively, issued and outstanding.

At June 30, 2016, the Company had approximately $83.2 million outstanding under its revolving credit facility and had approximately $398.3 million potentially available after giving effect to approximately $18.5 million of letters of credit issued and outstanding. At December 31, 2015, the Company had approximately $100.3 million outstanding under its revolving credit facility and had approximately $378.1 million potentially available after giving effect to approximately $21.6 million of letters of credit issued and outstanding. However, including availability under its accounts receivable facility and after consideration of leverage restrictions contained in the Credit Agreement, the Company had approximately $100.0 million and $107.4 million at June 30, 2016 and December 31, 2015, respectively, of borrowing capacity available for general corporate purposes.

Principal payments required under the Credit Agreement for the Term Loan A Facility are approximately $3.4 million due each fiscal quarter from December 2015 through September 2018 and approximately $5.2 million due each fiscal quarter from December 2018 through March 2020, with final payment of approximately $202.8 million due on June 30, 2020.

The debt under the Credit Agreement is an obligation of the Company and certain of its domestic subsidiaries and is secured by substantially all of the assets of such parties. Borrowings under the $75.0 million foreign currency sub limit of the $500.0 million senior secured revolving credit facility are secured by a pledge of the assets of the foreign subsidiary borrowers that are a party to the agreement. The Credit Agreement also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries, including restrictions on the incurrence of debt, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, assets dispositions, sale-leaseback transactions, hedging agreements, dividends and other restricted payments, transactions with affiliates, restrictive agreements and amendments to charters, bylaws, and other material documents. The terms of the Credit Agreement also require the Company and its subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a maximum leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined) and a minimum interest expense coverage ratio (consolidated EBITDA, as defined, over cash interest expense, as defined). At June 30, 2016, the Company was in compliance with its financial covenants contained in the Credit Agreement.

In June 2015, the Company amended its Credit Agreement, pursuant to which the Company was able to extend maturities and resize its credit facilities following the spin-off of the Cequent businesses. In connection with entering into the amended Credit Agreement, the Company incurred approximately $1.8 million in fees to complete the Credit Agreement, of which approximately $1.4 million was capitalized as deferred financing fees as of June 30, 2015 and $0.4 million was recorded as debt financing fees in the accompanying consolidated statement of income during the three months ended June 30, 2015. The Company also recorded non-cash debt extinguishment costs of $1.5 million related to the write-off of deferred financing fees associated with the previous term loan during the three months ended June 30, 2015.

As of June 30, 2016 and December 31, 2015, the Company's Term Loan A Facility traded at approximately 99.6% of par value and the Company's revolving credit facility traded at approximately 99.3% of par value. The valuations of the Credit Agreement were determined based on Level 2 inputs under the fair value hierarchy, as defined.

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Receivables Facility
The Company is party to an accounts receivable facility through TSPC, Inc. ("TSPC"), a wholly-owned subsidiary, to sell trade accounts receivable of substantially all of the Company's domestic business operations. Under this facility, TSPC, from time to time, may sell an undivided fractional ownership interest in the pool of receivables up to $75.0 million to a third party multi-seller receivables funding company. The net amount financed under the facility is less than the face amount of accounts receivable by an amount that approximates the purchaser's financing costs. The cost of funds under this facility consisted of a 1-month LIBOR-based rate plus a usage fee of 1.00% and a fee on the unused portion of the facility of 0.35% as of June 30, 2016 and 2015.
The Company had approximately $63.6 million and $53.6 million outstanding under the facility as of June 30, 2016 and December 31, 2015, respectively, and approximately $2.1 million and $7.1 million available but not utilized as of June 30, 2016 and December 31, 2015, respectively. Aggregate costs incurred under the facility were approximately $0.2 million and $0.3 million for the three months ended June 30, 2016 and 2015, and $0.4 million and $0.5 million for the six months ended June 30, 2016 and 2015, respectively, and are included in interest expense in the accompanying consolidated statement of income. The facility expires on June 30, 2020.
The cost of funds fees incurred are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on historical collection experience and a discount rate based on a 1-month LIBOR-based rate plus the usage fee discussed above and is computed in accordance with the terms of the agreement. As of June 30, 2016, the cost of funds under the facility was based on an average liquidation period of the portfolio of approximately 1.8 months and an average discount rate of 1.9%.
8. Derivative Instruments
The Company utilizes interest rate swap agreements to fix the LIBOR-based variable portion of the interest rate on its long term debt. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. As of June 30, 2016, the Company had interest rate swap agreements in place that hedge a declining notional value of debt ranging from approximately $251.5 million to approximately $192.7 million, amortizing consistent with future scheduled debt principal payments. The interest rate swap agreements establish fixed interest rates in a range of 0.74% to 2.68% with various expiration terms extending to June 30, 2020. At inception, the interest rate swaps were and continue to be designated as cash flow hedges.
As of June 30, 2016 and December 31, 2015, the fair value carrying amount of the Company's derivative instruments are recorded as follows (dollars in thousands):

		Asset / (Liability) Derivatives	
	Balance Sheet Caption	June 30, 2016	December 31, 2015
Derivatives designated as hedging instruments			
Interest rate swaps	Other assets	$—	$ 430
Interest rate swaps	Accrued liabilities	(1,260)	(150)
Interest rate swaps	Other long-term liabilities	(8,560)	(3,180)
Total derivatives designated as hedging instruments		$(9,820)	$ (2,900)

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The following table summarizes the loss recognized in accumulated other comprehensive income or loss ("AOCI") as of June 30, 2016 and December 31, 2015, and the amounts reclassified from AOCI into earnings for the three and six months ended June 30, 2016 and 2015 (dollars in thousands):

	Amount of Loss Recognized in AOCI on Derivative (Effective Portion, net of tax)			Amount of Loss Reclassified from AOCI into Earnings			
				Three months ended June 30,		Six months ended June 30,	
	As of June 30, 2016	As of December 31, 2015	Location of Loss Reclassified from AOCI into Earnings (Effective Portion)	2016	2015	2016	2015
Derivatives designated as hedging instruments							
Interest rate swaps	$(6,080)	$ (1,790)	Interest expense	$(110)	$—	$(220)	$—
			Income from discontinued operations	$—	$(220)	$—	$(440)

Over the next 12 months, the Company expects to reclassify approximately $1.3 million of pre-tax deferred losses from AOCI to interest expense as the related interest payments for the designated interest rate swaps are funded.
The fair value of the Company's derivatives are estimated using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of the Company's interest rate swaps use observable inputs such as interest rate yield curves. Fair value measurements and the fair value hierarchy level for the Company's assets and liabilities measured at fair value on a recurring basis as of June 30, 2016 and December 31, 2015 are shown below (dollars in thousands).

	Description	Frequency	Asset / (Liability)	Quoted Prices in Active Markets for Identical Assets (Level 1)	Significant Other Observable Inputs (Level 2)	Significant Unobservable Inputs (Level 3)
June 30, 2016	Interest rate swaps	Recurring	$ (9,820)	$ —	$ (9,820)	$ —
December 31, 2015	Interest rate swaps	Recurring	$ (2,900)	$ —	$ (2,900)	$ —

9. Commitments and Contingencies
Asbestos
As of June 30, 2016, the Company was a party to 950 pending cases involving an aggregate of 6,031 claimants alleging personal injury from exposure to asbestos containing materials formerly used in gaskets (both encapsulated and otherwise) manufactured or distributed by certain of the Company's subsidiaries for use primarily in the petrochemical refining and exploration industries. The following chart summarizes the number of claimants, number of claims filed, number of claims dismissed, number of claims settled, the average settlement amount per claim and the total defense costs, exclusive of amounts reimbursed under the Company's primary insurance, at the applicable date and for the applicable periods:

	Claims pending at	Claims filed during	Claims dismissed during	Claims settled during	Average settlement	Total defense

	beginning of period	period	period	period	amount per claim during period	costs during period
Fiscal Year Ended December 31, 2015	7,992	266	1,990	26	$ 16,963	$3,160,000
Six Months Ended June 30, 2016	6,242	72	271	12	$ 29,875	$1,474,015

In addition, the Company acquired various companies to distribute its products that had distributed gaskets of other manufacturers prior to acquisition. The Company believes that many of its pending cases relate to locations at which none of its gaskets were distributed or used.

The Company may be subjected to significant additional asbestos-related claims in the future, the cost of settling cases in which product identification can be made may increase, and the Company may be subjected to further claims in respect of the former activities of its acquired gasket distributors. The Company is unable to make a meaningful statement concerning the monetary claims made in the asbestos cases given that, among other things, claims may be initially made in some jurisdictions without specifying the amount sought or by simply stating the requisite or maximum permissible monetary relief, and may be amended to alter the amount sought. The large majority of claims do not specify the amount sought. Of the 6,031 claims pending at June 30, 2016, 101 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). At June 30, 2016, of the 101 claims that set forth specific amounts, there were no claims seeking specific amounts for punitive damages. Below is a breakdown of the amount sought for those claims seeking specific amounts:

	Compensatory		
Range of damages sought (dollars in millions)	$0.0 to $0.6	$0.6 to $5.0	$5.0+
Number of claims	7	37	57

In addition, relatively few of the claims have reached the discovery stage and even fewer claims have gone past the discovery stage.

Total settlement costs (exclusive of defense costs) for all asbestos-related cases, some of which were filed over 20 years ago, have been approximately $8.1 million. All relief sought in the asbestos cases is monetary in nature. To date, approximately 40% of the Company's costs related to settlement and defense of asbestos litigation have been covered by its primary insurance. Effective February 14, 2006, the Company entered into a coverage-in-place agreement with its first level excess carriers regarding the coverage to be provided to the Company for asbestos-related claims when the primary insurance is exhausted. The coverage-in-place agreement makes asbestos defense costs and indemnity coverage available to the Company that might otherwise be disputed by the carriers and provides a methodology for the administration of such expenses. Nonetheless, the Company believes it is likely there will be a period within the next 6 to 18 months, prior to the commencement of coverage under this agreement and following exhaustion of the Company's primary insurance coverage, during which the Company will be solely responsible for defense costs and indemnity payments, the duration of which would be subject to the scope of damage awards and settlements paid.

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Based on the settlements made to date and the number of claims dismissed or withdrawn for lack of product identification, the Company believes that the relief sought (when specified) does not bear a reasonable relationship to its potential liability. Based upon the Company's experience to date, including the trend in annual defense and settlement costs incurred to date, and other available information (including the availability of excess insurance), the Company does not believe these cases will have a material adverse effect on its financial position and results of operations or cash flows.

Claims and Litigation

The Company is subject to other claims and litigation in the ordinary course of business which the Company does not believe are material. During the three months ended June 30, 2015, the Company resolved a matter related to a claim made against the Company by a competitor alleging false advertising for approximately $2.8 million, inclusive of attorney fees and expenses.

The Company does not believe claims and litigation will have a material adverse effect on its financial position and results of operations or cash flows.

10. Segment Information

TriMas groups its operating segments into reportable segments that provide similar products and services. Each operating segment has discrete financial information evaluated regularly by the Company's chief operating decision maker in determining resource allocation and assessing performance. Within these reportable segments, there are no individual products or product families for which reported net sales accounted for more than 10% of the Company's consolidated net sales. See below for more information regarding the types of products and services provided within each reportable segment:

Packaging – Highly engineered closure and dispensing systems for a range of end markets, using steel and plastic industrial and consumer packaging applications.

Aerospace – Permanent blind bolts, temporary fasteners, highly engineered specialty fasteners and other precision machined parts used in the commercial, business and military aerospace industries.

Energy – Metallic and non-metallic industrial sealant products and fasteners for the petroleum refining, petrochemical and other industrial markets.

Engineered Components – High-pressure and low-pressure cylinders for the transportation, storage and dispensing of compressed gases, and natural gas engines, compressors, gas production equipment and chemical pumps engineered for use at well sites for the oil and gas industry.

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Segment activity is as follows (dollars in thousands):

	Three months ended June 30,		Six months ended June 30,	
	2016	2015	2016	2015
Net Sales				
Packaging	$88,110	$89,580		