TRIMAS CORP
Form 10-Q
April 26, 2012
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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 March 31, 2012

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 o	Accelerated filer x	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 April 26, 2012, the number of outstanding shares of the Registrant's common stock, $0.01 par value, was 35,223,792 shares.

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Forward-Looking Statements

This report contains forward-looking statements (as that term is defined by the federal securities laws) about our financial condition, results of operations and business. You can find many of these statements by looking for words such as "may," "will," "expect," "anticipate," "believe," "estimate" and similar words used in this report.

These forward-looking statements are subject to numerous assumptions, risks and uncertainties. Because the statements are subject to risks and uncertainties, actual results may differ materially from those expressed or implied by the forward-looking statements. We caution readers not to place undue reliance on the statements, which speak only as of the date of this report.

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 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.

You should carefully consider the factors discussed in Part I, Item 1A, "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2011, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K 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.

We disclose important factors that could cause our actual results to differ materially from our expectations 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 condition, results of operations, prospects and ability to service our debt.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

TriMas Corporation
Consolidated Balance Sheet
(Unaudited—dollars in thousands)

	March 31, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$14,960	$88,920
Receivables, net of reserves of approximately $3.5 million and $3.8 million as of March 31, 2012 and December 31, 2011, respectively	179,820	135,610
Inventories	198,500	178,030
Deferred income taxes	18,510	18,510
Prepaid expenses and other current assets	13,390	10,620
Total current assets	425,180	431,690
Property and equipment, net	165,900	159,210
Goodwill	251,330	215,360
Other intangibles, net	201,540	155,670
Other assets	23,310	24,610
Total assets	$1,067,260	$986,540
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	$12,980	$7,290
Accounts payable	144,580	146,930
Accrued liabilities	71,910	70,140
Total current liabilities	229,470	224,360
Long-term debt	486,160	462,610
Deferred income taxes	65,370	64,780
Other long-term liabilities	62,690	61,000
Total liabilities	843,690	812,750
Redeemable noncontrolling interest	25,390	—
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: 35,223,792 shares at March 31, 2012 and 34,613,607 shares at December 31, 2011	350	350
Paid-in capital	546,290	538,610
Accumulated deficit	(392,260)	(404,750)
Accumulated other comprehensive income	43,800	39,580
Total shareholders' equity	198,180	173,790
Total liabilities and shareholders' equity	$1,067,260	$986,540

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

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

	Three months ended March 31,	
	2012	2011
Net sales	$297,570	$258,560
Cost of sales	(218,660)	(186,740)
Gross profit	78,910	71,820
Selling, general and administrative expenses	(50,470)	(43,540)
Net gain on dispositions of property and equipment	300	70
Operating profit	28,740	28,350
Other expense, net:		
Interest expense	(10,670)	(12,020)
Other expense, net	(1,640)	(1,160)
Other expense, net	(12,310)	(13,180)
Income from continuing operations before income tax expense	16,430	15,170
Income tax expense	(4,180)	(4,480)
Income from continuing operations	12,250	10,690
Income from discontinued operations, net of income tax expense	—	1,060
Net income	12,250	11,750
Less: Net loss attributable to noncontrolling interests	(240)	—
Net income attributable to TriMas Corporation	$12,490	$11,750
Basic earnings per share attributable to TriMas Corporation:		
Continuing operations	$0.36	$0.32
Discontinued operations	—	0.03
Net income per share	$0.36	$0.35
Weighted average common shares—basic	34,592,267	33,913,610
Diluted earnings per share attributable to TriMas Corporation:		
Continuing operations	$0.36	$0.31
Discontinued operations	—	0.03
Net income per share	$0.36	$0.34
Weighted average common shares—diluted	35,027,899	34,599,076

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 March 31,	
	2012	2011
Net income	$ 12,250	$ 11,750
Other comprehensive income		
Amortization of defined benefit plan deferred losses (net of tax of $60 thousand and $30 thousand, respectively) (Note 13)	120	50
Foreign currency translation	4,510	4,840
Net changes in unrealized loss on interest rate swaps (net of tax of $0.3 million and $0.1 million, respectively) (Note 8)	(410)	150
Total other comprehensive income	4,220	5,040
Total comprehensive income	16,470	16,790
Less: Net loss attributable to noncontrolling interests	(240)	—
Total comprehensive income attributable to TriMas Corporation	$ 16,710	$ 16,790

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)

	Three months ended March 31, 2012	2011
Cash Flows from Operating Activities:		
Net income	$12,250	$11,750
Adjustments to reconcile net income to net cash used for operating activities, net of acquisition impact:		
Gain on dispositions of property and equipment	(300)	(60)
Depreciation	6,450	6,230
Amortization of intangible assets	4,200	3,500
Amortization of debt issue costs	910	760
Deferred income taxes	670	9,530
Non-cash compensation expense	1,410	860
Excess tax benefits from stock based compensation	(1,770)	(1,510)
Increase in receivables	(33,260)	(41,710)
Increase in inventories	(15,040)	(2,760)
Increase in prepaid expenses and other assets	(1,000)	(3,240)
Decrease in accounts payable and accrued liabilities	(15,550)	(11,550)
Other, net	1,630	1,200
Net cash used for operating activities, net of acquisition impact	(39,400)	(27,000)
Cash Flows from Investing Activities:		
Capital expenditures	(11,370)	(6,810)
Acquisition of businesses, net of cash acquired	(59,190)	—
Net proceeds from disposition of assets	320	500
Net cash used for investing activities	(70,240)	(6,310)
Cash Flows from Financing Activities:		
Proceeds from borrowings on term loan facilities	36,420	1,530
Repayments of borrowings on term loan facilities	(31,010)	(650)
Proceeds from borrowings on revolving credit facilities and accounts receivable facility	180,000	135,700
Repayments of borrowings on revolving credit facilities and accounts receivable facility	(156,000)	(135,700)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	(990)	(720)
Proceeds from exercise of stock options	5,490	180
Excess tax benefits from stock based compensation	1,770	1,510
Net cash provided by financing activities	35,680	1,850
Cash and Cash Equivalents:		
Decrease for the period	(73,960)	(31,460)
At beginning of period	88,920	46,370
At end of period	$14,960	$14,910
Supplemental disclosure of cash flow information:		
Cash paid for interest	$3,080	$4,730
Cash paid for taxes	$8,050	$2,600

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

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TriMas Corporation
Consolidated Statement of Shareholders' Equity
Three Months Ended March 31, 2012
(Unaudited—dollars in thousands)

	TriMas Corporation				
	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balances, December 31, 2011	$350	$538,610	$(404,750)	$39,580	$173,790
Net income attributable to TriMas Corporation	—	—	12,490	—	12,490
Other comprehensive income	—	—	—	4,220	4,220
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	—	(990)	—	—	(990)
Stock option exercises and restricted stock vestings	—	5,490	—	—	5,490
Excess tax benefits from stock based compensation	—	1,770	—	—	1,770
Non-cash compensation expense	—	1,410	—	—	1,410
Balances, March 31, 2012	$350	$546,290	$(392,260)	$43,800	$198,180

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 six reportable segments with diverse products and market channels: Packaging, Energy, Aerospace & Defense, Engineered Components, Cequent Asia Pacific and Cequent North America. See Note 10, "Segment Information," for further information on each of the Company's reportable segments.

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. Certain prior year amounts have been reclassified to conform with the current year presentation. The accompanying consolidated financial statements and notes thereto should be read in conjunction with the Company's 2011 Annual Report on Form 10-K.

2. Discontinued Operations and Assets Held for Sale

During the third quarter of 2011, the Company committed to a plan to exit its precision tool cutting and specialty fittings lines of business, both of which were part of the Engineered Components reportable segment. The businesses were sold in December 2011 for cash proceeds of $36.4 million and a note receivable of $2.2 million, due in 2012, which resulted in a pre-tax gain on sale of approximately $10.3 million. The purchase agreement also includes up to $2.5 million of additional contingent consideration, based on achievement of certain levels of future financial performance in 2012 and 2013.

The results of the aforementioned businesses are reported as discontinued operations for all periods presented. Results of discontinued operations are summarized as follows:

	Three months ended March 31,	
	2012	2011
	(dollars in thousands)	
Net sales	$—	$11,110
Income from discontinued operations before income tax expense	$—	$1,680
Income tax expense	—	(620)
Income from discontinued operations, net of income tax expense	$—	$1,060

There were no discontinued operations or assets held for sale as of March 31, 2012 or December 31, 2011.

3. Acquisitions

On February 24, 2012, the Company acquired 70% of the membership interests of Arminak & Associates, LLC ("Arminak") for the purchase price of approximately $67.4 million. The purchase price remains subject to the finalization of a net working capital adjustment, if any, which is expected to be completed by the end of the third quarter of 2012. Arminak is in the business of designing, manufacturing and supplying foamers, lotion pumps, fine mist sprayers and other packaging solutions for the cosmetic, personal care and household product markets. The acquisition of Arminak enhances the Company's highly-engineered product offering and provides access to large global customers in the cosmetic and personal care markets. Arminak is included in the Company's Packaging reportable segment.

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The purchase agreement provides the Company an option to purchase, and the Sellers an option to sell, the remaining 30% noncontrolling interest at specified dates in the future based on a multiple of future earnings, as defined. The put and call options become exercisable during the first quarters of 2014, 2015 and 2016. During the first exercise period, in 2014, TriMas and Arminak's previous owners ("Sellers") have the opportunity to call or put a 10% interest in Arminak. During the second exercise period, in 2015, TriMas and the Sellers have the opportunity to call or put an additional 10%, or up to all remaining interests held by Sellers per joint agreement, as defined in the purchase agreement. Finally, during the third exercise period, in 2016, a call or put may be exercised for all or any portions of the remaining interests held by the Sellers.

The combination of a noncontrolling interest and a redemption feature resulted in a redeemable noncontrolling interest, which is classified outside of permanent equity on the accompanying consolidated balance sheet. In order to estimate the fair value of the redeemable noncontrolling interest in Arminak, the Company utilized the Monte Carlo valuation method, using variations of estimated future discounted cash flows given certain significant assumptions including expected revenue growth, minimum and maximum estimated levels of gross profit margin, future expected cash flows, amounts transferred during each put and call exercise period and appropriate discount rates. As these assumptions are not observable in the market, the calculation represents a Level 3 fair value measurement. The Company recorded the redeemable noncontrolling interest at fair value at the date of acquisition.

Each reporting period, the Company adjusts the carrying amount of the noncontrolling interest to the greater of (1) the initial carrying amount, increased or decreased for the noncontrolling interest's share of Arminak's net income or loss and its share of comprehensive income or loss and dividends and (2) the redemption value as determined by the specified multiple of future earnings, as defined. This method views the end of the reporting period as if it were also the redemption date for the redeemable noncontrolling interest. If the fair value of the redeemable noncontrolling interest is less than the redemption value, there may be a charge to earnings per share attributable to TriMas Corporation. At March 31, 2012, the estimated fair value of the redeemable noncontrolling interest exceeded the redemption value.

Changes in the carrying amount of redeemable noncontrolling interest are summarized as follows:

	Three months ended March 31, 2012 (dollars in thousands)
Beginning balance, February 24, 2012	$25,630
Net loss attributable to noncontrolling interest	(240)
Ending balance, March 31, 2012	$25,390

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

The following table summarizes the fair value of consideration paid for Arminak, and the assets acquired and liabilities assumed recognized at the acquisition date, as well as the fair value at the acquisition date of the noncontrolling interest in Arminak:

	February 24, 2012 (dollars in thousands)
Consideration	
Cash paid plus initial estimate of working capital adjustment	$58,860
Contingent consideration [(a)]	8,490
Total consideration	$67,350
Recognized amounts of indentifiable assets acquired and liabilities assumed [(b)]	
Receivables	$8,990
Inventories	4,390
Intangible assets other than goodwill [(c)]	48,400
Other assets	2,450
Accounts payable and accrued liabilities	(4,240)
Long-term liabilities	(1,610)
Total identifiable net assets	58,380
Redeemable noncontrolling interest	(25,630)
Goodwill [(d)]	34,600
	$67,350

[(a)] The contingent consideration represents the Company's best estimate, based on its review of the underlying potential obligations estimated at a range of $8 to $9 million, of certain Seller tax-related liabilities for which the Company has indemnified the Sellers as part of the purchase agreement.
[(b)] These amounts represent a preliminary allocation of the purchase price subject to finalization of post-closing procedures, which may result in further adjustments to the values presented above.
(c) Consists of $33.0 million of customer relationships with an estimated 10 year useful life, $7.9 million of trademarks/tradenames with an indefinite useful life and $7.5 million of technology and other intangible assets with an estimated 8 year useful life.
[(d)] All of the preliminary goodwill was assigned to the Company's Packaging reportable segment and is expected to be deductible for tax purposes.

The results of operations of Arminak are included in the Company's results beginning February 24, 2012. The actual amounts of net sales and net income of Arminak included in the accompanying consolidated statement of operations for the three months ended March 31, 2012 were $5.4 million and $(0.8) million, respectively.

The following table summarizes the supplemental pro forma results of the combined entity as if the acquisition had occurred on January 1, 2011. The supplemental pro forma information presented below is for informational purposes and is not necessarily indicative of either future results of operations or results that might have been achieved had the acquisition been consummated on January 1, 2011:

	Pro forma Combined [(a)]	
	Three months ended March 31, 2012	Three months ended March 31, 2011
	(dollars in thousands, except per share amounts)	
Net sales	$305,600	$269,740
Net income attributable to TriMas Corporation	$14,460	$8,750

(a) The supplemental pro forma results reflect certain adjustments, such as adjustments for acquisition costs incurred and purchase accounting adjustments related to step-up in value and subsequent amortization of inventory and intangible assets.

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

Acquisition costs incurred by the Company in connection with its purchase of Arminak, primarily related to third party legal, accounting and tax diligence fees, were approximately $1.3 million, of which approximately $1.0 million were incurred during the three months ended March 31, 2012 and are recorded in selling, general and administrative expenses in the accompanying consolidated statement of operations.

4. Goodwill and Other Intangible Assets

Changes in the carrying amount of goodwill for the three months ended March 31, 2012 are summarized as follows:

	Packaging	Energy	Aerospace & Defense	Engineered Components	Cequent Asia Pacific	Cequent North America	Total
	(dollars in thousands)						
Balance, December 31, 2011	$122,330	$48,720	$41,130	$3,180	$—	$—	$215,360
Goodwill from acquisitions	34,600	—	—	—	—	—	34,600
Foreign currency translation	1,210	160	—	—	—	—	1,370
Balance, March 31, 2012	$158,140	$48,880	$41,130	$3,180	$—	$—	$251,330

The gross carrying amounts and accumulated amortization of the Company's other intangibles as of March 31, 2012 and December 31, 2011 are summarized below. The Company amortizes these assets over periods ranging from 1 to 30 years.

Intangible Category by Useful Life	As of March 31, 2012 Gross Carrying Amount	As of March 31, 2012 Accumulated Amortization	As of December 31, 2011 Gross Carrying Amount	As of December 31, 2011 Accumulated Amortization
	(dollars in thousands)			
Customer relationships:				
5 – 12 years	$71,400	$(24,510)	$37,400	$(23,410)
15 – 25 years	154,610	(79,790)	154,610	(77,730)
Total customer relationships	226,010	(104,300)	192,010	(101,140)
Technology and other:				
1 – 15 years	36,890	(24,230)	29,360	(23,710)
17 – 30 years	43,680	(21,410)	43,640	(20,860)
Total technology and other	80,570	(45,640)	73,000	(44,570)
Trademark/Trade names (indefinite life)	44,900	—	36,370	—
	$351,480	$(149,940)	$301,380	$(145,710)

Amortization expense related to intangible assets as included in the accompanying consolidated statement of operations is summarized as follows:

	Three months ended March 31, 2012	Three months ended March 31, 2011
	(dollars in thousands)	
Technology and other, included in cost of sales	$1,070	$820
Customer relationships, included in selling, general and administrative expenses	3,130	2,680
Total amortization expense	$4,200	$3,500

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

5. Inventories

Inventories consist of the following components:

	March 31, 2012	December 31, 2011
	(dollars in thousands)	
Finished goods	$132,610	$119,020
Work in process	24,350	21,730
Raw materials	41,540	37,280
Total inventories	$198,500	$178,030

6. Property and Equipment, Net

Property and equipment consists of the following components:

	March 31, 2012	December 31, 2011
	(dollars in thousands)	
Land and land improvements	$5,780	$5,740
Buildings	52,870	51,480
Machinery and equipment	305,240	291,960
	363,890	349,180
Less: Accumulated depreciation	197,990	189,970
Property and equipment, net	$165,900	$159,210

Depreciation expense as included in the accompanying consolidated statement of operations is as follows:

	Three months ended March 31,	
	2012	2011
	(dollars in thousands)	
Depreciation expense included in cost of sales	$5,640	$4,950
Depreciation expense included in selling, general and administrative expense	810	730
Total depreciation expense	$6,450	$5,680

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

7. Long-term Debt
The Company's long-term debt consists of the following:

	March 31, 2012	December 31, 2011
	(dollars in thousands)	
U.S. bank debt and receivables facility	$247,310	$223,870
Non-U.S. bank debt and other	5,810	140
9 $^3/_4$% senior secured notes, due December 2017	246,020	245,890
	499,140	469,900
Less: Current maturities, long-term debt	12,980	7,290
Long-term debt	$486,160	$462,610

U.S. Bank Debt
The Company is a party to a credit facility consisting of a $125.0 million revolving credit facility, which matures in June 2016 and is subject to interest at London Interbank Offered Rates ("LIBOR") plus 3.25%, and a $225.0 million term loan facility, which matures in June 2017 and is subject to interest at LIBOR plus 3.00% (subject to a 1.25% LIBOR floor) (collectively, the "Credit Agreement").
Under the Credit Agreement, the Company may be required to prepay a portion of its term loan under an excess cash flow sweep provision, as defined, with the amount of such prepayment based on the Company's leverage ratio, as defined. At March 31, 2012 , $5.0 million was included in current maturities of long-term debt under this provision.
The Company is also able to issue letters of credit, not to exceed $50.0 million in aggregate, against its revolving credit facility commitments. At March 31, 2012 and December 31, 2011, the Company had letters of credit of approximately $23.3 million and $23.9 million, respectively, issued and outstanding.
At March 31, 2012 and December 31, 2011, the Company had no amounts outstanding under its revolving credit facilities and had $101.7 million and $101.1 million, respectively, potentially available after giving effect to approximately $23.3 million and $23.9 million, respectively, 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 $150.3 million and $158.8 million, respectively, of borrowing capacity available to it for general corporate purposes.
The bank debt is an obligation of the Company and certain of its subsidiaries. Although the terms of the Credit Agreement do not restrict the Company's subsidiaries from making distributions to it in respect of its 9^3/4% senior secured notes, it does contain certain other limitations on the distribution of funds from TriMas Company LLC, the Company's principal subsidiary. The restricted net assets of the guarantor subsidiaries of approximately $445.5 million and $412.8 million at March 31, 2012 and December 31, 2011, respectively, are presented in Note 15, "Supplemental Guarantor Condensed Consolidating Financial Information." The Credit Agreement also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries. The Company was in compliance with its covenants at March 31, 2012.
The Company's term loan facility traded at approximately 99.8% and 99.0% of par value as of March 31, 2012 and December 31, 2011, respectively, and was valued based on Level 2 inputs as defined in the fair value hierarchy.
Non-U.S. Bank Debt
In Australia, the Company's subsidiary is party to a debt agreement which matures on May 31, 2012 and is secured by substantially all the assets of the subsidiary. At March 31, 2012, the balance outstanding under this agreement was approximately $5.7 million at an average interest rate of 6.2%. At December 31, 2011, the Company's subsidiary had no amounts outstanding under this debt agreement.

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

Notes

The Company's 9^3/4% senior secured notes due 2017 ("Senior Notes") indenture contains negative and affirmative covenants and other requirements that are comparable to those contained in the Credit Agreement. At March 31, 2012, the Company was in compliance with all such covenant requirements.

The Company's Senior Notes traded at approximately 109.5% and 108.5% of par value as of March 31, 2012 and December 31, 2011, respectively, and was valued based on Level 2 inputs as defined in the fair value hierarchy.

Receivables Facility

The Company is a 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 approximately $90.0 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 3-month LIBOR-based rate plus a usage fee of 1.50% and 3.00% as of March 31, 2012 and 2011, respectively, and a fee on the unused portion of the facility of 0.45% and 0.75% as of March 31, 2012 and 2011, respectively.

The Company had $24.0 million outstanding under the facility as of March 31, 2012 and had $48.6 million available but not utilized. The Company had no amounts outstanding under the facility as of December 31, 2011 and $57.6 million available but not utilized. Aggregate costs incurred under the facility were $0.2 million and $0.4 million for the three months ended March 31, 2012 and 2011, respectively, and are included in interest expense in the accompanying consolidated statement of operations. The facility expires on September 15, 2015.

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 3-month LIBOR-based rate plus the usage fee discussed above and is computed in accordance with the terms of the securitization agreement. As of March 31, 2012, the costs of funds under the facility was based on an average liquidation period of the portfolio of approximately 1.6 months and an average discount rate of 1.7%.

8. Derivative Instruments

In March 2012, the Company entered into an interest rate swap agreement to fix the LIBOR-based variable portion of the interest rate on a total of $100.0 million notional amount of its term loan facility. The swap agreement fixes the LIBOR-based variable portion of the interest rate at 1.80% and expires on June 23, 2016. The Company has designated the swap agreement as a cash flow hedge.

In addition, the Company was party to a $125.0 million notional amount interest rate swap which expired in July 2011 and a second interest rate swap with a notional amount of $75.0 million which expired in the first quarter of 2011. Both of these swaps were associated with the Company's previous term loan facility, but during 2011 neither was designated as a hedging instrument.

As of March 31, 2012 and December 31, 2011, the fair value carrying amount of the Company's derivative instruments is recorded as follows:

	Balance Sheet Caption	Asset Derivatives		Liability Derivatives	
		March 31, 2012	December 31, 2011	March 31, 2012	December 31, 2011
		(dollars in thousands)			
Derivatives designated as hedging instruments					
Interest rate swap	Accrued liabilities	$—	$—	$550	$—
Interest rate swap		—	—	110	—

	Other long-term liabilities				
Total derivatives designated as hedging instruments		$—	$—	$660	$—

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The amount of loss recognized in accumulated other comprehensive income and amount reclassified into earnings is summarized as follows:

	Amount of Loss Recognized in AOCI on Derivatives (Effective Portion, net of tax)		Location of Loss Reclassified from AOCI into Earnings (Effective Portion)	Amount of Loss Reclassified from AOCI into Earnings Three months ended March 31,	
	As of March 31, 2012	As of December 31, 2011		2012	2011
	(dollars in thousands)			(dollars in thousands)	
Derivatives designated as hedging instruments					
Interest rate swaps	$(410)	$—	Interest expense	$—	$(240)

Over the next 12 months, the Company expects to reclassify approximately $0.6 million of pre-tax deferred losses from accumulated other comprehensive income to interest expense as the related interest payments for the designated interest rate swaps are recognized.

	Amount of Loss Recognized in Earnings on Derivatives Three months ended March 31,		Location of Loss Recognized in Earnings on Derivatives
	2012	2011	
	(dollars in thousands)		
Derivatives not designated as hedging instruments			
Interest rate swaps	$—	$(10)	Interest expense

Valuations of the interest rate swap was based on the income approach which uses observable inputs such as interest rate yield curves and forward currency exchange rates. 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 March 31, 2012 are shown below.

		March 31, 2012			
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)
		(dollars in thousands)			
Interest rate swaps	Recurring	$(660)	$—	$(660)	$—

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9. Commitments and Contingencies
Asbestos
As of March 31, 2012, the Company was a party to 1,121 pending cases involving an aggregate of 7,947 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 beginning of period	Claims filed during period	Claims dismissed during period	Claims settled during period	Average settlement amount per claim during period	Total defense costs during period
Fiscal Year Ended December 31, 2011	8,200	476	607	21	$14,300	$2,510,000
Three Months Ended March 31, 2012	8,048	105	198	8	21,350	630,000

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 7,947 claims pending at March 31, 2012, 69 set forth specific amounts of damages (other than those stating the statutory minimum or maximum). Below is a breakdown of the amount sought for those claims seeking specific amounts:

	Compensatory & Punitive			Compensatory Only			Punitive Only		
Range of damages sought (in millions)	$0.4 to $5.0	$5.0 to $10.0	$10.0+	$0.1 to $0.6	$0.6 to $5.0	$5.0+	$0.1 to $2.5	$2.5 to $5.0	$5.0+
Number of claims	43	20	6	41	24	4	43	20	6

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 such cases, some of which were filed over 20 years ago, have been approximately $6.3 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 one or two years, 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.

Ordinary Course Claims

The Company is subject to other claims and litigation in the ordinary course of business, but does not believe that any such claim or 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, including steel and plastic industrial and consumer packaging applications.

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

Aerospace & Defense-Highly engineered specialty fasteners and screws for the commercial and military aerospace industries and military munitions components for the defense industry.

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 at well sites for the oil and gas industry.

Cequent Asia Pacific & Cequent North America-Custom-engineered towing, trailering and electrical products including trailer couplers, winches, jacks, trailer brakes and brake control solutions, lighting accessories and roof racks for the recreational vehicle, agricultural/utility, marine, automotive and commercial trailer markets, functional vehicle accessories and cargo management solutions including vehicle hitches and receivers, sway controls, weight distribution and fifth-wheel hitches, hitch-mounted accessories and other accessory components.

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Segment activity is as follows:

	Three months ended March 31,	
	2012	2011
	(dollars in thousands)	
Net Sales		
Packaging	$54,310	$43,900
Energy	50,590	40,950
Aerospace & Defense	17,860	18,500
Engineered Components	49,680	37,000
Cequent Asia Pacific	28,200	19,810
Cequent North America	96,930	98,400
Total	$297,570	$258,560
Operating Profit (Loss)		
Packaging	$9,890	$11,830
Energy	6,390	5,340
Aerospace & Defense	4,860	3,720
Engineered Components	7,710	4,650
Cequent Asia Pacific	3,040	2,530
Cequent North America	4,160	6,680
Corporate expenses	(7,310)	(6,400)
Total	$28,740	$28,350

11. Equity Awards

The Company maintains various long-term equity incentive plans: the 2011 TriMas Corporation Omnibus Incentive Compensation Plan, the TriMas Corporation 2006 Long Term Equity Incentive Plan and the TriMas Corporation 2002 Long Term Equity Incentive Plan (collectively, the "Plans"). See below for details of awards under the Plans by type.

Stock Options

The Company did not grant any stock options during the first quarter of 2012. Information related to stock options at March 31, 2012 is as follows:

	Number of Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	1,271,149	$13.29		
Exercised	(427,570)	12.54		
Cancelled	(2,500)	23.00		
Expired	(15,308)	20.00		
Outstanding at March 31, 2012	825,771	$13.53	5.1	$7,573,845

As of March 31, 2012, 786,263 stock options were exercisable under the Plans. In addition, the fair value of options which vested during the three months ended March 31, 2012 and 2011 was $0.4 million and $0.3 million, respectively. As of March 31, 2012, there was less than $10 thousand unrecognized compensation cost related to stock options.

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The Company recognized approximately $40 thousand and $80 thousand of stock based compensation expense related to options during each of the three months ended March 31, 2012 and 2011. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations.

Restricted Shares

During the first quarter of 2012, the Company awarded multiple restricted stock grants. First, the Company granted 19,532 restricted shares of common stock to certain employees which are subject only to a service condition and vest ratably over three years so long as the employee remains with the Company.

Secondly, the Company awarded 60,665 restricted shares of common stock to certain employees which are also subject only to a service condition and vest on the first anniversary date of the award. These awards were made to participants in the Company's short-term Incentive Compensation Plan ("ICP"), where, beginning in the 2010 plan year, all ICP participants whose target ICP annual award exceeds $20 thousand receive 80% of the value in earned cash and 20% in the form of a restricted stock award upon finalization of the award amount in the first quarter each year, following the previous plan year.

The Company awarded 206,064 restricted shares to certain Company key employees during the first quarter of 2012. Half of the restricted shares granted are service-based restricted stock units. These awards vest ratably over three years. The other half of the shares are subject to a performance condition and are earned based upon the achievement of two performance metrics over a period of three calendar years, beginning on January 1, 2012 and ending on December 31, 2014. Of this award, 75% of the awards are earned based upon the Company's earnings per share ("EPS") cumulative average growth rate ("EPS CAGR") over the performance period. The remaining 25% of the grants are earned based upon the Company's cash generation results. Cash generation is defined as the Company's cumulative three year cash flow from operating activities less capital expenditures, as publicly reported by the Company, plus or minus special items that may occur from time-to-time, divided by the Company's three-year income from continuing operations as publicly reported by the Company, plus or minus special items that may occur from time-to-time. Depending on the performance achieved for these two metrics, the amount of shares earned can vary from 30% of the target award to a maximum amount of 200% of the target award for the cash flow metric and 250% of the target award for the EPS CAGR metric. However, if these performance metrics are not achieved, no award will be earned. The performance awards vest on a "cliff" basis at the end of the three-year performance period.

The Company also awarded 166,530 restricted shares to certain Company key employees which are solely performance-based grants. Of this award, 60% are earned based on 2012 earnings per share growth, and the remaining 40% are earned based on the EPS CAGR for 2012 and 2013. Depending on the performance achieved for these two specific metrics, the amount of shares earned can vary from 30% of the target award to a maximum amount of 250% of the target award. However, if these performance metrics are not achieved, no award will be earned.

In addition, the Company granted 16,440 restricted shares of its common stock to its non-employee independent directors, which vest one year from date of grant so long as the director and/or Company does not terminate his services prior to the vesting date.

Lastly, the Company allows for its non-employee independent directors to make an annual election to defer all or a portion of their directors fees and to receive the deferred amount in cash or equity. Two directors have elected to defer certain of their directors fees and to receive the amount in Company common stock at a future date. During the first quarter of 2012, the Company issued 2,120 shares related to director fee deferrals.

Information related to restricted shares at March 31, 2012 is as follows:

	Number of Unvested Restricted Shares	Weighted Average Grant Date Fair Value	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2012	332,043	$ 16.25		

Granted	471,351	24.32		
Vested	(131,635)	16.20		
Cancelled	(480)	24.33		
Outstanding at March 31, 2012	671,279	$ 21.83	2.24	$ 15,029,937

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As of March 31, 2012, there was approximately $11.0 million of unrecognized compensation cost related to unvested restricted shares that is expected to be recorded over a weighted-average period of 1.8 years.

The Company recognized approximately $1.4 million and $0.8 million of stock based compensation expense related to restricted shares during the three months ended March 31, 2012 and 2011, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of operations.

12. Earnings per Share

Net earnings are divided by the weighted average number of shares outstanding during the period to calculate basic earnings per share. Diluted earnings per share are calculated to give effect to stock options and other stock-based awards. The calculation of diluted earnings per share included 136,988 and 132,706 restricted shares for the three months ended March 31, 2012 and 2011, respectively. The calculation of diluted earnings per share also included options to purchase 298,644 and 552,760 shares of common stock for the three months ended March 31, 2012 and 2011, respectively.

13. Defined Benefit Plans

Net periodic pension and postretirement benefit costs for the Company's defined benefit pension plans and postretirement benefit plans cover foreign employees, union hourly employees and certain salaried employees. The components of net periodic pension and postretirement benefit costs for the three months ended March 31, 2012 and 2011 are as follows:

	Pension Plans		Other Postretirement Benefits	
	Three months ended March 31,		Three months ended March 31,	
	2012	2011	2012	2011
	(dollars in thousands)			
Service costs	$150	$160	$—	$—
Interest costs	400	400	10	10
Expected return on plan assets	(430)	(400)	—	—
Amortization of prior service cost	—	—	(70)	(70)
Amortization of net (gain)/loss	270	180	(20)	(20)
Net periodic benefit cost	$390	$340	$(80)	$(80)

The Company contributed approximately $4.0 million to its defined benefit pension plans during the three months ended March 31, 2012. The Company expects to contribute approximately $5.8 million to its defined benefit pension plans for the full year 2012.

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14. New Accounting Pronouncements

In June 2011, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2011-5, "Presentation of Comprehensive Income" ("ASU 2011-5"). ASU 2011-5 amends guidance listed under Accounting Standards Codification ("ASC") Topic 220, "Comprehensive Income," and eliminates the option to present components of other comprehensive income as part of the statement of shareholders' equity. Under the amendments to ASC Topic 220, an entity has the option to present the total of comprehensive income, the components of net income and the components of other comprehensive income either in a single continuous statement of comprehensive income or in two separate but consecutive statements. While ASU 2011-5 also includes requirements for presentation of reclassification adjustments out of accumulated other comprehensive income, this section was subsequently deferred in December 2011, with the FASB's issuance of ASU 2011-12, "Comprehensive Income (Topic 220): Deferral of the Effective Date for Amendments to the Presentation of Reclassifications of Items Out of Accumulated Other Comprehensive Income in ASU 2011-05." ASU 2011-5 became effective retrospectively for fiscal years, and interim periods within those years, beginning after December 15, 2011. The Company has presented the total of comprehensive income, the components of net income and the components of other comprehensive income in two separate but consecutive statements as a result of the Company's adoption of ASU 2011-5 during the first quarter of 2012.

In May 2011, the FASB issued ASU 2011-4, "Amendments to Achieve Common Fair Value Measurement and Disclosure Requirements in U.S. GAAP and IFRSs." ASU 2011-4 amends guidance listed under ASC Topic 820, "Fair Value Measurement," and represents the converged guidance of the FASB and the International Accounting Standards Board on fair value measurement. The guidance clarifies how a principal market is determined, addresses the fair value measurement of instruments with offsetting market or counterparty credit risks, addresses the concept of valuation premise and highest and best use, extends the prohibition on blockage factors to all three levels of the fair value hierarchy and requires additional disclosures. ASU 2011-4 became effective prospectively for interim and annual periods beginning after December 15, 2011. There was no significant impact to the Company's consolidated financial statements as a result of the Company's adoption of ASU 2011-4 during the first quarter of 2012.

15. Supplemental Guarantor Condensed Consolidating Financial Information

Under an indenture dated December 29, 2009, TriMas Corporation, the parent company ("Parent"), issued $9^3/_4$% senior secured notes due 2017 in a total principal amount of $250.0 million (face value). The outstanding Senior Notes are fully and unconditionally guaranteed on a joint and several basis by substantially all of the Company's domestic subsidiaries ("Guarantor Subsidiaries”). The Company's non-domestic subsidiaries and TSPC, Inc. have not guaranteed the Senior Notes ("Non-Guarantor Subsidiaries"). The Guarantor Subsidiaries have also guaranteed amounts outstanding under the Company's Credit Agreement.

The accompanying supplemental guarantor condensed, consolidating financial information is presented using the equity method of accounting for all periods presented. Under this method, investments in subsidiaries are recorded at cost and adjusted for the Company's share in the subsidiaries' cumulative results of operations, capital contributions and distributions and other changes in equity. Elimination entries relate primarily to the elimination of investments in subsidiaries and associated intercompany balances and transactions.

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Supplemental Guarantor
Condensed Financial Statements
Consolidating Balance Sheet
(dollars in thousands)

	March 31, 2012				
	Parent	Guarantor	Non-Guarantor	Eliminations	Consolidated Total
Assets					
Current assets:					
Cash and cash equivalents	$—	$560	$14,400	$—	$14,960
Trade receivables, net	—	146,940	32,880	—	179,820
Receivables, intercompany	—	350	—	(350)	—
Inventories	—	166,890	31,610	—	198,500
Deferred income taxes	—	17,520	990	—	18,510
Prepaid expenses and other current assets	—	11,610	1,780	—	13,390
Total current assets	—	343,870	81,660	(350)	425,180
Investments in subsidiaries	445,490	118,020	—	(563,510)	—
Property and equipment, net	—				