

TRIMAS CORP
Form 10-Q
August 04, 2015
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON D.C. 20549
FORM 10-Q
(Mark One)

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

For the Quarterly Period Ended June 30, 2015

Or

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

For the Transition Period from _____ to _____.

Commission file number 001-10716

TRIMAS CORPORATION

(Exact name of registrant as specified in its charter)

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

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 ☒ No ☐.

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 ☒ Accelerated filer ☐ Non-accelerated filer ☐ Smaller reporting company ☐
(Do not check if a
smaller reporting company)

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

As of July 31, 2015, the number of outstanding shares of the Registrant's common stock, \$0.01 par value, was 45,407,222 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 comparable words, or 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; 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 integrate Allfast and attain the expected synergies, including that the acquisition is accretive; 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, 2014. 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)

	June 30, 2015 (unaudited)	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$26,170	\$24,420
Receivables, net of reserves of approximately \$2.6 million and \$2.2 million as of June 30, 2015 and December 31, 2014, respectively	140,150	132,800
Inventories	179,670	171,260
Deferred income taxes	24,030	24,030
Prepaid expenses and other current assets	18,850	8,690
Current assets, discontinued operations	—	197,420
Total current assets	388,870	558,620
Property and equipment, net	176,970	177,470
Goodwill	457,720	460,080
Other intangibles, net	286,700	297,420
Other assets	24,750	27,960
Non-current assets, discontinued operations	—	140,200
Total assets	\$1,335,010	\$1,661,750
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	\$10,460	\$23,400
Accounts payable	106,380	103,510
Accrued liabilities	59,850	63,110
Current liabilities, discontinued operations	—	119,900
Total current liabilities	176,690	309,920
Long-term debt	453,490	615,170
Deferred income taxes	46,130	46,320
Other long-term liabilities	56,560	64,450
Non-current liabilities, discontinued operations	—	35,260
Total liabilities	732,870	1,071,120
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: 45,260,103 shares at June 30, 2015 and 45,280,385 shares at December 31, 2014	450	450
Paid-in capital	808,450	806,810
Accumulated deficit	(205,030)	) (226,850)
Accumulated other comprehensive income (loss)	(1,730)	) 10,220
Total shareholders' equity	602,140	590,630
Total liabilities and shareholders' equity	\$1,335,010	\$1,661,750

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,	
	2015	2014	2015	2014
Net sales	\$224,900	\$224,710	\$449,030	\$441,540
Cost of sales	(163,180)	(161,950)	(324,390)	(318,340)
Gross profit	61,720	62,760	124,640	123,200
Selling, general and administrative expenses	(42,510)	(37,390)	(82,410)	(73,720)
Operating profit	19,210	25,370	42,230	49,480
Other expense, net:				
Interest expense	(3,720)	(2,120)	(7,170)	(4,230)
Debt financing and extinguishment costs	(1,970)	—	(1,970)	—
Other expense, net	(290)	(1,380)	(1,610)	(1,720)
Other expense, net	(5,980)	(3,500)	(10,750)	(5,950)
Income from continuing operations before income tax expense	13,230	21,870	31,480	43,530
Income tax expense	(4,740)	(7,430)	(11,050)	(15,400)
Income from continuing operations	8,490	14,440	20,430	28,130
Income (loss) from discontinued operations, net of tax	(6,780)	11,760	(4,740)	17,450
Net income	1,710	26,200	15,690	45,580
Less: Net income attributable to noncontrolling interests	—	—	—	810
Net income attributable to TriMas Corporation	\$1,710	\$26,200	\$15,690	\$44,770
Basic earnings per share attributable to TriMas Corporation:				
Continuing operations	\$0.19	\$0.32	\$0.45	\$0.61
Discontinued operations	(0.15)	0.26	(0.10)	0.39
Net income per share	\$0.04	\$0.58	\$0.35	\$1.00
Weighted average common shares—basic	45,150,827	44,901,090	45,074,394	44,834,842
Diluted earnings per share attributable to TriMas Corporation:				
Continuing operations	\$0.19	\$0.32	\$0.45	\$0.60
Discontinued operations	(0.15)	0.26	(0.10)	0.39
Net income per share	\$0.04	\$0.58	\$0.35	\$0.99
Weighted average common shares—diluted	45,418,907	45,230,862	45,409,875	45,208,488

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,	
	2015	2014	2015	2014
Net income	\$ 1,710	\$ 26,200	\$ 15,690	\$ 45,580
Other comprehensive income (loss):				
Defined benefit pension and postretirement plans (net of tax of \$1.5 million and \$0.1 million for the three months ended June 30, 2015 and 2014, respectively, and \$1.6 million and \$0.2 million for the six months ended June 30, 2015 and 2014, respectively) (Note 13)	2,480	170	2,730	350
Foreign currency translation	880	2,980	(5,660	) 4,860
Derivative instruments (net of tax of \$0.1 million and \$0.3 million for the three months ended June 30, 2015 and 2014, respectively, and \$0.4 million and \$0.2 million for the six months ended June 30, 2015 and 2014, respectively) (Note 8)	(320	) (530	) (710	) (220
Total other comprehensive income (loss)	3,040	2,620	(3,640	) 4,990
Total comprehensive income	4,750	28,820	12,050	50,570
Less: Net income attributable to noncontrolling interests	—	—	—	810
Total comprehensive income attributable to TriMas Corporation	\$ 4,750	\$ 28,820	\$ 12,050	\$ 49,760

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,	
	2015	2014
Cash Flows from Operating Activities:		
Net income	\$ 15,690	\$ 45,580
Income (loss) from discontinued operations	(4,740)	) 17,450
Income from continuing operations	20,430	28,130
Adjustments to reconcile net income to net cash provided by operating activities:		
Loss on dispositions of property and equipment	300	180
Depreciation	10,830	10,380
Amortization of intangible assets	10,580	7,180
Amortization of debt issue costs	1,020	960
Deferred income taxes	(250)	) (3,110)
Non-cash compensation expense	2,870	4,190
Excess tax benefits from stock based compensation	(270)	) (1,030)
Debt financing and extinguishment costs	1,970	—
Increase in receivables	(8,930)	) (22,370)
(Increase) decrease in inventories	(9,210)	) 2,030
Decrease in prepaid expenses and other assets	510	1,380
Increase (decrease) in accounts payable and accrued liabilities	(8,550)	) 10,750
Other, net	(820)	) 560
Net cash provided by operating activities of continuing operations	20,480	39,230
Net cash used for operating activities of discontinued operations	(14,030)	) (16,240)
Net cash provided by operating activities	6,450	22,990
Cash Flows from Investing Activities:		
Capital expenditures	(12,890)	) (12,940)
Net proceeds from disposition of property and equipment	690	40
Net cash used for investing activities of continuing operations	(12,200)	) (12,900)
Net cash used for investing activities of discontinued operations	(2,510)	) (7,350)
Net cash used for investing activities	(14,710)	) (20,250)
Cash Flows from Financing Activities:		
Proceeds from borrowings on term loan facilities	275,000	—
Repayments of borrowings on term loan facilities	(441,360)	) (4,440)
Proceeds from borrowings on revolving credit and accounts receivable facilities	697,890	552,110
Repayments of borrowings on revolving credit and accounts receivable facilities	(703,390)	) (489,310)
Payments for deferred purchase price	(5,710)	—
Debt financing fees	(1,850)	—
Distributions to noncontrolling interests	—	(580)
Payment for noncontrolling interests	—	(51,000)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	(2,620)	) (2,740)
Proceeds from exercise of stock options	430	430
Excess tax benefits from stock based compensation	270	1,030
Cash transferred to the Cequent businesses	(17,050)	—
Net cash provided by (used for) financing activities of continuing operations	(198,390)	) 5,500
Net cash provided by financing activities of discontinued operations	208,400	3,140

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Net cash provided by financing activities	10,010	8,640
Cash and Cash Equivalents:		
Net increase for the period	1,750	11,380
At beginning of period	24,420	27,000
At end of period	\$ 26,170	\$ 38,380
Supplemental disclosure of cash flow information:		
Cash paid for interest	\$ 9,690	\$ 5,550
Cash paid for taxes	\$ 17,390	\$ 10,740

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, 2015
(Unaudited—dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Income	Total
Balances, December 31, 2014	\$450	\$806,810	\$ (226,850)	\$ 10,220	\$ 590,630
Net income attributable to TriMas Corporation	—	—	15,690	—	15,690
Other comprehensive loss	—	—	—	(3,640)	(3,640)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	—	(2,620)	—	—	(2,620)
Stock option exercises and restricted stock vestings	—	430	—	—	430
Excess tax benefits from stock based compensation	—	270	—	—	270
Non-cash compensation expense	—	3,560	—	—	3,560
Distribution of the Cequent businesses	—	—	6,130	(8,310)	(2,180)
Balances, June 30, 2015	\$450	\$ 808,450	\$ (205,030)	\$ (1,730)	\$ 602,140

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 previously announced 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.

Consistent with previous estimates, the Company incurred approximately \$30 million of one-time, pre-tax costs associated with the spin-off, of which, approximately \$29 million were incurred during 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 income (loss) from discontinued operations, \$9 million was capitalized as deferred financing fees associated with Horizon's debt issuance coincident with the spin-off and is 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 financial position, 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 2014 Annual Report on Form 10-K.

2. New Accounting Pronouncements

In April 2015, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs" ("ASU 2015-03"). ASU 2015-03 requires that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability. ASU 2015-03 is currently effective for fiscal years, and interim periods within those years, beginning after December 15, 2015, with early adoption permitted. The Company is in the process of assessing the impact of the adoption of ASU 2015-03 on its consolidated financial statements.

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 recognizes 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. ASU 2014-09 was originally effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2016. In July 2015, the FASB issued a deferral of ASU 2014-09 of 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. The Company is in the process of assessing the impact of the adoption of ASU 2014-09 on its consolidated financial statements.

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

3. Discontinued Operations

Spin-off of the Cequent businesses

On June 30, 2015, the Company completed the previously announced spin-off of its Cequent businesses (comprised of the Cequent Americas and Cequent Asia Pacific Europe Africa ("Cequent APEA") reportable segments), creating a new independent publicly traded company, Horizon Global Corporation, through the distribution of 100% of the Company's interest in Horizon to holders of the Company's common shares. 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 \$214.5 million to the Company.

The Cequent businesses are presented as discontinued operations in the Company's consolidated balance sheet, the consolidated statements of income and cash flows for all periods presented.

The carrying value of the assets and liabilities immediately preceding the spin-off of the Cequent businesses on June 30, 2015, and as of December 31, 2014 were as follows:

	Immediately preceding the spin-off on June 30, 2015	December 31, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$ 17,050	\$—
Receivables, net	92,750	63,520
Inventories	125,750	123,370
Deferred income taxes	4,840	4,840
Prepaid expenses and other current assets	6,520	5,690
Total current assets	246,910	197,420
Property and equipment, net	\$48,870	\$55,180
Goodwill	5,630	6,580
Other intangibles, net	61,400	66,510
Other assets	15,910	11,930
Total assets	\$378,720	\$337,620
Liabilities		
Current liabilities:		
Current maturities, long-term debt	\$ 17,940	\$460
Accounts payable	81,830	81,500
Accrued liabilities	44,190	37,940
Total current liabilities	143,960	119,900
Long-term debt	195,460	300
Deferred income taxes	9,220	8,970
Other long-term liabilities	27,900	25,990
Total liabilities	\$376,540	\$155,160

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Results of discontinued operations, including the discontinued Cequent businesses and NI Industries, are summarized as follows:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net sales	\$ 158,540	\$ 179,270	\$ 300,900	\$ 330,180
Cost of sales	(120,800)	(132,270)	(227,860)	(247,040)
Gross profit	37,740	47,000	73,040	83,140
Selling, general and administrative expenses	(41,540)	(28,330)	(72,360)	(55,990)
Operating profit	(3,800)	18,670	680	27,150
Interest expense	(1,320)	(1,320)	(2,540)	(2,680)
Other expense, net	(720)	(530)	(1,970)	(1,210)
Other expense, net	(2,040)	(1,850)	(4,510)	(3,890)
Income (loss) from discontinued operations, before income taxes	(5,840)	16,820	(3,830)	23,260
Income tax expense	(940)	(5,060)	(910)	(5,810)
Income (loss) from discontinued operations, net of tax	\$ (6,780)	\$ 11,760	\$ (4,740)	\$ 17,450

NI Industries

During the third quarter of 2014, the Company ceased operations of its former NI Industries business, which manufactured cartridge cases for the defense industry and was party to a U.S. Government facility maintenance contract. Net sales for NI Industries were approximately \$1.0 million and \$3.3 million for the three months and six months ended June 30, 2014, respectively, and net loss was approximately \$0.2 million and \$0.1 million for the three months and six months ended June 30, 2014, respectively. There were no net sales or net income (loss) for NI Industries during the three or six months ended June 30, 2015.

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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, 2015 are summarized as follows:

	Packaging	Aerospace	Energy	Engineered Components	Total
	(dollars in thousands)				
Balance, December 31, 2014	\$ 169,350	\$ 210,130	\$ 73,180	\$ 7,420	\$ 460,080
Foreign currency translation and other	(1,510)	) —	(850)	) —	(2,360)
Balance, June 30, 2015	\$ 167,840	\$ 210,130	\$ 72,330	\$ 7,420	\$ 457,720

The gross carrying amounts and accumulated amortization of the Company's other intangibles as of June 30, 2015 and December 31, 2014 are summarized below. The Company amortizes these assets over periods ranging from one to 30 years.

Intangible Category by Useful Life	As of June 30, 2015		As of December 31, 2014	
	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Finite-lived intangible assets:				
Customer relationships, 5 – 12 years	\$ 75,210	\$ (22,110)	\$ 75,300	\$ (18,180)
Customer relationships, 15 – 25 years	132,230	(34,600)	132,230	(31,140)
Total customer relationships	207,440	(56,710)	207,530	(49,320)
Technology and other, 1 – 15 years	57,930	(20,840)	58,040	(18,750)
Technology and other, 17 – 30 years	43,300	(28,200)	43,300	(27,150)
Total technology and other	101,230	(49,040)	101,340	(45,900)
Indefinite-lived intangible assets:				
Trademark/Trade names	83,780	—	83,770	—
Total other intangible assets	\$ 392,450	\$ (105,750)	\$ 392,640	\$ (95,220)

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Technology and other, included in cost of sales	\$ 1,480	\$ 1,150	\$ 3,080	\$ 2,300
Customer relationships, included in selling, general and administrative expenses	3,740	2,440	7,500	4,880
Total amortization expense	\$ 5,220	\$ 3,590	\$ 10,580	\$ 7,180

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

5. Inventories

Inventories consist of the following components:

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Finished goods	\$107,480	\$104,760
Work in process	22,910	24,300
Raw materials	49,280	42,200
Total inventories	\$179,670	\$171,260

6. Property and Equipment, Net

Property and equipment consists of the following components:

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Land and land improvements	\$14,440	\$14,710
Buildings	63,850	60,570
Machinery and equipment	266,020	262,670
	344,310	337,950
Less: Accumulated depreciation	167,340	160,480
Property and equipment, net	\$176,970	\$177,470

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

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Depreciation expense, included in cost of sales	\$5,020	\$4,470	\$9,380	\$8,830
Depreciation expense, included in selling, general and administrative expense	730	770	1,450	1,550
Total depreciation expense	\$5,750	\$5,240	\$10,830	\$10,380

7. Long-term Debt

The Company's long-term debt consists of the following:

	June 30, 2015	December 31, 2014
	(dollars in thousands)	
Credit Agreement	\$403,280	\$559,530
Receivables facility and other	60,670	79,040
	463,950	638,570
Less: Current maturities, long-term debt	10,460	23,400
Long-term debt	\$453,490	\$615,170

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TRIMAS CORPORATION

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Continued)

(unaudited)

Credit Agreement

During the second quarter of 2015, the Company amended its credit agreement (the "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. The Credit Agreement consists 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, and a \$275.0 million senior secured term loan A facility ("Term Loan A Facility"). The cash distribution to the Company from Horizon was used to reduce the outstanding borrowings under the previous credit agreement.

Below is a summary of key terms under the Credit Agreement as of June 30, 2015, and the key terms of the previous credit agreement in place immediately prior to entering into the amended Credit Agreement on June 30, 2015, with term loans showing the face amount of borrowings at debt issuance and revolving credit facilities showing gross availability at each date:

Instrument	Amount (\$ in millions)	Maturity Date	Interest Rate
Credit Agreement			
Senior secured revolving credit facility	\$500.0	6/30/2020	LIBOR ^(a) plus 1.625% ^(b)
Senior secured term loan A facility	\$275.0	6/30/2020	LIBOR ^(a) plus 1.625% ^(b)
Previous Credit Agreement			
Senior secured revolving credit facility	\$575.0	10/16/2018	LIBOR ^(a) plus 1.625%
Senior secured term loan A facility	\$450.0	10/16/2018	LIBOR ^(a) plus 1.625%

^(a) London Interbank Offered Rate ("LIBOR")

^(b) The initial interest rate spread for the amended Credit Agreement is stated as 1.625%

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.

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, 2015, 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, 2015 and December 31, 2014, the Company had letters of credit of approximately \$22.7 million and \$21.9 million, respectively, issued and outstanding.

At June 30, 2015, the Company had approximately \$128.3 million outstanding under its revolving credit facility and had \$349.0 million potentially available after giving effect to approximately \$22.7 million of letters of credit issued and outstanding. At December 31, 2014, the Company had approximately \$118.1 million outstanding under its revolving credit facility and had \$435.0 million potentially available after giving effect to approximately \$21.9 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 \$123.0 million and \$192.0 million at June 30, 2015 and December 31, 2014, 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 \$202.8 million due on June 30, 2020.

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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, 2015, the Company was in compliance with its financial covenants contained in the 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.

As of June 30, 2015, the Company's Term Loan A Facility and revolving credit facility approximated fair value as the Credit Agreement was refinanced on June 30, 2015. As of December 31, 2014, the Company's Term Loan A Facility traded at approximately 99.5% of par value and the Company's revolving credit facility traded at approximately 99.2% of par value. The valuations of the Credit Agreement were determined based on Level 2 inputs under the fair value hierarchy, as defined.

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. During the second quarter of 2015, the Company amended the facility to remove the Cequent businesses and to reduce the committed funding from \$105.0 million to \$75.0 million, with no other significant changes to the facility.

Under this facility, TSPC, from time to time, may sell an undivided fractional ownership interest in the pool of receivables up to approximately \$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 3-month LIBOR-based rate plus a usage fee of 1.00% and 1.15% as of June 30, 2015 and 2014, respectively, and a fee on the unused portion of the facility of 0.35% as of June 30, 2015 and 2014.

The Company had approximately \$60.3 million and \$78.7 million outstanding under the facility as of June 30, 2015 and December 31, 2014, respectively, and \$0.1 million and \$1.6 million, respectively, available but not utilized. Aggregate costs incurred under the facility were approximately \$0.3 million for each of the three months ended June 30, 2015 and 2014, and \$0.5 million and \$0.6 million for the six months ended June 30, 2015 and 2014, respectively, and are included in interest expense in the accompanying consolidated statement of income. The facility expires on October 16, 2018.

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 agreement. As of June 30, 2015, the cost 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 1.8%.

8. Derivative Instruments

In December 2012, the Company entered into an interest rate swap agreement to fix the LIBOR-based variable portion of the interest rate on its Term Loan A Facility at 0.74%, beginning February 2013. The interest rate swap amortizes with the Term Loan A facility payments and as of June 30, 2015 the interest rate swap had a total notional amount of \$151.3 million. The interest rate swap expires on October 11, 2017, and at inception the Company designated the swap agreement as a cash flow hedge.

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As of June 30, 2015 and December 31, 2014, the fair value carrying amount of the Company's derivative instrument is recorded as follows:

	Balance Sheet Caption	Asset / (Liability) Derivatives	
		June 30, 2015	December 31, 2014
(dollars in thousands)			
Derivatives designated as hedging instruments			
Interest rate swap	Other assets	\$570	\$1,270
Interest rate swap	Accrued liabilities	(320)	(180)
Total derivatives designated as hedging instruments		\$250	\$1,090

The following tables summarize the income recognized in accumulated other comprehensive income ("AOCI"), the amounts reclassified from AOCI into earnings and the amounts recognized directly into earnings for the three and six months ended June 30, 2015 and 2014:

	Amount of Income Recognized in AOCI on Derivative (Effective Portion, net of tax)			Amount of Loss Reclassified from AOCI into Earnings			
	As of June 30, 2015	As of December 31, 2014	Location of Loss Reclassified from AOCI into Earnings (Effective Portion)	Three months ended June 30, 2015	2014	Six months ended June 30, 2015	2014
	(dollars in thousands)			(dollars in thousands)			
Derivatives designated as hedging instruments							
Interest rate swap	\$ 150	\$ 680	Income from discontinued operations	\$(220)	\$(250)	\$(440)	\$(490)

Over the next 12 months, the Company expects to reclassify approximately \$0.3 million of pre-tax deferred losses from AOCI to interest expense as the related interest payments for the designated interest rate swap 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 swap 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, 2015 and December 31, 2014 are shown below.

	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)		
June 30, 2015	Interest rate swap	Recurring	\$250	\$—	\$250	\$—

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December 31, 2014	Interest rate swap	Recurring	\$1,090	\$—	\$1,090	\$—
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9. Commitments and Contingencies

Asbestos

As of June 30, 2015, the Company was a party to 1,086 pending cases involving an aggregate of 6,967 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, 2014	7,975	210	155	38	\$18,734	\$2,800,000
Six Months Ended June 30, 2015	7,992	173	1,187	11	\$13,505	\$1,559,705

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 6,967 claims pending at June 30, 2015, 148 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)	\$0.0 to \$5.0	\$5.0 to \$10.0	\$10.0+	\$0.0 to \$0.6	\$0.6 to \$5.0	\$5.0+	\$0.0 to \$2.5	\$2.5 to \$5.0	\$5.0+
Number of claims	73	47	28	20	58	70	142	5	1

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 \$7.5 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.

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. In addition, a claim was recently made against the Company by a competitor alleging false advertising where, although no formal demand was made, the Company believed the competitor may be seeking in excess of \$10 million. During the second quarter of 2015, the Company resolved the matter 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:

	Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014
	(dollars in thousands)			
Net Sales				
Packaging	\$89,580	\$86,250	\$168,540	\$167,680
Aerospace	43,220	31,820	88,960	59,010
Energy	50,150	52,320	101,310	105,100
Engineered Components	41,950	54,320	90,220	109,750
Total	\$224,900	\$224,710	\$449,030	\$441,540
Operating Profit (Loss)				
Packaging	\$20,710	\$20,540	\$38,220	\$38,900
Aerospace	7,220	5,660	15,300	10,520
Energy	(7,170)	(630)	(6,830)	1,970
Engineered Components	6,220	8,950	12,190	16,830
Corporate expenses	(7,770)	(9,150)	(16,650)	(18,740)
Total	\$19,210	\$25,370	\$42,230	\$49,480

On June 30, 2015, the Company completed the previously announced spin-off of its Cequent businesses. The results of operations of the former Cequent APEA and Cequent Americas segments are reflected as discontinued operations for all periods presented through the date of the spin-off. The Company's revenues by continent of domicile, as disclosed on the Company's Form 10-K for the year ended December 31, 2014, are not significantly different due to the spin-off, except in Australia, where almost all of the Company's pre-spin-off revenues were generated by the Cequent APEA reportable segment. See Note 3, "Discontinued Operations," for further details regarding the spin-off.

11. Equity Awards

The Company maintains the following long-term equity incentive plans: the TriMas Corporation Director Retainer Share Election Program, 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"). The 2002 Long Term Equity Incentive Plan expired in 2012, such that, while existing grants will remain outstanding until exercised, vested or cancelled, no new shares may be issued under the plan. See below for details of awards under the Plans by type.

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Stock Options

The Company did not grant any stock options during the six months ended June 30, 2015. Information related to stock options at June 30, 2015 is as follows:

	Number of Stock Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2015	251,667	\$ 6.39		
Exercised	(31,396)	) 13.77		
Cancelled	(4,871)	) 7.04		
Expired	(2,500)	) 23.00		
Outstanding at June 30, 2015	212,900	\$ 5.09	3.2	\$ 5,217,728

As of June 30, 2015, 212,900 stock options were exercisable under the Plans. The Company did not incur any stock-based compensation expense related to stock options during the six months ended June 30, 2015 and 2014.

Restricted Shares

The Company awarded the following restricted shares during the first half of 2015:

granted 1,300 restricted shares of common stock to certain employees that are subject only to a service condition and vest on the first anniversary date of the award so long as the employee remains with the Company.

granted 174,874 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;

granted 35,813 restricted shares of common stock to certain employees which are subject only to a service condition and vest on the first anniversary date of the award. The awards were made to participants in the Company's short-term incentive compensation plan ("STI"), where all STI participants whose target 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; and

granted 26,704 restricted shares of 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 their service prior to the vesting date.

In addition, the Company issued 2,759 shares related to director fee deferrals. 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. Certain of the Company's directors have elected to defer all or a portion of their directors fees and to receive the amount in Company common stock at a future date.

During 2012, the Company awarded performance-based shares of common stock to certain Company key employees which were earned based upon the achievement of two performance metrics over a period of three calendar years, beginning January 1, 2012 and ending on December 31, 2014. Of this award, 75% of the awards were earned based upon the Company's earnings per share cumulative average growth rate over the performance period. The remaining 25% of the grants were earned based upon the Company's cash generation results. The Company attained 70.25% of the target on a weighted average basis, resulting in a reduction of 28,205 shares during the first quarter of 2015.

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Information related to restricted shares at June 30, 2015 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, 2015	725,459	\$ 29.59		
Granted	241,450	29.98		
Vested	(265,449)	) 28.83		
Cancelled	(173,698)	) 29.75		
Outstanding at June 30, 2015	527,762	\$ 30.10	1.1	\$ 15,621,755

As of June 30, 2015, there was approximately \$6.4 million of unrecognized compensation cost related to unvested restricted shares that is expected to be recorded over a weighted-average period of 2.1 years.

The Company recognized approximately \$0.9 million and \$2.0 million of stock-based compensation expense related to restricted shares during the three months ended June 30, 2015 and 2014, respectively and approximately \$2.9 million and \$4.2 million for the six months ended June 30, 2015 and 2014, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying consolidated statement of income.

Spin-off of the Cequent businesses

During the second quarter of 2015, due to the spin-off of the Cequent businesses, stock options and restricted shares previously granted to Cequent participants were cancelled and transferred to Horizon. On July 1, 2015, the Company adjusted the number of shares outstanding, and exercise price of stock options, as required by the anti-dilution provisions of the Plan, to maintain the intrinsic value of the outstanding equity awards immediately post spin-off.

12. Earnings per Share

Net income is divided by the weighted average number of common shares outstanding during the period to calculate basic earnings per share. Diluted earnings per share are calculated to give effect to stock options and restricted share awards. The calculation of diluted earnings per share included 160,936 and 185,255 restricted shares for the three months ended June 30, 2015 and 2014, respectively, and 220,102 and 222,486 restricted shares for the six months ended June 30, 2015 and 2014, respectively. The calculation of diluted earnings per share also included options to purchase 107,144 and 144,517 shares of common stock for the three months ended June 30, 2015 and 2014, respectively, and 115,379 and 151,160 shares of common stock for the six months ended June 30, 2015 and 2014, respectively.

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13. Defined Benefit Plans

Net periodic pension and postretirement benefit costs for the Company's defined benefit pension plans and postretirement benefit plans cover certain foreign employees, union hourly employees and salaried employees. The components of net periodic pension and postretirement benefit costs for the three and six months ended June 30, 2015 and 2014 are as follows:

	Pension Plans				Other Postretirement Benefits			
	Three months ended June 30,		Six months ended June 30,		Three months ended June 30,		Six months ended June 30,	
	2015	2014	2015	2014	2015	2014	2015	2014
	(dollars in thousands)							
Service costs	\$230	\$190	\$470	\$380	\$—	\$—	\$—	\$—
Interest costs	410	440	830	880	—	10	10	20
Expected return on plan assets	(490)	(520)	(1,010)	(1,040)	—	—	—	—
Amortization of prior service cost	10	10	10	10	—	—	—	—
Settlement/curtailment loss	2,750	—	2,750	—	—	—	—	—
Amortization of net (gain)/loss	360	280	740	560	(10)	(30)	(20)	(50)
Net periodic benefit cost	\$3,270	\$400	\$3,790	\$790	\$(10)	\$(20)	\$(10)	\$(30)

During the second quarter of 2015, the Company recognized a one-time settlement charge associated with annuitizing the defined benefit obligations for certain current and former Cequent employees. The settlement charge of approximately \$2.8 million is included in the income (loss) from discontinued operations in the accompanying consolidated statement of income.

The Company contributed approximately \$1.9 million and \$2.6 million to its defined benefit pension plans during the three and six months ended June 30, 2015, respectively. The Company expects to contribute approximately \$3.5 million to its defined benefit pension plans for the full year 2015.

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14. Other Comprehensive Income (Loss)

Changes in AOCI by component for the six months ended June 30, 2015 are summarized as follows:

Defined
Benefit
Plans