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

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

For the Quarterly Period Ended March 31, 2016

Or

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

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

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

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

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

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

As of April 22, 2016, the number of outstanding shares of the Registrant's common stock, $0.01 par value, was 45,464,271 shares.

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Forward-Looking Statements

This report may contain forward-looking statements within the meaning of Section 27A of the Securities Act of 1933 and Section 21E of the Securities Exchange Act of 1934 about our financial condition, results of operations and business. These forward-looking statements can be identified by the use of forward-looking words, such as “may,” “could,” “should,” “estimate,” “project,” “forecast,” “intend,” “expect,” “anticipate,” “believe,” “target,” “plan” or other compa by discussions of strategy that may involve risks and uncertainties.

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

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

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

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PART I. FINANCIAL INFORMATION

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

Assets	March 31, 2016 (unaudited)	December 31, 2015
Current assets:		
Cash and cash equivalents	$25,420	$ 19,450
Receivables, net of reserves of approximately $4.5 million and $3.7 million as of March 31, 2016 and December 31, 2015, respectively	131,630	121,990
Inventories	167,320	167,370
Prepaid expenses and other current assets	10,070	17,810
Total current assets	334,440	326,620
Property and equipment, net	179,670	181,130
Goodwill	379,250	378,920
Other intangibles, net	268,720	273,870
Other assets	9,500	9,760
Total assets	$1,171,580	$ 1,170,300
Liabilities and Shareholders' Equity		
Current liabilities:		
Current maturities, long-term debt	$13,840	$ 13,850
Accounts payable	75,050	88,420
Accrued liabilities	41,940	50,480
Total current liabilities	130,830	152,750
Long-term debt, net	424,010	405,780
Deferred income taxes	9,100	11,260
Other long-term liabilities	56,920	53,320
Total liabilities	620,860	623,110
Preferred stock, $0.01 par: Authorized 100,000,000 shares; Issued and outstanding: None	—	—
Common stock, $0.01 par: Authorized 400,000,000 shares; Issued and outstanding: 45,452,998 shares at March 31, 2016 and 45,322,527 shares at December 31, 2015	450	450
Paid-in capital	812,860	812,160
Accumulated deficit	(245,820)	(254,120)
Accumulated other comprehensive loss	(16,770)	(11,300)
Total shareholders' equity	550,720	547,190
Total liabilities and shareholders' equity	$1,171,580	$ 1,170,300

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

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

	Three months ended March 31,	
	2016	2015
Net sales	$202,880	$224,130
Cost of sales	(146,960)	(161,210)
Gross profit	55,920	62,920
Selling, general and administrative expenses	(39,470)	(39,900)
Operating profit	16,450	23,020
Other expense, net:		
Interest expense	(3,440)	(3,450)
Other expense, net	(60)	(1,320)
Other expense, net	(3,500)	(4,770)
Income from continuing operations before income tax expense	12,950	18,250
Income tax expense	(4,650)	(6,310)
Income from continuing operations	8,300	11,940
Income from discontinued operations, net of tax	—	2,040
Net income	$8,300	$13,980
Basic earnings per share:		
Continuing operations	$0.18	$0.26
Discontinued operations	—	0.05
Net income per share	$0.18	$0.31
Weighted average common shares—basic	45,278,990	44,997,961
Diluted earnings per share:		
Continuing operations	$0.18	$0.26
Discontinued operations	—	0.05
Net income per share	$0.18	$0.31
Weighted average common shares—diluted	45,654,816	45,400,843

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,	
	2016	2015
Net income	$8,300	$13,980
Other comprehensive income (loss):		
Defined benefit pension and postretirement plans (Note 13)	150	250
Foreign currency translation	(2,660)	(6,540)
Derivative instruments (Note 8)	(2,960)	(390)
Total other comprehensive loss	(5,470)	(6,680)
Total comprehensive income	$2,830	$7,300

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, 2016	Three months ended March 31, 2015
Cash Flows from Operating Activities:		
Net income	$8,300	$13,980
Income from discontinued operations	—	2,040
Income from continuing operations	8,300	11,940
Adjustments to reconcile net income to net cash used for operating activities:		
Loss on dispositions of property and equipment	590	100
Depreciation	5,940	5,080
Amortization of intangible assets	5,100	5,360
Amortization of debt issue costs	340	510
Deferred income taxes	(20)	280
Non-cash compensation expense	1,970	1,980
Tax effect from stock based compensation	620	(200)
Increase in receivables	(11,210)	(7,310)
(Increase) decrease in inventories	330	(1,930)
(Increase) decrease in prepaid expenses and other assets	7,700	(2,280)
Decrease in accounts payable and accrued liabilities	(23,660)	(7,980)
Other, net	660	(1,690)
Net cash provided by (used for) operating activities of continuing operations	(3,340)	3,860
Net cash used for operating activities of discontinued operations	—	(27,130)
Net cash used for operating activities	(3,340)	(23,270)
Cash Flows from Investing Activities:		
Capital expenditures	(5,980)	(5,690)
Net proceeds from disposition of property and equipment	120	520
Net cash used for investing activities of continuing operations	(5,860)	(5,170)
Net cash used for investing activities of discontinued operations	—	(2,200)
Net cash used for investing activities	(5,860)	(7,370)
Cash Flows from Financing Activities:		
Repayments of borrowings on term loan facilities	(3,470)	(5,860)
Proceeds from borrowings on revolving credit and accounts receivable facilities	117,130	289,440
Repayments of borrowings on revolving credit and accounts receivable facilities	(97,220)	(245,880)
Payments for deferred purchase price	—	(5,400)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	(650)	(2,560)
Proceeds from exercise of stock options	—	430
Tax effect from stock based compensation	(620)	200
Net cash provided by financing activities of continuing operations	15,170	30,370
Net cash used for financing activities of discontinued operations	—	(420)
Net cash provided by financing activities	15,170	29,950
Cash and Cash Equivalents:		
Net increase (decrease) for the period	5,970	(690)
At beginning of period	19,450	24,420
At end of period	$25,420	$23,730
Supplemental disclosure of cash flow information:		
Cash paid for interest	$2,980	$4,710

Cash paid for taxes	$1,780	$8,340

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, 2016
(Unaudited—dollars in thousands)

	Common Stock	Paid-in Capital	Accumulated Deficit	Accumulated Other Comprehensive Loss	Total
Balances, December 31, 2015	$ 450	$812,160	$(254,120)	$ (11,300)	$547,190
Net income	—	—	8,300	—	8,300
Other comprehensive loss	—	—	—	(5,470)	(5,470)
Shares surrendered upon vesting of options and restricted stock awards to cover tax obligations	—	(650)	—	—	(650)
Tax effect from stock based compensation	—	(620)	—	—	(620)
Non-cash compensation expense	—	1,970	—	—	1,970
Balances, March 31, 2016	$ 450	$812,860	$(245,820)	$ (16,770)	$550,720

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

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TRIMAS CORPORATION
NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(unaudited)

1. Basis of Presentation

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

On June 30, 2015, the Company completed the spin-off of its Cequent businesses, creating a new independent publicly traded company, Horizon Global Corporation ("Horizon"). The Company incurred approximately $30 million of one-time, pre-tax costs associated with the spin-off, of which approximately $4 million was incurred during the three months ended March 31, 2015 and was included in income from discontinued operations. These costs primarily related to financing, legal, tax and accounting services rendered by third parties.

The results of operations and cash flows of the Cequent businesses are reflected as discontinued operations for all periods presented through the date of the spin-off. See Note 3, "Discontinued Operations," for further details regarding the spin-off.

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

2. New Accounting Pronouncements

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

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

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

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TRIMAS CORPORATION
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In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)" ("ASU 2014-09"). ASU 2014-09 requires that an entity recognize revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. ASU 2014-09 was originally effective for fiscal years, and interim periods within those years, beginning on or after December 15, 2016. In August 2015, the FASB issued ASU 2015-14, "Revenue from Contracts with Customers (Topic 606): Deferral of the Effective Date" ("ASU 2015-14"), which defers ASU 2014-09 by one year, making it effective for annual reporting periods beginning on or after December 15, 2017 while also providing for early adoption, but not before the original effective date. Additionally, in March 2016, the FASB issued ASU 2016-08, "Revenue from Contracts with Customers (Topic 606): Principal versus Agent Considerations (Reporting Revenue Gross versus Net)," which clarifies the implementation guidance on principal versus agent considerations in ASU 2014-09. The Company is in the process of assessing the impact of the adoption of these ASUs on its consolidated financial statements.

3. Discontinued Operations

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

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

Results of discontinued operations are summarized as follows:

	Three months ended March 31, 2015 (dollars in thousands)
Net sales	$ 142,360
Cost of sales	(107,060)
Gross profit	35,300
Selling, general and administrative expenses	(30,820)
Operating profit	4,480
Interest expense	(1,220)
Other expense, net	(1,250)
Other expense, net	(2,470)
Income from discontinued operations, before income taxes	2,010
Income tax benefit	30
Income from discontinued operations, net of tax	$ 2,040

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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 three months ended March 31, 2016 are summarized as follows:

	Packaging	Aerospace	Energy	Engineered Components	Total
	(dollars in thousands)				
Balance, December 31, 2015	$165,730	$206,630	$ —	$ 6,560	$378,920
Foreign currency translation and other	330	—	—	—	330
Balance, March 31, 2016	$166,060	$206,630	$ —	$ 6,560	$379,250

The gross carrying amounts and accumulated amortization of the Company's other intangibles as of March 31, 2016 and December 31, 2015 are summarized below. The Company amortizes these assets over periods ranging from one to 30 years.

	As of March 31, 2016		As of December 31, 2015	
Intangible Category by Useful Life	Gross Carrying Amount	Accumulated Amortization	Gross Carrying Amount	Accumulated Amortization
	(dollars in thousands)			
Finite-lived intangible assets:				
Customer relationships, 5 – 12 years	$74,850	$ (27,910)	$74,890	$ (25,960)
Customer relationships, 15 – 25 years	132,230	(39,780)	132,230	(38,060)
Total customer relationships	207,080	(67,690)	207,120	(64,020)
Technology and other, 1 – 15 years	57,850	(23,670)	57,860	(22,770)
Technology and other, 17 – 30 years	43,300	(29,780)	43,300	(29,250)
Total technology and other	101,150	(53,450)	101,160	(52,020)
Indefinite-lived intangible assets:				
Trademark/Trade names	81,630	—	81,630	—
Total other intangible assets	$389,860	$ (121,140)	$389,910	$ (116,040)

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

	Three months ended March 31, 2016	2015
	(dollars in thousands)	
Technology and other, included in cost of sales	$ 1,380	$ 1,610
Customer relationships, included in selling, general and administrative expenses	3,720	3,750
Total amortization expense	$ 5,100	$ 5,360

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

5. Inventories
Inventories consist of the following components:

	March 31, 2016	December 31, 2015
	(dollars in thousands)	
Finished goods	$101,920	$ 101,480
Work in process	25,340	23,620
Raw materials	40,060	42,270
Total inventories	$167,320	$ 167,370

6. Property and Equipment, Net
Property and equipment consists of the following components:

	March 31, 2016	December 31, 2015
	(dollars in thousands)	
Land and land improvements	$14,840	$ 14,820
Buildings	68,970	67,790
Machinery and equipment	277,620	274,650
	361,430	357,260
Less: Accumulated depreciation	181,760	176,130
Property and equipment, net	$179,670	$ 181,130

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

	Three months ended March 31,			
	2016		2015	
	(dollars in thousands)			
Depreciation expense, included in cost of sales	$	5,230	$	4,360
Depreciation expense, included in selling, general and administrative expenses	710		720	
Total depreciation expense	$	5,940	$	5,080

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

	March 31, 2016	December 31, 2015
	(dollars in thousands)	
Credit Agreement	$389,330	$ 371,820
Receivables facility and other	54,230	53,860
Debt issuance costs	(5,710)	(6,050)
	437,850	419,630
Less: Current maturities, long-term debt	13,840	13,850
Long-term debt, net	$424,010	$ 405,780

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

Credit Agreement

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

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

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 March 31, 2016, no amounts are due under this provision.

The Company is also able to issue letters of credit, not to exceed $40.0 million in aggregate, against its revolving credit facility commitments. At March 31, 2016 and December 31, 2015, the Company had letters of credit of approximately $18.1 million and $21.6 million, respectively, issued and outstanding.

At March 31, 2016, the Company had approximately $121.2 million outstanding under its revolving credit facility and had approximately $360.7 million potentially available after giving effect to approximately $18.1 million of letters of credit issued and outstanding. At December 31, 2015, the Company had approximately $100.3 million outstanding under its revolving credit facility and had approximately $378.1 million potentially available after giving effect to approximately $21.6 million of letters of credit issued and outstanding. However, including availability under its accounts receivable facility and after consideration of leverage restrictions contained in the Credit Agreement, the Company had approximately $66.8 million and $107.4 million at March 31, 2016 and December 31, 2015, respectively, of borrowing capacity available for general corporate purposes.

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

The debt under the Credit Agreement is an obligation of the Company and certain of its domestic subsidiaries and is secured by substantially all of the assets of such parties. Borrowings under the $75.0 million foreign currency sub limit of the $500.0 million senior secured revolving credit facility are secured by a pledge of the assets of the foreign subsidiary borrowers that are a party to the agreement. The Credit Agreement also contains various negative and affirmative covenants and other requirements affecting the Company and its subsidiaries, including restrictions on the incurrence of debt, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, assets dispositions, sale-leaseback transactions, hedging agreements, dividends and other restricted payments, transactions with affiliates, restrictive agreements and amendments to charters, bylaws, and other material documents. The terms of the Credit Agreement also require the Company and its subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a maximum leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined) and a minimum interest expense coverage ratio (consolidated EBITDA, as defined, over cash interest expense, as defined). At March 31, 2016, the Company was in compliance with its financial covenants contained in the Credit Agreement.

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

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

Receivables Facility

The Company is party to an accounts receivable facility through TSPC, Inc. ("TSPC"), a wholly-owned subsidiary, to sell trade accounts receivable of substantially all of the Company's domestic business operations. Under this facility, TSPC, from time to time, may sell an undivided fractional ownership interest in the pool of receivables up to $75.0 million to a third party multi-seller receivables funding company. The net amount financed under the facility is less than the face amount of accounts receivable by an amount that approximates the purchaser's financing costs. The cost of funds under this facility consisted of a 1-month LIBOR-based rate plus a usage fee of 1.00% and a fee on the unused portion of the facility of 0.35% as of March 31, 2016 and 2015.

The Company had approximately $54.0 million and $53.6 million outstanding under the facility as of March 31, 2016 and December 31, 2015, respectively. No amounts were available but not utilized as of March 31, 2016. As of December 31, 2015, approximately $7.1 million was available but not utilized. Aggregate costs incurred under the facility were approximately $0.2 million for both the three months ended March 31, 2016 and 2015, and are included in interest expense in the accompanying consolidated statement of income. The facility expires on June 30, 2020.

The cost of funds fees incurred are determined by calculating the estimated present value of the receivables sold compared to their carrying amount. The estimated present value factor is based on historical collection experience and a discount rate based on a 1-month LIBOR-based rate plus the usage fee discussed above and is computed in accordance with the terms of the agreement. As of March 31, 2016, the cost of funds under the facility was based on an average liquidation period of the portfolio of approximately 1.8 months and an average discount rate of 1.9%.

8. Derivative Instruments

The Company utilizes interest rate swap agreements to fix the LIBOR-based variable portion of the interest rate on its long term debt. Terms of the interest rate swap agreements require the Company to receive a variable interest rate and pay a fixed interest rate. As of March 31, 2016, the Company had interest rate swap agreements in place that hedge a notional value of debt ranging from approximately $251.5 million to approximately $192.7 million and amortize consistent with future debt principal payments. The interest rate swap agreements establish fixed interest rates in a range of 0.74% to 2.68% with various expiration terms extending to June 30, 2020. At inception, the interest rate swaps were and continue to be designated as cash flow hedges.

As of March 31, 2016 and December 31, 2015, the fair value carrying amount of the Company's derivative instruments are recorded as follows:

	Balance Sheet Caption	Asset / (Liability) Derivatives	
		March 31, 2016	December 31, 2015
		(dollars in thousands)	
Derivatives designated as hedging instruments			
Interest rate swaps	Other assets	$50	$ 430
Interest rate swaps	Accrued liabilities	(800)	(150)
Interest rate swaps	Other long-term liabilities	(6,930)	(3,180)
Total derivatives designated as hedging instruments		$(7,680)	$ (2,900)

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

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

	Amount of Loss Recognized in AOCI on Derivative (Effective Portion, net of tax)			Amount of Loss Reclassified from AOCI into Earnings Three months ended March 31,	
	As of March 31, 2016	As of December 31, 2015	Location of Loss Reclassified from AOCI into Earnings (Effective Portion)	2016	2015
	(dollars in thousands)			(dollars in thousands)	
Derivatives designated as hedging instruments					
Interest rate swaps	$(4,750)	$ (1,790)	Interest expense	$(110)	$—
			Income from discontinued operations	$—	$(220)

Over the next 12 months, the Company expects to reclassify approximately $0.8 million of pre-tax deferred losses from AOCI to interest expense as the related interest payments for the designated interest rate swaps are funded.
The fair value of the Company's derivatives are estimated using an income approach based on valuation techniques to convert future amounts to a single, discounted amount. Estimates of the fair value of the Company's interest rate swaps use observable inputs such as interest rate yield curves. Fair value measurements and the fair value hierarchy level for the Company's assets and liabilities measured at fair value on a recurring basis as of March 31, 2016 and December 31, 2015 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)			
March 31, 2016	Interest rate swaps	Recurring	$(7,680)	$ —	$ (7,680)	$ —
December 31, 2015	Interest rate swaps	Recurring	$(2,900)	$		