FreightCar America, Inc.
Form 10-Q
November 06, 2014
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

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

For the Quarterly Period Ended September 30, 2014

or

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

Commission file number: 000-51237

FREIGHTCAR AMERICA, INC.

(Exact name of registrant as specified in its charter)

Delaware	**25-1837219**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
Two North Riverside Plaza, Suite 1300	
Chicago, Illinois	**60606**
(Address of principal executive offices)	**(Zip Code)**

(800) 458-2235

(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 ¨

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 ¨

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 the definitions of large accelerated filer , accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act.:

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

As of November 3, 2014, there were 12,066,823 shares of the registrant s common stock outstanding.

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FREIGHTCAR AMERICA, INC.

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PART I FINANCIAL INFORMATION

Item 1. Financial Statements.

FreightCar America, Inc.

Condensed Consolidated Balance Sheets

(Unaudited)

	September 30, 2014	December 31, 2013
	(In thousands, except share and per share data)	
Assets		
Current assets		
Cash and cash equivalents	$ 26,454	$ 145,506
Restricted cash and restricted certificates of deposit	6,015	7,780
Marketable securities	47,990	38,988
Accounts receivable, net of allowance for doubtful accounts of $196 and $221, respectively	33,534	4,034
Inventories, net	103,520	66,340
Inventory on lease	25,676	16,955
Other current assets	10,609	6,768
Deferred income taxes, net	11,017	11,017
Total current assets	264,815	297,388
Property, plant and equipment, net	41,541	39,396
Railcars available for lease, net	30,123	36,110
Goodwill	22,128	22,128
Deferred income taxes, net	19,425	19,758
Other long-term assets	3,035	2,939
Total assets	$ 381,067	$ 417,719
Liabilities and Stockholders Equity		
Current liabilities		
Accounts and contractual payables	$ 65,202	$ 16,016
Accrued payroll and employee benefits	5,277	3,981
Accrued postretirement benefits	413	413
Accrued warranty	8,691	6,957
Customer deposits	540	91,771
Customer advance	18,623	19,037
Other current liabilities	6,154	9,053
Total current liabilities	104,900	147,228
Accrued pension costs	300	845
Accrued postretirement benefits, less current portion	64,873	62,899

Accrued taxes and other long-term liabilities		7,638		4,212
Total liabilities		177,711		215,184
Stockholders equity				
Preferred stock, $0.01 par value, 2,500,000 shares authorized (100,000 shares each designated as Series A voting and Series B non-voting, 0 shares issued and outstanding at September 30, 2014 and December 31, 2013)				
Common stock, $0.01 par value, 50,000,000 shares authorized, 12,731,678 shares issued at September 30, 2014 and December 31, 2013		127		127
Additional paid in capital		99,794		99,265
Treasury stock, at cost, 666,219 and 682,264 shares at September 30, 2014 and December 31, 2013, respectively		(30,004)		(30,970)
Accumulated other comprehensive loss		(14,733)		(15,132)
Retained earnings		148,172		149,245
Total stockholders equity		203,356		202,535
Total liabilities and stockholders equity	$	381,067	$	417,719

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Operations

(Unaudited)

	Three Months Ended September 30, 2014	Three Months Ended September 30, 2013	Nine Months Ended September 30, 2014	Nine Months Ended September 30, 2013
	(In thousands, except share and per share data)			
Revenues	$ 190,280	$ 75,946	$ 386,054	$ 210,670
Cost of sales	171,461	69,764	359,333	197,242
Gross profit	18,819	6,182	26,721	13,428
Selling, general and administrative expenses	9,215	7,691	26,296	19,971
Gain on sale of railcars available for lease	(635)	(563)	(653)	(590)
Gain on sale of assets held for sale	(1,078)		(1,078)	
Operating income (loss)	11,317	(946)	2,156	(5,953)
Interest expense and deferred financing costs	(284)	(238)	(854)	(481)
Other income	7	15	48	59
Income (loss) before income taxes	11,040	(1,169)	1,350	(6,375)
Income tax provision (benefit)	4,608	(243)	252	633
Net income (loss)	$ 6,432	$ (926)	$ 1,098	$ (7,008)
Net income (loss) per common share basic	$ 0.53	$ (0.08)	$ 0.09	$ (0.59)
Net income (loss) per common share diluted	$ 0.53	$ (0.08)	$ 0.09	$ (0.59)
Weighted average common shares outstanding basic	12,007,970	11,957,548	11,999,150	11,950,593
Weighted average common shares outstanding diluted	12,108,397	11,957,548	12,088,728	11,950,593
Dividends declared per common share	$ 0.06	$ 0.06	$ 0.18	$ 0.18

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Comprehensive Income (Loss)

(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
		(In thousands)		
Net income (loss)	$ 6,432	$ (926)	$ 1,098	$ (7,008)
Other comprehensive income:				
Pension liability adjustments, net of tax	34	85	102	255
Postretirement liability adjustments, net of tax	99	138	297	414
Other comprehensive income	133	223	399	669
Comprehensive income (loss)	$ 6,565	$ (703)	$ 1,497	$ (6,339)

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

CONDENSED CONSOLIDATED STATEMENTS OF STOCKHOLDERS EQUITY (Unaudited)

(in thousands, except share data)

	Common Stock		Additional Paid In Capital	Treasury Stock		Accumulated Other Comprehensive Loss	Retained Earnings	Total Stockholders Equity
	Shares	Amount		Shares	Amount			
Balance, December 31, 2012	12,731,678	$ 127	$ 100,402	(752,167)	$ (34,488)	$ (26,139)	$ 171,429	$ 211,331
Net loss							(7,008)	(7,008)
Other comprehensive income						669		669
Restricted stock awards			(3,327)	72,635	3,327			
Employee restricted stock settlement				(2,794)	(65)			(65)
Forfeiture of restricted stock awards			64	(2,976)	(64)			
Stock-based compensation recognized			1,703					1,703
Cash dividends							(2,166)	(2,166)
Balance, September 30, 2013	12,731,678	$ 127	$ 98,842	(685,302)	$ (31,290)	$ (25,470)	$ 162,255	$ 204,464
Balance, December 31, 2013	12,731,678	$ 127	$ 99,265	(682,264)	$ (30,970)	$ (15,132)	$ 149,245	$ 202,535
Net income							1,098	1,098
Other comprehensive income						399		399
Stock options exercised			(137)	6,185	280			143
			(1,048)	23,212	1,048			

Restricted stock awards								
Employee restricted stock settlement				(8,709)	(224)			(224)
Stock-based compensation recognized			1,576					1,576
Forfeiture of restricted stock awards			138	(4,643)	(138)			
Cash dividends							(2,171)	(2,171)
Balance, September 30, 2014	12,731,678	$ 127	$ 99,794	(666,219)	$ (30,004)	$ (14,733)	$ 148,172	$ 203,356

See Notes to Condensed Consolidated Financial Statements (Unaudited).

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FreightCar America, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited)

	Nine Months Ended September 30,	
	2014	2013
	(In thousands)	
Cash flows from operating activities		
Net income (loss)	$ 1,098	$ (7,008)
Adjustments to reconcile net income (loss) to net cash flows used in operating activities		
Depreciation and amortization	7,481	7,289
Gain on sale of railcars available for lease	(653)	(590)
Gain on sale of assets held for sale	(1,078)	
Other non-cash items, net	795	108
Deferred income taxes	116	337
Stock-based compensation recognized	1,576	1,703
Changes in operating assets and liabilities:		
Accounts receivable	(29,500)	(7,623)
Inventories	(37,509)	7,156
Inventory on lease	(8,721)	(16,955)
Other assets	(4,380)	614
Accounts and contractual payables	47,922	(12,710)
Accrued payroll and employee benefits	1,280	(2,857)
Income taxes receivable/payable	870	77
Accrued warranty	1,734	(657)
Customer deposits and other current liabilities	(91,128)	(27,418)
Deferred revenue, long-term	379	(39)
Deferred rent, long-term	(45)	
Accrued pension costs and accrued postretirement benefits	1,422	(1,171)
Net cash flows used in operating activities	(108,341)	(59,744)
Cash flows from investing activities		
Restricted cash deposits	(1,017)	(3,675)
Restricted cash withdrawals	2,782	14,240
Purchase of restricted certificates of deposit		(295)
Purchase of securities held to maturity	(50,974)	(38,976)
Proceeds from securities held to maturity	42,002	42,000
Proceeds from sale of property, plant and equipment, assets held for sale and railcars available for lease	8,031	6,741
Purchases of property, plant and equipment	(8,248)	(16,282)
Net cash flows (used in) provided by investing activities	(7,424)	3,753

Cash flows from financing activities				
Deferred financing costs				(138)
Stock option exercise		143		
Employee restricted stock settlement		(224)		(65)
Cash dividends paid to stockholders		(2,171)		(2,166)
Customer advance for production of leased railcars				19,400
Repayment of customer advance		(1,035)		(552)
Net cash flows (used in) provided by financing activities		(3,287)		16,479
Net decrease in cash and cash equivalents		(119,052)		(39,512)
Cash and cash equivalents at beginning of period		145,506		98,509
Cash and cash equivalents at end of period	$	26,454	$	58,997
Supplemental cash flow information:				
Interest paid	$	42	$	106
Income taxes paid	$	51	$	581
Income tax refunds received	$	573	$	

See Notes to Condensed Consolidated Financial Statements (Unaudited).

FreightCar America, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

(In thousands, except share and per share data)

Note 1 Description of the Business

FreightCar America, Inc. (FreightCar) operates primarily in North America through its direct and indirect subsidiaries, JAC Operations, Inc. (Operations), Johnstown America, LLC (JA LLC), Freight Car Services, Inc. (FCS), JAIX Leasing Company (JAIX), FreightCar Roanoke, LLC (FCR), FreightCar Mauritius Ltd. (Mauritius), FreightCar Rail Services, LLC (FCRS), FreightCar Short Line, Inc. (Short Line) and FreightCar Alabama, LLC (FCAL) (herein collectively referred to as the Company), and manufactures a wide range of railroad freight cars, supplies railcar parts, leases freight cars and provides railcar maintenance and repairs. The Company designs and builds high-quality railcars, including coal cars, bulk commodity cars, covered hopper cars, intermodal and non-intermodal flat cars, mill gondola cars, coil steel cars and motor vehicle carriers. The Company is headquartered in Chicago, Illinois and has facilities in the following locations: Cherokee, Alabama; Danville, Illinois; Grand Island, Nebraska; Hastings, Nebraska; Johnstown, Pennsylvania; and Roanoke, Virginia.

The Company s operations comprise two reportable segments, Manufacturing and Services. The Company and its direct and indirect subsidiaries are all Delaware corporations or Delaware limited liability companies except Mauritius, which is incorporated in Mauritius. The Company s direct and indirect subsidiaries are all wholly owned.

Note 2 Basis of Presentation

The accompanying condensed consolidated financial statements include the accounts of FreightCar America, Inc. and subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation. The foregoing financial information has been prepared in accordance with the accounting principles generally accepted in the United States of America (GAAP) and rules and regulations of the Securities and Exchange Commission (the SEC) for interim financial reporting. The preparation of the financial statements in accordance with GAAP requires management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from these estimates. The results of operations for the three and nine months ended September 30, 2014 are not necessarily indicative of the results to be expected for the full year. The accompanying interim financial information is unaudited; however, the Company believes the financial information reflects all adjustments (consisting of items of a normal recurring nature) necessary for a fair presentation of financial position, results of operations and cash flows in conformity with GAAP. The 2013 year-end balance sheet data was derived from the audited financial statements as of December 31, 2013. Certain information and note disclosures normally included in the Company s annual financial statements prepared in accordance with GAAP have been condensed or omitted. These interim financial statements should be read in conjunction with the audited financial statements contained in the Company s annual report on Form 10-K for the year ended December 31, 2013.

Note 3 Recent Accounting Pronouncements

In May 2014, the Financial Accounting Standards Board (the FASB) issued Accounting Standards Update (ASU) 2014-09, Revenue from Contracts with Customers (Topic 606), which supersedes the revenue recognition requirements in Accounting Standards Codification (ASC) 605, Revenue Recognition. ASU 2014-09 provides for a

single five-step model to be applied to all revenue contracts with customers. ASU 2014-09 also requires additional financial statement disclosures about the nature, amount, timing and uncertainty of revenue and cash flows arising from customer contracts, including significant judgments and changes in judgments. ASU 2014-09 is effective for annual reporting periods beginning after December 15, 2016, including interim periods within that reporting period and may be adopted either retrospectively or on a modified retrospective basis whereby the new standard would be applied to new contracts and existing contracts with remaining performance obligations as of the effective date, with a cumulative catch-up adjustment recorded to beginning retained earnings at the effective date for existing contracts with remaining performance obligations. Early adoption is not permitted. The Company is currently evaluating the methods of adoption allowed by the new standard and the effect that the standard is expected to have on its consolidated financial position, results of operations and cash flows and related disclosures.

In April 2014, the FASB issued ASU 2014-08, Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity. ASU 2014-08 changes the criteria for reporting discontinued operations and expands disclosures about discontinued operations. Under the new guidance, only disposals representing a strategic shift that has (or will have) a major effect on an entity s operations should be presented as discontinued operations when the component of an entity or group of components of an entity is classified as held for sale or is disposed of by sale or other means. Examples include a disposal of operations in a major geographic area, a major line of business or a major equity method investment. This standard is effective prospectively for reporting periods beginning after December 15, 2014 (early adoption is permitted only for disposals that have not been previously reported). The adoption of these changes is not expected to have a material impact on the consolidated financial position, results of operations or cash flows of the Company.

Note 4 Segment Information

The Company s operations comprise two reportable segments, Manufacturing and Services. The Company s Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. The Company s Services segment includes general railcar repair and maintenance, inspections and parts sales. Corporate includes selling, general and administrative expenses not related to production of goods and services, retiree pension and other postretirement benefit costs, and all other non-operating activity.

Segment operating income is an internal performance measure used by the Company s Chief Operating Decision Maker to assess the performance of each segment in a given period. Segment operating income includes all external revenues attributable to the segments as well as operating costs and income that management believes are directly attributable to the current production of goods and services. The Company s management reporting package does not include interest revenue, interest expense or income taxes allocated to individual segments and these items are not considered as a component of segment operating income. Segment assets represent operating assets and exclude intersegment accounts, deferred tax assets and income tax receivables. The Company does not allocate cash and cash equivalents to its operating segments as the Company s treasury function is managed at the corporate level. Intersegment revenues were not material in any period presented.

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Revenues:				
Manufacturing	$ 181,490	$ 66,943	$ 358,248	$ 181,722
Services	8,790	9,003	27,806	28,948
Consolidated revenues	$ 190,280	$ 75,946	$ 386,054	$ 210,670
Operating income (loss):				
Manufacturing	$ 16,185	$ 4,298	$ 18,584	$ 5,376
Services	1,633	706	2,277	3,607
Corporate	(6,501)	(5,950)	(18,705)	(14,936)
Consolidated operating income (loss)	11,317	(946)	2,156	(5,953)

Consolidated interest expense and deferred financing costs	(284)	(238)	(854)	(481)
Consolidated other income	7	15	48	59
Consolidated income (loss) before income taxes	$ 11,040	$ (1,169)	$ 1,350	$ (6,375)
Depreciation and amortization:				
Manufacturing	$ 1,740	$ 1,790	$ 5,060	$ 4,614
Services	367	520	1,155	1,561
Corporate	429	396	1,266	1,114
Consolidated depreciation and amortization	$ 2,536	$ 2,706	$ 7,481	$ 7,289
Capital expenditures:				
Manufacturing	$ 2,460	$ 829	$ 7,591	$ 14,960
Services	88	88	393	287
Corporate	55	311	264	1,035
Consolidated capital expenditures	$ 2,603	$ 1,228	$ 8,248	$ 16,282

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	September 30, 2014	December 31, 2013
Assets:		
Manufacturing	$ 239,200	$ 161,221
Services	20,237	21,026
Corporate	90,607	203,571
Total operating assets	350,044	385,818
Consolidated income taxes receivable	581	1,126
Consolidated deferred income taxes, current	11,017	11,017
Consolidated deferred income taxes, long-term	19,425	19,758
Consolidated assets	$ 381,067	$ 417,719

Note 5 Fair Value Measurements

The following table sets forth by level within the ASC 820 fair value hierarchy the Company s financial assets that were recorded at fair value on a recurring basis and the Company s non-financial assets that were recorded at fair value on a non-recurring basis.

Recurring Fair Value Measurements	**As of September 30, 2014**			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS:				
Cash equivalents	$ 65	$	$	$ 65
Restricted certificates of deposit	$ 4,605	$	$	$ 4,605

Recurring Fair Value Measurements	**As of December 31, 2013**			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS:				
Cash equivalents	$ 48	$	$	$ 48
Restricted certificates of deposit	$ 4,605	$	$	$ 4,605

Non-Recurring Fair Value Measurements	**As of December 31, 2013**			
	Level 1	**Level 2**	**Level 3**	**Total**
ASSETS:				
Property, plant and equipment	$	$ 2,451	$	$ 2,451

The carrying values of property, plant and equipment at the Company s Danville and Clinton facilities were reduced to their estimated fair market values during the fourth quarter of 2013. Fair market values for the Danville and Clinton facilities were estimated using the market approach using market data such as recent sales of comparable assets in active markets and estimated salvage values. No non-financial assets were recorded at fair value on a non-recurring basis as of September 30, 2014.

Note 6 Marketable Securities

The Company s current investment policy is to invest in cash, certificates of deposit, U.S. treasury securities, U.S. government agency obligations and money market funds invested in U.S. government securities. Marketable securities as of September 30, 2014 and December 31, 2013 of $47,990 and $38,988, respectively, consisted of U.S. treasury securities held to maturity with original maturities of greater than 90 days and up to one year. Due to the short-term nature of these securities and their low interest rates, there is no material difference between their fair market values and amortized costs.

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Note 7 Inventories

Inventories, net of reserve for excess and obsolete items, consist of the following:

	September 30, 2014	December 31, 2013
Work in progress	$ 95,242	$ 43,643
Finished new railcars	2,491	16,798
Used railcars acquired upon trade-in	21	105
Parts and service inventory	5,766	5,794
Total inventories	$ 103,520	$ 66,340

Inventory on the Company s condensed consolidated balance sheets includes reserves of $1,893 and $1,793 relating to excess or slow-moving inventory for parts and work in progress at September 30, 2014 and December 31, 2013, respectively.

Note 8 Leased Railcars

Inventory on lease was $25,676 and $16,955 at September 30, 2014 and December 31, 2013, respectively. Railcars available for lease, net at September 30, 2014 was $30,123 (cost of $35,225 and accumulated depreciation of $5,102) and at December 31, 2013 was $36,110 (cost of $41,389 and accumulated depreciation of $5,279). The Company s lease utilization rate for railcars in its lease fleet was 100% at each of September 30, 2014 and December 31, 2013.

Leased railcars at September 30, 2014 are subject to lease agreements with external customers with terms of up to seven years and are accounted for as operating leases.

Future minimum rental revenues on leased railcars at September 30, 2014 are as follows:

Three months ending December 31, 2014	$ 1,168
Year ending December 31, 2015	2,052
Year ending December 31, 2016	1,256
Year ending December 31, 2017	1,256
Year ending December 31, 2018	668
Thereafter	1,377
	$ 7,777

Note 9 Property, Plant and Equipment

Property, plant and equipment consists of the following:

	September 30, 2014	December 31, 2013
Buildings and improvements	$ 10,838	$ 11,076
Machinery and equipment	48,240	42,115
Software	8,299	9,089
Leasehold improvements	6,662	5,483
Cost of buildings and improvements, leasehold improvements, machinery, equipment and software	74,039	67,763
Less: Accumulated depreciation and amortization	(36,655)	(31,406)
Buildings and improvements, leasehold improvements, machinery, equipment and software, net of accumulated depreciation and amortization	37,384	36,357
Land (including easements)	1,976	2,072
Construction in process	2,181	967
Total property, plant and equipment, net	$ 41,541	$ 39,396

As part of the Company s strategic initiative to improve the contribution of its Services business to the Company s results of operations, management evaluated the long-term profitability of each of its railcar maintenance and repair shops during the fourth quarter of 2013 and decided to close its underperforming maintenance and repair shop in Clinton, Indiana. The estimated fair market values, representing the estimated salvage values of buildings, equipment and rail at the facility and the estimated sales value of the associated land as of December 31, 2013 are included in the table above. During the third quarter of 2014, these assets were sold to a third party resulting in a gain on sale of $1,078, which is included in gain on sale of assets held for sale in the condensed consolidated statements of operations for the three and nine months ended September 30, 2014.

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Note 10 Intangible Assets and Goodwill

Intangible assets consist of the following:

	September 30, 2014	December 31, 2013
Patents	$ 13,097	$ 13,097
Accumulated amortization	(12,000)	(11,557)
Patents, net of accumulated amortization	1,097	1,540
Customer-related intangibles	1,194	1,194
Accumulated amortization	(458)	(362)
Customer-related intangibles, net of accumulated amortization	736	832
Total amortizing intangibles	$ 1,833	$ 2,372
Manufacturing segment goodwill	$ 21,521	$ 21,521
Services segment goodwill	607	607
Total goodwill	$ 22,128	$ 22,128

Patents are being amortized on a straight-line method over their remaining legal life from the date of acquisition. The weighted average remaining life of the Company s patents is three years. Amortization expense related to patents, which is included in cost of sales, was $148 for each of the three month periods ended September 30, 2014 and 2013, and $443 for each of the nine month periods ended September 30, 2014 and 2013, respectively. Customer-related intangibles are being amortized from the date of acquisition and have a remaining life of 16 years. Amortization expense related to customer intangibles, which is included in selling, general and administrative expenses, was $32 and $37 for the three months ended September 30, 2014 and 2013, respectively, and $97 and $111 for the nine months ended September 30, 2014 and 2013, respectively.

The estimated future intangible amortization at September 30, 2014 is as follows:

Three months ending December 31, 2014	$ 180
Year ending December 31, 2015	698
Year ending December 31, 2016	457
Year ending December 31, 2017	91
Year ending December 31, 2018	73
Thereafter	334
	$ 1,833

The Company assesses the carrying value of goodwill for impairment annually or more frequently whenever events occur and circumstances change indicating potential impairment. During the quarter ended September 30, 2014, the Company performed its annual assessment and concluded that the estimated fair value of the Company s reporting units exceeded the carrying value as of the testing date.

Management determines the fair value of the reporting units using a combination of the income approach, utilizing the discounted cash flow method, and the market approach, utilizing the guideline company method.

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Note 11 Product Warranties

Warranty terms are based on the negotiated railcar sales contracts. The Company typically warrants that new railcars produced by it will be free from defects in material and workmanship under normal use and service identified for a period of up to five years from the time of sale. The changes in the warranty reserve for the three and nine months ended September 30, 2014 and 2013, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Balance at the beginning of the period	$ 8,158	$ 6,776	$ 6,957	$ 7,625
Provision for warranties issued during the period	711	73	1,501	372
Reductions for payments, cost of repairs and other	(219)	(271)	(480)	(764)
Adjustments to prior warranties	41	390	713	(265)
Balance at the end of the period	$ 8,691	$ 6,968	$ 8,691	$ 6,968

Note 12 Revolving Credit Facility

The Company entered into a $50,000 senior secured revolving credit facility (the Revolving Credit Facility) pursuant to a Credit Agreement dated as of July 26, 2013 (the Credit Agreement) by and among FreightCar and certain of its subsidiaries, as borrowers (together the Borrowers), and Bank of America, N.A., as lender. The Revolving Credit Facility can be used for general corporate purposes, including working capital. As of September 30, 2014, the Company had no borrowings under the Revolving Credit Facility. The Credit Agreement also contains a sub-facility for letters of credit not to exceed the lesser of $30,000 and the amount of the senior secured revolving credit facility at such time. As of September 30, 2014, the Company had $5,435 in outstanding letters of credit under the Revolving Credit Facility and therefore had $44,565 available for borrowing under the Revolving Credit Facility. The Credit Agreement has a term ending on July 26, 2016 and revolving loans outstanding thereunder will bear interest at a rate of LIBOR plus an applicable margin of 1.50% or at a base rate, as selected by the Company. Base rate loans will bear interest at the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate or (c) LIBOR plus 1.00%. The Company is required to pay a non-utilization fee of between 0.10% and 0.30% on the unused portion of the revolving loan commitment depending on the Company s quarterly average balance of unrestricted cash and the Company s consolidated leverage ratio. Borrowings under the Revolving Credit Facility are secured by a first priority perfected security interest in substantially all of the Borrowers assets excluding railcars held by the Company s railcar leasing subsidiary, JAIX. The Borrowers also have pledged all of the equity interests in the Company s direct and indirect domestic subsidiaries as security for the Revolving Credit Facility. The Credit Agreement has both affirmative and negative covenants, including, without limitation, a covenant requiring minimum consolidated net liquidity of $35,000 and limitations on indebtedness, liens and investments. The Credit Agreement also provides for customary events of default.

As of December 31, 2013, the Company had $4,605 in outstanding letters of credit under the Revolving Credit Facility and therefore had $45,395 available for borrowing under the Revolving Credit Facility. As of December 31, 2013, the Company had no borrowings under the Revolving Credit Facility.

Note 13 Accumulated Other Comprehensive Income (Loss)

The changes in accumulated other comprehensive income (loss) consist of the following:

	Pre-Tax	Tax	Net of Tax
Three months ended September 30, 2014			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $44 and selling, general and administrative expenses of $9)	$ 53	$ 19	$ 34
Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $82 and selling, general and administrative expenses of $10)	92	32	60
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $54 and selling, general and administrative expenses of $6)	60	21	39
	$ 205	$ 72	$ 133

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	Pre-Tax	Tax	Net of Tax
Three months ended September 30, 2013			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $118 and selling, general and administrative expenses of $13)	$ 131	$ 46	$ 85
Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $146 and selling, general and administrative expenses of $7)	153	53	100
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $57 and selling, general and administrative expenses of $3)	60	22	38
	$ 344	$ 121	$ 223

	Pre-Tax	Tax	Net of Tax
Nine months ended September 30, 2014			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $133 and selling, general and administrative expenses of $26)	$ 159	$ 57	$ 102
Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $248 and selling, general and administrative expenses of $30)	278	98	180
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $162 and selling, general and administrative expenses of $18)	180	63	117
	$ 617	$ 218	$ 399

	Pre-Tax	Tax	Net of Tax
Nine months ended September 30, 2013			
Pension liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $354 and selling, general and administrative expenses of $39)	$ 393	$ 138	$ 255
Postretirement liability activity:			
Reclassification adjustment for amortization of net loss (pre-tax cost of sales of $437 and selling, general and administrative expenses of $23)	460	162	298
Reclassification adjustment for amortization of prior service cost (pre-tax cost of sales of $171 and selling, general and administrative expenses of $9)	180	64	116

	$ 1,033	$ 364	$ 669

The components of accumulated other comprehensive loss consist of the following:

	September 30, 2014	December 31, 2013
Unrecognized pension cost, net of tax of $4,196 and $4,253	$ (6,376)	$ (6,478)
Unrecognized postretirement cost, net of tax of $5,245 and $5,406	(8,357)	(8,654)
	$ (14,733)	$ (15,132)

Note 14 Stock-Based Compensation

The Company recognizes stock-based compensation expense for stock option awards based on the fair value of the award on the grant date using the Black-Scholes option valuation model. Expected life in years for all stock options awards was determined using the simplified method. The Company believes that it is appropriate to use the simplified method in determining the expected life for options because the Company does not have sufficient historical exercise data to provide a reasonable basis upon which to estimate the expected term for stock options and due to the limited number of stock option grants to date. Expected volatility was based on the historical volatility of the Company s stock. The risk-free interest rate was based on the U.S. Treasury bond rate for the expected life of the option. The expected dividend yield was based on the latest annualized dividend rate and the current market price of the underlying common stock on the date of the grant. The Company recognizes stock-based compensation for restricted stock awards over the vesting period based on the fair market value of the stock on the date of the award, calculated as the average of the high and low trading prices for the Company s common stock on the award date.

Total stock-based compensation was $476 and $629 for the three months ended September 30, 2014 and 2013, respectively, and $1,576 and $1,703 for the nine months ended September 30, 2014 and 2013, respectively. As of September 30, 2014, there was $3,043 of unearned compensation expense related to stock options and restricted stock awards, which will be recognized over the remaining requisite service period of 36 months.

Note 15 Employee Benefit Plans

The Company has qualified, defined benefit pension plans that were established to provide benefits to certain employees. These plans are frozen and participants are no longer accruing benefits. The Company also provides certain postretirement health care benefits for certain of its salaried and hourly retired employees. Generally, employees may become eligible for health care benefits if they retire after attaining specified age and service requirements. These benefits are subject to deductibles, co-payment provisions and other limitations.

A substantial portion of the Company s postretirement benefit plan obligation relates to an expired settlement agreement with the union representing employees at the Company s and its predecessors Johnstown manufacturing facilities. The terms of that settlement agreement (the 2005 Settlement Agreement) required the Company to pay until November 30, 2012 certain monthly amounts toward the cost of retiree health care coverage. The Company engaged in voluntary negotiations for two years in an effort to reach a consensual agreement related to the expired 2005 Settlement Agreement but no agreement was reached. The Company terminated, effective November 1, 2013, its contributions for medical coverage and life insurance benefits to affected retirees and is seeking declaratory relief to confirm the Company s rights under the Employee Retirement Income Security Act of 1974, as amended (ERISA), to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement. On July 9, 2013, the union and certain retiree defendants filed suit in the United States District Court for the Western District of Pennsylvania regarding the same dispute (see Note 16). The outcome of the pending litigation and the impact on the Company s postretirement benefit plan obligation cannot be determined at this time. The Company s recorded postretirement benefit plan obligation assumes for accounting purposes a continuation of those monthly payments after November 30, 2012 (as was permitted under the settlement). However, the Company s postretirement benefit plan obligation could significantly increase or decrease as a result of the litigation or if the parties agree to an alternative settlement agreement.

Generally, contributions to the plans are not less than the minimum amounts required under ERISA and not more than the maximum amount that can be deducted for federal income tax purposes. The plans assets are held by independent trustees and consist primarily of equity and fixed income securities.

The components of net periodic benefit cost (benefit) for the three and nine months ended September 30, 2014 and 2013, are as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Pension Benefits				
Interest cost	$ 661	$ 632	$ 1,983	$ 1,896
Expected return on plan assets	(905)	(887)	(2,715)	(2,661)
Amortization of unrecognized net loss	53	131	159	393
	$ (191)	$ (124)	$ (573)	$ (372)

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	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	2013	2014	2013
Postretirement Benefit Plan				
Service cost	$ 16	$ 18	$ 48	$ 54
Interest cost	750	657	2,250	1,971
Amortization of prior service cost	60	60	180	180
Amortization of unrecognized net loss	92	153	278	460
	$ 918	$ 888	$ 2,756	$ 2,665

The Company made contributions to the Company s defined benefit pension plans of $108 and $61 for the three months ended September 30, 2014 and 2013, respectively, and $217 and $122 for the nine months ended September 30, 2014 and 2013, respectively. The Company expects to make $341 in contributions (including contributions already made) to its pension plans in 2014 to meet its minimum funding requirements.

The Company made payments to the Company s postretirement benefit plan of $107 and $508 for the three months ended September 30, 2014 and 2013, respectively, and $323 and $2,977 for the nine months ended September 30, 2014 and 2013, respectively. The Company expects to make $407 in contributions (including contributions already made) to its postretirement benefit plan in 2014 for salaried retirees. However, because the Company s postretirement benefit plan obligation is currently subject to litigation the postretirement benefit payments for hourly retirees, if any, are unknown at this time.

The Company also maintains qualified defined contribution plans, which provide benefits to employees based on employee contributions, employee earnings or certain subsidiary earnings, with discretionary contributions allowed. Expenses related to these plans were $443 and $310 for the three months ended September 30, 2014 and 2013, respectively, and $1,142 and $1,190 for the nine months ended September 30, 2014 and 2013, respectively.

Note 16 Contingencies

The Company is involved in various warranty and repair claims and, in certain cases, related pending and threatened legal proceedings with its customers in the normal course of business. In the opinion of management, the Company s potential losses in excess of the accrued warranty and legal provisions, if any, are not expected to be material to the Company s consolidated financial condition, results of operations or cash flows.

On July 8, 2013, the Company filed a Complaint for Declaratory Judgment (the Complaint) in the United States District Court for the Northern District of Illinois, Eastern Division (the Illinois Court). The case names as defendants the United Steel, Paper & Forestry, Rubber, Manufacturing, Energy, Allied Industrial & Services Workers International Union, AFL-CIO, CLC (the USW), as well as approximately 650 individual Retiree Defendants (as defined in the Complaint), and was assigned Case No 1:13-cv-4889.

As described in the Complaint, pursuant to the 2005 Settlement Agreement among the Company, the USW and the Retiree Defendants, the Company agreed to make certain levels of contributions to medical coverage for the Retiree Defendants and to continue to provide life insurance benefits at their amount at that time under certain of the Company s employee welfare benefit plans. The 2005 Settlement Agreement expressly provided that, as of November 30, 2012, the Company could cease making these contributions. In June 2011, the Company and the USW began discussing the possibility of an extension beyond November 30, 2012 for the Company s contributions to retiree medical coverage and life insurance benefits at a reduced amount and on other mutually acceptable terms. The

Company engaged in voluntary negotiations for two years with the USW and counsel for the Retiree Defendants in an effort to reach a consensual agreement regarding such medical and life insurance benefits, but the parties were unable to reach a final agreement. The Company terminated, effective November 1, 2013, its contributions for medical coverage provided to the Retiree Defendants and the provision of life insurance benefits and is seeking declaratory relief to confirm its rights under the ERISA to reduce or terminate retiree medical coverage and life insurance benefits pursuant to the plans that were the subject of the 2005 Settlement Agreement.

On July 9, 2013, the USW and certain Retiree Defendants (collectively, the Pennsylvania Plaintiffs) filed a putative class action in the United States District Court for the Western District of Pennsylvania (the Pennsylvania Court), captioned as *Zanghi, et al. v. FreightCar America, Inc., et al.,* Case No. 3:13-cv-146. The complaint filed with the Pennsylvania Court alleges that the Company does not have the right to terminate welfare benefits previously provided to the Retiree Defendants and requests, among other relief, entry of a judgment finding that the Retiree Defendants have a vested right to specified welfare benefits.

On July 26, 2013, the Pennsylvania Plaintiffs filed with the Illinois Court a Motion to Dismiss Pursuant to Fed. R. Civ. P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a), as well as a Motion to Stay and/or Prevent Plaintiff from Obtaining Defaults against the Retiree Defendants. On August 5, 2013, the Company filed with the Pennsylvania Court a Motion to Dismiss Pursuant to Fed. R. Civ. P. 12(b) or in the Alternative, to Transfer Pursuant to 28 U.S.C. 1404(a). On January 14, 2014, the Pennsylvania Court denied the Company s motion to dismiss and, on January 16, 2014, the Illinois Court transferred the Company s case to the Pennsylvania Court. On January 31, 2014, the Company filed a motion to consolidate both cases before the Pennsylvania Court. On April 3, 2014, the Pennsylvania Court entered an order (the Initial Procedural Order) that, among other things, consolidated both cases before the Pennsylvania Court, certified a class for purposes of the consolidated actions, established discovery parameters and deadlines and established a briefing schedule applicable to the parties cross motions for summary judgment as to liability only. On July 17, 2014, the parties filed with the Pennsylvania Court their respective motions for summary judgment as to liability. The parties have submitted their responses and replies with respect to each of the motions. There can be no assurance as to when the Pennsylvania Court will issue its ruling on such motions, or how the Pennsylvania Court will rule.

On September 5, 2013, the Pennsylvania Plaintiffs and certain putative class representatives filed a Plaintiffs Motion for Temporary Restraining Order and Preliminary Injunction (the TRO Motion) with the Pennsylvania Court. In the TRO Motion, the plaintiffs requested that the Pennsylvania Court enter an injunction requiring the Company to continue to make monthly contributions at the same rate established by the 2005 Settlement Agreement until the parties dispute is fully adjudicated on the merits. Following entry of the Initial Procedural Order, the Pennsylvania Court denied the TRO Motion without prejudice.

The Company has recorded postretirement benefit plan obligations, a substantial portion of which relates to the dispute now before the Illinois Court and the Pennsylvania Court (see Note 15).

On September 29, 2008, Bral Corporation, a supplier of certain railcar parts to the Company, filed a complaint against the Company in the U.S. District Court for the Western District of Pennsylvania (the Pennsylvania Lawsuit). The complaint alleged that the Company breached an exclusive supply agreement with Bral by purchasing parts from CMN Components, Inc. (CMN) and sought damages in an unspecified amount, attorneys fees and other legal costs. On December 14, 2007, Bral sued CMN in the U.S. District Court for the Northern District of Illinois, alleging among other things that CMN interfered in the business relationship between Bral and the Company (the Illinois Lawsuit) and seeking damages in an unspecified amount, attorneys fees and other legal costs. On October 22, 2008, the Company entered into an Assignment of Claims Agreement with CMN under which CMN assigned to the Company its counterclaims against Bral in the Illinois Lawsuit and the Company agreed to defend and indemnify CMN against Bral s claims in that lawsuit. On March 4, 2013, Bral Corporation and the Company agreed to settle the Illinois Lawsuit and the Pennsylvania Lawsuit. The settlement resulted in a $3,884 reduction in litigation reserves, which favorably impacted the Company s results of operations for the nine months ended September 30, 2013.

In addition to the foregoing, the Company is involved in certain other pending and threatened legal proceedings, including commercial disputes and workers compensation and employee matters arising out of the conduct of its business. While the ultimate outcome of these other legal proceedings cannot be determined at this time, it is the opinion of management that the resolution of these other actions will not have a material adverse effect on the Company s financial condition, results of operations or cash flows.

Note 17 Other Commitments

The Company leases certain property and equipment under long-term operating leases expiring at various dates through 2024. The leases generally contain specific renewal options at lease-end at the then fair market amounts.

Future minimum lease payments at September 30, 2014 are as follows:

Three months ending December 31, 2014	$ 2,594
Year ending December 31, 2015	10,005
Year ending December 31, 2016	9,095
Year ending December 31, 2017	8,786
Year ending December 31, 2018	8,859
Thereafter	35,692
	$ 75,031

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The Company is liable for maintenance, insurance and similar costs under most of its leases and such costs are not included in the future minimum lease payments. Total rental expense for the three months ended September 30, 2014 and 2013, was approximately $2,331 and $2,334, respectively. Total rental expense for the nine months ended September 30, 2014 and 2013, was approximately $7,000 and $6,551, respectively.

The Company is party to non-cancelable agreements with its suppliers to purchase certain materials used in the manufacturing process. The commitments may vary based on the actual quantities ordered and be subject to the actual price when ordered. At September 30, 2014, the Company had purchase commitments under these agreements as follows:

Three months ending December 31, 2014	$ 1,364
Year ending December 31, 2015	6,251
Year ending December 31, 2016	9,375
Year ending December 31, 2017	9,375
Year ending December 31, 2018	
Thereafter	
	$ 26,365

Note 18 Earnings Per Share

Shares used in the computation of the Company s basic and diluted earnings per common share are reconciled as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2014	**2013**	**2014**	**2013**
Weighted average common shares outstanding	12,007,970	11,957,548	11,999,150	11,950,593
Dilutive effect of employee stock options and nonvested share awards	100,427		89,578	
Weighted average diluted common shares outstanding	12,108,397	11,957,548	12,088,728	11,950,593

Weighted average diluted common shares outstanding include the incremental shares that would be issued upon the assumed exercise of stock options and the assumed vesting of nonvested share awards. For the three months ended September 30, 2014 and 2013, 366,964 and 739,499 shares, respectively, were not included in the weighted average common shares outstanding calculation as they were anti-dilutive. For the nine months ended September 30, 2014 and 2013, 441,098 and 701,805 shares, respectively, were not included in the weighted average common shares outstanding calculation as they were anti-dilutive.

Note 19 Income Taxes

The Company s income tax provision was $4,608 for the three months ended September 30, 2014 compared to an income tax benefit of $243 for the three months ended September 30, 2013. The Company s effective tax rate for the three months ended September 30, 2014 was 41.7% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a 7.5% blended state tax rate and the 1.1% impact of other differences, which were partially offset by the (1.9)% impact of changes in the valuation allowance. The Company s effective tax rate for the three months ended September 30, 2013 was 20.8% and was lower than the statutory U.S. federal income tax rate of 35% primarily due to the (25.7)% impact of changes in the valuation allowance, which was partially offset by a 5.8% blended state rate and the 5.7% impact of non-deductible expenses and other permanent adjustments.

The Company s income tax provision was $252 for the nine months ended September 30, 2014 compared to $633 for the nine months ended September 30, 2013. The Company s effective tax rate for the nine months ended September 30, 2014 was 18.8% and was lower than the statutory U.S. federal income tax rate of 35% primarily due to the (29.1)% impact of changes in the valuation allowance, which was partially offset by a 6.8% blended state tax rate, the 5.4% impact of changes in uncertain tax positions and 0.7% for the effect of other differences.

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The income tax provision for the nine months ended September 30, 2013 included a provision of $1,538 resulting from applying changes in effective state tax rates on the Company s deferred tax balances. The addition of the Company s Shoals facility changed the mix of income from states in which it operates, resulting in changes in the Company s estimated state tax apportionment and effective state tax rates during the nine months ended September 30, 2013. Additionally, projected taxable income in certain states in which the Company operates may not be sufficient to realize the full value of net operating loss carryforwards. As a result, the income tax provision for the nine months ended September 30, 2013 also included the recognition of a valuation allowance of $2,503 against deferred tax assets related to net operating loss carryforwards in certain states in which the Company operates. These discrete tax provisions during the nine months ended September 30, 2013 were partially offset by $891 of discrete tax benefits recorded during the period.

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

OVERVIEW

You should read the following discussion in conjunction with our condensed consolidated financial statements and related notes included elsewhere in this quarterly report on Form 10-Q. This discussion contains forward-looking statements that are based on management s current expectations, estimates and projections about our business and operations. Our actual results may differ materially from those currently anticipated and expressed in such forward-looking statements. See Cautionary Statement Regarding Forward-Looking Statements.

We believe we are the leading manufacturer of aluminum-bodied railcars and coal cars in North America, based on the number of railcars delivered. Our railcar manufacturing facilities are located in Cherokee, Alabama, Danville, Illinois and Roanoke, Virginia. Our Shoals facility is an important part of our long-term growth strategy as we continue to expand our railcar product and service offerings outside of our traditional coal car market. While our Danville and Roanoke facilities will continue to support our coal car products, the Shoals facility allows us to produce a broader variety of railcars in a cost-effective and efficient manner. Our Shoals facility delivered its first railcars during the fourth quarter of 2013 and production has continued to ramp up during 2014. Our Danville facility resumed production in June 2014 after being idled for fourteen months. We refurbish and rebuild railcars and sell forged, cast and fabricated parts for all of the railcars we produce, as well as those manufactured by others. We provide railcar repair and maintenance for all types of freight railcars through our FCRS subsidiary. FCRS has repair and maintenance facilities in Grand Island, Nebraska and Hastings, Nebraska and services freight cars and unit coal trains utilizing key rail corridors in the Western regions of the United States. We also lease freight cars through our JAIX Leasing Company subsidiary. As of September 30, 2014, the book value of leased railcars (including inventory on lease and railcars available for lease) was $55.8 million. Our primary customers are railroads, financial institutions and shippers.

We have two reportable segments, Manufacturing and Services. Our Manufacturing segment includes new railcar manufacturing, used railcar sales, railcar leasing and major railcar rebuilds. Our Services segment includes railcar repair and maintenance and parts sales. Corporate includes administrative activities and all other non-operating activities.

Total orders for railcars in the third quarter of 2014 were 7,375 units, consisting of 5,165 new railcars and 2,210 rebuilt railcars, compared to 2,401 units ordered in the second quarter of 2014, consisting of 2,201 new railcars and 400 leased railcars, and 6,001 units ordered in the third quarter of 2013, consisting of 1,714 new railcars, 75 leased railcars and 4,212 rebuilt railcars. Railcar deliveries totaled 2,354 units, consisting of 1,554 new railcars and 800 rebuilt railcars, in the third quarter of 2014, compared to 1,635 units, consisting of 835 new railcars and 800 rebuilt railcars, in the second quarter of 2014 and 937 units, consisting of 194 new railcars and 743 rebuilt railcars, in the third quarter of 2013. Total backlog of unfilled orders was 13,514 units, consisting of 9,414 new railcars, 3,700 rebuilt railcars and 400 leased railcars, at September 30, 2014, compared to 8,493 units, consisting of 5,424 new railcars, 2,290 rebuilt railcars and 779 leased railcars, at June 30, 2014 and 6,826 units, consisting of 3,071 new railcars, 3,680 rebuilt railcars and 75 leased railcars, at December 31, 2013. The estimated sales values of the backlogs were $1.1 billion and $492 million, respectively, as of September 30, 2014 and December 31, 2013. As of September 30, 2014, approximately 17% of the railcars in our backlog are expected to be delivered during 2014. The remaining 83% of the railcars are scheduled to be delivered in 2015 or beyond.

RESULTS OF OPERATIONS

Three Months Ended September 30, 2014 compared to Three Months Ended September 30, 2013

Revenues

Our consolidated revenues for the three months ended September 30, 2014 were $190.3 million compared to $75.9 million for the three months ended September 30, 2013. Manufacturing segment revenues for the three months ended September 30, 2014 were $181.5 million compared to $66.9 million for the three months ended September 30, 2013. The increase in Manufacturing segment revenues for the 2014 period compared to the 2013 period reflects the increase in the number of railcars delivered and change in product mix. Services segment revenues for the three months ended September 30, 2014 were $8.8 million compared to $9.0 million for the three months ended September 30, 2013. The decrease in Services segment revenues for the 2014 period compared to the 2013 period reflects lower repair volumes, partially offset by higher parts sales revenue. Higher coal train utilization during the third quarter of 2014 reduced the volume of coal trains released for maintenance and reduced the repair volumes through our repair shops and sales of repair parts.

Gross Profit

Our consolidated gross profit for the three months ended September 30, 2014 was $18.8 million compared to $6.2 million for the three months ended September 30, 2013, representing an increase of $12.6 million. The increase in our consolidated gross profit for the third quarter of 2014 compared to the third quarter of 2013 primarily reflects an increase in gross profit from our Manufacturing segment of $12.9 million, which was partially offset by a decrease in gross profit from our Services segment of $0.3 million. The increase in gross profit for our Manufacturing segment for the third quarter of 2014 compared to the third quarter of 2013 reflects the increase in deliveries. The strong industry backlog for railcars during 2014 has led to a tightening of certain railcar component supply. If this tightening of supply were to create disruptions to our operations, such circumstances could negatively impact future production and gross profit for our Manufacturing Segment. Gross profit for our Manufacturing segment for the third quarter of 2013 included start-up costs of our Shoals facility and carrying costs associated with our idled Danville facility totaling $3.3 million. The decrease in gross profit for our Services segment for the third quarter of 2014 compared to the third quarter of 2013 reflects lower repair volumes caused by increased utilization of railcars and a less profitable mix of parts sales and repair services, which were partially offset by higher parts sales volumes. Our consolidated gross profit margin was 9.9% for the three months ended September 30, 2014 compared to 8.1% for the three months ended September 30, 2013.

Selling, General and Administrative Expenses

Consolidated selling, general and administrative expenses for the three months ended September 30, 2014 were $9.2 million compared to $7.7 million for the three months ended September 30, 2013. The increase primarily reflects increases in a provision for incentive compensation of $1.3 million. Manufacturing segment selling, general and administrative expenses for the three months ended September 30, 2014 were $3.0 million compared to $1.9 million for the three months ended September 30, 2013. Services segment selling, general and administrative expenses were $0.8 million for the three months ended September 30, 2014 compared to $0.9 million for the three months ended September 30, 2013. Corporate selling, general and administrative expenses for the three months ended September 30, 2014 were $5.4 million compared to $4.8 million for the three months ended September 30, 2013.

Gain on Sale of Railcars Available for Lease

Gain on sale of railcars available for lease for the three months ended September 30, 2014 was $0.6 million and primarily represented the gain on sale of leased railcars with a net book value of $5.2 million. Gain on sale of railcars available for lease for the three months ended September 30, 2013 was $0.6 million and primarily represented the gain on sale of leased railcars with a net book value of $6.2 million.

Gain on Sale of Assets Held for Sale

In December 2013, we closed our underperforming maintenance and repair shop in Clinton, Indiana, reduced the carrying values of repair shop assets to their estimated fair market value, representing the estimated salvage values of building, equipment and rail at the facility and the estimated sales value of the associated land, and recorded restructuring and impairment charges of $1.7 million. Sale of the repair shop assets to a strategic buyer during the three months ended September 30, 2014 resulted in a gain of $1.1 million.

Operating Income (Loss)

Our consolidated operating income for the three months ended September 30, 2014 was $11.3 million compared to consolidated operating loss of $0.9 million for the three months ended September 30, 2013. Operating income for the

Manufacturing segment was $16.2 million for the three months ended September 30, 2014 compared to $4.3 million for the three months ended September 30, 2013, reflecting the increase in deliveries. Operating income for our Manufacturing segment for the third quarter of 2013 reflected start-up costs of our Shoals facility and carrying costs associated with our idled Danville facility totaling $3.3 million. Services segment operating income was $1.6 million for the three months ended September 30, 2014 compared to $0.7 million for the three months ended September 30, 2013, reflecting the $1.1 million gain on sale of the repair shop assets during the three months ended September 30, 2014. Services segment operating income also reflects higher parts sales volumes, which were offset by lower repair volumes caused by increased utilization of trains and a less profitable mix of parts sales and repair services for the 2014 period compared to the 2013 period. Corporate costs were $6.5 million for the three months ended September 30, 2014 compared to $6.0 million for the three months ended September 30, 2013. Corporate costs for the three months ended September 30, 2013 included $0.4 million related to the start-up of our Shoals facility. The increase in Corporate costs for the three months ended September 30, 2014, compared to the 2013 period primarily reflects increases in the provision for incentive compensation of $1.3 million.

Interest Expense and Deferred Financing Costs

Interest expense and the amortization of deferred financing costs were $0.3 million for the three months ended September 30, 2014 compared to $0.2 million for the three months ended September 30, 2013. In addition to commitment fees on our revolving credit facility, letter of credit fees and amortization of deferred financing costs, results for the 2014 period included non-cash imputed interest on a customer advance for leased railcars delivered for which revenue cannot be recognized until all contingencies have been resolved.

Income Taxes

Our income tax provision was $4.6 million for the three months ended September 30, 2014 compared to an income tax benefit of $0.2 million for the three months ended September 30, 2013. Our effective tax rate for the three months ended September 30, 2014 was 41.7% and was higher than the statutory U.S. federal income tax rate of 35% primarily due to a 7.5% blended state tax rate and the 1.1% impact of other differences, which were partially offset by the (1.9)% impact of changes in the valuation allowance. Our effective tax rate for the three months ended September 30, 2013 was 20.8% and was lower than the statutory U.S. federal income tax rate of 35% primarily due to the (25.7)% impact of changes in the valuation allowance due to changes in the mix of income from states in which we operate, which was partially offset by a 5.8% blended state rate and the 5.7% impact of non-deductible expenses and other permanent adjustments.

Net Income (Loss)

As a result of the foregoing, net income was $6.4 million for the three months ended September 30, 2014 compared to a net loss of $0.9 million for the three months ended September 30, 2013. For the three months ended September 30, 2014, our basic and diluted net income per share was $0.53 on basic and diluted shares outstanding of 12,007,970 and 12,108,397, respectively. For the three months ended September 30, 2013, our basic and diluted net loss per share was $0.08 on basic and diluted shares outstanding of 11,957,548.

Nine Months Ended September 30, 2014 compared to Nine Months Ended September 30, 2013

Revenues

Our consolidated revenues for the nine months ended September 30, 2014 were $386.1 million compared to $210.7 million for the nine months ended September 30, 2013. Manufacturing segment revenues for the nine months ended September 30, 2014 were $358.2 million compared to $181.7 million for the nine months ended September 30, 2013. The increase in Manufacturing segment revenues for the 2014 period compared to the 2013 period reflects the increase in the number of railcars delivered and product mix changes. Our Manufacturing segment delivv>

Trademark/Trade names

51,670

—

50,310

—

Total other intangible assets

$
381,480

$
(170,510
)

$
371,590

$
(165,430
)

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

	Three months ended March 31,	
	2013	2012
	(dollars in thousands)	
Technology and other, included in cost of sales	$1,210	$1,070
Customer relationships, included in selling, general and administrative expenses	3,870	3,130
Total amortization expense	$5,080	$4,200

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6. Inventories

Inventories consist of the following components:

	March 31, 2013	December 31, 2012
	(dollars in thousands)	
Finished goods	$164,010	$159,550
Work in process	30,980	29,270
Raw materials	52,890	49,200
Total inventories	$247,880	$238,020

7. Property and Equipment, Net

Property and equipment consists of the following components:

	March 31, 2013	December 31, 2012
	(dollars in thousands)	
Land and land improvements	$6,360	$6,410
Buildings	60,120	59,610
Machinery and equipment	346,810	332,040
	413,290	398,060
Less: Accumulated depreciation	218,670	213,030
Property and equipment, net	$194,620	$185,030

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

	Three months ended March 31,	
	2013	2012
	(dollars in thousands)	
Depreciation expense, included in cost of sales	$6,060	$5,640
Depreciation expense, included in selling, general and administrative expense	990	810
Total depreciation expense	$7,050	$6,450

8. Long-term Debt

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

	March 31, 2013	December 31, 2012
	(dollars in thousands)	
U.S. bank debt and receivables facilities	$495,030	$417,500
Non-U.S. bank debt and other	11,200	4,940
	506,230	422,440
Less: Current maturities, long-term debt	22,530	14,370
Long-term debt	$483,700	$408,070

TRIMAS CORPORATION
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U.S. Bank Debt

The Company is a party to a credit agreement (the "Credit Agreement") consisting of a $250.0 million senior secured revolving credit facility, which matures in October 2017 and is subject to interest at London Interbank Offered Rates ("LIBOR") plus 2.00%, a $200.0 million senior secured term loan A facility, which matures in October 2017 and is subject to interest at LIBOR plus 2.00% and a $200.0 million senior secured term loan B facility, which matures in October 2019 and is subject to interest at LIBOR plus 2.75% (subject to a 1.00% LIBOR floor).

The Credit Agreement provides incremental term loan and/or revolving credit facility commitments in an amount not to exceed the greater of $300 million and an amount such that, after giving effect to the making of such 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, as defined. 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.

Under the Credit Agreement, if, on or prior to October 11, 2013, the Company prepays all or any portion of the term loan B facility using a new term loan facility with lower interest rate margins, then the Company will be required to pay a premium equal to 1% of the aggregate principal amount prepaid. In addition, beginning with the fiscal year ended December 31, 2013 (payable in 2014), the Company may be required to prepay a portion of its term loan A and term loan B facilities in an amount equal to a percentage of the Company's excess cash flow, as defined, which such percentage will be based on the Company's leverage ratio, as defined. For 2012, the Company prepaid $5.0 million of its former term loan B facility under the excess cash flow provision of the previous credit agreement.

The Company is also able to issue letters of credit, not to exceed $75.0 million in aggregate, against its revolving credit facility commitments. At March 31, 2013 and December 31, 2012, the Company had letters of credit of approximately $23.6 million and $23.3 million, respectively, issued and outstanding.

At March 31, 2013, the Company had $30.0 million outstanding under its revolving credit facilities and had $196.4 million potentially available after giving effect to approximately $23.6 million of letters of credit issued and outstanding. At December 31, 2012, the Company had no amounts outstanding under its revolving credit facilities and had $226.7 million, potentially available after giving effect to approximately $23.3 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 $156.1 million and $230.5 million at March 31, 2013 and December 31, 2012, respectively, of borrowing capacity available to it for general corporate purposes.

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. The terms of the Credit Agreement contain certain limitations on the distribution of funds from TriMas Company LLC, the Company's principal subsidiary. The terms of the Credit Agreement require the Company and its subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined) and an interest expense coverage ratio (consolidated EBITDA, as defined, over cash interest expense, as defined). The Company was in compliance with its covenants at March 31, 2013.

As of March 31, 2013 and December 31, 2012, the Company's term loan A facility traded at approximately 99.5% and 99.3% of par value, respectively, and the Company's term loan B facility traded at approximately 100.0% and 99.9% of par value, respectively. The valuations of the term loans 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. Under this

facility, TSPC, from time to time, may sell an undivided fractional ownership interest in the pool of receivables up to approximately $105.0 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 1.35% and 1.50% as of March 31, 2013 and 2012, respectively, and a fee on the unused portion of the facility of 0.40% and 0.45% as of March 31, 2013 and 2012, respectively.

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The Company had $66.0 million and $18.0 million outstanding under the facility as of March 31, 2013 and December 31, 2012, respectively, and $11.9 million and $51.9 million, respectively, available but not utilized. Aggregate costs incurred under the facility were $0.3 million and $0.2 million for the three months ended March 31, 2013 and 2012, respectively, and are included in interest expense in the accompanying consolidated statement of income. The facility expires on October 12, 2017.

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, 2013, the cost of funds under the facility was based on an average liquidation period of the portfolio of approximately 1.5 months and an average discount rate of 1.8%.

Non-U.S. Bank Debt

The Company's Australian subsidiary is party to a debt agreement which matures on May 31, 2013 and is secured by substantially all the assets of the subsidiary. At March 31, 2013 and December 31, 2012, the balance outstanding under this agreement was approximately $10.4 million and $4.8 million, respectively, at an average interest rate of 3.1% and 3.2%, respectively.

9. Derivative Instruments

In December 2012, the Company entered into interest rate swap agreements to fix the LIBOR-based variable portion of the interest rates on its term loan facilities. The term loan A swap agreement fixes the LIBOR-based variable portion of the interest rate, beginning February 2013, on a total of $175.0 million notional amount at 0.74% and expires on October 11, 2017. The term loan B swap agreement fixes the LIBOR-based variable portion of the interest rate, beginning February 2015, on a total of $150.0 million notional amount at 2.05% and expires on October 11, 2019. The Company has designated both swap agreements as cash flow hedges.

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 previous term loan B facility. The swap agreement fixed the LIBOR-based variable portion of the interest rate at 1.80% through June 2016. At inception, the Company formally designated this swap agreement as a cash flow hedge. However, upon the Company's amendment and restatement of its credit agreement during the fourth quarter of 2012, the Company determined that the interest rate swap was no longer expected to be an effective economic hedge and terminated the interest rate swap and repaid the obligation.

As of March 31, 2013 and December 31, 2012, the fair value carrying amount of the Company's interest rate swaps are recorded as follows:

		Asset Derivatives		Liability Derivatives	
	Balance Sheet Caption	March 31, 2013	December 31, 2012	March 31, 2013	December 31, 2012
		(dollars in thousands)			
Derivatives designated as hedging instruments					
Interest rate swap	Long-term asset	$420	$—	$—	$—
Interest rate swap	Accrued liabilities	—	—	690	530
Interest rate swap	Other long-term liabilities	—	—	—	690
Total derivatives designated as hedging instruments		$420	$—	$690	$1,220

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The following tables summarize the losses, net of tax, recognized in accumulated other comprehensive income ("AOCI"), the amounts reclassified from AOCI into earnings and the amounts recognized directly into earnings for the three months ended March 31, 2013 and 2012:

	Amount of Loss Recognized in AOCI on Derivative (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, 2013	As of December 31, 2012		2013	2012
	(dollars in thousands)			(dollars in thousands)	
Derivatives designated as hedging instruments					
Interest rate swaps	$(170)	$(760)	Interest expense	$(10)	$—

Over the next 12 months, the Company expects to reclassify approximately $0.7 million of pre-tax deferred losses from AOCI to interest expense as the related interest payments for the designated interest rate swaps are funded.

	Amount of Loss Recognized in Earnings on Derivatives Three months ended March 31,		Location of Loss Recognized in Earnings on Derivatives
	2013	2012	
	(dollars in thousands)		
Derivatives not designated as hedging instruments			
Interest rate swaps	$(80)	$—	Interest expense

Valuations of the interest rate swap were 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, 2013 are shown below.

		March 31, 2013			
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	$(270)	$—	$(270)	$—

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10. Commitments and Contingencies
Asbestos
As of March 31, 2013, the Company was a party to 1,043 pending cases involving an aggregate of 7,913 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, 2012	8,048	367	519	16	$14,513	$2,650,000
Three Months Ended March 31, 2013	7,880	112	58	21	$581	$610,000

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 7,913 claims pending at March 31, 2013, 99 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	81	14	4	66	30	3	81	14	4

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 $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.

11. 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 fasteners for the petroleum refining, petrochemical and other industrial markets.

Aerospace & Defense – Highly engineered specialty fasteners and other precision machined products 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 Americas – 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,	
	2013	2012
	(dollars in thousands)	
Net Sales		
Packaging	$74,350	$54,310
Energy	54,920	50,590
Aerospace & Defense	20,970	17,860
Engineered Components	46,270	49,680
Cequent Asia Pacific	32,090	28,200
Cequent Americas	109,180	96,930
Total	$337,780	$297,570
Operating Profit (Loss)		
Packaging	$14,630	$9,890
Energy	5,870	6,390
Aerospace & Defense	3,750	4,860
Engineered Components	5,700	7,710
Cequent Asia Pacific	3,180	3,040
Cequent Americas	700	4,160
Corporate expenses	(10,090)	(7,310)
Total	$23,740	$28,740

12. Equity Awards

The Company maintains the following 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"). 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.

Stock Options

The Company did not grant any stock options during the three months ended March 31, 2013. Information related to stock options at March 31, 2013 is as follows:

	Number of Options	Weighted Average Option Price	Average Remaining Contractual Life (Years)	Aggregate Intrinsic Value
Outstanding at January 1, 2013	675,665	$15.52		
Exercised	(170,050)	22.21		
Cancelled	—	—		
Expired	—	—		
Outstanding at March 31, 2013	505,615	$13.27	4.1	$9,709,312

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TRIMAS CORPORATION
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As of March 31, 2013, 490,895 stock options were exercisable under the Plans. In addition, during the three months ended March 31, 2013, the Company did not have any stock options vest. The fair value of options which vested during the three months ended March 31, 2012 was $0.4 million.

The Company did not incur significant stock-based compensation expense related to stock options during the three months ended March 31, 2013 and 2012.

Restricted Shares

During the three months ended March 31, 2013, the Company issued 1,508 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.

The Company also awarded multiple restricted stock grants during the first quarter of 2013. First, the Company granted 29,498 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.

The Company awarded 41,480 restricted shares of common stock to certain employees during the first quarter of 2013. These shares 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.

The Company awarded 238,808 restricted shares of common stock to certain Company key employees during the first quarter of 2013. 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, 2013 and ending on December 31, 2015. 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.

In addition, the Company granted 17,240 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 his services prior to the vesting date.

During 2012, the Company awarded restricted shares of common stock to certain Company key employees which are performance-based grants. Of this award, 60% are earned based on 2012 EPS growth, and the remaining 40% are earned based on the EPS CAGR for 2012 and 2013. For the 60% of shares subject to the 2012 earnings per share growth metric only, the performance conditions were satisfied, resulting in an attainment level of 175% of target. This resulted in an additional 72,576 share grants during the first quarter of 2013.

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Information related to restricted shares at March 31, 2013 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, 2013	636,037	$22.02		
Granted	401,110	28.18		
Vested	(331,816)	22.35		
Cancelled	(1,892)	24.33		
Outstanding at March 31, 2013	703,439	$25.37	2.2	$22,840,664

As of March 31, 2013, there was approximately $11.8 million of unrecognized compensation cost related to unvested restricted shares that is expected to be recorded over a weighted-average period of 1.9 years.

The Company recognized approximately $2.7 million and $1.4 million of stock-based compensation expense related to restricted shares during the three months ended March 31, 2013 and 2012, respectively. The stock-based compensation expense is included in selling, general and administrative expenses in the accompanying statement of income.

13. 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 359,421 and 136,988 restricted shares for the three months ended March 31, 2013 and 2012, respectively. The calculation of diluted earnings per share also included options to purchase 196,323 and 298,644 shares of common stock for the three months ended March 31, 2013 and 2012, respectively.

14. 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 months ended March 31, 2013 and 2012 are as follows:

	Pension Plans		Other Postretirement Benefits	
	Three months ended March 31,		Three months ended March 31,	
	2013	2012	2013	2012
	(dollars in thousands)			
Service costs	$180	$150	$—	$—
Interest costs	410	400	10	10
Expected return on plan assets	(460)	(430)	—	—
Amortization of prior service cost	—	—	—	(70)
Amortization of net (gain)/loss	320	270	(20)	(20)
Net periodic benefit cost	$450	$390	$(10)	$(80)

The Company contributed approximately $0.9 million to its defined benefit pension plans during the three months ended March 31, 2013. The Company expects to contribute approximately $3.0 million to its defined benefit pension plans for the full year 2013.

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15. Other Comprehensive Income

Changes in AOCI by component for the three months ended March 31, 2013 is summarized as follows:

	Defined Benefit Plans	Derivative Instruments	Foreign Currency Translation	Total
	(dollars in thousands)			
Balance, December 31, 2012	$ (12,440)	$ (1,680)	$ 53,380	$ 39,260
Net unrealized gains (losses) arising during the period	200	770	(2,140)	(1,170)
Less: Net realized losses reclassified to net income	—	(90)	—	(90)
Net current-period change	200	680	(2,140)	(1,260)
Balance, March 31, 2013	$ (12,240)	$ (1,000)	$ 51,240	$ 38,000

During the three months ended March 31, 2013, the Company reclassified $0.1 million (net of income tax benefit of $0.1 million) from AOCI into interest expense. See Note 9, "Derivative Instruments," for additional details. No other amounts were reclassified out of AOCI and into the consolidated statement of income during the three months ended March 31, 2013.

16. New Accounting Pronouncements

In February 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2013-2, "Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income" ("ASU 2013-2"). ASU 2013-2 requires an entity to provide information about the changes in accumulated other comprehensive income by component. In addition, an entity is required to present, either on the face of the statement where net income is presented or in the notes, significant amounts reclassified out of accumulated other comprehensive income by the respective line items of net income, but only if the amount reclassified is required to be reclassified to net income in its entirety in the same reporting period. For other amounts that are not reclassified in their entirety to net income, an entity is required to cross-reference in a note to other required disclosures that provide additional detail about those amounts. ASU 2013-2 is effective for fiscal years, and interim periods within those years, beginning after December 15, 2012. The Company adopted ASU 2013-2 during the first quarter of 2013. See Note 15, "Other Comprehensive Income," for additional details.

17. Subsequent Events

On April 12, 2013, the Company acquired the capital stock of C.P. Witter Limited ("Witter") for the purchase price of approximately $14 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 2013. Located in the United Kingdom, Witter is in the business of manufacturing highly-engineered towbars and accessories which are distributed through a wide network of commercial dealers, and had approximately $20 million in revenue for the twelve month period ended February 1, 2013. Witter will be included in the Company's Cequent Asia Pacific reportable segment.

Concurrently on April 12, 2013, the Company amended the portion of its Credit Agreement related to the $250.0 million senior secured revolving credit facility to permit revolving borrowing denominated in specified foreign currencies ("Foreign Currency Loans"), subject to a $75.0 million sub limit. Under this amendment, Foreign Currency Loans are available at rates equivalent to those previously established under the Credit Agreement, for the applicable interest period. This amendment provides the Company with increased flexibility for funding international growth opportunities. There were no other additional modifications included as part of this amendment.

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

The following discussion and analysis of our financial condition contains forward-looking statements regarding industry outlook and our expectations regarding the performance of our business. These forward-looking statements are subject to numerous risks and uncertainties, including, but not limited to, the risks and uncertainties described under the heading "Forward-Looking Statements," at the beginning of this report. Our actual results may differ materially from those contained in or implied by any forward-looking statements. You should read the following discussion together with the Company's reports on file with the Securities and Exchange Commission, including its Annual Report on Form 10-K for the year ended December 31, 2012.

Introduction

We are a global manufacturer and distributor of products for commercial, industrial and consumer markets. We are principally engaged in six reportable segments: Packaging, Energy, Aerospace & Defense, Engineered Components, Cequent Asia Pacific and Cequent Americas.

Key Factors and Risks Affecting Our Reported Results. Our businesses and results of operations depend upon general economic conditions and we serve some customers in cyclical industries that are highly competitive and themselves significantly impacted by changes in economic conditions. Over the past few years, global economic conditions have cycled through significant changes, and, while still choppy, have somewhat stabilized over the past year. This stabilization, along with our acquisitions, market share gains and new product introductions, has contributed to our year-over-year net sales increases in five of our six reportable segments.

Over the past two years, we executed on our growth strategies via bolt-on acquisitions and geographic expansion within our existing platforms, primarily within our Packaging and Energy reportable segments. We have also proceeded with footprint consolidation projects within our Cequent reportable segments, moving toward more efficient facilities and lower cost country production. While our growth strategies, particularly in Packaging and Energy, have helped to significantly increase our net sales levels and set the foundation for continued growth, and our Cequent footprint projects will yield more effective and efficient manufacturing capability and flexibility while also reducing costs, our earnings margins have declined from historical levels as we incur costs to pursue and integrate these endeavors. For Packaging and Energy, margins have declined at the onset of the acquisitions and new branch location openings due to acquisition/setup and diligence costs, purchase accounting adjustments (inventory revaluations and higher depreciation and amortization expense), integration costs, costs to do business in new markets (primarily for new branches, where we make pricing decisions to penetrate new markets and do not yet have the volume leverage) and from acquiring companies with historically lower margins than our legacy businesses. For the Cequent businesses, duplicative costs from multiple facilities, manufacturing inefficiencies associated with the start-up of new facilities and move costs have significantly impacted margins. While these endeavors have significantly impacted margins, we believe that the margins in the Packaging and Energy businesses will moderate to historical levels over time as we integrate them into our businesses and capitalize on productivity initiatives and volume efficiencies, and Cequent margins will improve once the facilities are fully operational.

Critical factors affecting our ability to succeed include: our ability to create organic growth through product development, cross selling and extending product-line offerings, and our ability to quickly and cost-effectively introduce new products; our ability to acquire and integrate companies or products that supplement existing product lines, add new distribution channels, expand our geographic coverage or enable better absorption of overhead costs; our ability to manage our cost structure more efficiently via supply base management, internal sourcing and/or purchasing of materials, selective outsourcing and/or purchasing of support functions, working capital management, and greater leverage of our administrative functions. If we are unable to do any of the foregoing successfully, our financial condition and results of operations could be materially and adversely impacted.

There is some seasonality in the businesses within our Cequent reportable segments, primarily within Cequent Americas, where sales of towing and trailering products are generally stronger in the second and third quarters, as trailer original equipment manufacturers ("OEMs"), distributors and retailers acquire product for the spring and summer selling seasons. No other reportable segment experiences significant seasonal fluctuation. We do not consider sales order backlog to be a material factor in our business. A growing portion of our sales is derived from international sources, which exposes us to certain risks, including currency risks.

The demand for some of our products, particularly in our two Cequent reportable segments, is heavily influenced by consumer sentiment. Despite the sales increases in the past two years, we recognize that consumer sentiment and the end market conditions remain unstable, primarily for Cequent Americas, given continued uncertainties in employment levels and consumer credit availability, both of which significantly impact consumer discretionary spending.

We are sensitive to price movements in our raw materials supply base. Our largest material purchases are for steel, copper, aluminum, polyethylene and other resins and energy. Historically, we have experienced increasing costs of steel and resin and have worked with our suppliers to manage cost pressures and disruptions in supply. We also utilize pricing programs to pass increased steel, copper, aluminum and resin costs to customers. Although we may experience delays in our ability to implement price increases, we have been generally able to recover such increased costs. We may experience disruptions in supply in the future and may not be able to pass along higher costs associated with such disruptions to our customers in the form of price increases.

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We report shipping and handling expenses associated with our Cequent Americas reportable segment's distribution network as an element of selling, general and administrative expenses in our consolidated statement of income. As such, gross margins for the Cequent Americas reportable segment may not be comparable to those of our other reportable segments, which primarily rely on third party distributors, for which all costs are included in cost of sales.
Segment Information and Supplemental Analysis
The following table summarizes financial information for our reportable segments for the three months ended March 31, 2013 and 2012:

	Three months ended March 31,							
	2013		As a Percentage of Net Sales		2012		As a Percentage of Net Sales	
	(dollars in thousands)							
Net Sales								
Packaging	$74,350		22.0	%	$54,310		18.3	%
Energy	54,920		16.3	%	50,590		17.0	%
Aerospace & Defense	20,970		6.2	%	17,860		6.0	%
Engineered Components	46,270		13.7	%	49,680		16.7	%
Cequent Asia Pacific	32,090		9.5	%	28,200		9.5	%
Cequent Americas	109,180		32.3	%	96,930		32.6	%
Total	$337,780		100.0	%	$297,570		100.0	%
Gross Profit								
Packaging	$24,370		32.8	%	$18,700		34.4	%
Energy	14,730		26.8	%	13,320		26.3	%
Aerospace & Defense	6,980		33.3	%	7,460		41.8	%
Engineered Components	8,920		19.3	%	10,680		21.5	%
Cequent Asia Pacific	6,990		21.8	%	6,310		22.4	%
Cequent Americas	21,410		19.6	%	22,440		23.2	%
Total	$83,400		24.7	%	$78,910		26.5	%
Selling, General and Administrative								
Packaging	$9,750		13.1	%	$8,810		16.2	%
Energy	8,840		16.1	%	6,920		13.7	%
Aerospace & Defense	3,230		15.4	%	2,600		14.6	%
Engineered Components	3,230		7.0	%	3,260		6.6	%
Cequent Asia Pacific	3,810		11.9	%	3,270		11.6	%
Cequent Americas	20,700		19.0	%	18,300		18.9	%
Corporate expenses	10,090		N/A		7,310		N/A	
Total	$59,650		17.7	%	$50,470		17.0	%
Operating Profit (Loss)								
Packaging	$14,630		19.7	%	$9,890		18.2	%
Energy	5,870		10.7	%	6,390		12.6	%
Aerospace & Defense	3,750		17.9	%	4,860		27.2	%
Engineered Components	5,700		12.3	%	7,710		15.5	%
Cequent Asia Pacific	3,180		9.9	%	3,040		10.8	%
Cequent Americas	700		0.6	%	4,160		4.3	%
Corporate expenses	(10,090	)	N/A		(7,310	)	N/A	
Total	$23,740		7.0	%	$28,740		9.7	%
Depreciation and Amortization								
Packaging	$4,640		6.2	%	$3,930		7.2	%
Energy	1,180		2.1	%	710		1.4	%

Aerospace & Defense	840	4.0	%	670	3.8	%
Engineered Components	1,010	2.2	%	900	1.8	%
Cequent Asia Pacific	1,120	3.5	%	880	3.1	%
Cequent Americas	3,300	3.0	%	3,520	3.6	%
Corporate expenses	40	N/A		40	N/A	
Total	$12,130	3.6	%	$10,650	3.6	%

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Results of Operations

The principal factors impacting us during the three months ended March 31, 2013, compared with the three months ended March 31, 2012, were:

- the impact of our various acquisitions during 2012 and 2013 (see below for the impact by reportable segment);
- market share gains and new product introductions in the first quarter of 2013, primarily within our Energy, Cequent Asia Pacific and Cequent Americas reportable segments;
- footprint consolidation and relocation projects within our Cequent Americas reportable segment, under which we incurred approximately $5.8 million of employee severance costs, manufacturing inefficiency, facility move and duplicate costs during the first quarter of 2013; and
- our fourth quarter 2012 amended and restated credit agreement ("Credit Agreement"), which enabled the Company to shift its debt structure to all bank debt and redeem its higher-interest cost senior secured notes.

Three Months Ended March 31, 2013 Compared with Three Months Ended March 31, 2012

Overall, net sales increased approximately $40.2 million, or approximately 13.5%, to $337.8 million for the three months ended March 31, 2013, as compared with $297.6 million in the three months ended March 31, 2012. During the first quarter of 2013, net sales increased in all of our reportable segments except for Engineered Components. Of the sales increase, approximately $23.7 million was due to our recent acquisitions. The remainder of the increase in sales levels between years was due to continued market share gains, primarily in the Energy and Cequent Americas reportable segments, our expansion in international markets, primarily in our Cequent Asia Pacific and Energy reportable segments, our new product introductions and related growth, primarily in our Energy and Cequent Asia Pacific reportable segments and the impact of continued economic strength in certain of our end markets. These sales increases were partially offset by approximately $0.9 million of unfavorable currency exchange, as our reported results in U.S. dollars were negatively impacted as a result of the stronger U.S. dollar relative to foreign currencies, primarily in our Packaging and Cequent Asia Pacific reportable segments.

Gross profit margin (gross profit as a percentage of sales) approximated 24.7% and 26.5% for the three months ended March 31, 2013 and 2012, respectively. The gross profit margin in our Energy reportable segment improved compared to the first quarter of 2012, due to an improvement in labor efficiency and an increase in the percentage of sales from higher-margin engineered gasket products. Gross profit margins in our other five reportable segments declined, with the most significant driver being the manufacturing facility footprint consolidation and relocation project in our Cequent Americas reportable segment, where we recorded charges of approximately $5.3 million during the first quarter of 2013. In addition, we also experienced a less favorable product sales mix and manufacturing inefficiencies in multiple reportable segments. Gross profit margin in our Packaging and Cequent Americas reportable segments also declined as our recent acquisitions have lower margins than the segments' historical margins. While we continue to generate significant savings from capital investments, productivity projects and lean initiatives across all of our businesses, the savings from those projects has primarily been offset by economic cost increases and our investment in growth initiatives.

Operating profit margin (operating profit as a percentage of sales) approximated 7.0% and 9.7% for the three months ended March 31, 2013 and 2012, respectively. Operating profit decreased approximately $5.0 million, or 17.4%, to $23.7 million for the three months ended March 31, 2013, from $28.7 million for the three months ended March 31, 2012, as the profit earned on higher sales levels was more than offset by costs incurred associated with our manufacturing facility footprint consolidation and relocation projects in our Cequent Americas reportable segment and increased selling, general and administrative expenses related to acquisitions and to support our growth initiatives. Additionally, we experienced a less favorable product sales mix and manufacturing inefficiencies in multiple reportable segments.

Interest expense decreased approximately $5.5 million, to $5.2 million, for the three months ended March 31, 2013, as compared to $10.7 million for the three months ended March 31, 2012. The decrease in interest expense was primarily due to a reduction in our overall interest rates due to the 2012 redemption of our former senior secured notes due 2017 (face value of $250.0 million), which bore interest at 9 3/4%, and the refinancing of our Credit Agreement at lower interest rates. Interest expense declined due to a decrease in our effective weighted average interest rate on variable rate U.S. borrowings, including our accounts receivable facility, to approximately 2.8% for the three months ended March 31, 2013, from 4.0% for the three months ended March 31, 2012. Partially offsetting these reductions was an increase in our weighted-average U.S. variable rate borrowings to approximately $528.8 million in the three months ended March 31, 2013, from approximately $267.3 million in the three months ended March 31, 2012, primarily due to a shift in our debt structure to all bank debt with the redemption of our higher-interest senior secured notes.

Other expense, net increased approximately $0.6 million, to $2.2 million for the three months ended March 31, 2013, compared to $1.6 million for the three months ended March 31, 2012. The increase was primarily related to approximately $0.3 million of higher losses on transactions denominated in foreign currencies as well as incremental costs attributable to a reduction of an indemnification asset related to uncertain tax liabilities during the three months ended March 31, 2013 as compared to the three months ended March 31, 2012.

The effective income tax rates for the three months ended March 31, 2013 and 2012 were 13.9% and 25.4%, respectively. The reduction in the rate was primarily driven by an overall lower foreign effective tax rate coupled with discrete tax benefits as a result of the enactment of the American Taxpayer Relief Act of 2012 and the release of certain unrecognized tax liabilities in the three months ended March 31, 2013 as compared to the three months ended March 31, 2012.

Net income increased by approximately $1.8 million, to $14.0 million for the three months ended March 31, 2013, compared to $12.3 million for the three months ended March 31, 2012. The increase was primarily the result of a $5.5 million reduction in interest expense, plus a $1.9 million reduction in income tax expense, less a $5.0 million decrease in operating profit, less the $0.6 million increase in other expense, net.

Net income attributable to noncontrolling interest was $0.9 million for the three months ended March 31, 2013, as a result of our 70% acquisition in Arminak & Associates, LLC ("Arminak") in February 2012, which represents the 30% interest not attributed to TriMas Corporation.

See below for a discussion of operating results by segment.

Packaging. Net sales increased approximately $20.0 million, or 36.9%, to $74.4 million in the three months ended March 31, 2013, as compared to $54.3 million in the three months ended March 31, 2012. Of this increase, approximately $13.2 million was a result of our acquisition of Arminak in February 2012. Sales of our specialty systems products increased by approximately $6.0 million, primarily due to increased demand from our North American and European dispensing customers. In addition, sales of our industrial closures, rings and levers increased approximately $0.8 million, as an increase in North American sales more than offset a decline in European sales.

Packaging's gross profit increased approximately $5.7 million to $24.4 million, or 32.8% of sales, in the three months ended March 31, 2013, as compared to $18.7 million, or 34.4% of sales, in the three months ended March 31, 2012, primarily due to the higher sales levels as a result of our acquisition of Arminak. Also contributing to the increase were approximately $1.3 million in purchase accounting adjustments related to the step-up in value and subsequent amortization of inventory in connection with our Arminak acquisition which adversely impacted gross margin in the first quarter of 2012. However, gross profit margin declined as a result of a less favorable product sales mix, as our typical higher-margin European industrial products comprised a lower percentage of total sales and a higher percentage of our sales were generated by our recent acquisitions, which have lower margins than our legacy business, incremental intangible asset amortization costs associated with our acquisitions and increased international freight costs, which were partially offset by savings from ongoing productivity and automation initiatives.

Packaging's selling, general and administrative expenses increased approximately $0.9 million to $9.8 million, or 13.1% of sales, in the three months ended March 31, 2013, as compared to $8.8 million, or 16.2% of sales, in the three months ended March 31, 2012. The increase primarily resulted from the ongoing selling, general and administrative expenses from our acquisition of Arminak, of which approximately $0.6 million related to incremental intangible asset amortization costs. The increase was partially offset by approximately $1.0 million in combined legal, travel, finance

and other diligence costs associated with consummating the acquisition of Arminak incurred during the first quarter of 2012. Selling, general and administrative expenses decreased as a percentage of sales primarily due to the operating leverage gained on the higher sales levels.

Packaging's operating profit increased approximately $4.7 million to $14.6 million, or 19.7% of sales, in the three months ended March 31, 2013, as compared to $9.9 million, or 18.2% of sales, in three months ended March 31, 2012. Operating profit and operating profit margin increased primarily due to our higher sales levels as a result of our acquisition of Arminak, the impact of the aforementioned purchase accounting adjustments and acquisition-related costs during the first quarter of 2012 which did not recur in the first quarter of 2013 and as a result of our ongoing productivity and automation savings, which more than offset the less favorable product sales mix, increase in amortization of intangible asset costs related to Arminak and higher selling, general and administrative costs.
Energy. Net sales for the three months ended March 31, 2013 increased approximately $4.3 million, or 8.6%, to $54.9 million, as compared to $50.6 million in the three months ended March 31, 2012. Of this increase, approximately $2.5 million was driven by increases with our engineering and construction customers, $1.6 million was due to the acquisition of CIFAL Industrial e Comercial Ltda ("CIFAL") in July 2012 and $1.4 million was due to continued market share gains from sales generated by our new Minneapolis, Minnesota, Tarragona, Spain, and Singapore branch facilities. These increases were partially offset by a reduction in normal customer shutdown activity at refineries and petrochemical plants compared to prior year and approximately $0.3 million due to unfavorable currency exchange, as our reported results in U.S. dollars were negatively impacted as a result of the stronger U.S. dollar relative to foreign currencies.
Gross profit within Energy increased approximately $1.4 million to $14.7 million, or 26.8% of sales, in the three months ended March 31, 2013, as compared to $13.3 million, or 26.3% of sales, in the three months ended March 31, 2012, primarily due to higher sales levels, with margin improvement resulting from both improved labor productivity as compared to prior year and increased sales of highly-engineered gaskets, which return higher margins than standard gaskets. This was partially offset by a higher percentage of sales being generated from our new branches and acquisitions, which have lower margins due to aggressively pricing products to penetrate new markets.
Selling, general and administrative expenses within Energy increased approximately $1.9 million to $8.8 million, or 16.1% of sales, in the three months ended March 31, 2013, as compared to $6.9 million, or 13.7% of sales, in the three months ended March 31, 2012. This increase was primarily in support of our growth initiatives, including approximately $1.1 million for the normal operating selling, general and administrative costs of our CIFAL acquisition and an additional $0.4 million of legal, professional and diligence fees associated with the purchases of Gasket Vedações Técnicas Ltda ("GVT") and Wulfrun Specialised Fasteners Limited ("Wulfrun") in January and March 2013, respectively.
Overall, operating profit within Energy decreased approximately $0.5 million to $5.9 million, or 10.7% of sales, in the three months ended March 31, 2013, as compared to $6.4 million, or 12.6% of sales, in the three months ended March 31, 2012, as incremental margin driven by improved labor efficiencies and increased sales of highly engineered gaskets was more than offset by a higher percentage of sales generated by our newer branches and recently acquired businesses, which typically have lower margins as they penetrate new markets and higher selling, general and administrative expenses in support of growth initiatives, in addition to acquisition costs incurred during the first quarter of 2013.
Aerospace & Defense. Net sales for the three months ended March 31, 2013 increased approximately $3.1 million, or 17.4%, to $21.0 million, as compared to $17.9 million in the three months ended March 31, 2012. Sales in our aerospace business increased approximately $2.7 million, primarily due to the acquisition of Martinic Engineering, Inc. ("Martinic"). In addition, sales in our defense business increased approximately $0.4 million.
Gross profit within Aerospace & Defense decreased approximately $0.5 million to $7.0 million, or 33.3% of sales, in the three months ended March 31, 2013, from $7.5 million, or 41.8% of sales, in the three months ended March 31, 2012. We incurred approximately $0.4 million of purchase accounting-related adjustments in the first quarter of 2013 related to the step-up in value and subsequent amortization of inventory and intangible assets in connection with our Martinic acquisition. Gross profit margin further decreased as a result of manufacturing inefficiencies and costs incurred in our aerospace business during the first quarter of 2013 as well as costs associated with the start-up of a new facility to manufacture aerospace collars in Tempe, Arizona.
Selling, general and administrative expenses increased approximately $0.6 million to $3.2 million, or 15.4% of sales, in the three months ended March 31, 2013, as compared to $2.6 million, or 14.6% of sales, in the three months ended

March 31, 2012. We incurred approximately $0.3 million in combined travel, legal, finance and other diligence costs associated with consummating the acquisition of Martinic. The remainder of the increase is primarily related to operating selling, general and administrative expenses of Martinic.

Operating profit within Aerospace & Defense decreased approximately $1.1 million to $3.8 million, or 17.9% of sales, in the three months ended March 31, 2013, as compared to $4.9 million, or 27.2% of sales, in the three months ended March 31, 2012. The decrease in operating profit and operating profit margin is primarily due to the aforementioned purchase accounting adjustments and acquisition costs, as well as manufacturing and new facility inefficiencies in our aerospace business during the first quarter of 2013. The operating profit dollars were also negatively impacted by the additional selling, general and administrative costs for Martinic.

Engineered Components. Net sales for the three months ended March 31, 2013 decreased approximately $3.4 million, or 6.9%, to $46.3 million, as compared to $49.7 million in the three months ended March 31, 2012. Sales of slow speed and compressor engines and related products decreased by approximately $2.8 million due to decreased drilling activity coupled with reduced demand in international markets. Sales of gas compression products and processing and meter run equipment decreased by approximately $1.7 million, also as a result of the aforementioned reduction in drilling. This was partially offset by increased sales in our industrial cylinder business of approximately $1.1 million, primarily due to continued market share gains, which we believe were partially aided by competitive balance in the high pressure cylinder market following the International Trade Commission's ("ITC's") May 2012 imposition of anti-dumping and countervailing duties on imported high pressure cylinders.

Gross profit within Engineered Components decreased approximately $1.8 million to $8.9 million, or 19.3% of sales, in the three months ended March 31, 2013, from $10.7 million, or 21.5% of sales, in the three months ended March 31, 2012, primarily as a result of decreased sales in both our slow speed compressor engines and related products and gas compression products and processing and meter run equipment business. Gross margin in our engine business also declined as a percent of sales due to a lower fixed cost absorption as a result of lower production and procurement levels given the decline in sales within the engine business. This was partially offset by increases in gross margin in our industrial cylinder business as a result of higher sales levels and continued productivity initiatives.

Selling, general and administrative expenses remained relatively flat at approximately $3.2 million, or 7.0% of sales, in the three months ended March 31, 2013, as compared to $3.3 million, or 6.6% of sales, in the three months ended March 31, 2012, as our industrial cylinder business held spending levels consistent despite the increase in sales and our engine business continued to invest in growth initiatives related to its newer gas compression and related products.

Operating profit within Engineered Components decreased approximately $2.0 million to $5.7 million, or 12.3% of sales, in the three months ended March 31, 2013, as compared to operating profit of $7.7 million, or 15.5% of sales, in the three months ended March 31, 2012, primarily due to decreased sales and lower fixed cost absorption, which was partially offset by pricing and productivity improvements in the industrial cylinder business.

Cequent Asia Pacific. Net sales increased approximately $3.9 million, or 13.8%, to $32.1 million in the three months ended March 31, 2013, as compared to $28.2 million in the three months ended March 31, 2012. Approximately $3.3 million was due to the July 2012 acquisition of Trail Com Limited ("Trail Com"), with operations in Australia and New Zealand, and $1.6 million was due to various growth initiatives in Asia and Africa. Partially offsetting these increases was a decrease in net sales in Australia, and the negative impact of currency exchange of approximately $0.4 million, as our reported results in U.S. dollars were negatively impacted as a result of the stronger U.S. dollar relative to foreign currencies.

Cequent Asia Pacific's gross profit increased approximately $0.7 million to $7.0 million, or 21.8% of sales, in the three months ended March 31, 2013, from approximately $6.3 million, or 22.4% of sales, in the three months ended March 31, 2012. Gross profit increased primarily due to higher sales related to our acquisition of Trail Com and the higher sales levels in Thailand. Although gross profit dollars increased during the first quarter of 2013 compared to the first quarter of 2012, gross profit margin declined primarily due to a less favorable product mix and continued production inefficiencies related to the new Australian facility not yet operating at an effective capacity.

Selling, general and administrative expenses increased approximately $0.5 million to $3.8 million, or 11.9% of sales, in the three months ended March 31, 2013, as compared to $3.3 million, or 11.6% of sales, in the three months ended March 31, 2012, primarily due to normal operating selling, general and administrative costs related to Trail Com.

Cequent Asia Pacific's operating profit increased approximately $0.2 million to approximately $3.2 million, or 9.9% of sales, in the three months ended March 31, 2013 as compared to $3.0 million, or 10.8% of net sales, in the three months ended March 31, 2012. Operating profit increased primarily due to higher sales levels, while operating profit

margin decreased due to a less favorable product mix, manufacturing inefficiencies associated with the new Australian facility and higher selling, general and administrative expenses.

Cequent Americas. Net sales increased approximately $12.3 million, or 12.6%, to $109.2 million in the three months ended March 31, 2013, as compared to $96.9 million in the three months ended March 31, 2012, primarily due to year-over-year increases within our auto original equipment ("OE"), aftermarket and retail channels. Of this increase, sales within our aftermarket channel increased approximately $5.5 million, predominately due to strength in the recreational vehicle aftermarket channel and due to our July 2012 acquisition of Engetran Engenharia, Industria, e Comericio de Pecas e Accesorios Veiculares Ltda ("Engetran"), which generated approximately $1.2 million in sales during the first quarter of 2013. Sales within our OE channel increased approximately $4.1 million due to strong OEM build rates, new business awards and market share gains. Net sales within our retail channel increased by approximately $2.7 million, primarily due to a significant stocking order for a new program at an existing customer and sales related to our new broom and brush product line. Our other market channels remained relatively flat year-over-year.

Cequent Americas' gross profit decreased approximately $1.0 million to $21.4 million, or 19.6% of sales, in the three months ended March 31, 2013, from approximately $22.4 million, or 23.2% of sales, in the three months ended March 31, 2012. The profit generated from the increase in sales during the first quarter of 2013 was more than offset by approximately $5.3 million of costs associated with our announced closure of our Goshen, Indiana manufacturing facility and relocation of the production therefrom to our lower cost country facilities. The largest cost related to the facility closure was approximately $3.8 million of severance costs associated with the hourly employees. The remainder of the costs related to the expansion of our manufacturing capacity and footprint in our lower cost country facilities and subsequent move of certain OE production and aftermarket programs thereto. In addition, we experienced a less favorable product sales mix in the first quarter of 2013 due to incremental sales from our new retail broom and brush line, which yields lower margins than certain of the other products in this reportable segment.

Selling, general and administrative expenses increased approximately $2.4 million to $20.7 million, or 19.0% of sales, in the three months ended March 31, 2013, as compared to $18.3 million, or 18.9% of sales, in the three months ended March 31, 2012, primarily as a result of higher ongoing selling, general and administrative costs of approximately $1.0 million associated with our acquisitions of Engetran and our new broom and brush product line. Additionally, this segment incurred higher employee costs in support of our growth initiatives and recognized approximately $0.5 million of selling, general and administrative expenses associated with our actions to move and consolidate production facilities during the first quarter of 2013.

Cequent Americas' operating profit decreased approximately $3.5 million to $0.7 million, or 0.6% of sales, in the three months ended March 31, 2013 as compared to $4.2 million, or 4.3% of net sales, in the three months ended March 31, 2012, as costs incurred related to the footprint and lower cost country project, the less favorable product sales mix and increase in selling, general and administrative expenses in support of our growth initiatives more than offset the additional margin gained from the higher sales levels in the three months ended March 31, 2013.

Corporate Expenses. Corporate expenses consist of the following:

	Three months ended March 31,	
	2013	2012
	(in millions)	
Corporate operating expenses	$3.8	$3.1
Employee costs and related benefits	6.3	4.2
Corporate expenses	$10.1	$7.3

Corporate expenses increased approximately $2.8 million to $10.1 million for the three months ended March 31, 2013, from $7.3 million for the three months ended March 31, 2012. The increase between years is primarily attributed to higher employee costs and related benefits associated with long-term incentive programs, in addition to an increase in third party professional fees, primarily supporting our international growth efforts in the first quarter of 2013 as compared to the first quarter of 2012.

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Liquidity and Capital Resources

Cash Flows

Cash flows used for operating activities for the three months ended March 31, 2013 and 2012 was approximately $37.9 million and $39.4 million, respectively. Significant changes in cash flows used for operating activities and the reasons for such changes are as follows:

- For the three months ended March 31, 2013, the Company generated $26.3 million of cash, based on the reported net income of $14.0 million and after considering the effects of non-cash items related to gains on dispositions of property and equipment, depreciation, amortization, compensation and related changes in excess tax benefits, changes in deferred income taxes, and other, net. For the three months ended March 31, 2012, the Company generated $25.5 million in cash flows based on the reported net income of $12.3 million and after considering the effects of similar non-cash items.
- Increases in accounts receivable resulted in a use of cash of approximately $38.3 million and $33.3 million for the three months ended March 31, 2013 and 2012, respectively. The increase in accounts receivable is due primarily to the increase in year-over-year sales and the timing of sales and collection of cash within the period, as our days sales outstanding of receivables remained relatively flat.
- Increases in inventory resulted in a use of cash of approximately $3.7 million and $15.0 million for the three months ended March 31, 2013 and 2012, respectively. Cash used for investment in our inventories decreased quarter over quarter, as significant increases to our inventory levels were not required despite the increases in sales. During 2012, we made additional opportunistic investments in inventory levels in certain of our businesses in order to gain market share, and we also increased inventory levels in our Cequent Americas reportable segment in late 2012 given the planned closure of the Goshen, Indiana manufacturing facility. As a result, inventory levels were higher at the end of 2012 compared to the end of 2011, requiring less of an investment in inventory during the first quarter of 2013 compared to the first quarter of 2012.
- For the three months ended March 31, 2013 and 2012, accounts payable and accrued liabilities resulted in a net use of cash of approximately $18.7 million and $15.6 million, respectively. The increase in cash used for our accounts payable and accrued liabilities is primarily a result of the timing of payments made to suppliers. Days of accounts payable on hand decreased by approximately 7 days quarter-over-quarter primarily due to the mix of vendors and related terms.

Net cash used for investing activities for the three months ended March 31, 2013 and 2012 was approximately $41.7 million and $70.2 million, respectively. During the first three months of 2013, we paid approximately $28.2 million for business acquisitions, including the acquisition of Martinic in our Aerospace & Defense reportable segment and Wulfrun in our Energy reportable segment. We also incurred approximately $14.0 million in capital expenditures, which increased over the three months ended March 31, 2012 levels, as we have continued our investment in growth and productivity-related capital projects. Cash received from the disposition of assets was approximately $0.5 million for the first three months of 2013. During the first three months of 2012, we paid approximately $59.2 million for business acquisitions, primarily for the acquisition of Arminak within our Packaging reportable segment, we invested approximately $11.4 million in capital expenditures and cash received from the disposition of assets was approximately $0.3 million.

Net cash provided by financing activities was approximately $80.3 million and $35.7 million for the three months ended March 31, 2013 and 2012, respectively. The increase is primarily due to additional net borrowings on our receivables and revolving credit facilities of approximately $78.0 million and $5.3 million on our term loan in Australia, as compared to December 31, 2012. This is partially offset by an increase in shares surrendered for tax obligations of approximately $2.5 million, a decrease in proceeds received from the exercise of stock options of approximately $5.3 million and approximately $0.6 million in distributions to noncontrolling interest during the first three months of 2013 as compared to the first three months of 2012.

Our Debt and Other Commitments

We are party to a Credit Agreement consisting of a $250.0 million senior secured revolving credit facility, a $200.0 million senior secured term loan A facility and a $200.0 million senior secured term loan B facility. At March 31, 2013, $399.0 million was outstanding on the term loan facilities and $30.0 million was outstanding on the revolving

credit facility. The Credit Agreement allows issuance of letters of credit, not to exceed $75.0 million in aggregate, against revolving credit facility commitments.

The Credit Agreement also provides for incremental term loan facility commitments, not to exceed the greater of $300 million and an amount such that, after giving effect to the making of such 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

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than 2.50 to 1.00, as defined. 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. Under the Credit Agreement, if, on or prior to October 11, 2013, we prepay all or any portion of the term loan B facility using a new term loan facility with lower interest rate margins, then we will be required to pay a premium equal to 1% of the aggregate principal amount prepaid. In addition, beginning with the fiscal year ended December 31, 2013 (payable in 2014), we may be required to prepay a portion of our term loan A and term loan B facilities in an amount equal to a percentage of our excess cash flow, as defined, which such percentage will be based on our leverage ratio, as defined. In April 2012, we prepaid $5.0 million of our former term loan B facility under the excess cash flow provision of the previous credit agreement.
Amounts drawn under our revolving credit facilities fluctuate daily based upon our working capital and other ordinary course needs. Availability under our revolving credit facilities depends upon, among other things, compliance with our Credit Agreement's financial covenants. Our Credit Agreement contains various negative and affirmative covenants and other requirements affecting us and our subsidiaries that are comparable to the previous credit agreement, including restrictions on incurrence of debt, liens, mergers, investments, loans, advances, guarantee obligations, acquisitions, asset 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 our Credit Agreement require us and our subsidiaries to meet certain restrictive financial covenants and ratios computed quarterly, including a leverage ratio (total consolidated indebtedness plus outstanding amounts under the accounts receivable securitization facility over consolidated EBITDA, as defined) and an interest expense coverage ratio (consolidated EBITDA, as defined, over cash interest expense, as defined). Our permitted leverage ratio under the Credit Agreement is 3.50 to 1.00 as of March 31, 2013. If we were to complete an acquisition which qualifies for a Covenant Holiday Period, as defined in our Credit Agreement, then our permitted leverage ratio cannot exceed 4.00 to 1.00 during that period. Our actual leverage ratio was 2.70 to 1.00 at March 31, 2013. Our permitted interest expense coverage ratio under the Credit Agreement is 3.00 to 1.00 as of March 31, 2013. Our actual interest expense coverage ratio was 6.71 to 1.00 at March 31, 2013. At March 31, 2013, we were in compliance with our financial and other covenants.
The following is a reconciliation of net income attributable to TriMas Corporation, as reported, which is a GAAP measure of our operating results, to Consolidated Bank EBITDA, as defined in our Credit Agreement, for the twelve months ended March 31, 2013. We present Consolidated Bank EBITDA to show our performance under our financial covenants.

	Year Ended December 31, 2012	Less: Three Months Ended March 31, 2012	Add: Three Months Ended March 31, 2013	Twelve Months Ended March 31, 2013
	(dollars in thousands)			
Net income attributable to TriMas Corporation	$33,880	$12,490	$13,180	$34,570
Bank stipulated adjustments:				
Net income attributable to partially-owned subsidiaries	2,410	(240)	860	3,510
Interest expense, net (as defined)	35,800	10,670	5,210	30,340
Income tax expense	5,970	4,180	2,260	4,050
Depreciation and amortization	44,870	10,650	12,130	46,350
Non-cash compensation expense(1)	9,280	1,410	2,680	10,550
Other non-cash expenses or losses	3,680	820	560	3,420
Non-recurring expenses or costs in connection with acquisition integration(2)	350	40	130	440
Debt extinguishment costs(3)	46,810	—	—	46,810
Non-recurring expenses or costs for cost saving projects	10,230	1,480	5,480	14,230
Permitted acquisitions(4)	7,560	2,830	530	5,260

EBITDA of partially-owned subsidiaries attributable to noncontrolling interest[5]	(3,720)	70	(1,260)	(5,050)
Consolidated Bank EBITDA, as defined	$197,120	$44,400	$41,760	$194,480

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	March 31, 2013 (dollars in thousands)	
Total Consolidated Indebtedness, as defined[6]	$524,600	
Consolidated Bank EBITDA, as defined	194,480	
Actual leverage ratio	2.70	x
Covenant requirement	3.50	x

	Year Ended December 31, 2012	Less: Three Months Ended March 31, 2012	Add: Three Months Ended March 31, 2013	Twelve Months Ended March 31, 2013
	(dollars in thousands)			
Interest expense, net (as reported)	$35,800	$10,670	$5,210	$30,340
Bank stipulated adjustments:				
Interest income	(440)	(110)	(70)	(400)
Non-cash amounts attributable to amortization of financing costs	(2,650)	(910)	(440)	(2,180)
Pro forma adjustment for acquisitions and dispositions	2,060	950	100	1,210
Total Consolidated Cash Interest Expense, as defined	$34,770	$10,600	$4,800	$28,970

	March 31, 2013 (dollars in thousands)	
Consolidated Bank EBITDA, as defined	$194,480	
Total Consolidated Cash Interest Expense, as defined	28,970	
Actual interest expense coverage ratio	6.71	x
Covenant requirement	3.00	x

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(1) Non-cash expenses resulting from the grant of restricted shares of common stock and common stock options.

(2) Non-recurring costs and expenses arising from the integration of any business acquired not to exceed $25.0 million in the aggregate.

(3) Costs incurred with refinancing our credit facilities.

(4) EBITDA from permitted acquisitions, as defined.

(5) Adjustment to EBITDA related to the percent ownership of non-wholly owned subsidiary, as defined.

(6) Includes $18.4 million of acquisition deferred purchase price.

In addition to our U.S. bank debt, our Australian subsidiary is party to a debt agreement which matures on May 31, 2013 and is secured by substantially all the assets of the subsidiary. At March 31, 2013, the balance outstanding under this agreement was approximately $10.4 million at an interest rate of 3.1%. Borrowings under this arrangement are also subject to financial and reporting covenants. Financial covenants include a capital adequacy ratio (tangible net worth over total tangible assets) and an interest coverage ratio (EBIT over gross interest cost) and we were in compliance with such covenants at March 31, 2013.

Another important source of liquidity is our $105.0 million accounts receivable facility, under which we have the ability to sell eligible accounts receivable to a third-party multi-seller receivables funding company. We had $66.0 million and $18.0 million outstanding under the facility as of March 31, 2013 and December 31, 2012 and $11.9 million and $51.9 million, respectively, available but not utilized.

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At March 31, 2013 we had $30.0 million outstanding under our revolving credit facilities and had $196.4 million potentially available after giving effect to approximately $23.6 million of letters of credit issued and outstanding. At December 31, 2012, we had no amounts outstanding under our revolving credit facilities and had $226.7 million, respectively, potentially available after giving effect to approximately $23.3 million of letters of credit issued and outstanding. The letters of credit are used for a variety of purposes, including support of certain operating lease agreements, vendor payment terms and other subsidiary operating activities, and to meet various states' requirements to self-insure workers' compensation claims, including incurred but not reported claims. Including availability under our accounts receivable facility and after consideration of leverage restrictions contained in the Credit Agreement, as of March 31, 2013 and December 31, 2012, we had $156.1 million and $230.5 million, respectively, of borrowing capacity available for general corporate purposes.

Before consideration of our financial covenants, our available revolving credit capacity under the Credit Agreement, after consideration of approximately $23.6 million in letters of credit outstanding related thereto, is approximately $196.4 million, while our available liquidity under our accounts receivable facility ranges from $60 million to $105 million, depending on the level of our receivables outstanding at a given point in time during the year. We rely upon our cash flow from operations and available liquidity under our revolving credit and accounts receivable facilities to fund our debt service obligations and other contractual commitments, working capital and capital expenditure requirements. At the end of each quarter, we use cash on hand from our domestic and foreign subsidiaries to pay down amounts outstanding under our revolving credit and accounts receivable facilities. Our weighted average daily amounts outstanding under the revolving credit and accounts receivable facilities during the first three months of 2013 approximated $129.3 million, compared to the weighted average daily amounts outstanding during the first three months of 2012 of $63.8 million. Generally, excluding the impact and timing of acquisitions, we use available liquidity under these facilities to fund capital expenditures and daily working capital requirements during the first half of the year, as we experience some seasonality in our two Cequent reportable segments, primarily within Cequent Americas. Sales of towing and trailering products within this segment are generally stronger in the second and third quarters, as OEM, distributors and retailers acquire product for the spring and summer selling seasons. None of our other reportable segments experiences any significant seasonal fluctuations in their respective businesses. During the second half of the year, the investment in working capital is reduced and amounts outstanding under our revolving credit and receivable facilities are paid down. While this is the general trend in cash flow due to seasonality, during the first quarter of 2012, with cash proceeds from the sale of our precision tool cutting and specialty fittings lines of business at the end of 2011, overall borrowings were lower despite the completion of significant acquisitions and additional capital expenditures in support of our growth initiatives. During the fourth quarter of 2012, we refinanced our credit facilities, which enabled a shift in our debt structure to all bank debt and retiring the higher-interest cost senior secured notes. Due to the change in our debt structure and the timing of acquisitions within the quarter, as well as cash on hand at the end of the year, weighted average daily borrowings were higher in the first quarter of 2013 as compared to the first quarter of 2012.

Cash management related to our revolving credit and accounts receivable facilities is centralized. We monitor our cash position and available liquidity on a daily basis and forecast our cash needs on a weekly basis within the current quarter and on a monthly basis outside the current quarter over the remainder of the year. Our business and related cash forecasts are updated monthly. Given aggregate available funding under our revolving credit and accounts receivable facilities of $156.1 million at March 31, 2013, after consideration of the aforementioned leverage restrictions, and based on forecasted cash sources and requirements inherent in our business plans, we believe that our liquidity and capital resources, including anticipated cash flows from operations, will be sufficient to meet our debt service, capital expenditure and other short-term and long-term obligation needs for the foreseeable future.

Our exposure to interest rate risk results from the variable rates under our Credit Agreement. Borrowings under the Credit Agreement bear interest, at various rates, as more fully described in Note 8, "Long-term Debt," to our consolidated financial statements included in Part I, Item 1 of this quarterly report on Form 10-Q. In December 2012, we entered into interest rate swap agreements to fix the LIBOR-based variable portion of the interest rates on our term loan facilities. The term loan A swap agreement fixes the LIBOR-based variable portion of the interest rate, beginning February 2013, on a total of $175.0 million notional amount at 0.74% and expires on October 11, 2017. The term loan

B swap agreement fixes the LIBOR-based variable portion of the interest rate, beginning February 2015, on a total of $150.0 million notional amount at 2.05% and expires on October 11, 2019.

We are subject to variable interest rates on our term loans and revolving credit facility. At March 31, 2013, 1-Month LIBOR and 3-Month LIBOR approximated 0.20% and 0.24%, respectively. Based on our variable rate-based borrowings outstanding at March 31, 2013, and after consideration of the 1.00% LIBOR-floor our term loan B facility and the interest rate swap agreement associated with our $175 million term loan A, a 1% increase in the per annum interest rate would increase our interest expense by approximately $0.7 million annually.

Principal payments required under the Credit Agreement for the term loan A facility are $2.5 million due each calendar quarter beginning June 2013 through March 2015 and approximately $3.8 million from June 2015 through September 2017, with final payment of $142.5 million due on October 11, 2017. Principal payments required under the Credit Agreement for the term loan B facility are equal to $0.5 million due each calendar quarter through September 30, 2019 and $186.0 million due on October 11, 2019.

In addition to our long-term debt, we have other cash commitments related to leases. We account for these lease transactions as operating leases and annual rent expense for continuing operations related thereto approximated $22.8 million. We expect to continue to utilize leasing as a financing strategy in the future to meet capital expenditure needs and to reduce debt levels.

Market Risk

We conduct business in various locations throughout the world and are subject to market risk due to changes in the value of foreign currencies . We use derivative financial instruments to manage these risks, albeit in immaterial notional contracts, and we continue to explore such contracts as a risk mitigation strategy. The functional currencies of our foreign subsidiaries are the local currency in the country of domicile. We manage these operating activities at the local level and revenues and costs are generally denominated in local currencies; however, results of operations and assets and liabilities reported in U.S. dollars will fluctuate with changes in exchange rates between such local currencies and the U.S. dollar. We are also subject to interest risk as it relates to long-term debt. We use interest rate swap agreements to fix the variable portion of our debt to manage this risk.

Common Stock

TriMas is listed in the NASDAQ Global Select Market^SM. Our stock trades under the symbol "TRS."

Credit Rating

We and certain of our outstanding debt obligations are rated by Standard & Poor's and Moody's. On September 19, 2012, Moody's upgraded our outlook to positive and assigned a rating of Ba3 to our Credit Agreement. Previously, Moody's had assigned our outlook as stable and our previous corporate credit and credit facilities ratings as Ba3 and Ba1, respectively. On September 19, 2012, Standard & Poor's assigned a BB rating to our Credit Agreement and held our outlook as stable. On May 4, 2012, Standard & Poor's assigned our previous corporate credit and credit facilities ratings as BB- and BB+, respectively, and assigned our outlook as stable. If our credit ratings were to decline, our ability to access certain financial markets may become limited, our cost of borrowings may increase, the perception of us in the view of our customers, suppliers and security holders may worsen and as a result, we may be adversely affected.

Outlook

Over the past few years, we have successfully executed our growth strategies via bolt-on acquisitions and geographic expansion in several of our reportable segments. We also have experienced significant market share gains within our businesses and continued to develop and introduce new products. These accomplishments have enabled us to broaden our product portfolio and cross-sell our existing products to new markets while introducing our newly-acquired products into our existing markets. In order to capture these opportunities, we strategically increased our investments in inventory levels, acquisition capital and capital projects in certain of our businesses to ensure we had the products available and capacity ready, particularly in our higher-margin platforms, to support the significant sales growth. While this has helped to increase our net sales levels and set the foundation for continued growth, profit margins in certain of our segments and for the overall Company have declined, primarily as a result of significant diligence and purchase accounting costs combined with acquisitions of businesses that, upon acquisition date, have lower margins than our legacy businesses. In addition, we are working through footprint consolidation projects in our Cequent businesses, incurring costs to complete the moves to more efficient and cost-effective facilities.

While additional acquisitions, branch expansions and spending on growth initiatives may put further short-term pressure on profit margins based on the aforementioned factors, we believe that the margins in these businesses will moderate to historical TriMas levels over time as we integrate them into our businesses and capitalize on productivity initiatives and volume efficiencies. We believe we remain well-positioned to achieve further market share gains and generate additional operating leverage as a result of our low fixed cost structure in certain businesses and with the footprint consolidation projects within the Cequent businesses.

Our priorities remain consistent with our strategic aspirations: continuing to identify and execute on cost savings and productivity initiatives that fund core growth, reduce cycle times and secure our position as best cost producer, growing revenue via new products and expanding our core products in non-U.S. markets, and continuing to reduce our debt leverage while increasing our available liquidity.

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Impact of New Accounting Standards

See Note 16, "New Accounting Pronouncements," included in Item 1, "Notes to Unaudited Consolidated Financial Statements," within this quarterly report on Form 10-Q.

Critical Accounting Policies

Certain of our accounting policies require the application of significant judgment by management in selecting the appropriate assumptions for calculating financial estimates. By their nature, these judgments are subject to an inherent degree of uncertainty. These judgments are based on our historical experience, our evaluation of business and macroeconomic trends, and information from other outside sources, as appropriate.

During the quarter ended March 31, 2013, there were no material changes to the items that we disclosed as our critical accounting policies in Part II, Item 7, "Management's Discussion and Analysis of Financial Condition and Results of Operations," in the Annual Report on Form 10-K for the year ended December 31, 2012.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

In the normal course of business, we are exposed to market risk associated with fluctuations in foreign currency exchange rates. We are also subject to interest risk as it relates to long-term debt. See Part I, Item 2, "Management's Discussion and Analysis of Financial Condition and Results of Operations," for details about our primary market risks, and the objectives and strategies used to manage these risks. Also see Note 8, "Long-term Debt," in Part I, Item 1, "Notes to Unaudited Consolidated Financial Statements," included within this quarterly report on Form 10-Q for additional information.

Item 4. Controls and Procedures

The Company maintains disclosure controls and procedures that are designed to ensure that information required to be disclosed in the reports that the Company files or submits under the Securities and Exchange Act of 1934, as amended (the "Exchange Act") is recorded, processed, summarized, and reported within the time periods specified in the SEC's rules and forms, and that such information is accumulated and communicated to the Company's management, including its Chief Executive Officer and Chief Financial Officer, as appropriate, to allow timely decisions regarding required disclosures.

Evaluation of disclosure controls and procedures

As of March 31, 2013, an evaluation was carried out by management, with the participation of the Chief Executive Officer and Chief Financial Officer, of the effectiveness of the Company's disclosure controls and procedures (as such term is defined in Rule 13a-15(e) and Rule 15d-15(e) of the Exchange Act) pursuant to Rule 13a-15 of the Exchange Act. The Company's disclosure controls and procedures are designed only to provide reasonable assurance that they will meet their objectives. Based upon that evaluation, the Chief Executive Officer and Chief Financial Officer concluded that as of March 31, 2013, the Company's disclosure controls and procedures are effective to provide reasonable assurance that they would meet their objectives.

Changes in internal control over financial reporting

There have been no changes in the Company's internal control over financial reporting during the quarter ended March 31, 2013 that have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

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PART II. OTHER INFORMATION
TRIMAS CORPORATION
Item 1. Legal Proceedings
See Note 10, "Commitments and Contingencies," included in Part I, Item 1, "Notes to Unaudited Consolidated Financial Statements," within this quarterly report on Form 10-Q.
Item 1A. Risk Factors
In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part 1, Item 1A., "Risk Factors," in our Annual Report on Form 10-K for the year ended December 31, 2012, which could materially affect our business, financial condition or future results. There have been no significant changes in our risk factors as disclosed in our 2012 Form 10-K.
Item 2. Unregistered Sales of Equity Securities and Use of Proceeds
None.
Item 3. Defaults Upon Senior Securities
Not applicable.
Item 4. Mine Safety Disclosures
Not applicable.
Item 5. Other Information
Not applicable.

Item 6. Exhibits.
Exhibits Index:

3.1(a)	Fourth Amended and Restated Certificate of Incorporation of TriMas Corporation.
3.2(b)	Second Amended and Restated By-laws of TriMas Corporation.
10.1(c)	Form of Restricted Stock Agreement - 2013 LTI (One-Year Vest) - under the 2011 Omnibus Incentive Compensation Plan.
10.2(c)	Form of Restricted Stock Agreement - 2013 LTI (One-Year Vest) - under the 2006 Long Term Equity Incentive Plan.
10.3(c)	Form of Performance Stock Unit Agreement - 2013 LTI - under the 2011 Omnibus Incentive Compensation Plan.
10.4(c)	Form of Performance Unit Agreement - 2013 LTI - under the 2006 Long Term Equity Incentive Plan.
10.5(c)	Form of Restricted Stock Agreement - 2013 LTI - under the 2006 Long Term Equity Incentive Plan.
10.6(c)	Form of Restricted Stock Agreement - 2013 LTI - under the 2011 Omnibus Incentive Compensation Plan.
10.7(c)	Form of Restricted Stock Agreement - 2013 LTI (Board of Directors) - under the 2006 Long Term Equity Incentive Plan.
10.8	First Amendment dated as of April 12, 2013 to the Amended and Restated Credit Agreement dated as of October 11, 2012.
31.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
31.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 302 of the Sarbanes Oxley Act of 2002.
32.1	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
32.2	Certification pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes Oxley Act of 2002.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema Document.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase Document.
101.DEF	XBRL Taxonomy Extension Definition Linkbase Document.
101.LAB	XBRL Taxonomy Extension Label Linkbase Document.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase Document.

(a) Incorporated by reference to the Exhibits filed with our Quarterly Report on Form 10-Q filed on August 3, 2007 (File No. 333-100351).

(b) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on February 18, 2011 (File No. 001-10716).

(c) Incorporated by reference to the Exhibits filed with our Current Report on Form 8-K filed on February 25, 2013 (File No. 001-10716).

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Signatures

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

TRIMAS CORPORATION (Registrant)

/s/ A. MARK ZEFFIRO

Date: April 25, 2013

By: A. Mark Zeffiro
Chief Financial Officer

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