BARNES GROUP INC
Form 10-Q
October 29, 2010

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended September 30, 2010

OR

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

For the transition period from to

Commission file number 1-4801

BARNES GROUP INC.

(Exact name of registrant as specified in its charter)

Delaware **(State or other jurisdiction of** **incorporation or organization)**	**06-0247840** **(I.R.S. Employer** **Identification No.)**
123 Main Street, Bristol, Connecticut **(Address of Principal Executive Offices)**	**06010** **(Zip Code)**

(860) 583-7070

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 (§232.405 of this chapter) 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. (Check one):

Large accelerated filer	x	Accelerated filer	¨
Non-accelerated filer	¨	Smaller reporting company	¨

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

The registrant had outstanding 54,710,748 shares of common stock as of October 26, 2010.

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For the Quarterly Period Ended September 30, 2010

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

BARNES GROUP INC.

CONSOLIDATED STATEMENTS OF INCOME

(Dollars in thousands, except per share data)

(Unaudited)

	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Net sales	$ 289,901	$ 260,339	$ 849,930	$ 777,690
Cost of sales	184,989	170,491	540,833	503,369
Selling and administrative expenses	80,079	75,291	240,915	225,161
	265,068	245,782	781,748	728,530
Operating income	24,833	14,557	68,182	49,160
Other income	56	1,545	290	4,205
Interest expense	5,177	5,293	15,273	17,234
Other expenses	829	293	2,451	1,558
Income before income taxes	18,883	10,516	50,748	34,573
Income taxes (benefit)	3,779	(373)	8,992	1,778
Net income	$ 15,104	$ 10,889	$ 41,756	$ 32,795
Per common share:				
Net income:				
Basic	$ .27	$ .20	$ .75	$ .61
Diluted	.27	.20	.75	.61
Dividends	.08	.08	.24	.40
Weighted average common shares outstanding:				
Basic	55,346,517	54,257,791	55,428,865	53,462,672
Diluted	55,839,970	54,563,199	56,048,170	53,710,453

See accompanying notes.

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BARNES GROUP INC.

CONSOLIDATED BALANCE SHEETS

(Dollars in thousands)

(Unaudited)

	September 30, 2010	December 31, 2009
Assets		
Current assets		
Cash and cash equivalents	$ 23,724	$ 17,427
Accounts receivable, less allowances (2010 $4,949; 2009 $5,915)	189,693	160,269
Inventories	211,902	190,792
Deferred income taxes	9,040	23,630
Prepaid expenses and other current assets	14,577	10,562
Total current assets	448,936	402,680
Deferred income taxes	40,344	30,650
Property, plant and equipment	635,788	645,318
Less accumulated depreciation	(416,033)	(420,355)
	219,755	224,963
Goodwill	381,421	373,564
Other intangible assets, net	294,193	303,689
Other assets	18,964	16,444
Total assets	$ 1,403,613	$ 1,351,990
Liabilities and Stockholders Equity		
Current liabilities		
Notes and overdrafts payable	$ 8,012	$ 4,595
Accounts payable	97,014	85,588
Accrued liabilities	80,189	73,538
Long-term debt current	107,322	25,567
Total current liabilities	292,537	189,288
Long-term debt	241,679	321,306
Accrued retirement benefits	106,100	118,693
Other liabilities	36,894	37,990
Commitments and contingencies (Note 13)		
Stockholders equity		
Common stock par value $0.01 per share		
Authorized: 150,000,000 shares		
Issued: at par value (2010 56,358,931 shares; 2009 55,974,051 shares)	564	560
Additional paid-in capital	279,111	270,784
Treasury stock, at cost (2010 1,682,427 shares; 2009 1,181,579 shares)	(25,139)	(15,839)

Retained earnings	507,139	478,704
Accumulated other comprehensive income (loss)	(35,272)	(49,496)
Total stockholders equity	726,403	684,713
Total liabilities and stockholders equity	$ 1,403,613	$ 1,351,990

See accompanying notes.

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BARNES GROUP INC.

CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

(Unaudited)

	Nine months ended September 30, 2010	2009
Operating activities:		
Net income	$ 41,756	$ 32,795
Adjustments to reconcile net income to net cash from operating activities:		
Depreciation and amortization	38,988	38,558
Amortization of convertible debt discount	4,251	4,558
Loss on disposition of property, plant and equipment	253	813
Gain on repurchases of convertible notes		(3,773)
Stock compensation expense	5,619	3,279
Withholding taxes paid on stock issuances	(287)	(610)
Changes in assets and liabilities:		
Accounts receivable	(27,671)	14,694
Inventories	(19,492)	50,757
Prepaid expenses and other current assets	(5,420)	4,378
Accounts payable	11,359	4,615
Accrued liabilities	5,906	(3,054)
Deferred income taxes	4,469	(2,741)
Long-term retirement benefits	(12,155)	(16,503)
Other	(579)	(2,030)
Net cash provided by operating activities	46,997	125,736
Investing activities:		
Proceeds from disposition of property, plant and equipment	1,384	981
Capital expenditures	(22,463)	(24,847)
Other	(2,393)	(1,737)
Net cash used by investing activities	(23,472)	(25,603)
Financing activities:		
Net change in other borrowings	3,384	(4,861)
Payments on long-term debt	(243,658)	(181,242)
Proceeds from the issuance of long-term debt	241,667	94,900
Proceeds from the issuance of common stock	3,871	5,621
Common stock repurchases	(9,014)	(314)
Dividends paid	(13,159)	(21,220)
Other	(160)	(797)
Net cash used by financing activities	(17,069)	(107,913)
Effect of exchange rate changes on cash flows	(159)	1,043
Increase (decrease) in cash and cash equivalents	6,297	(6,737)
Cash and cash equivalents at beginning of period	17,427	20,958

Cash and cash equivalents at end of period	$ 23,724	$ 14,221

Supplemental disclosure of cash flow information:

Non-cash financing activities in 2009 include a stock contribution to the Company s pension plans of 737,463 treasury shares ($9,816) and the repurchase of certain convertible notes using 1,154,265 treasury shares ($17,019).

See accompanying notes.

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BARNES GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited)

(All dollar amounts included in the notes are stated in thousands except per share data.)

1. Summary of Significant Accounting Policies

The accompanying unaudited consolidated balance sheet and the related unaudited consolidated statements of income and cash flows have been prepared in accordance with generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Rule 10-01 of Regulation S-X. The consolidated financial statements do not include all information and notes required by generally accepted accounting principles for complete financial statements. The balance sheet as of December 31, 2009 has been derived from the 2009 financial statements of Barnes Group Inc. (the Company). For additional information, please refer to the consolidated financial statements and notes included in the Company s Annual Report on Form 10-K for the year ended December 31, 2009. In the opinion of management, all adjustments, including normal recurring accruals considered necessary for a fair presentation, have been included. Operating results for the three- and nine-month periods ended September 30, 2010 are not necessarily indicative of the results that may be expected for the year ending December 31, 2010. Certain reclassifications have been made to prior year amounts to conform to the current year presentation.

2. Net Income Per Common Share

For the purpose of computing diluted net income per share, the weighted-average number of shares outstanding is increased for the potential dilutive effects of stock-based incentive plans and convertible senior subordinated notes. For the purpose of computing diluted net income per share, the weighted average number of shares outstanding was increased by 493,453 and 305,408 for the three-month periods ended September 30, 2010 and 2009, respectively, and 619,305 and 247,781 for the nine-month periods ended September 30, 2010 and 2009, respectively, to account for the potential dilutive effects of stock-based incentive plans. There were no adjustments to net income for the purposes of computing income available to common stockholders for those periods.

The calculation of weighted average diluted shares outstanding excludes all shares that would have been anti-dilutive. During the three-month periods ended September 30, 2010 and 2009, the Company excluded 2,340,018 and 2,887,027 options, respectively, from the calculation of weighted average diluted shares outstanding as the stock options would have been anti-dilutive. During the nine-month periods ended September 30, 2010 and 2009, the Company excluded 1,969,091 and 4,014,717 options, respectively, from the calculation of weighted average diluted shares outstanding as the stock options would have been anti-dilutive.

The Company granted 519,200 stock options, 260,417 restricted stock unit awards, and 101,100 performance unit plan awards in February 2010 as part of its annual grant awards. Of the 260,417 restricted stock unit awards, 1,600 vest upon satisfying established performance goals and 258,817 vest upon meeting certain service conditions. All of the restricted stock unit awards that vest upon meeting certain service conditions are included in basic average common shares outstanding as they contain nonforfeitable rights to dividend payments. The performance unit plan awards are denominated in units with each unit being equivalent in value to one share of the Company s common stock and are payable in cash. The performance unit plan awards vest upon satisfying established performance goals and are not included in either basic or diluted average common shares outstanding as these awards will be settled in cash.

The 3.75% convertible senior subordinated notes due in August 2025 (the 3.75% Convertible Notes) are convertible, under certain circumstances, into a combination of cash and common stock of the Company. The conversion price as of September 30, 2010 was approximately $20.62 per share of common stock. The dilutive effect of the notes is determined based on the average closing price of the Company s stock for the last 30 trading days of the quarter as compared to the conversion price of the notes. Under the net share settlement method, there were no potential shares issuable under the notes as the notes would have been anti-dilutive for the three-month and nine-month periods ended September 30, 2010 and 2009.

The 3.375% convertible senior subordinated notes due in March 2027 (the 3.375% Convertible Notes) are convertible, under certain circumstances, into a combination of cash and common stock of the Company. The conversion price as of September 30, 2010 was approximately $28.31 per share of common stock. The dilutive effect of the notes is determined based on the average closing price of the Company s stock for the last 30 trading days of the quarter as compared to the conversion price of the notes. Under the net share settlement method, there were no potential shares issuable under the notes as the notes would have been anti-dilutive for the three-month and nine-month periods ended September 30, 2010 and 2009.

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BARNES GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(All dollar amounts included in the notes are stated in thousands except per share data.)

3. Comprehensive Income

Comprehensive income includes all changes in equity during a period except those resulting from the investments by, and distributions to, stockholders. For the Company, comprehensive income for the period includes net income and other non-owner changes to equity, net of taxes.

Statements of Comprehensive Income

(Unaudited)

For the three months ended September 30,	2010	2009
Net income	$ 15,104	$ 10,889
Unrealized gain on hedging activities, net of tax of $232 and $115, respectively	422	313
Foreign currency translation adjustments, net of tax of $3,039 and $1,849, respectively	40,310	19,400
Defined benefit pension and other postretirement plans, net of tax of $159 and $159, respectively	(66)	504
Comprehensive income	$ 55,770	$ 31,106

For the nine months ended September 30,	2010	2009
Net income	$ 41,756	$ 32,795
Unrealized gain on hedging activities, net of tax of $581 and $175, respectively	970	162
Foreign currency translation adjustments, net of tax of $1,117 and $2,523, respectively	11,764	29,418
Defined benefit pension and other postretirement plans, net of tax of $479 and $444, respectively	1,490	(30)
Comprehensive income	$ 55,980	$ 62,345

4. Inventories

The components of inventories consisted of:

	September 30, 2010	December 31, 2009
Finished goods	$ 121,517	$ 105,541
Work-in-process	59,008	56,853
Raw material and supplies	31,377	28,398
	$ 211,902	$ 190,792

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BARNES GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(All dollar amounts included in the notes are stated in thousands except per share data.)

5. Goodwill and Other Intangible Assets

Goodwill:

The following table sets forth the change in the carrying amount of goodwill for each reportable segment and for the Company for the period ended September 30, 2010:

	Logistics and Manufacturing Services	Precision Components	Total Company
January 1, 2010	$ 166,400	$ 207,164	$ 373,564
Goodwill adjustments		(50)	(50)
Foreign currency translation	(1,632)	9,539	7,907
September 30, 2010	$ 164,768	$ 216,653	$ 381,421

In the second quarter of 2010, management performed its annual impairment testing. Based on this assessment, there was no goodwill impairment.

Other Intangible Assets:

Other intangible assets consisted of:

		September 30, 2010		December 31, 2009	
	Range of Life -Years	Gross Amount	Accumulated Amortization	Gross Amount	Accumulated Amortization
Amortized intangible assets:					
Revenue sharing programs	Up to 30	$ 293,700	$ (34,191)	$ 293,700	$ (28,578)
Customer lists/relationships	10	28,578	(17,180)	28,578	(15,024)
Patents, trademarks/trade names	5-30	22,746	(11,622)	22,746	(10,093)
Other	Up to 15	10,405	(2,858)	10,405	(2,393)
		355,429	(65,851)	355,429	(56,088)
Foreign currency translation		4,615		4,348	
Other intangible assets		$ 360,044	$ (65,851)	$ 359,777	$ (56,088)

Amortization of intangible assets is expected to increase from approximately $13,000 in 2010 to $16,000 in 2014.

6. Business Reorganizations

In the third quarter of 2009, the Company authorized the restructuring of certain operations of the Precision Components segment by moving the operations of two facilities, Burlington, Ontario, Canada (the Burlington Facility) and Monterrey, Mexico (the Monterrey Facility). The assets and related work of these facilities have been substantially transferred to other Precision Components facilities in the United States to create a more cost effective manufacturing footprint. The movement of operations for the Burlington Facility was substantially completed in the first quarter of 2010. The movement of assets at the previously idled Monterrey Facility was completed by December 31, 2009. The Company recorded restructuring and related costs of $4,904 in 2009 related to these actions which included $2,140 of employee termination costs, $1,107 of asset write-downs, $487 of equipment transfer costs, $970 of facility use termination costs and $200 of pension curtailment costs. The Company recorded $1,309 related to equipment transfer expenses and other related costs in the first nine months of 2010 and is substantially complete as of September 30, 2010. The Company also expects to incur costs related to the 2009 and prior actions of up to $4,000 related to pension costs, in large part due to the accelerated recognition of actuarial losses, which may be incurred in 2010 or later. In addition, during 2009, the Company implemented other workforce reduction actions at Precision Components and recorded severance expense of $3,358 primarily in the second quarter of 2009. Costs related to the 2009 actions are primarily recorded in selling and administrative expenses in the accompanying consolidated statements of income.

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BARNES GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(All dollar amounts included in the notes are stated in thousands except per share data.)

The following table sets forth the change in the liability for the 2009 employee termination actions at Precision Components:

January 1, 2010	$ 3,337
Severance expense, net	(366)
Payments	(2,713)
Foreign currency translation	(11)
September 30, 2010	$ 247

The remaining balances are primarily expected to be paid in 2010.

In 2008, the Company implemented certain right-sizing actions, including workforce reductions and plant consolidations, at both business segments. As a result of these actions, the Company recorded an additional $2,448 of costs in 2009 at Precision Components related to transfer of work and facility exits, $1,186 of which was recorded in the first nine months of 2009. These costs are primarily recorded in selling and administrative expenses in the accompanying consolidated statements of income. As of December 31, 2009, the Company had recorded a liability of $167 at Precision Components related to 2008 actions. These actions were substantially complete as of December 31, 2009.

The following table sets forth the change in the liability for 2008 employee termination actions at Logistics and Manufacturing Services:

January 1, 2010	$ 1,467
Severance expense, net	(372)
Payments	(850)
Foreign currency translation	(135)
September 30, 2010	$ 110

The remaining balances are primarily expected to be paid in 2010.

7. Debt

The Company s debt agreements contain financial covenants that require the maintenance of interest coverage and leverage ratios, and minimum levels of net worth. The Company is in compliance with its debt covenants as of September 30, 2010, and closely monitors its future compliance based on current and anticipated future economic conditions.

The 3.75% Convertible Notes are subject to redemption at their par value at any time, at the option of the Company, on or after February 7, 2011. The note holders may also require the Company to redeem some or all of the Notes at their par value on February 1st of 2011, 2016 and 2021. As such, the Company has classified the balance of the 3.75% Convertible Notes of $91,397 ($92,500 par value) and the related deferred tax balances as current in the accompanying consolidated balance sheets as of September 30, 2010. However, if any of the 3.75% Convertible Notes are redeemed on February 1, 2011, the Company intends to finance the redemption through the use of its available credit facilities which expire in September 2012.

The 3.375% Convertible Notes are subject to redemption at their par value at any time, at the option of the Company, on or after March 20, 2014. The note holders may also require the Company to redeem some or all of the Notes at their par value on March 15th of 2014, 2017 and 2022.

The 3.75% Convertible Notes and the 3.375% Convertible Notes are also eligible for conversion upon meeting certain conditions as provided in the respective indenture agreements. The eligibility for conversion is determined quarterly. During the third quarter of 2010, neither the 3.75% Convertible Notes nor the 3.375% Convertible Notes were eligible for conversion. During the fourth quarter of 2010, neither of the Convertible Notes will be eligible for conversion.

In January 2010, the Company and Wells Fargo Bank, N.A. entered into an amendment to the Company s $35,000 unsecured credit agreement dated July 1, 2009 which reduced the interest rate applicable to the Eurocurrency loans from the London Interbank Offered Rate (LIBOR) plus 4.25% to LIBOR plus 2.75%. The interest rate for the base rate loans was unchanged. All other provisions of this credit agreement continued in full force and effect. In August 2010, the Company repaid the outstanding borrowings under this facility primarily with borrowings from the revolving credit agreement which resulted in the accelerated amortization of the unamortized deferred debt issuance costs.

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BARNES GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(All dollar amounts included in the notes are stated in thousands except per share data.)

8. Derivatives

The Company has manufacturing, sales and distribution facilities around the world and thus makes investments and conducts business transactions denominated in various currencies. The Company is also exposed to fluctuations in interest rates and commodity price changes. These financial exposures are monitored and managed by the Company as an integral part of its risk management program.

The Company uses financial instruments to hedge its exposures to fluctuations in interest rates. The Company currently has two, three-year interest rate swap agreements expiring in March 2011 which together convert the interest on the first $100,000 of the Company s one-month LIBOR-based borrowings from a variable rate plus the borrowing spread to a fixed rate of 2.947% plus the borrowing spread which is accounted for as a cash flow hedge.

The Company also uses financial instruments to hedge its exposures to fluctuations in foreign currency exchange rates. The Company has various contracts outstanding which primarily hedge recognized assets or liabilities, and anticipated transactions in various currencies including the British pound sterling, Canadian dollar, Euro, Singapore dollar, Swedish krona and Swiss franc. Certain foreign currency derivative instruments are treated as cash flow hedges of forecasted transactions. All foreign exchange contracts are due within one year.

Net investment hedges have been used by the Company to mitigate exposure to foreign currency volatility on its future return on capital however the Company did not have any net investment hedges outstanding for any periods presented.

The Company does not use derivatives for speculative or trading purposes or to manage commodity exposures.

The following table sets forth the fair value amounts of derivative instruments held by the Company.

	September 30, 2010		December 31, 2009	
	Asset Derivatives	Liability Derivatives	Asset Derivatives	Liability Derivatives
Derivatives designated as hedging instruments:				
Interest rate contracts	$	$ (1,344)	$	$ (2,700)
Foreign exchange contracts	252			(147)
	252	(1,344)		(2,847)
Derivatives not designated as hedging instruments:				
Foreign exchange contracts	2,368	(34)	1	(1,636)
Total derivatives	$ 2,620	$ (1,378)	$ 1	$ (4,483)

Asset derivatives are recorded in Prepaid expenses and other current assets in the accompanying Consolidated Balance Sheets. Liability derivatives related to interest rate contracts and foreign exchange contracts are recorded in Other liabilities and Accrued liabilities, respectively, in the accompanying Consolidated Balance Sheets.

The following table sets forth the gain (loss) recorded in other comprehensive income, net of tax, for the three- and nine-month periods ended September 30, 2010 and 2009 for derivatives held by the Company.

Derivatives designated as hedging instruments:	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash flow hedges:				
Interest rate contracts	$ 319	$ 188	$ 841	$ 287
Foreign exchange contracts	103	125	129	(125)
	$ 422	$ 313	$ 970	$ 162

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BARNES GROUP INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS (Unaudited) (Continued)

(All dollar amounts included in the notes are stated in thousands except per share data.)

Amounts included within accumulated other comprehensive income (loss) that were reclassified to income during the three- and nine-month periods ended September 30, 2010 resulted in a fixed rate of interest of 2.947% plus the borrowing spread for the first $100,000 of one-month LIBOR borrowings. The amounts reclassified for the foreign exchange contracts were not material. Additionally, there were no amounts recognized in income for hedge ineffectiveness during the three- or nine-month periods ended September 30, 2010.

The following table sets forth the gain (loss) recorded in other income (expense) in the consolidated statements of income for the three- and nine-month periods ended September 30, 2010 and 2009 for derivatives held by the Company. Such amounts were substantially offset by gains (losses) recorded on the underlying hedged asset or liability.

Derivatives not designated as hedging instruments:	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Non-designated hedges:				
Foreign exchange contracts	$ 4,153	$ 2,786	$ 3,969	$ 2,438

9. Fair Value Measurements

The provisions of the accounting standard for fair value define fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between market participants at the measurement date. This standard classifies the inputs used to measure fair value into the following hierarchy:

Level 1 Unadjusted quoted prices in active markets for identical assets or liabilities

Level 2 Unadjusted quoted prices in active markets for similar assets or liabilities, or unadjusted quoted prices for identical or similar assets or liabilities in markets that are not active, or inputs other than quoted prices that are observable for the asset or liability

Level 3 Unobservable inputs for the asset or liability

The following table provides the financial assets (liabilities) reported at fair value and measured on a recurring basis:

		Fair Value Measurements Using		
Description	**Total**	**Quoted Prices in Active Markets for Identical Assets (Level 1)**	**Significant Other Observable Inputs (Level 2)**	**Significant Unobservable Inputs (Level 3)**
September 30, 2010				
Foreign exchange contracts	$ 2,586	$	$ 2,586	$
Interest rate contracts	(1,344)		(1,344)	

Rabbi trust assets	1,234	1,234		
	$ 2,476	$ 1,234	$ 1,242	$
December 31, 2009				
Foreign exchange contracts	$ (1,782)	$	$ (1,782)	$
Interest rate contracts	(2,700)		(2,700)	
Rabbi trust assets	1,431	1,431		
	$ (3,051)	$ 1,431	$ (4,482)	$

The fair value for the foreign exchange and interest rate contracts are valued with a discounted cash flow model using observable current market information as of the reporting date such as the prevailing LIBOR-based and U.S. treasury interest rates and foreign currency spot and forward rates. The fair values of rabbi trust assets are based on quoted market prices from various financial exchanges.

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