Core-Mark Holding Company, Inc.
Form 10-Q
November 08, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
(MARK ONE)

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

For the quarterly period ended September 30, 2012

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

For the transition period from to .
Commission File Number: 000-51515
CORE-MARK HOLDING COMPANY, INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-1489747 (IRS Employer Identification No.)
395 Oyster Point Boulevard, Suite 415 South San Francisco, CA	94080
(Address of principal executive offices)	(Zip Code)

(650) 589-9445
(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 requirement for the past 90 days. Yes x No o
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§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 o
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See definitions of “accelerated filer,” “large accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

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

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x
As of October 31, 2012, 11,519,522 shares of the registrant's common stock, $0.01 par value per share, were outstanding.

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FOR THE QUARTER ENDED SEPTEMBER 30, 2012
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PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS
(In millions, except share data)
(Unaudited)

	September 30, 2012	December 31, 2011
Assets		
Current assets:		
Cash and cash equivalents	$ 13.3	$ 15.2
Restricted cash	10.9	12.6
Accounts receivable, net of allowance for doubtful accounts of $10.6 and $9.6 at September 30, 2012 and December 31, 2011, respectively	234.9	215.7
Other receivables, net	49.9	42.0
Inventories, net (Note 4)	278.7	362.3
Deposits and prepayments	44.0	48.2
Deferred income taxes	6.2	6.2
Total current assets	637.9	702.2
Property and equipment, net	106.0	99.5
Goodwill	16.2	16.2
Other non-current assets, net	52.5	52.3
Total assets	$ 812.6	$ 870.2
Liabilities and Stockholders' Equity		
Current liabilities:		
Accounts payable	$ 102.4	$ 91.5
Book overdrafts	20.5	27.1
Cigarette and tobacco taxes payable	151.8	173.4
Accrued liabilities	75.7	78.6
Deferred income taxes	0.3	0.3
Total current liabilities	350.7	370.9
Long-term debt (Note 5)	1.1	63.1
Deferred income taxes	12.4	9.8
Other long-term liabilities	8.6	9.5
Claims liabilities, net	27.5	27.8
Pension liabilities	11.0	13.6
Total liabilities	411.3	494.7
Stockholders' equity:		
Common stock, $0.01 par value (50,000,000 shares authorized,12,574,680 and 12,382,724 shares issued; 11,519,103 and 11,344,947 shares outstanding at September 30, 2012 and December 31, 2011, respectively)	0.1	0.1
Additional paid-in capital	247.7	240.1
Treasury stock at cost (1,055,577 and 1,037,777 shares of common stock at September 30, 2012 and December 31, 2011, respectively)	(32.9)	(32.2)
Retained earnings	189.7	171.6
Accumulated other comprehensive loss	(3.3)	(4.1)
Total stockholders' equity	401.3	375.5

Total liabilities and stockholders’ equity	$ 812.6	$ 870.2

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(In millions, except per share data)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net sales	$ 2,314.9	$ 2,225.1	$ 6,702.9	$ 5,987.4
Cost of goods sold	2,192.7	2,102.9	6,348.0	5,663.1
Gross profit	122.2	122.2	354.9	324.3
Warehousing and distribution expenses	68.4	61.7	198.0	173.4
Selling, general and administrative expenses	35.9	38.6	113.4	111.8
Amortization of intangible assets	0.7	0.8	2.4	2.1
Total operating expenses	105.0	101.1	313.8	287.3
Income from operations	17.2	21.1	41.1	37.0
Interest expense	(0.4)	(0.6)	(1.6)	(1.8)
Interest income	0.1	0.2	0.3	0.4
Foreign currency transaction losses, net	—	(1.4)	(0.1)	(0.6)
Income before income taxes	16.9	19.3	39.7	35.0
Provision for income taxes (Note 7)	(6.4)	(7.3)	(15.5)	(14.0)
Net income	$ 10.5	$ 12.0	$ 24.2	$ 21.0
Basic net income per common share (Note 8)	$ 0.92	$ 1.05	$ 2.12	$ 1.84
Diluted net income per common share (Note 8)	$ 0.90	$ 1.03	$ 2.08	$ 1.78
Basic weighted-average shares (Note 8)	11.5	11.4	11.4	11.4
Diluted weighted-average shares (Note 8)	11.7	11.7	11.6	11.8
Dividends declared and paid per common share	$ 0.17	$ —	$ 0.51	$ —

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(In millions)
(Unaudited)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2012	2011	2012	2011
Net income	$ 10.5	$ 12.0	$ 24.2	$ 21.0
Other comprehensive income (loss), net of tax:				
Minimum pension liability adjustment	—	—	0.1	—
Foreign currency translation adjustment	0.7	(1.3)	0.7	(0.7)
Total other comprehensive income (loss), net of tax	0.7	(1.3)	0.8	(0.7)
Comprehensive income	$ 11.2	$ 10.7	$ 25.0	$ 20.3

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(In millions)
(Unaudited)

	Nine Months Ended September 30, 2012	2011
Cash flows from operating activities:		
Net income	$ 24.2	$ 21.0
Adjustments to reconcile net income to net cash provided by operating activities:		
LIFO and inventory provisions	10.9	12.6
Amortization of debt issuance costs	0.3	0.4
Stock-based compensation expense	4.1	4.1
Bad debt expense, net	1.3	1.2
Depreciation and amortization	19.0	16.1
Foreign currency transaction losses, net	0.1	0.6
Deferred income taxes	2.5	1.6
Changes in operating assets and liabilities:		
Accounts receivable, net	(20.0)	(24.5)
Other receivables, net	(7.8)	(0.6)
Inventories, net	74.3	5.3
Deposits, prepayments and other non-current assets	(1.2)	(18.0)
Accounts payable	10.6	37.0
Cigarette and tobacco taxes payable	(23.0)	(9.6)
Pension, claims, accrued and other long-term liabilities	(6.5)	0.8
Net cash provided by operating activities	88.8	48.0
Cash flows from investing activities:		
Acquisition of business, net of cash acquired	—	(51.4)
Restricted cash	2.1	(2.1)
Additions to property and equipment, net	(20.3)	(11.1)
Capitalization of software	(0.2)	—
Proceeds from sale of fixed assets	0.3	—
Net cash used in investing activities	(18.1)	(64.6)
Cash flows from financing activities:		
(Repayments) borrowings under revolving credit facility, net	(62.0)	23.6
Dividends paid	(5.9)	—
Payments of financing costs	—	(0.7)
Repurchases of common stock	(0.7)	(18.0)
Proceeds from exercise of common stock options and warrants	3.4	4.7
Tax withholdings related to net share settlements of restricted stock units	(1.4)	(1.2)
Excess tax deductions associated with stock-based compensation	1.1	1.6
(Decrease) increase in book overdrafts	(6.7)	10.9
Net cash (used in) provided by financing activities	(72.2)	20.9
Effects of changes in foreign exchange rates	(0.4)	(0.3)
(Decrease)/Increase in cash and cash equivalents	(1.9)	4.0
Cash and cash equivalents, beginning of period	15.2	16.1
Cash and cash equivalents, end of period	$ 13.3	$ 20.1
Supplemental disclosures:		

Cash paid during the period for:		
Income taxes paid, net of refunds	$ 6.1	$ 4.5
Interest paid	$ 1.1	$ 1.5

See accompanying notes to condensed consolidated financial statements.

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CORE-MARK HOLDING COMPANY, INC. AND SUBSIDIARIES
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Summary of Company Information

Business

Core-Mark Holding Company, Inc. and subsidiaries (referred herein as “we,” “us,” “our,” “the Company” or “Core-Mark”) is one of the largest marketers of fresh and broad-line supply solutions to the convenience retail industry in North America. We offer a full range of products, marketing programs and technology solutions to approximately 29,000 customer locations in the United States (“U.S.”) and Canada. Our customers include traditional convenience stores, grocery stores, drug stores, liquor stores and other specialty and small format stores that carry convenience products. Our product offering includes cigarettes, other tobacco products, candy, snacks, fast food, groceries, fresh products, dairy, bread, beverages, general merchandise and health and beauty care products. We operate a network of 27 distribution centers (excluding two distribution facilities we operate as a third party logistics provider) in the U.S. and Canada.

2. Basis of Presentation and Principles of Consolidation

The accompanying unaudited condensed consolidated balance sheet as of September 30, 2012, the unaudited condensed consolidated statements of operations and comprehensive income for the three and nine months ended September 30, 2012 and 2011, and the unaudited condensed consolidated statements of cash flows for the nine months ended September 30, 2012 and 2011 have been prepared on the same basis as our audited consolidated financial statements and include all adjustments necessary for the fair presentation of our consolidated results of operations, financial position and cash flows. Results for the interim periods are not necessarily indicative of results to be expected for the full year or any other future periods. The condensed consolidated balance sheet as of December 31, 2011 has been derived from our audited financial statements, which are included in our 2011 Annual Report on Form 10-K filed with the Securities and Exchange Commission (“SEC”) on March 8, 2012.

The significant accounting policies and certain financial information that are normally included in financial statements prepared in accordance with accounting principles generally accepted in the United States, but which are not required for interim reporting purposes, have been omitted. The unaudited condensed consolidated interim financial statements should be read in conjunction with our audited consolidated financial statements for the year ended December 31, 2011.

Concentration of Credit Risks

Financial instruments, which potentially subject us to concentrations of credit risk, consist principally of cash investments, accounts receivable and other receivables. We place our cash and cash equivalents in short-term instruments with high quality financial institutions and limit the amount of credit exposure in any one financial instrument.

A credit review is completed for new customers and ongoing credit evaluations of each customer's financial condition are performed and prepayment or other guarantees are required whenever deemed necessary. Credit limits given to customers are based on a risk assessment of their ability to pay and other factors. Alimentation Couche-Tard, Inc. (“Couche-Tard”) accounted for approximately 13.7% and 13.6% of our net sales in the three and nine months ended September 30, 2012, respectively, and no single customer accounted for 10% or more of our total net sales during the three or nine months ended September 30, 2011. In addition, no single customer accounted for 10% or more of our accounts receivables as of September 30, 2012 or December 31, 2011.

3. Acquisitions

Acquisition of Forrest City Grocery Company

On May 2, 2011, Core-Mark acquired Forrest City Grocery Company (“FCGC”), located in Forrest City, Arkansas, and FCGC thereafter became a subsidiary of Core-Mark. FCGC was a regional wholesale distributor servicing customers in Arkansas, Mississippi, Tennessee and the surrounding states. The acquisition provides Core-Mark with additional infrastructure and increases its market share in the Southeastern U.S.

Total consideration to acquire FCGC was approximately $54 million. The acquisition was funded with a combination of cash on hand and borrowings under our $200 million revolving credit facility. The FCGC acquisition was accounted for as a business combination.

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The following table summarizes the allocation of the consideration paid for the acquisition and the estimated fair values of assets acquired, liabilities assumed and recognized at the acquisition date based on the valuation (in millions):

	May 2, 2011
Cash	$3.5
Accounts receivable	18.4
Other receivables	0.4
Inventory	13.0
Prepaid expenses / other assets	2.0
Property, plant and equipment	6.0
Intangible assets	18.4
Goodwill	11.6
Net deferred tax liabilities	(7.0)
Other liabilities	(12.3)
Total consideration	$54.0

Intangible assets include $16.4 million for customer relationships which is being amortized over 15 years and $2.0 million for non-competition agreements, the majority of which is being amortized over five years. The estimated fair value of the intangible assets was determined using the income approach, which discounts expected future cash flows to present value.

The acquisition resulted in $11.6 million of non-amortizing goodwill which represents the excess of the cash paid over the fair value of net assets acquired and liabilities assumed, net of deferred tax liabilities. The goodwill is not deductible for tax purposes. The $7.0 million of net deferred tax liabilities resulting from the acquisition were related primarily to the difference between the book and tax bases of the intangible assets, whose estimated fair value was determined by the valuation.

The purchase price allocation presented herein is based on a final valuation; however, as of September 30, 2012, there is a remaining escrow reserve of approximately $17 million for indemnifiable claims in connection with the acquisition. The escrow reserve, subject to adjustment, is available for claims through May 2015.

Results of operations of FCGC have been included in Core-Mark’s consolidated statements of operations since the date of acquisition. We did not consider the FCGC acquisition to be a material business combination and therefore have not disclosed pro-forma results of operations for the acquired business as required for material business combinations.

4. Inventories

Cost of goods sold reflects the application of the last-in, first-out (“LIFO”) method of valuing inventories in the U.S. based upon estimated annual producer price indices. Inventories in Canada are valued on a first-in, first-out (“FIFO”) basis, as LIFO is not a permitted inventory valuation method in Canada. During periods of rising prices, the LIFO method of costing inventories generally results in higher current costs being charged against income while lower costs are retained in inventories. Conversely, during periods of decreasing prices, the LIFO method of costing inventories generally results in lower current costs being charged against income and higher stated inventories. If the FIFO method had been used for valuing inventories in the U.S., inventories would have been approximately $89.0 million higher at September 30, 2012, compared to $78.0 million higher at December 31, 2011. We recorded LIFO expense of $3.8 million and $5.0 million for the three months ended September 30, 2012 and 2011, respectively, and $11.0 million and $12.5 million for the nine months ended September 30, 2012 and 2011, respectively.

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5. Long-term Debt

Total long-term debt consists of the following (in millions):

	September 30, 2012	December 31, 2011
Amounts borrowed (Credit Facility)	$—	$62.0
Obligations under capital leases	1.1	1.1
Total long-term debt	$1.1	$63.1

We have a revolving credit facility ("Credit Facility") with a capacity of $200 million, which also provides for up to an additional $100 million of lenders' revolving commitments, subject to certain provisions. On May 5, 2011, we entered into a fourth amendment to our Credit Facility (the "Fourth Amendment"), which extended our Credit Facility from February 2014 to May 2016 and reduced the unused facility fees and the margin on LIBOR or CDOR borrowings. The margin added to LIBOR or CDOR is a range of 175 to 225 basis points, down from a range of 275 to 350 basis points. The Fourth Amendment ties the LIBOR or CDOR margin to the amount of available credit under the revolving Credit Facility, instead of the achievement of certain operating results as defined in the original agreement. At the date of signing the Fourth Amendment, we incurred fees of approximately $0.7 million, which are being amortized over the term of the amendment.

All obligations under the Credit Facility are secured by first priority liens upon substantially all of our present and future assets. The terms of the Credit Facility permit prepayment without penalty at any time (subject to customary breakage costs with respect to LIBOR or CDOR based loans prepaid prior to the end of an interest period).

The Credit Facility contains restrictive covenants, including among others, limitations on dividends and other restricted payments, other indebtedness, liens, investments and acquisitions and certain asset sales. As of September 30, 2012, we were in compliance with all of the covenants under the Credit Facility.

Amounts borrowed, outstanding letters of credit and amounts available to borrow, net of certain reserves required under the Credit Facility, were as follows (in millions):

	September 30, 2012	December 31, 2011
Amounts borrowed	$—	$62.0
Outstanding letters of credit	$19.8	$23.7
Amounts available to borrow	$171.4	$106.2

Average borrowings during the three and nine months ended September 30, 2012 were $3.3 million and $22.8 million, respectively, with amounts borrowed, at any one time outstanding, ranging from zero to $91.5 million. For the three and nine months ended September 30, 2011, average borrowings were $11.9 million and $10.7 million, respectively, with amounts borrowed, at any one time outstanding, ranging from zero to $78.1 million.

Our weighted-average interest rate was calculated based on our daily cost of borrowing, which was computed on a blend of prime and LIBOR rates. The weighted-average interest rate on our revolving credit facility for the three and nine months ended September 30, 2012 was 2.6% and 2.1%, respectively, compared to 2.2% and 2.3% for the same periods in 2011. We paid total unused facility fees and letter of credit participation fees, which are included in interest expense, of $0.3 million and $0.7 million during the three and nine months ended September 30, 2012, respectively, compared to $0.3 million and $1.1 million for the same periods in 2011. Amortization of debt issuance costs is included in interest expense. Unamortized debt issuance costs were $1.6 million as of September 30, 2012 and $1.9 million as of December 31, 2011.

6. Contingencies

Litigation

The Company is a plaintiff in a lawsuit against Sonitrol Corporation. The case arose from the December 21, 2002 arson fire at the Denver warehouse in which Sonitrol failed to detect and respond to a four-hour burglary and subsequent arson. In 2010, a jury found in favor of the Company and our insurers. Sonitrol appealed the judgment to the Colorado Appellate Court and on July 19, 2012, the Appellate Court upheld the trial court's ruling on two of the three issues being appealed but set aside the judgment and remanded the case back to the District Court for trial on the sole issue of damages. The Appellate Court's ruling was appealed by Sonitrol to the Colorado Supreme Court on September 21, 2012. We are unable to predict when this litigation will be finally resolved and the ultimate outcome. Any monetary recovery from the lawsuit would be recognized only when and if it is finally

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paid to the Company.

We are subject to certain legal proceedings, claims, investigations and administrative proceedings in the ordinary course of our business. We make a provision for a liability when it is both probable that the liability has been incurred and the amount of the liability can be reasonably estimated. These provisions, if any, are reviewed at least quarterly and adjusted to reflect the impacts of negotiations, settlements, rulings, advice of legal counsel and other information and events pertaining to a particular case. At September 30, 2012, we were not involved in any other material litigation.

7. Income Taxes

Our effective tax rate was 37.9% for the three months ended September 30, 2012 compared to 37.8% for the same period in 2011. The provision for income taxes for the three months ended September 30, 2012 included a $0.3 million net benefit, compared to a net benefit of $0.6 million for the same period in 2011 and related primarily to the expiration of the statute of limitations for uncertain tax positions and adjustments of prior year's estimates which reduced our effective tax rate by approximately 2.0% and 2.8%, respectively.

Our effective tax rate was 39.0% for the nine months ended September 30, 2012 compared to 40.0% for the same period in 2011. The provision for income taxes for the nine months ended September 30, 2012 and 2011 included a $0.5 million net benefit related primarily to the expiration of the statute of limitations for uncertain tax positions and adjustments of prior year's estimates which reduced our effective tax rate by approximately 1.2% and 1.5%, respectively.

In addition, non-deductible transaction costs related to our acquisition of FCGC had no impact to our effective tax rate for the three months ended September 30, 2011 and added approximately 1.1% to our effective tax rate for the nine months ended September 30, 2011.

The total gross amount of unrecognized tax benefits, which was included in other long-term liabilities, related to federal, state and foreign taxes, was approximately $1.7 million and $0.9 million at September 30, 2012 and 2011, respectively, all of which would impact our effective tax rate, if recognized. The expiration of the statute of limitations for certain tax positions in future years and expected settlement of certain issues related to an IRS audit could impact the total gross amount of unrecognized tax benefits by $1.1 million through September 30, 2013.

We file U.S. federal, state and foreign income tax returns in jurisdictions with varying statutes of limitations. The 2009 to 2011 tax years remain subject to examination by federal and state tax authorities. The 2008 tax year is still open for certain state tax authorities. The 2004 to 2011 tax years remain subject to examination by the tax authorities in certain foreign jurisdictions.

8. Earnings Per Share

The following table sets forth the computation of basic and diluted net earnings per share (dollars and shares in millions, except per share amounts):

	Three Months Ended September 30,					
	2012			2011		
	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share
Basic EPS	$10.5	11.5	$0.92	$12.0	11.4	$1.05
Effect of dilutive common share equivalents:						
Restricted stock units		0.1	(0.01)		0.1	—
Stock options		0.1	(0.01)		0.1	(0.01)
Warrants		—	—		0.1	(0.01)
Diluted EPS	$10.5	11.7	$0.90	$12.0	11.7	$1.03

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	Nine Months Ended September 30,					
	2012			2011		
	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share	Net Income	Weighted-Average Shares Outstanding	Net Income Per Common Share
Basic EPS	$24.2	11.4	$2.12	$21.0	11.4	$1.84
Effect of dilutive common share equivalents:						
Restricted stock units		0.1	(0.02)		0.1	(0.01)
Stock options		0.1	(0.02)		0.1	(0.02)
Warrants		—	—		0.2	(0.03)
Diluted EPS	$24.2	11.6	$2.08	$21.0	11.8	$1.78

Note: Basic and diluted earnings per share are calculated based on unrounded actual amounts.

There were 100,770 outstanding options for the three and nine months ended September 30, 2011 which were excluded from the computation of diluted earnings per share because the effect would be anti-dilutive. There were no anti-dilutive stock options outstanding for the three and nine months ended September 30, 2012.

In 2004, the Company issued an aggregate 9,800,000 shares of our common stock and warrants to purchase an aggregate of 990,616 shares of our common stock to the Class 6(B) creditors of Fleming (our former parent company) pursuant to its plan of reorganization. We refer to the warrants we issued to the Class 6(B) creditors as the Class 6(B) warrants. We received no cash consideration at the time we issued the Class 6(B) warrants. The Class 6(B) warrants had an exercise price of $20.93 per share. The shares of common stock and the Class 6(B) warrants were issued pursuant to an exemption from registration under Section 1145(a) of the Bankruptcy Code. We also issued warrants to purchase an aggregate of 247,654 shares of our common stock to the holders of our Tranche B Notes, which we refer to as Tranche B warrants. The Tranche B warrants had an exercise price of $15.50 per share.

Both the Class 6(B) and Tranche B warrants expired on August 23, 2011, at which time any outstanding warrants were net issued in an automatic cashless exercise in accordance with their terms. Consequently, (a) all 990,616 Class 6(B) warrants originally issued have been exercised resulting in a cumulative net issuance of 550,873 shares of common stock, and (b) all 247,654 Tranche B warrants originally issued have been exercised resulting in a cumulative net issuance of 145,512 shares of common stock. Collectively, 696,385 shares were net issued upon cash and cashless exercises of the Company's warrants and no Class 6(B) warrants or Tranche B warrants remain outstanding.

9. Stock-Based Compensation Plans

Total stock-based compensation cost recognized in the condensed consolidated statements of operations as a component of selling, general and administrative expenses was $1.4 million and $1.5 million for the three months ended September 30, 2012 and 2011, respectively, and $4.1 million for both the nine months ended September 30, 2012 and 2011. Total unrecognized compensation cost related to non-vested share-based compensation arrangements was $6.0 million at September 30, 2012. This balance is expected to be recognized over a weighted-average period of 1.8 years.

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The following table summarizes the activity for all stock options, restricted stock units and performance shares under all of the Long-Term Incentive Plans ("LTIPs") for the nine months ended September 30, 2012:

		December 31, 2011		Activity during 2012						September 30, 2012			
		Outstanding		Granted		Exercised		Canceled		Outstanding		Exercisable	
Plans	Securities	Number	Price	Number	Price	Number	Price	Number	Price	Number	Price	Number	Price
2004 LTIP	RSUs	188	$0.01	—	$—	(188)	$0.01	—	$—	—	$—	—	$—
	Options	41,077	35.08	—	—	(20,201)	35.03	—	—	20,876	35.12	20,876	35.12
2005 LTIP	RSUs	3,053	0.01	—	—	—	—	—	—	3,053	0.01	3,053	0.01
2005 Directors' Plan	Options	7,500	27.03	—	—	(7,500)	27.03	—	—	—	—	—	—
2007 LTIP (1)	RSUs	78,509	0.01	—	—	(41,784)	0.01	(1,667)	0.01	35,058	0.01	24,170	0.01
	Options	274,034	25.71	—	—	(96,733)	26.00	—	—	177,301	25.55	177,301	25.55
	Perf. shares	11,271	0.01	—	—	(2,818)	0.01	—	—	8,453	0.01	8,453	0.01
2010 LTIP (1)	RSUs	137,532	0.01	81,468	0.01	(81,805)	0.01	(10,375)	0.01	126,820	0.01	1,316	0.01
	Options	7,500	32.78	—	—	—	—	—	—	7,500	32.78	—	—
	Perf. shares	28,192	0.01	85,252									