Clearwater Paper Corp
Form 10-Q
October 31, 2013

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549
Form 10-Q
(Mark One)
ý Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended September 30, 2013
or
¨ Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File Number: 001-34146
CLEARWATER PAPER CORPORATION
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	20-3594554 (I.R.S. Employer Identification No.)
601 West Riverside, Suite 1100 Spokane, Washington (Address of principal executive offices)	99201 (Zip Code)

(509) 344-5900
(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 ý 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 (section 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 ý 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	ý	Accelerated filer	¨
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 ý
The number of shares of common stock of the registrant outstanding as of October 25, 2013 was 21,059,758.

CLEARWATER PAPER CORPORATION
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Part I
ITEM 1.
Consolidated Financial Statements
Clearwater Paper Corporation
Consolidated Statements of Operations
Unaudited (Dollars in thousands - except per-share amounts)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net sales	$487,845	$480,233	$1,419,671	$1,411,603
Costs and expenses:				
Cost of sales	(441,237)	(409,822)	(1,269,967)	(1,211,444)
Selling, general and administrative expenses	(27,766)	(30,649)	(88,665)	(90,252)
Total operating costs and expenses	(469,003)	(440,471)	(1,358,632)	(1,301,696)
Income from operations	18,842	39,762	61,039	109,907
Interest expense, net	(10,708)	(7,900)	(32,784)	(26,775)
Debt retirement costs	—	—	(17,058)	—
Earnings before income taxes	8,134	31,862	11,197	83,132
Income tax benefit (provision)	5,183	(12,798)	12,896	(38,853)
Net earnings	$13,317	$19,064	$24,093	$44,279
Net earnings per common share:				
Basic	$0.60	$0.82	$1.08	$1.90
Diluted	0.60	0.80	1.07	1.87

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

Clearwater Paper Corporation
Consolidated Statements of Comprehensive Income
Unaudited (Dollars in thousands)

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Net earnings	$13,317	$19,064	$24,093	$44,279
Other comprehensive income:				
Defined benefit pension and other postretirement employee benefits:				
Curtailments, net of tax of $ -, $ -, $303 and $ -	—	—	466	—
Amortization of actuarial loss included in net periodic cost, net of tax of $1,462, $1,190, $4,385 and $3,571	2,249	1,831	6,745	5,493
Amortization of prior service credit included in net periodic cost, net of tax of $(17), $(202), $(49) and $(605)	(25)	(310)	(75)	(930)
Amortization of deferred taxes related to actuarial gain on other postretirement employee benefit obligations	53	—	53	—
Other comprehensive income, net of tax	2,277	1,521	7,189	4,563
Comprehensive income	$15,594	$20,585	$31,282	$48,842

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

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Clearwater Paper Corporation
Consolidated Balance Sheets
Unaudited (Dollars in thousands – except per-share amounts)

	September 30, 2013	December 31, 2012
ASSETS		
Current assets:		
Cash	$ 20,929	$ 12,579
Restricted cash	1,500	—
Short-term investments	89,000	20,000
Receivables, net	168,519	154,143
Taxes receivable	8,380	20,828
Inventories	253,440	231,466
Deferred tax assets	28,356	17,136
Prepaid expenses	8,210	12,314
Total current assets	578,334	468,466
Property, plant and equipment, net	872,762	877,377
Goodwill	229,533	229,533
Intangible assets, net	42,467	47,753
Other assets, net	10,255	10,327
TOTAL ASSETS	$ 1,733,351	$ 1,633,456
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	$ 204,081	$ 165,596
Current liability for pensions and other postretirement employee benefits	9,137	9,137
Total current liabilities	213,218	174,733
Long-term debt	650,000	523,933
Liability for pensions and other postretirement employee benefits	187,410	204,163
Other long-term obligations	51,021	50,910
Accrued taxes	68,164	78,699
Deferred tax liabilities	66,253	60,124
Stockholders' equity:		
Preferred stock, par value $0.0001 per share, 5,000,000 authorized shares, no shares issued	—	—
Common stock, par value $0.0001 per share, 100,000,000 authorized shares-23,983,398 and 23,840,683 shares issued	2	2
Additional paid-in capital	327,793	326,901
Retained earnings	383,777	359,684
Treasury stock, at cost, common shares-2,428,880 and 853,470 shares repurchased	(105,783)	(30,000)
Accumulated other comprehensive loss, net of tax	(108,504)	(115,693)
Total stockholders' equity	497,285	540,894
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,733,351	$ 1,633,456

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

Clearwater Paper Corporation
Consolidated Statements of Cash Flows
Unaudited (Dollars in thousands)

	Nine Months Ended September 30,	
	2013	2012
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	$24,093	$44,279
Adjustments to reconcile net earnings to net cash provided by operating activities:		
Depreciation and amortization	67,584	58,477
Deferred tax (benefit) provision	(9,678)	13,257
Equity-based compensation expense	7,758	7,681
Employee benefit plans	7,801	6,697
Deferred issuance costs and discounts on long-term debt	4,490	1,508
Disposal of plant and equipment, net	35	1,501
Changes in working capital, net	47	51,434
Changes in taxes receivable, net	12,448	(1,918)
Excess tax benefits from equity-based payment arrangements	—	(9,193)
Changes in non-current accrued taxes, net	(10,535)	4,161
Funding of qualified pension plans	(12,611)	(17,625)
Other, net	108	324
Net cash provided by operating activities	91,540	160,583
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in short-term investments, net	(69,000)	18,001
Additions to plant and equipment	(54,400)	(155,365)
Proceeds from sale of assets	—	1,035
Net cash used for investing activities	(123,400)	(136,329)
CASH FLOWS FROM FINANCING ACTIVITIES		
Proceeds from long-term debt	275,000	—
Repayment of long-term debt	(150,000)	—
Purchase of treasury stock	(75,783)	(9,355)
Payments for long-term debt issuance costs	(4,834)	(2)
Payment of tax withholdings on equity-based payment arrangements	(4,173)	(12,965)
Excess tax benefits from equity-based payment arrangements	—	9,193
Net cash provided by (used for) financing activities	40,210	(13,129)
Increase in cash	8,350	11,125
Cash at beginning of period	12,579	8,439
Cash at end of period	$20,929	$19,564
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest, net of amounts capitalized	$22,788	$12,366
Cash paid for income taxes	2,400	17,740
Cash received from income tax refunds	820	1,607
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES		
Increase in accrued plant and equipment	$8,239	$3,258

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

Clearwater Paper Corporation
Condensed Notes to Consolidated Financial Statements
Unaudited
NOTE 1 Nature of Operations and Basis of Presentation
GENERAL
Clearwater Paper Corporation is a leading North American producer of private label tissue and paperboard products. We manufacture quality consumer tissue, away-from-home tissue, parent rolls (non-converted tissue product), machine-glazed tissue, bleached paperboard and pulp at 15 manufacturing locations in the U.S. and Canada. Our private label consumer tissue products - facial and bath tissue, paper towels and napkins - are used primarily at-home and are principally sold to major retailers and wholesale distributors, which include grocery, drug, mass-merchant and discount stores. Our paperboard is sold primarily in the high-end segment of the packaging industry, which demands high-quality construction and print surfaces for graphics. Our products are made primarily from wood fiber pulp.
On March 6, 2013, we announced the planned permanent closure of our Thomaston, Georgia converting and distribution facility. The shutdown is occurring gradually as converting lines are being relocated and installed at our other facilities, with all operations at Thomaston expected to cease by the end of 2013. As of September 30, 2013,we have incurred $2.9 million of costs associated with the closure, of which $1.7 million was incurred during the third quarter of 2013.
FINANCIAL STATEMENT PREPARATION AND PRESENTATION
The accompanying Consolidated Balance Sheets at September 30, 2013 and December 31, 2012, the related Consolidated Statements of Operations and Comprehensive Income for the three months and nine months ended September 30, 2013 and 2012, and the Consolidated Statements of Cash Flows for the nine months ended September 30, 2013 and 2012, have been prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. We believe that all adjustments necessary for a fair statement of the results of the interim periods presented have been included. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.
This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2012, as filed with the Securities and Exchange Commission, or SEC, on February 22, 2013.
SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES
SIGNIFICANT ESTIMATES
The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Significant areas requiring the use of estimates and measurement of uncertainty include determination of net realizable value for deferred tax assets, uncertain tax positions, assessment of impairment of long-lived assets, goodwill and intangibles, assessment of environmental matters, equity-based compensation and pension and postretirement obligation assumptions. Actual results could differ from those estimates and assumptions.
SHORT-TERM INVESTMENTS AND RESTRICTED CASH
Our short-term investments are invested primarily in demand deposits, which have very short maturity periods, and therefore earn an interest rate commensurate with low-risk instruments. We do not attempt to hedge our exposure to interest rate risk for our short-term investments. Our restricted cash in which the underlying instrument has a term of greater than twelve months from the balance sheet date is classified as non-current and is included in “Other assets, net” on our Consolidated Balance Sheet. As of September 30, 2013, substantially all restricted cash balances were classified as current and included in "Restricted cash" on our Consolidated Balance Sheet, compared to approximately $1.5 million of restricted cash classified as non-current and included in "Other assets, net" as of December 31, 2012.
TRADE ACCOUNTS RECEIVABLE
Trade accounts receivable are stated at the amount we expect to collect. Trade accounts receivable do not bear interest. The allowance for doubtful accounts is our best estimate of the losses we expect will result from the inability of our customers to make required payments. We generally determine the allowance based on a combination of actual historical write-off experience and an analysis of specific customer accounts. As of September 30, 2013 and

December 31, 2012, we had allowances for doubtful accounts of $1.7 million and $1.6 million, respectively.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, including any interest costs capitalized, less accumulated depreciation. Depreciation of buildings, equipment and other depreciable assets is determined using the straight-line method. Assets we acquire through business combinations have estimated lives that are typically shorter than the assets we construct or buy new. Accumulated depreciation totaled $1,461.6 million and $1,401.4 million at September 30, 2013 and December 31, 2012, respectively.

We did not capitalize interest for the three months and nine months ended September 30, 2013. For the three months and nine months ended September 30, 2012, we capitalized $4.1 million and $9.0 million, respectively, of interest expense associated with our through-air-dried, or TAD, tissue expansion project, which includes the construction of our new tissue manufacturing and converting facilities in Shelby, North Carolina, and upgrades to our tissue manufacturing facility in Las Vegas, Nevada.

STOCKHOLDERS’ EQUITY

On January 17, 2013, we announced that our Board of Directors had approved a new stock repurchase program authorizing the repurchase of up to $100.0 million of our common stock. The repurchases were authorized to be carried out by the utilization of a number of different methods, including but not limited to, open market purchases, accelerated buybacks and negotiated block purchases, and were completed in 2013.

On March 1, 2013, we entered into an accelerated stock buyback, or ASB, agreement with a major financial institution to repurchase an aggregate of $50.0 million of our outstanding common stock. The total aggregate number of shares repurchased pursuant to this agreement was determined by reference to our average stock prices, less a fixed discount, over the term of the agreement. During the first quarter of 2013, we received 826,617 shares of common stock, which was 80% of the total shares expected to be repurchased under the ASB agreement, and represented a total of approximately $40.8 million of the $50.0 million paid to the financial institution. During the third quarter of 2013, the ASB agreement was completed and we received an additional 212,896 shares of our outstanding common stock, which represented the remaining proceeds paid to the financial institution. In total, 1,039,513 shares of our outstanding common stock were delivered under the ASB agreement at an average repurchase price of $48.10 per share.

We have also repurchased 535,897 shares of our outstanding common stock on the open market as of September 30, 2013, of which 327,315 shares were repurchased during the third quarter at an average price of $48.27 per share. As of September 30, 2013, $24.2 million of the authorized repurchase program remained. In October 2013, we repurchased an additional 494,760 shares of our outstanding common stock on the open market at an average price of $48.95 per share, which completed the remaining balance of our authorized stock repurchase program. We account for share repurchases under the program as treasury stock and record the amounts paid to repurchase shares at cost as a component of stockholders' equity. We have not retired any treasury shares and may choose to reissue shares held in treasury stock in a future period.

DERIVATIVES

We had no activity during the three months and nine months ended September 30, 2013 and 2012 that required hedge or derivative accounting treatment. To help mitigate our exposure to market risk for changes in utility commodity pricing, from time to time we have used firm price contracts to supply a portion of the natural gas requirements for our manufacturing facilities. As of September 30, 2013, these contracts covered approximately 33% of our expected average monthly natural gas requirements for the remainder of 2013, plus lesser amounts for 2014. Historically, these contracts have qualified for treatment as “normal purchases or normal sales” under authoritative guidance and thus required no mark-to-market adjustment.

NOTE 2 Recently Adopted and New Accounting Standards

In February 2013, the Financial Accounting Standards Board issued Accounting Standard Update, or ASU, 2013-02, Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income, which expands the disclosure requirements for amounts reclassified out of accumulated other comprehensive income. This ASU requires an entity to present, either parenthetically on the face of the financial statements where net income is presented or in the notes to the financial statements, the effect of significant items reclassified in their entirety from accumulated other comprehensive income and identification of the respective line items effecting net income for instances when reclassification is required under GAAP. For items that are not required by GAAP to be reclassified in their entirety to net income, an entity is required to cross-reference to other disclosures as required by GAAP. This ASU does not change the current requirements for reporting net income or other comprehensive income in financial statements and is effective prospectively for annual and interim reporting periods beginning after December 15, 2012. We have adopted this ASU, which did not affect our Consolidated Financial Statements.

NOTE 3 Inventories

Inventories at the balance sheet dates consist of:

(In thousands)	September 30, 2013	December 31, 2012
Pulp, paperboard and tissue products	$167,154	$147,627
Materials and supplies	68,769	67,889
Logs, pulpwood, chips and sawdust	17,517	15,950
	$253,440	$231,466

Inventories are stated at the lower of market or cost using the average cost method. The last-in, first-out, or LIFO, method was previously used to determine cost of logs, wood fiber and the majority of lumber until the sale of our Lewiston, Idaho sawmill in November 2011. During the three months ended March 31, 2012, the remaining lumber inventory from the sawmill was sold. The sale of this inventory, which was valued at costs prevailing in prior years under the LIFO method, had the effect of increasing earnings in the period ended March 31, 2012 by an immaterial amount.

NOTE 4 Intangible Assets

Intangible assets at the balance sheet dates are comprised of the following:

	September 30, 2013			
(Dollars in thousands, lives in years)	Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.0	$53,957	$(15,734)	$38,223
Trade names and trademarks	10.0	5,300	(1,457)	3,843
Non-compete agreements	2.5 - 5.0	1,674	(1,273)	401
		$60,931	$(18,464)	$42,467

	December 31, 2012			
(Dollars in thousands, lives in years)	Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.0	$53,957	$(11,237)	$42,720
Trade names and trademarks	10.0	5,300	(1,060)	4,240
Non-compete agreements	2.5 - 5.0	1,674	(881)	793
		$60,931	$(13,178)	$47,753

NOTE 5 Income Taxes

Consistent with authoritative guidance, our estimated annual effective tax rate is used to allocate our expected annual income tax provision to interim periods. The rate is the ratio of our estimated annual income tax provision to our estimated pre-tax ordinary income, and excludes "discrete items," which are significant, unusual or infrequent items reported separately net of their related tax effect. The estimated annual effective tax rate is applied to the current interim period’s ordinary income to determine the income tax provision allocated to the interim period. The income tax effects of discrete items are then determined separately and recognized in the interim period in which the income or expense items arise.

For the three and nine months ended September 30, 2013 and 2012, the effective tax rates attributable to continuing operations were as follows:

	Three Months Ended September 30,		Nine Months Ended September 30,	
	2013	2012	2013	2012
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %	35.0 %
State taxes, net of credits	1.5	3.6	1.5	3.6
Change in valuation allowances	3.5	—	3.5	—
Federal manufacturing deduction	—	(3.0)	—	(3.0)
Settlement of uncertain tax positions	(57.3)	—	(41.6)	—
Interest accrued on uncertain tax positions	8.4	1.2	13.9	1.7
Cellulosic Biofuel Producer Credit conversion	0.2	—	(36.8)	3.7
Additional Cellulosic Biofuel Producer Credits	(43.0)	3.2	(81.5)	4.1
State rate adjustment	(10.5)	—	(8.1)	—
Return to provision adjustments	(0.5)	0.5	(3.9)	1.7
Other	(1.0)	(0.3)	2.8	(0.1)
Effective tax rate	(63.7)%	40.2 %	(115.2)%	46.7 %

Our estimated annual effective tax rate for the third quarter of 2013 is approximately 39%, compared with approximately 35% for the comparable interim period in 2012. The increase is due to a reduction of the domestic production activities deduction resulting from our election to adopt tax bonus depreciation in 2013 and an increase in the relative weighting of the other permanent items in relation to forecasted book income.

During the fourth quarter of 2012, the IRS commenced an audit of our tax returns for the tax years ending December 31, 2008 through December 31, 2012. The audit is ongoing, with no defined conclusion date as of September 30, 2013. As part of this process, we identified additional gallons that qualify for the Cellulosic Biofuel Producer Credit that were previously unaccounted for. During the third quarter of 2013, we recognized the benefit related to these gallons, resulting in a favorable adjustment. Also during the quarter, we closed a number of state income tax audits. Based upon the results of those audits, we have released a portion of the reserve for uncertain tax positions relating to certain state tax credits, which resulted in a benefit to income taxes.

NOTE 6 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the balance sheet dates consist of:

(In thousands)	September 30, 2013	December 31, 2012
Trade accounts payable	$111,898	$75,949
Accrued wages, salaries and employee benefits	39,184	42,491
Accrued interest	13,250	5,242
Accrued taxes other than income taxes payable	9,307	6,993
Accrued utilities	6,839	8,205
Accrued discounts and allowances	6,838	4,785
Accrued transportation	3,011	4,417
Other	13,754	17,514

	$204,081	$165,596

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NOTE 7 Debt

$375 MILLION SENIOR NOTES DUE 2018

On October 22, 2010, we sold $375 million aggregate principal amount of senior notes, which we refer to as the 2010 Notes. The 2010 Notes mature on November 1, 2018, have an interest rate of 7.125% and were issued at their face value. The issuance of these notes generated net proceeds of $367.5 million after deducting offering expenses.

The 2010 Notes are guaranteed by all of our direct and indirect domestic subsidiaries. The 2010 Notes will also be guaranteed by each of our future direct and indirect domestic subsidiaries that we do not designate as an unrestricted subsidiary under the indenture governing the 2010 Notes. The 2010 Notes are equal in right of payment with all other existing and future unsecured senior indebtedness and are senior in right of payment to any future subordinated indebtedness. The 2010 Notes are effectively subordinated to all of our existing and future secured indebtedness, including borrowings under our secured revolving credit facility, which is secured by certain of our accounts receivable, inventory and cash. The terms of the 2010 Notes limit our ability and the ability of any restricted subsidiaries to borrow money; pay dividends; redeem or repurchase capital stock; make investments; sell assets; create restrictions on the payment of dividends or other amounts to us from any restricted subsidiaries; enter into transactions with affiliates; enter into sale and lease back transactions; create liens; and consolidate, merge or sell all or substantially all of our assets.

Prior to November 1, 2013, we may redeem up to 35% of the 2010 Notes at a redemption price equal to 107.125% of the principal amount plus accrued and unpaid interest with the proceeds from one or more qualified equity offerings. We have the option to redeem all or a portion of the 2010 Notes at any time before November 1, 2014 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and a “make whole” premium. On or after November 1, 2014, we may redeem all or a portion of the 2010 Notes at specified redemption prices plus accrued and unpaid interest. In addition, we may be required to make an offer to purchase the 2010 Notes upon the sale of certain assets and upon a change of control.

REDEMPTION OF $150 MILLION SENIOR NOTES DUE 2016 AND ISSUANCE OF $275 MILLION SENIOR NOTES DUE 2023

In June 2009, we issued senior unsecured notes, which we refer to as the 2009 Notes, in the aggregate principal amount of $150 million. The 2009 Notes were due on June 15, 2016 and had an interest rate of 10.625%. The 2009 Notes were issued at a price equal to 98.792% of their face value.

We had the option to redeem all or a portion of the 2009 Notes at any time prior to June 15, 2013 at a redemption price equal to 100% of the principal amount thereof plus a “make whole” premium and accrued and unpaid interest. On February 22, 2013, we exercised our option to redeem all of the 2009 Notes at a redemption price equal to approximately $166 million, which consisted of 100% of the principal amount, plus a $12.6 million “make whole” premium and accrued and unpaid interest of approximately $3.0 million. The make whole premium and a portion of the unpaid interest, as well as an unamortized discount and deferred issuance costs associated with the 2009 Notes, were recorded as components of the debt retirement costs totaling $17.1 million in the first quarter of 2013, as included in the accompanying Consolidated Statement of Operations. Proceeds to fund the redemption of the 2009 Notes were made available through the sale of $275 million aggregate principal amount of senior notes on January 23, 2013, which we refer to as the 2013 Notes. The 2013 Notes mature on February 1, 2023, have an interest rate of 4.5% and were issued at their face value. The issuance of these notes generated net proceeds of approximately $271 million after deducting offering expenses.

The 2013 Notes are guaranteed by all of our direct and indirect domestic subsidiaries. The 2013 Notes will also be guaranteed by each of our future direct and indirect domestic subsidiaries that we do not designate as an unrestricted subsidiary under the indenture governing the 2013 Notes. The 2013 Notes are equal in right of payment with all other existing and future unsecured senior indebtedness and are senior in right of payment to any future subordinated indebtedness. The 2013 Notes are effectively subordinated to all of our existing and future secured indebtedness, including borrowings under our secured revolving credit facility, which is secured by certain of our accounts receivable, inventory and cash. The terms of the 2013 Notes limit our ability and the ability of any restricted subsidiaries to borrow money; pay dividends; redeem or repurchase capital stock; make investments; sell assets; create restrictions on the payment of dividends or other amounts to us from any restricted subsidiaries; enter into transactions with affiliates; enter into sale and lease back transactions; create liens; and consolidate, merge or sell all or substantially all of our assets.

Prior to February 1, 2016, we may redeem up to 35% of the 2013 Notes at a redemption price equal to 104.5% of the principal amount plus accrued and unpaid interest with the proceeds from one or more qualified equity offerings. We have the option to redeem all or a portion of the 2013 Notes at any time before February 1, 2018 at a redemption price equal to 100% of the principal amount plus accrued and unpaid interest and a “make whole” premium. On or after February 1, 2018, we may redeem all or a portion of the 2013 Notes at specified redemption prices plus accrued and unpaid interest. In addition, we may be required to make an offer to purchase the 2013 Notes upon the sale of certain assets and upon a change of control.

REVOLVING CREDIT FACILITY

On November 26, 2008, we entered into a $125 million senior secured revolving credit facility with certain financial institutions. The amount available to us under the revolving credit facility is based on the lesser of 85% of our eligible accounts receivable plus approximately 65% of our eligible inventory, or $125 million. The revolving credit facility has been subsequently amended and expires on September 30, 2016.

As of September 30, 2013, there were no borrowings outstanding under the credit facility, but approximately $6.6 million of the credit facility was being used to support outstanding standby letters of credit. Loans under the credit facility bear interest (i) for LIBOR loans, LIBOR plus between 1.75% and 2.25% and (ii) for base rate loans, a per annum rate equal to the greater of (a) the prime rate for such day; (b) the federal funds effective rate for such day, plus 0.50%; or (c) LIBOR for a 30-day interest period as determined on such day, plus between 1.25% and 1.75%. The percentage margin on all loans is based on our fixed charge coverage ratio for the most recent four quarters. As of September 30, 2013, we would have been permitted to draw approximately $118.4 million under the credit facility at LIBOR plus 1.75%, or base rate plus 1.25%.

A minimum fixed charge coverage ratio is the only financial covenant requirement under our credit facility and is triggered when there are any commitments or obligations outstanding and availability falls below 12.5% or an event of default exists, at which time the minimum fixed charge coverage ratio must be at least 1.0-to-1.0. As of September 30, 2013, the fixed charge coverage ratio for the most recent four quarters was 2.6-to-1.0.

Our obligations under the revolving credit facility are secured by certain of our accounts receivable, inventory and cash. The terms of the credit facility contain various provisions that limit our discretion in the operations of our business by restricting our ability to, among other things, pay dividends; redeem or repurchase capital stock; create, incur or guarantee certain debt; incur liens on certain properties; make capital expenditures; enter into certain affiliate transactions; enter into certain hedging arrangements; and consolidate with or merge with another entity. The revolving credit facility contains usual and customary affirmative and negative covenants and usual and customary events of default.

NOTE 8 Other Long-Term Obligations

Other long-term obligations at the balance sheet dates consist of:

(In thousands)	September 30, 2013	December 31, 2012
Long-term lease obligations, net of current portion	$24,959	$25,240
Director and other deferred compensation	12,731	9,939
Deferred proceeds	10,712	11,668
Other	2,619	4,063
	$51,021	$50,910

NOTE 9 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of tax, at the balance sheet dates is comprised of the following:

(In thousands)	Foreign Currency Translation Adjustments[1]	Pension and Other Post Retirement Employee Benefit Plans Adjustments	Total
Balance at December 31, 2012			