WAUSAU PAPER CORP.
Form 10-Q
November 08, 2013
Table of Contents

FORM 10-Q

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

(Mark One)

T 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: 1-13923

WAUSAU PAPER CORP.

(Exact name of registrant as specified in charter)

WISCONSIN	**39-0690900**
(State of incorporation)	(I.R.S. Employer Identification Number)

100 Paper Place

Mosinee, Wisconsin 54455-9099

(Address of principal executive office)

Registrant s telephone number, including area code: **715-693-4470**

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 report), and (2) has been subject to such filing requirements for the past 90 days.Yes x No o

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).Yes x No o

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definition of large accelerated filer, 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

The number of common shares outstanding at October 31, 2013 was 49,445,754.

Table of Contents

WAUSAU PAPER CORP.

AND SUBSIDIARIES

INDEX

Table of Contents

PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS) (unaudited)

(all amounts in thousands, except per share data)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Net sales	**$ 91,663**	$ 86,811	**$ 257,480**	$ 257,221
Cost of sales	**78,290**	71,475	**223,018**	208,369
Gross profit	**13,373**	15,336	**34,462**	48,852
Selling and administrative	**13,557**	17,108	**39,265**	48,909
Operating loss	**(184)**	(1,772)	**(4,803)**	(57)
Interest expense	**(1,972)**	(649)	**(6,840)**	(2,358)
Other expense, net	**(10)**	(12)	**(15)**	(39)
Loss from continuing operations before income taxes	**(2,166)**	(2,433)	**(11,658)**	(2,454)
(Credit) provision for income taxes	**(132)**	(832)	**8,703**	(659)
Loss from continuing operations	**(2,034)**	(1,601)	**(20,361)**	(1,795)
(Loss) earnings from discontinued operations, net of taxes	**(818)**	(3,708)	**(66,922)**	4,929
Net (loss) earnings	**$ (2,852)**	$ (5,309)	**$ (87,283)**	$ 3,134
Net (loss) earnings per share - basic and diluted:				
Continuing operations	**$ (0.04)**	$ (0.03)	**$ (0.41)**	$ (0.04)
Discontinued operations	**(0.02)**	(0.08)	**(1.35)**	0.10
Net (loss) earnings	**$ (0.06)**	$ (0.11)	**$ (1.77)**	$ 0.06
Weighted average shares outstanding basic	**49,431**	49,323	**49,398**	49,309
Weighted average shares outstanding diluted	**49,431**	49,323	**49,398**	49,309
Other comprehensive income				
Retirement and other post-retirement plans, net of tax of $1,080 and $3,342 for the three months ended September 30, 2013 and 2012, respectively, and $15,139 and $4,534 for the nine months ended September 30, 2013 and 2012, respectively	**$ 314**	$ 5,452	**$ 23,253**	$ 7,398
Other comprehensive income	**314**	5,452	**23,253**	7,398
Comprehensive (loss) income	**$ (2,538)**	$ 143	**$ (64,030)**	$ 10,532

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED BALANCE SHEETS

(all dollar amounts in thousands)	September 30, 2013 (unaudited)	December 31, 2012 (derived from audited financial statements)
Assets		
Current assets:		
Cash and cash equivalents	**$ 25,353**	$ 4,044
Receivables, net	**27,004**	66,356
Refundable income taxes	**1,960**	2,146
Inventories	**36,140**	56,240
Spare parts	**10,230**	29,304
Other current assets	**2,351**	8,766
Assets of discontinued operations - current	**10,565**	
Total current assets	**113,603**	166,856
Property, plant, and equipment, net	**293,882**	460,656
Deferred income taxes	**51,733**	19,496
Other assets	**54,065**	53,707
Total Assets	**$ 513,283**	$ 700,715
Liabilities and Stockholders Equity		
Current liabilities:		
Accounts payable	**$ 25,779**	$ 50,072
Deferred income taxes	**11,034**	
Accrued and other liabilities	**26,041**	48,114
Liabilities of discontinued operations - current	**1,423**	833
Total current liabilities	**64,277**	99,019
Long-term debt	**150,000**	196,200
Post-retirement benefits	**48,831**	91,591
Pension	**87,230**	81,411
Other noncurrent liabilities	**21,035**	26,993
Noncurrent liabilities of discontinued operations	**1,700**	
Total liabilities	**373,073**	495,214
Stockholders equity	**140,210**	205,501
Total Liabilities and Stockholders Equity	**$ 513,283**	$ 700,715

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

Wausau Paper Corp. and Subsidiaries

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (unaudited)

(all dollar amounts in thousands)	Nine Months Ended September 30, 2013	2012
Net cash (used in) provided by operating activities	**$ (5,304)**	$ 31,344
Cash flows from investing activities:		
Capital expenditures	**(29,457)**	(110,346)
Grants received for capital expenditures		236
Proceeds from sale of business	**105,067**	20,837
Proceeds from sale of assets	**1,243**	4,777
Net cash provided by (used in) investing activities	**76,853**	(84,496)
Cash flows from financing activities:		
Net (payments) proceeds of commercial paper	**(40,700)**	6,350
Borrowings under credit agreement	**65,000**	3,000
Payments under credit agreement	**(70,500)**	(3,000)
Issuances of notes payable		50,000
Payments under industrial development bond agreement		(19,000)
Proceeds from stock option exercises	**406**	
Dividends paid	**(4,446)**	(4,438)
Net cash (used in) provided by financing activities	**(50,240)**	32,912
Net increase (decrease) in cash and cash equivalents	**21,309**	(20,240)
Cash and cash equivalents, beginning of period	**4,044**	26,661
Cash and cash equivalents, end of period	**$ 25,353**	$ 6,421

See Notes to Condensed Consolidated Financial Statements.

Table of Contents

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (unaudited)

Note 1. Description of the Business

Wausau Paper Corp. manufactures, converts, and sells a complete line of towel and tissue products that are marketed along with soap and dispensing systems for the industrial and commercial away-from-home market. Our products are primarily sold within the United States and Canada.

Wausau Paper Corp. manufactured, converted, and sold specialty paper products for industrial and commercial end markets and premium printing and writing papers within the former Paper segment. The premium Print & Color brands were sold in January of 2012 and the Brokaw, Wisconsin, mill was closed in February 2012. In January 2013, we announced our intent to focus our management efforts and future investments on our Tissue business. In March 2013, we permanently closed our Brainerd, Minnesota, mill and on June 26, 2013, completed the sale of our specialty paper business, ending our participation in the markets in which our former Paper segment competed. See Note 4 for further information regarding discontinued operations.

Note 2. Basis of Presentation

The condensed consolidated financial statements include the results of Wausau Paper Corp. and our consolidated subsidiaries. The accompanying condensed consolidated financial statements, in the opinion of management, reflect all adjustments, which are normal and recurring in nature and which are necessary for a fair statement of the results for the periods presented. Results for the interim period are not necessarily indicative of future results. In all regards, the financial statements have been presented in accordance with accounting principles generally accepted in the United States of America (GAAP). Refer to the notes to consolidated financial statements, which appear in the Annual Report on Form 10-K for the year ended December 31, 2012, for our accounting policies and other disclosures, which are pertinent to these statements.

The results of operations of our specialty paper and printing and writing business are reported as a discontinued operation in the Condensed Consolidated Statements of Comprehensive Income (Loss) for all periods presented. The corresponding assets and liabilities of the discontinued operations in the Condensed Consolidated Balance Sheets have been reclassified in accordance with authoritative literature on discontinued operations when the respective component met the criteria for discontinued operations presentation and prior periods were not restated. As such, the December 31, 2012 balance sheet amounts included liabilities of discontinued operations related only to the Brokaw mill. Also, in accordance with the authoritative literature, we have elected to not separately disclose the cash flows related to the discontinued operation. See Note 4 for further information regarding discontinued operations.

Table of Contents

Note 3. New Accounting Pronouncements

Financial Accounting Standards Board (FASB) Accounting Standards Update (ASU) No. 2013-02 Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income requires expanded disclosures for amounts reclassified out of accumulated other comprehensive income (AOCI) by component. The guidance requires the presentation of amounts reclassified out of AOCI by the respective line items of net income, but only if the amount reclassified is required under GAAP to be reclassified to net income in its entirety in the same reporting period. For other amounts that do not meet this requirement, a cross-reference to other disclosures that provide additional detail about those amounts is required. The guidance is to be applied prospectively for reporting periods beginning after December 15, 2012. We adopted ASU No. 2013-02 on January 1, 2013. The new guidance affects disclosures only and did not have an impact on our results of operations or financial position. See Note 12 for further information regarding AOCI.

In July 2013, the FASB issued ASU No. 2013-11 Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists . This guidance requires unrecognized tax benefits to be presented as a decrease in net operating loss, similar tax loss or tax credit carryforward if certain criteria are met. The guidance is to be applied prospectively beginning January 1, 2014. We are currently evaluating the impact of the guidance as it may affect balance sheet classification of certain unrecognized tax benefits.

Note 4. Restructuring, Discontinued Operations, and Other

In May 2013, we announced that our Board of Directors had approved the sale of our specialty paper business. The sale of the specialty paper business and primarily all related assets and selected liabilities, excluding the Brainerd mill, closed on June 26, 2013, resulting in net cash proceeds, subject to certain post-closing adjustments, of approximately $105 million after settlement of transaction-related liabilities, transaction costs, and taxes. The sale generated a pre-tax impairment charge of $63.7 million, which is recorded in loss from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2013. As there were no quoted market prices available for these or similar assets, we used the actual sales price to determine the fair market value of the assets, which is a level 3, unobservable input. Included in the impairment charge is a net pre-tax credit of approximately $5.9 million related to pension and other postretirement plan settlements, curtailments, and special termination benefits resulting from modifications made to the plans in connection with the transaction.

The agreement to sell the specialty paper business also includes a provision whereby we would receive a contingent payment from the buyer if certain performance thresholds and other events occur. At September 30, 2013, no amounts have been recognized related to this provision, as we are not aware of any such events that have occurred or if any such events will occur in the future.

Table of Contents

In February 2013, we announced the planned closure of our Brainerd paper mill. The Brainerd mill permanently closed on March 29, 2013. At March 31, 2013, the Brainerd closure did not meet held-for-sale requirements; however, at September 30, 2013, Brainerd meets the criteria for presentation as discontinued operations.

In December 2011, we announced that our Board of Directors had approved the sale of our premium Print & Color brands, and the closure of our Brokaw, Wisconsin paper mill. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment closed on January 31, 2012. We permanently ceased papermaking operations at the mill on February 10, 2012. The sale of the premium Print & Color brands, select paper inventory, and certain manufacturing equipment generated a pre-tax gain of $12.5 million, which is recorded in earnings from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the nine months ended September 30, 2012. During the third quarter of 2012, we completed the sale and disposal of the remaining long-lived assets of the Brokaw mill, generating proceeds of $4.8 million and a pre-tax gain of approximately $0.2 million.

We determined that as of June 30, 2013, the sale of the specialty paper business and the closure of the Brainerd mill, and as of March 31, 2012, the closure of the Brokaw mill, met the criteria for discontinued operations presentation as established ASC Subtopic 205-20, *Discontinued Operations*. The results of operations of the specialty paper business, Brainerd, and Brokaw mills have been reported as discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss) for all periods presented. The corresponding assets and liabilities of the discontinued operations have been reclassified in accordance with authoritative literature on discontinued operations when the respective component met the criteria for discontinued operations presentation and prior periods were not restated. As such, the December 31, 2012, balance sheet amounts included liabilities of discontinued operations only related to the Brokaw mill. The assets and liabilities of the specialty paper business and the Brainerd mill have not been reclassified in the December 31, 2012 balance sheet. The statements of cash flows for the nine months ended September 30, 2013 and 2012, have not been adjusted to separately disclose cash flows related to discontinued operations.

Table of Contents

Assets and liabilities of the discontinued operations consist of the following:

		September 30, 2013		December 31, 2012
Current assets of discontinued operations:				
Receivables, net	**$**	**1,900**	$	
Inventories		**754**		
Other current assets		**7,911**		
Assets of discontinued operations - current		**10,565**		
Total assets of discontinued operations	**$**	**10,565**	$	

		September 30, 2013		December 31, 2012
Current liabilities of discontinued operations:				
Accounts payable	**$**	**269**	$	
Accrued and other liabilities		**1,154**		833
Liabilities of discontinued operations - current		**1,423**		833
Non-current liabilities of discontinued operations:				
Other non-current liabilities		**1,700**		
Total liabilities of discontinued operations	**$**	**3,123**	$	833

The following table summarizes certain Condensed Consolidated Statements of Comprehensive Income (Loss) information for discontinued operations:

(all amounts in thousands, except per share data)	Three Months Ended September 30, 2013			Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013			Nine Months Ended September 30, 2012
Net sales	**$**	**1,644**	$	115,668	**$**	**209,756**	$	419,966
(Loss) earnings from discontinued operations before income taxes		**(1,527)**		(7,112)		**(107,971)**		6,310
(Credit) provision for income taxes		**(709)**		(3,404)		**(41,049)**		1,381
(Loss) earnings from discontinued operations, net of taxes	**$**	**(818)**	$	(3,708)	**$**	**(66,922)**	$	4,929
Net (loss) earnings per share basic and diluted	**$**	**(0.02)**	$	(0.08)	**$**	**(1.35)**	$	0.10

During the third quarter of 2013, we executed restructuring activities related to the sale of the specialty paper business and closure of the Brainerd mill, and have recognized pre-tax charges of $1.8 million during the three months ended September 30, 2013, and net pre-tax charges of $114.8 million during the nine months ended September 30, 2013. These net charges, which are detailed in the table below, are recorded in loss from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss).

Table of Contents

In addition, during the third quarter of 2012, we recognized pre-tax charges related to the closure of the Brokaw mill of $0.4 million and, exclusive of the gain recorded for the sales transaction, net pre-tax charges of $6.7 million during the nine months ended September 30, 2012. No additional pre-tax closure charges related to the Brokaw mill were incurred during the first nine months of 2013. These net charges, which are also detailed in the following table, are recorded in (loss) earnings from discontinued operations in the Condensed Consolidated Statements of Comprehensive Income (Loss).

(all dollar amounts in thousands)	Three Months Ended September 30, 2013	2012	Nine Months Ended September 30, 2013	2012
Impairment of long-lived assets	**$**	$	**$ 63,712**	$ 2,075
Accelerated depreciation on long-lived assets			**35,716**	
Inventory and spare parts write-downs			**6,712**	985
Severance and benefit continuation costs	**749**	89	**3,127**	1,819
Other associated costs, net	**1,079**	325	**5,573**	1,816
Total	**$ 1,828**	$ 414	**$ 114,840**	$ 6,695

Following is a summary of the liabilities for restructuring expenses through September 30, 2013, related to the closure of the Brokaw mill, the closure of the Brainerd mill and the sale of the specialty paper business all of which were included in liabilities of discontinued operations:

(all dollar amounts in thousands)	December 31, 2012	Reserve/ Provisions	Payments/ Usage	September 30, 2013
Severance and benefit continuation	$ 26	$ 3,127	$ (2,238)	**$ 915**
Contract termination		2,665	(372)	**2,293**
Other	22	5,314	(5,336)	
Total	$ 48	$ 11,106	$ (7,946)	**$ 3,208**

Included in selling and administrative expense in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three and nine months ended September 30, 2013, were net expense of approximately $0.2 million and a net credit of approximately $1.1 million, respectively, related to a natural gas contract for a closed facility. During the first nine months of 2013, we have made payments related to this natural gas contract of approximately $1.0 million. At September 30, 2013, $0.7 million and $9.4 million are included in current liabilities and noncurrent liabilities, respectively, consisting of contract termination costs associated with this natural gas contract. At December 31, 2012, $2.3 million and $9.8 million are

Table of Contents

included in current liabilities and noncurrent liabilities, respectively, related to these contract termination costs. We will continue to make payments related to the contract over the original contractual term.

Note 5. Earnings Per Share (EPS)

The following table reconciles basic weighted average outstanding shares to diluted weighted average outstanding shares:

(all amounts in thousands, except per share data)	Three Months Ended September 30, 2013	Three Months Ended September 30, 2012	Nine Months Ended September 30, 2013	Nine Months Ended September 30, 2012
Basic weighted average common shares outstanding	**49,431**	49,323	**49,398**	49,309
Dilutive securities:				
Stock compensation plans				
Diluted weighted average common shares outstanding	**49,431**	49,323	**49,398**	49,309
Loss from continuing operations, net of tax	**$ (2,034)**	$ (1,601)	**$ (20,361)**	$ (1,795)
(Loss) earnings from discontinued operations, net of tax	**(818)**	(3,708)	**(66,922)**	4,929
Net (loss) earnings	**$ (2,852)**	$ (5,309)	**$ (87,283)**	$ 3,134
(Loss) earnings from continuing operations, net of tax, per share basic and diluted	**$ (0.04)**	$ (0.03)	**$ (0.41)**	$ (0.04)
(Loss) earnings from discontinued operations, net of tax, per share basic and diluted	**(0.02)**	(0.08)	**(1.35)**	0.10
Net (loss) earnings per share basic and diluted	**$ (0.06)**	$ (0.11)	**$ (1.77)**	$ 0.06

Stock options for which the exercise price exceeds the average market price over the applicable period have an antidilutive effect on EPS, and accordingly, are excluded from the calculation of diluted EPS. Due to the net loss from continuing operations for the three and nine months ended September 30, 2013, and the three and nine months ended September 30, 2012 stock-based grants for 1,761,065 shares, 1,859,636 shares, 1,801,659 shares, and 1,151,222 shares, respectively, were considered to be antidilutive.

Table of Contents

Note 6. Receivables

Receivables at September 30, 2013, exclude discontinued operations. The receivables related to discontinued operations were not retroactively reclassified and are included in the following table at December 31, 2012.

(all dollar amounts in thousands)		September 30, 2013		December 31, 2012
Trade	**$**	**26,680**	$	65,148
Other		**477**		1,895
		27,157		67,043
Less: allowances for doubtful accounts		**(153)**		(687)
	$	**27,004**	$	66,356

Note 7. Inventories

Inventories at September 30, 2013, exclude discontinued operations. The inventories related to discontinued operations were not retroactively reclassified and are included in the following table at December 31, 2012.

(all dollar amounts in thousands)		September 30, 2013		December 31, 2012
Raw materials	**$**	**26,846**	$	35,171
Work in process and finished goods		**16,745**		61,482
Supplies		**1,930**		4,723
Inventories at cost		**45,521**		101,376
Less: LIFO reserve		**(9,381)**		(45,136)
	$	**36,140**	$	56,240

Note 8. Property, Plant, and Equipment

Property, plant, and equipment at September 30, 2013, excludes discontinued operations. Property, plant, and equipment related to discontinued operations was not retroactively reclassified and is included in the following table at December 31, 2012.

		September 30, 2013		December 31, 2012
Property, plant, and equipment				
Buildings	**$**	**82,422**	$	130,250
Machinery and equipment		**426,414**		936,244

		508,836		1,066,494
Less: accumulated depreciation		**(237,075)**		(627,937)
Net depreciated value		**271,761**		438,557
Land		**1,734**		3,391
Construction in progress		**20,387**		18,708
	$	**293,882**	$	460,656

Table of Contents

The continuing operations provision for depreciation and amortization for the three months ended September 30, 2013 and 2012 was $9.9 million and $7.4 million, respectively. The continuing operations provision for depreciation and amortization for the nine months ended September 30, 2013 and 2012 was $29.7 million and $21.9 million, respectively.

Note 9. Debt

A summary of total debt is as follows:

(all dollar amounts in thousands)	**September 30, 2013**	**December 31, 2012**
Unsecured private placement notes	**$ 150,000**	$ 150,000
Revolving-credit agreement with financial institutions		5,500
Commercial paper placement agreement		40,700
Total long-term debt	**$ 150,000**	$ 196,200

On March 31, 2010, we entered into a note purchase and private-shelf agreement. This agreement provided for the April 9, 2010, issuance of $50 million of unsecured senior notes having an interest rate of 5.69% that mature on April 9, 2017, and also established a private shelf facility under which up to $125 million of additional promissory notes may be issued at terms agreed upon by the parties at the time of issuance until July 20, 2014. On April 4, 2011, we issued an additional aggregate principal amount of $50 million of our senior notes under the terms of this note purchase and private-shelf agreement. The notes bear interest at 4.68% and mature on April 4, 2018. On August 22, 2011, the private-shelf agreement was amended to expand the total amount available under the private-shelf agreement to $150 million. On April 9, 2012, we issued an additional aggregate principal amount of $50 million of our senior notes under this note purchase and private-shelf agreement. The notes bear interest at 4.00% and mature on June 30, 2016. At September 30, 2013, the total availability of unsecured private placement notes was $200 million, with $150 million of unsecured private placement notes currently outstanding.

We have estimated the fair value of our long-term debt in accordance with FASB authoritative guidance. The FASB defines fair value as the price that would be received to sell an asset or paid to transfer a liability in an orderly transaction between participants at the measurement date. Fair value information for long-term debt is within Level 2 of the fair value hierarchy and is based on current market interest rates and estimates of current market conditions for instruments with similar terms and maturities. At September 30, 2013, the estimated fair value of long-term debt is approximately $159 million which compares to the carrying value of $150 million. At December 31, 2012, the estimated fair value of long-term debt was approximately $209 million which compares to the carrying value of $196 million.

On June 23, 2010, we entered into a $125 million revolving-credit agreement with five financial institutions that will expire on June 23, 2014. On June 26, 2013, we entered into an amendment to the revolving-credit agreement reducing the amount of

Table of Contents

aggregate commitments from $125 million to $100 million. At September 30, 2013 there were no amounts outstanding under the revolving-credit agreement. At December 31, 2012, there was $5.5 million outstanding under the revolving-credit agreement.

In addition, we maintain an unrated commercial paper placement agreement with a bank to issue up to $50 million of unsecured debt obligations. The agreement requires unused credit availability under our revolving-credit agreement equal to the amount of outstanding commercial paper. There were no outstanding borrowings under this agreement at September 30, 2013. At December 31, 2012, there were $40.7 million of commercial paper obligations outstanding.

We are subject to certain financial and other covenants under the revolving-credit agreement and the note purchase and private-shelf agreement. At September 30, 2013, we were in compliance with all required covenants and expect to remain in full compliance throughout the remainder of 2013.

Note 10. Pension and Other Post-retirement Benefit Plans

Inclusive of discontinued operations, the components of net periodic benefit cost recognized in the Condensed Consolidated Statements of Comprehensive Income (Loss) for the three months ended September 30, 2013 and 2012 are as follows:

	Pension Benefits		Other Post-retirement Benefits	
	2013	**2012**	**2013**	**2012**
Service cost	**$ 380**	$ 576	**$ 76**	$ 508
Interest cost	**2,452**	2,653	**488**	1,039
Expected return on plan assets	**(3,247)**	(3,566)		
Amortization of:				
Prior service (benefit) cost	**80**	273	**(190)**	(770)
Actuarial loss	**1,233**	1,380	**67**	788
Settlements	**801**	12,077		
Net periodic benefit cost	**$ 1,699**	$ 13,393	**$ 441**	$ 1,565