

Edgar Filing: TREDEGAR CORP - Form 10-Q

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer		Accelerated filer	<input checked="" type="checkbox"/>
Non-accelerated filer	(Do not check if a smaller reporting company)	Smaller reporting company	<input type="checkbox"/>

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

The number of shares of Common Stock, no par value, outstanding as of July 30, 2010: 31,834,608.

See accompanying notes to financial statements.

2010, by an amount equal to 50% of net income (to the extent positive);

(a) The dilutive effect of shares attributed to stock options and restricted stock is not recognized in periods in which a net loss has occurred.

Incremental shares attributable to stock options and restricted stock are computed using the average market price during the related period. During the three and six months ended June 30, 2010 and three and six months ended June 30, 2009, 459,067, 464,317, 582,833 and 390,300, respectively, of anti-dilutive options to purchase shares were excluded from the calculation of incremental shares attributable to stock options and restricted stock.

7. Our investment in Harbinger Capital Partners Special Situations Fund, L.P. (“Harbinger Fund”) had a reported capital account value of \$13.6 million at June 30, 2010, compared with \$14.5

12. The Financial Accounting Standards Board (FASB) Emerging Issues Task Force issued a consensus updating accounting standards for revenue recognition for multiple-deliverable arrangements in October 2009. The stated objective of the accounting standards update was to address the accounting for multiple-deliverable arrangements to enable vendors to account for products or services (deliverables) separately rather than as a combined unit. The revision of current FASB guidance provides amended methodologies for separating consideration in multiple-deliverable arrangements and expands disclosure requirements. The accounting standards update

will be effective prospectively for revenue arrangements entered into or materially modified in fiscal years beginning on or after June 15, 2010, with early adoption permitted. We do not expect these FASB rules to have a material impact on our financial statements and disclosures.

The FASB issued guidance in January 2010 that requires new disclosures for fair value measurements and provides clarification for existing disclosure requirements. More specifically, this update will require (a) an entity to disclose separately the amounts of significant transfers in and out of Levels 1 and 2 fair value measurements and to describe the reasons for such transfers; and (b) information about purchases, sales, issuances and settlements to be presented separately (i.e. present the activity on a gross basis rather than net) in the reconciliation for fair value measurements using significant unobservable inputs (Level 3 inputs). This update also clarifies existing disclosure requirements for the level of disaggregation used for classes of assets and liabilities measured at fair value and requires disclosures about the valuation techniques and inputs used to measure fair value for both recurring and nonrecurring fair value measurements using Level 2 and Level 3 inputs. The new disclosures and clarifications of existing disclosures were effective for interim and annual reporting periods beginning after December 15, 2009, except for disclosures about the purchase, sale, issuance and settlement activity of Level 3 fair value measurements. Those disclosures are effective for fiscal years beginning after December 15, 2010, and for the interim periods in that year. We do not anticipate that the adoption of these new disclosures and clarifications of existing disclosures will materially expand our current financial statement footnote disclosures.

In March 2010, the Patient Protection and Affordable Care Act (the PPACA) was signed into law, as was the Health Care and Education Reconciliation Act of 2010, which amends certain aspects of the PPACA. Included in the provisions of these laws are changes to the taxation related to the federal subsidy available to companies that provide retiree health benefit plans that include a benefit that is at least actuarially equivalent to the benefits of Medicare Part D. Our retiree medical plan does not include prescription drug coverage for Medicare-eligible retirees, so we are not impacted by changes to the taxation of this federal subsidy. We are currently assessing other potential impacts, if any, that this legislation may have on future results of operations, cash flows or financial position related to our health care benefits and postretirement health care obligations.

Second-quarter net sales increased primarily due to higher volumes, most notably in surface protection and personal care materials, a more favorable sales mix in the second quarter of 2010 compared to the second quarter of 2009, and increased selling prices as a result of the pass-through of higher average resin costs to customers. Strong demand in the LCD (liquid crystal display) market continues to be the primary catalyst for increased volumes in higher-value surface protection materials. Operating profit from ongoing operations, which continues to fluctuate quarter to quarter, increased slightly in the second quarter of 2010 compared to the prior year. This increase was primarily due to the favorable impact of increased sales volumes in surface protection and personal care materials, partially offset by the unfavorable effect of the lag in the pass-through of higher resin costs as average resin prices continued to increase in the second quarter of 2010. We estimate that the impact of the quarterly lag in the pass-through of average

Maximum permitted aggregate amount of dividends that can be paid by Tredegar during the term of the revolving credit agreement (\$100,000 plus 50% of net income generated beginning January 1, 2010)	\$105,371	
Minimum adjusted shareholders' equity permitted (\$300,000 plus 50% of net income generated, to the extent positive, beginning January 1, 2010)	\$305,371	
Maximum leverage ratio permitted:		
Ongoing	3.00	x
Pro forma for acquisitions	2.50	x
Minimum interest coverage ratio permitted	2.50	x

In the normal course of business, we enter into fixed-price forward sales contracts with certain customers for the sale of fixed quantities of aluminum extrusions at scheduled intervals. In order to hedge our exposure to aluminum price volatility (see the chart below) under these fixed-price arrangements, which generally have a duration of not more than 12 months, we enter into a combination of forward purchase commitments and futures contracts to acquire or hedge aluminum, based on the scheduled deliveries.

Source: Quarterly averages computed by Tredegar using daily closing data provided by Bloomberg.

In Aluminum Extrusions, we hedge from time-to-time a portion of our exposure to natural gas price volatility by entering into fixed-price forward purchase contracts with our natural gas suppliers. We estimate that, in an unhedged situation, every \$1 per mmBtu per month change in the market price of natural gas has a \$70,000 impact on the monthly operating profit for our U.S. operations in Aluminum Extrusions. In September 2005, we announced an energy surcharge for our aluminum extrusions business in the U.S. to be applied when the NYMEX natural gas price is in excess of \$8.85 per mmBtu.

Source: Quarterly averages computed by Tredegar using monthly NYMEX settlement prices.

(a) On January 7, 2008, our board of directors approved a share repurchase program authorizing management at its discretion to purchase, in the open market or in privately negotiated transactions, up to 5 million shares of our outstanding Common Stock.

Item 6. Exhibits.

Exhibit Nos.

31.1Certification of Nancy M. Taylor, President and Chief Executive Officer of Tredegar Corporation, pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

31.2Certification of Kevin A. O'Leary, Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) of Tredegar Corporation, pursuant to Rules 13a-14(a) and 15d-14(a) promulgated under the Securities Exchange Act of 1934, as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.

32.1Certification of Nancy M. Taylor, President and Chief Executive Officer (Principal Executive Officer) of Tredegar Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

32.2Certification of Kevin A. O'Leary, Vice President, Chief Financial Officer and Treasurer (Principal Financial Officer) of Tredegar Corporation, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002.

SIGNATURES

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

Tredegar Corporation
(Registrant)

Date: August 4, 2010

/s/ Nancy M. Taylor
Nancy M. Taylor
President and Chief Executive Officer
(Principal Executive Officer)

Date: August 4, 2010

/s/ Kevin A. O’Leary
Kevin A. O’Leary
Vice President, Chief Financial Officer
and
Treasurer
(Principal Financial Officer)

Date: August 4, 2010

/s/ Frasier W. Brickhouse, II
Frasier W. Brickhouse, II
Controller
(Principal Accounting Officer)