

Rock-Tenn CO
Form 10-Q
February 05, 2010
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

Form 10-Q

Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended December 31, 2009

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 1-12613

Rock-Tenn Company

(Exact Name of Registrant as Specified in Its Charter)

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Georgia
(State or Other Jurisdiction of
Incorporation or Organization)

62-0342590
(I.R.S. Employer
Identification No.)

504 Thrasher Street, Norcross, Georgia
(Address of Principal Executive Offices)

30071
(Zip Code)

Registrant's Telephone Number, Including Area Code: (770) 448-2193

N/A

(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.)

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 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 during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes No

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

Large accelerated filer

Accelerated filer

Non-accelerated filer (Do not check if 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

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class
Class A Common Stock, \$0.01 par value

Outstanding as of January 29, 2010
38,813,968

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ROCK-TENN COMPANY

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Table of Contents**PART I: FINANCIAL INFORMATION****Item 1. FINANCIAL STATEMENTS (UNAUDITED)****ROCK-TENN COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF INCOME****(Unaudited)****(In Millions, Except Per Share Data)**

	Three Months Ended December 31,	
	2009	2008
Net sales	\$ 690.8	\$ 703.1
Cost of goods sold (net of alternative fuel tax credit of \$20.7 and \$0)	512.3	538.3
Gross profit	178.5	164.8
Selling, general and administrative expenses	80.0	81.5
Restructuring and other costs, net	3.0	6.5
Operating profit	95.5	76.8
Interest expense	(21.5)	(26.4)
Gain (loss) on extinguishment of debt and related items	0.5	(2.4)
Interest income and other income, net	0.2	0.4
Equity in income (loss) of unconsolidated entities	0.2	(0.4)
Income before income taxes	74.9	48.0
Income tax expense	(17.3)	(16.7)
Consolidated net income	57.6	31.3
Less: Net income attributable to noncontrolling interests	(1.3)	(0.7)
Net income attributable to Rock-Tenn Company shareholders	\$ 56.3	\$ 30.6
Basic earnings per share attributable to Rock-Tenn Company shareholders	\$ 1.45	\$ 0.80
Diluted earnings per share attributable to Rock-Tenn Company shareholders	\$ 1.43	\$ 0.79
Cash dividends paid per common share	\$ 0.15	\$ 0.10

See Accompanying Notes to Condensed Consolidated Financial Statements

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ROCK-TENN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS

(Unaudited)

(In Millions, Except Share Data)

	December 31, 2009	September 30, 2009
ASSETS		
Current Assets:		
Cash and cash equivalents	\$ 14.1	\$ 11.8
Accounts receivable (net of allowances of \$8.9 and \$8.8)	264.9	305.5
Inventories	266.7	275.1
Other current assets	79.6	65.9
Total current assets	625.3	658.3
Property, plant and equipment at cost:		
Land and buildings	417.2	413.8
Machinery and equipment	1,865.4	1,857.1
Transportation equipment	13.8	13.5
Leasehold improvements	5.3	5.4
	2,301.7	2,289.8
Less accumulated depreciation and amortization	(1,048.2)	(1,013.7)
Net property, plant and equipment	1,253.5	1,276.1
Goodwill	737.3	736.4
Intangibles, net	148.3	151.3
Investment in unconsolidated entities	23.8	23.8
Other assets	36.4	38.5
	\$ 2,824.6	\$ 2,884.4

LIABILITIES AND EQUITY

Current liabilities:		
Current portion of debt	\$ 63.3	\$ 56.3
Accounts payable	203.3	233.9
Accrued compensation and benefits	59.7	88.0
Other current liabilities	70.5	71.1
Total current liabilities	396.8	449.3
Long-term debt due after one year	1,203.2	1,289.3
Hedge adjustments resulting from terminated fair value interest rate derivatives or swaps	3.1	3.8
Total long-term debt	1,206.3	1,293.1
Accrued pension and other long-term benefits	164.2	161.5

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Deferred income taxes	160.9	149.2
Other long-term liabilities	39.0	36.7
Commitments and contingencies (Note 13)		
Redeemable noncontrolling interests	7.1	11.5
Equity:		
Preferred stock, \$0.01 par value; 50,000,000 shares authorized; no shares outstanding		
Class A common stock, \$0.01 par value; 175,000,000 shares authorized; 38,789,506 and 38,707,695 shares outstanding at December 31, 2009 and September 30, 2009, respectively	0.4	0.4
Capital in excess of par value	271.8	264.5
Retained earnings	669.1	620.3
Accumulated other comprehensive loss	(97.9)	(108.4)
Total Rock-Tenn Company shareholders' equity	843.4	776.8
Noncontrolling interests	6.9	6.3
Total equity	850.3	783.1
	\$ 2,824.6	\$ 2,884.4

See Accompanying Notes to Condensed Consolidated Financial Statements

Table of Contents**ROCK-TENN COMPANY****CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS****(Unaudited)****(In Millions)**

	Three Months Ended December 31,	
	2009	2008
Operating activities:		
Consolidated net income	\$ 57.6	\$ 31.3
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation and amortization	37.5	37.9
Deferred income tax expense	3.0	7.7
Share-based compensation expense	3.5	2.1
(Gain) loss on extinguishment of debt and related items	(0.5)	2.4
Gain on disposal of plant, equipment and other, net	(0.1)	(0.4)
Equity in (income) loss of unconsolidated entities	(0.2)	0.4
Pension funding less than expense	7.5	2.3
Alternative fuel tax credit benefit	(20.9)	
Impairment adjustments and other non-cash items	2.2	(0.7)
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	41.5	29.4
Inventories	9.2	(13.8)
Other assets	(0.4)	(0.4)
Accounts payable	(30.9)	(33.7)
Income taxes payable	9.1	5.8
Accrued liabilities and other	(22.5)	(18.3)
Net cash provided by operating activities	95.6	52.0
Investing activities:		
Capital expenditures	(12.3)	(14.2)
Investment in unconsolidated entities	(0.1)	(0.5)
Return of capital from unconsolidated entities	0.2	3.5
Proceeds from sale of property, plant and equipment	2.3	0.5
Net cash used for investing activities	(9.9)	(10.7)
Financing activities:		
Additions to revolving credit facilities	16.1	143.7
Repayments of revolving credit facilities	(7.5)	(41.8)
Additions to debt	2.3	74.0
Repayments of debt	(89.9)	(265.8)
Debt issuance costs	(0.1)	(0.4)
Cash paid for debt extinguishment costs		(2.4)
Restricted cash and investments		19.2
Issuances of common stock, net of related minimum tax withholdings	0.9	0.7
Excess tax benefits from share-based compensation	1.2	
Advances from (repayments to) unconsolidated entity	0.2	(5.3)
Cash dividends paid to shareholders	(5.8)	(3.8)
Cash distributions paid to noncontrolling interest	(0.9)	

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Net cash used for financing activities	(83.5)	(81.9)
Effect of exchange rate changes on cash and cash equivalents	0.1	0.5
Increase (decrease) in cash and cash equivalents	2.3	(40.1)
Cash and cash equivalents at beginning of period	11.8	52.8
Cash and cash equivalents at end of period	\$ 14.1	\$ 12.7
Supplemental disclosure of cash flow information:		
Cash paid during the period for:		
Income taxes, net of refunds	\$ 2.4	\$ 2.3
Interest, net of amounts capitalized	10.8	19.2

See Accompanying Notes to Condensed Consolidated Financial Statements

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ROCK-TENN COMPANY

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

For the Three Month Period Ended December 31, 2009

(Unaudited)

Unless the context otherwise requires, we , us , our , RockTenn and the Company refer to the business of Rock-Tenn Company, its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries. Our references to the business of Rock-Tenn Company do not include entities that we do not consolidate but account for using the equity method.

We are primarily a manufacturer of packaging products, recycled paperboard, containerboard, bleached paperboard and merchandising displays.

Note 1. Interim Financial Statements

Our independent public accounting firm has not audited our accompanying interim financial statements. We derived the Condensed Consolidated Balance Sheet at September 30, 2009 from the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2009 (the **Fiscal 2009 Form 10-K**). In the opinion of our management, the Condensed Consolidated Financial Statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of our results of operations for the three months ended December 31, 2009 and 2008, our financial position at December 31, 2009 and September 30, 2009, and our cash flows for the three months ended December 31, 2009 and 2008.

We have condensed or omitted certain notes and other information from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these interim statements should be read in conjunction with our Fiscal 2009 Form 10-K.

The results for the three months ended December 31, 2009 are not necessarily indicative of results that may be expected for the full year.

Note 2. New Accounting Standards

Recently Adopted Standards

In June 2008, the Financial Accounting Standards Board (**FASB**) issued certain provisions of Accounting Standards Codification (**ASC**) 260, *Earnings per Share* , which state that unvested share-based payment awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are to be included in the computation of earnings per share under the two-class method as described in ASC 260. These provisions were effective for fiscal years beginning after December 15, 2008 (October 1, 2009 for us) with early adoption prohibited. These provisions require all presented prior-period earnings per share data to be adjusted. We adopted ASC 260, as of October 1, 2009. See **Note 4. Earnings per Share** to our Condensed Consolidated Financial Statements.

In December 2007, the FASB issued ASC 805, *Business Combinations* . ASC 805 expands the definition of a business combination and requires the fair value of the purchase price of an acquisition, including the issuance of equity securities, to be determined on the acquisition date. ASC 805 also requires that all assets, liabilities, contingent considerations, and, under certain circumstances, contingencies of an acquired business be recorded at fair value at the acquisition date. In addition, ASC 805 requires that acquisition costs generally be expensed as incurred, restructuring costs generally be expensed in periods subsequent to the acquisition date, and changes in deferred tax asset valuation allowances and acquired income tax uncertainties after the measurement period impact income tax expense. ASC 805 was effective for fiscal years beginning after December 15, 2008 (October 1, 2009 for us) with early adoption prohibited. We adopted ASC 260 as of October 1, 2009. The effect the implementation of ASC 805 will have on our consolidated financial statements will depend upon the facts and circumstances of future acquisitions.

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Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)

In December 2007, the FASB issued certain provisions of ASC 810, *Consolidation*, which change the accounting and reporting for minority interests such that minority interests generally are recharacterized as noncontrolling interests and are required to be reported as a component of equity, unless such interests are subject to redemption outside the control of Rock-Tenn Company. Additionally, ASC 810 requires that purchases or sales of subsidiaries' equity interests that do not result in a change in control be accounted for as equity transactions and, upon a loss of control, requires the interest sold, as well as any interest retained, to be recorded at fair value with any gain or loss recognized in earnings. These provisions were effective for fiscal years beginning on or after December 15, 2008 (October 1, 2009 for us) with early adoption prohibited. We adopted ASC 810 as of October 1, 2009 and have revised our Condensed Consolidated Financial Statements and related Notes accordingly.

In February 2008, the FASB amended certain provisions of ASC 820, *Fair Value Measurements and Disclosures* that deferred the effective date of ASC 820 for all non-financial assets and non-financial liabilities, except those that are recognized or disclosed at fair value in the financial statements on a recurring basis (that is, at least annually), until fiscal years beginning after November 15, 2008 (October 1, 2009 for us). We adopted the specific provisions related to nonrecurring non-financial assets and non-financial liabilities as of October 1, 2009. The adoption of these provisions did not have a material effect on our consolidated financial statements.

Recently Issued Standards

In June 2009, the FASB issued certain provisions of ASC 860 *Transfers and Servicing*. These provisions require additional disclosures about the transfer and derecognition of financial assets and eliminates the concept of qualifying special-purpose entities. These provisions are effective for fiscal years beginning after November 15, 2009 (October 1, 2010 for us). We are currently evaluating the effect of adopting these provisions of ASC 860 on our consolidated financial statements.

In June 2009, the FASB issued certain provisions of ASC 810 which revises the approach to determining the primary beneficiary of a variable interest entity to be more qualitative in nature and requires companies to more frequently reassess whether they must consolidate a variable interest entity. These provisions are effective for fiscal years beginning after November 15, 2009 (October 1, 2010 for us), for interim periods within that first annual reporting period and for interim and annual reporting periods thereafter. We are currently evaluating the effect of these provisions of ASC 810 on our consolidated financial statements.

Table of Contents**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note 3. Equity and Comprehensive Income**

The following is a summary of the changes in total equity for the three months ended December 31, 2009 (in millions):

	Rock-Tenn Company Shareholders Equity	Noncontrolling Interests ⁽¹⁾	Total Equity
Balance at September 30, 2009	\$ 776.8	\$ 6.3	\$ 783.1
Net income	56.3	0.4	56.7
Components of other comprehensive income, net of tax:			
Foreign currency translation gain	3.3	0.2	3.5
Net deferred loss on cash flow hedges	(0.4)		(0.4)
Reclassification adjustment of net loss on cash flow hedges derivatives included in earnings	1.8		1.8
Amortization of net actuarial loss	2.8		2.8
Amortization of prior service cost	0.1		0.1
Income tax benefit from share-based plans	1.2		1.2
Compensation expense under share-based plans	3.5		3.5
Cash dividends (per share - \$0.15)	(5.8)		(5.8)
Issuance of Class A common stock, net of stock received for minimum tax withholdings	0.9		0.9
Other equity adjustments	2.9		2.9
Balance at December 31, 2009	\$ 843.4	\$ 6.9	\$ 850.3

(1) Excludes amounts related to contingently redeemable noncontrolling interests which are separately classified outside of permanent equity in the mezzanine section of the Condensed Consolidated Balance Sheets.

The following are the components of comprehensive income, net of tax (in millions):

	Three Months Ended December 31,	
	2009	2008
Consolidated net income	\$ 57.6	\$ 31.3
Foreign currency translation gain (loss)	3.7	(21.7)
Net deferred loss on cash flow hedges	(0.4)	(13.3)
Reclassification adjustment of net loss (gain) on cash flow hedges included in earnings	1.8	(0.1)
Amortization of net actuarial loss	2.9	1.0
Amortization of prior service cost	0.1	0.1
Other comprehensive income adjustments	(1.7)	
Comprehensive income	64.0	(2.7)
Less: Comprehensive loss attributable to noncontrolling interests	2.8	1.3
Comprehensive income attributable to Rock-Tenn Company shareholders	\$ 66.8	\$ (1.4)

The net of tax components of comprehensive income were determined using effective tax rates of approximately 39% for the three month periods ended December 31, 2009 and 2008. The change in other comprehensive income due to foreign currency translation was primarily due to the change in the Canadian/U.S. dollar exchange rates.

Note 4. Earnings per Share

Effective October 1, 2009, we adopted certain provisions of ASC 260 which clarify that share-based payment awards that entitle their holders to receive nonforfeitable dividends or dividend equivalents before vesting should be considered participating securities. Certain of our restricted stock awards granted are considered participating securities as they received non-forfeitable rights to dividends at the same rate as common stock. As participating securities, we include these instruments in the earnings allocation in computing earnings per share (**EPS**) under the two-class method described in ASC 260. Prior to adoption of these provisions, restricted stock was included in our diluted EPS calculation using the treasury stock method. The dilutive effect of participating securities is now reflected in diluted EPS by application of the more dilutive of the treasury stock method or the two-class method. Pursuant to ASC 260, all prior period EPS data were adjusted retrospectively. The impact of adopting ASC 260 for

Table of Contents**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

the period ended December 31, 2008 decreased previously reported basic EPS by \$0.01 and had no impact on diluted EPS.

The following table sets forth the computation of basic and diluted earnings per share under the two-class method (in millions, except per share data):

	Three Months Ended December 31,	
	2009	2008
Basic earnings per share:		
Numerator:		
Net income attributable to Rock-Tenn Company shareholders	\$ 56.3	\$ 30.6
Less: Distributed and undistributed income available to participating securities	(0.7)	(0.5)
Distributed and undistributed income available to Rock-Tenn Company common shareholders	\$ 55.6	\$ 30.1
Denominator:		
Basic weighted average shares outstanding	38.2	37.7
Basic earnings per share	\$ 1.45	\$ 0.80
Diluted earnings per share:		
Numerator:		
Net income attributable to Rock-Tenn Company shareholders	\$ 56.3	\$ 30.6
Less: Distributed and undistributed income available to participating securities	(0.7)	(0.4)
Distributed and undistributed income available to Rock-Tenn Company common shareholders	\$ 55.6	\$ 30.2
Denominator:		
Basic weighted average shares outstanding	38.2	37.7
Effect of dilutive stock options and non-participating securities	0.7	0.5
Diluted weighted average shares outstanding	38.9	38.2
Diluted earnings per share	\$ 1.43	\$ 0.79

Options to purchase 0.5 million common shares were not included in computing diluted earnings per share in the three months ended December 31, 2008 because the effect would have been antidilutive.

Note 5. Alternative Fuel Tax Credit

In April 2009, we received notification from the Internal Revenue Service that our registration as an alternative fuel mixer had been approved. As a result, we are eligible for a tax credit equal to \$0.50 per gallon of alternative fuel used at our Demopolis, Alabama bleached paperboard mill from January 22, 2009 through the December 31, 2009 expiration of the tax credit. The alternative fuel eligible for the tax credit is liquid fuel derived from biomass. We recognized approximately \$20.9 million of an alternative fuel tax credit, which is not taxable for federal or state income tax purposes, and reduced cost of goods sold in our Consumer Packaging segment by \$20.7 million, net of expenses, in the three months

ended December 31, 2009.

Table of Contents**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)****Note 6. Restructuring and Other Costs, Net****Summary of Restructuring and Other Initiatives**

We recorded pre-tax restructuring and other costs, net, of \$3.0 million and \$6.5 million for the three months ended December 31, 2009 and 2008, respectively. These amounts are not comparable since the timing and scope of the individual actions associated with a restructuring can vary. We discuss these charges in more detail below.

The following table presents a summary of restructuring and other charges, net, related to active restructuring initiatives incurred during the three months ended December 31, 2009 and 2008, the cumulative recorded amount since we announced each initiative, and the total we expect to incur (in millions):

Summary of Restructuring and Other Costs, Net

Segment	Period	Net Property, Plant and Equipment ⁽¹⁾	Severance and Other Employee Related Costs	Equipment and Inventory Relocation Costs	Facility Carrying Costs	Other Costs	Total	
Consumer Packaging ^(a)	Current Qtr.	\$	\$ 0.1	\$	\$	\$	\$ 0.1	
	Prior Year Qtr.		0.1	0.1	0.4	1.2	1.8	
	Cumulative		1.8	2.9	1.6	0.3	2.8	9.4
	Expected Total		1.8	2.9	1.6	0.3	2.8	9.4
Corrugated Packaging ^(b)	Current Qtr.							
	Prior Year Qtr.			0.1			0.1	
	Cumulative		3.2	0.2	0.4	0.1	1.4	5.3
	Expected Total		3.2	0.2	0.4	0.1	1.4	5.3
Specialty Paperboard Products ^(c)	Current Qtr.		1.9	0.8			0.2	2.9
	Prior Year Qtr.							
	Cumulative		2.4	1.3	0.1	0.2	0.4	4.4
	Expected Total		2.4	1.5	0.2	0.5	0.6	5.2
Other ^(d)	Current Qtr.							
	Prior Year Qtr.					4.6	4.6	
	Cumulative			0.1			16.4	16.5
	Expected Total			0.1			16.5	16.6
Total	Current Qtr.	\$	1.9	\$ 0.9	\$	\$	\$ 0.2	\$ 3.0
	Prior Year Qtr.	\$	0.1	\$ 0.1	\$ 0.5	\$	\$ 5.8	\$ 6.5
	Cumulative	\$	7.4	\$ 4.5	\$ 2.1	\$ 0.6	\$ 21.0	\$ 35.6
	Expected Total	\$	7.4	\$ 4.7	\$ 2.2	\$ 0.9	\$ 21.3	\$ 36.5

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- (1) For this Note 6, we have defined **Net property, plant and equipment** as: property, plant and equipment impairment losses, subsequent adjustments to fair value for assets classified as held for sale, and subsequent (gains) or losses on sales of property, plant and equipment and related parts and supplies.

When we close a facility, if necessary, we recognize an impairment charge primarily to reduce the carrying value of equipment or other property to their estimated fair value less cost to sell, and record charges for severance and other employee related costs. Any subsequent change in fair value, less cost to sell, prior to disposition is recognized as identified; however, no gain is recognized in excess of the cumulative loss previously recorded. At the time of each announced closure, we generally expect to record future charges for equipment relocation, facility carrying costs, costs to terminate a lease or contract before the end of its term and other employee related costs. Expected future charges are reflected in the table above in the Expected Total lines until incurred.

- (a) The Consumer Packaging segment charges primarily reflect the following folding carton plant closures recorded: Baltimore, Maryland (announced in fiscal 2008 and closed in fiscal 2009), Chicopee, Massachusetts (announced and closed in fiscal 2008) and Stone Mountain, Georgia (announced and closed in fiscal 2007). Although specific circumstances vary, our strategy has generally been to consolidate our business into large well-equipped plants

Table of Contents**Notes to Condensed Consolidated Financial Statements (Unaudited) (Continued)**

that operate at high utilization rates and take advantage of available capacity created by operational excellence initiatives. Therefore, we transferred a substantial portion of each plant's assets and production to our other folding carton plants. We believe these actions have allowed us to more effectively manage our business. The expenses in the "Other Costs" column in the prior year quarter, cumulative and expected cost rows primarily reflect the estimated fair value of the liability for future lease payments at our closed leased facilities.

- (b) The Corrugated Packaging segment charges primarily reflect the closure of our Greenville, South Carolina sheet plant (announced in fiscal 2008 and closed in fiscal 2009) and the fiscal 2009 impairment of certain assets at one of our consolidated corrugated graphics subsidiaries, including a \$1.0 million charge included in "Other Costs" column in the cumulative row for a customer relationship intangible. We have transferred a substantial portion of Greenville's production to our other corrugated plants.
- (c) The Specialty Paperboard Products segment charges primarily reflect the pending fiscal 2010 closure of our Columbus, Indiana laminated paperboard converting operation and Macon, Georgia drum manufacturing operation and closure of our Litchfield, Illinois interior packaging plant (announced and closed in fiscal 2009).
- (d) The expenses in the "Other Costs" column primarily reflect integration and deferred compensation expenses. The prior year quarter reflects \$2.5 million of Southern Container integration expenses and \$2.1 million of deferred compensation expense for key Southern Container employees. The deferred compensation and retention bonus expense was funded through a purchase price reduction from Southern Container's stockholders. Nearly all of these funds were escrowed and were disbursed in March 2009 following the one year anniversary of the acquisition.

The following table represents a summary of the changes in the restructuring accrual, which is primarily composed of accrued severance and other employee costs, and a reconciliation of the restructuring accrual to the line item **Restructuring and other costs, net** on our Condensed Consolidated Statements of Income for the three months ended December 31, 2009 and 2008 (in millions):

	2009	2008
Accrual at beginning of fiscal year	\$ 1.1	\$ 3.4