

RPC INC
Form 10-Q
May 01, 2013

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 March 31, 2013

Commission File No. 1-8726

RPC, INC.

(Exact name of registrant as specified in its charter)

Delaware
(State or other jurisdiction of incorporation or
organization)

58-1550825
(I.R.S. Employer Identification Number)

2801 Buford Highway, Suite 520, Atlanta, Georgia 30329
(Address of principal executive offices) (zip code)

Registrant's telephone number, including area code -- (404) 321-2140

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 (§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 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 definitions of "large accelerated filer," "accelerated filer," and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer <input checked="" type="checkbox"/>	Accelerated filer <input type="checkbox"/>
Non-accelerated filer <input type="checkbox"/> (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

As of April 19, 2013, RPC, Inc. had 220,559,230 shares of common stock outstanding.

RPC, INC. AND SUBSIDIARIES
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RPC, INC. AND SUBSIDIARIES
PART I. FINANCIAL INFORMATION
ITEM 1. FINANCIAL STATEMENTS

CONSOLIDATED BALANCE SHEETS
AS OF MARCH 31, 2013 AND DECEMBER 31, 2012
(In thousands)
(Unaudited)

	March 31, 2013	December 31, 2012 (Note 1)
ASSETS		
Cash and cash equivalents	\$10,283	\$14,163
Accounts receivable, net	375,126	387,530
Inventories	132,682	140,867
Deferred income taxes	5,952	5,777
Income taxes receivable	11,996	4,234
Prepaid expenses	10,516	10,762
Other current assets	4,110	4,494
Total current assets	550,665	567,827
Property, plant and equipment, net	758,587	756,326
Goodwill	24,093	24,093
Other assets	19,231	18,917
Total assets	\$1,352,576	\$1,367,163
LIABILITIES AND STOCKHOLDERS' EQUITY		
Accounts payable	\$122,797	\$109,846
Accrued payroll and related expenses	24,976	32,053
Accrued insurance expenses	6,404	6,152
Accrued state, local and other taxes	5,026	7,326
Income taxes payable	777	6,428
Other accrued expenses	1,397	2,706
Total current liabilities	161,377	164,511
Long-term accrued insurance expenses	10,714	10,400
Notes payable to banks	87,600	107,000
Long-term pension liabilities	27,798	26,543
Deferred income taxes	150,210	155,007
Other long-term liabilities	2,388	4,470
Total liabilities	440,087	467,931
Common stock	22,056	22,014
Retained earnings	904,860	891,464
Accumulated other comprehensive loss	(14,427)	(14,246)
Total stockholders' equity	912,489	899,232
Total liabilities and stockholders' equity	\$1,352,576	\$1,367,163

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

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(In thousands except per share data)

(Unaudited)

	Three months ended March 31,	
	2013	2012
Revenues	\$425,821	\$502,557
Cost of revenues	268,227	273,799
Selling, general and administrative expenses	44,914	44,927
Depreciation and amortization	52,821	51,570
Loss on disposition of assets, net	2,640	1,404
Operating profit	57,219	130,857
Interest expense	(340)	(596)
Interest income	5	5
Other income, net	555	920
Income before income taxes	57,439	131,186
Income tax provision	22,363	50,431
Net income	\$35,076	\$80,755
Earnings per share		
Basic	\$0.16	\$0.37
Diluted	\$0.16	\$0.37
Dividends per share	\$0.10	\$0.08
Average shares outstanding		
Basic	216,194	215,620
Diluted	217,525	217,350

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

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2013	2012
Net income	\$35,076	\$80,755
Other comprehensive income (loss), net of taxes:		
Pension adjustment	124	106
Foreign currency translation	(244)) 101
Unrealized loss on securities and reclassification adjustments	(61)) (5)
Comprehensive income	\$34,895	\$80,957

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

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
FOR THE THREE MONTHS ENDED MARCH 31, 2013

(In thousands)

(Unaudited)

	Common Stock		Capital in	Retained	Accumulated	
	Shares	Amount	Excess of	Earnings	Other	Total
			Par Value		Comprehensive	
					Loss	
Balance, December 31, 2012	220,144	\$22,014	\$—	\$891,464	\$ (14,246)	\$899,232
Stock issued for stock incentive plans, net	761	76	1,695	335	—	2,106
Stock purchased and retired	(346)	(34)	(4,927)	—	—	(4,961)
Net income	—	—	—	35,076	—	35,076
Pension adjustment, net of taxes	—	—	—	—	124	124
Foreign currency translation, net of taxes	—	—	—	—	(244)	(244)
Unrealized loss on securities, net of taxes	—	—	—	—	(61)	(61)
Dividends declared	—	—	—	(22,015)	—	(22,015)
Excess tax benefits for share- based payments	—	—	3,232	—	—	3,232
Balance, March 31, 2013	220,559	\$22,056	\$—	\$904,860	\$ (14,427)	\$912,489

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

RPC, INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
FOR THE THREE MONTHS ENDED MARCH 31, 2013 AND 2012

(In thousands)

(Unaudited)

	Three months ended March 31,	
	2013	2012
OPERATING ACTIVITIES		
Net income	\$35,076	\$80,755
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation, amortization and other non-cash charges	53,572	51,605
Stock-based compensation expense	2,105	1,901
Loss on disposition of assets, net	2,640	1,404
Deferred income tax provision	(5,009)	(11,290)
Excess tax benefits for share-based payments	(3,232)	(2,067)
(Increase) decrease in assets:		
Accounts receivable	12,325	35,600
Income taxes receivable	(4,530)	12,311
Inventories	8,017	(11,291)
Prepaid expenses	246	1,153
Other current assets	234	578
Other non-current assets	(324)	(4,197)
Increase (decrease) in liabilities:		
Accounts payable	4,578	12,583
Income taxes payable	(5,651)	24,698
Accrued payroll and related expenses	(7,077)	(6,929)
Accrued insurance expenses	252	394
Accrued state, local and other taxes	(2,300)	635
Other accrued expenses	(1,296)	(908)
Pension liabilities	1,451	(2,027)
Long-term accrued insurance expenses	314	254
Other non-current liabilities	(2,082)	(1,542)
Net cash provided by operating activities	89,309	183,620
INVESTING ACTIVITIES		
Capital expenditures	(53,040)	(121,408)
Proceeds from sale of assets	2,995	3,680
Net cash used for investing activities	(50,045)	(117,728)
FINANCING ACTIVITIES		
Payment of dividends	(22,015)	(17,571)
Borrowings from notes payable to banks	227,600	282,100
Repayments of notes payable to banks	(247,000)	(304,600)
Excess tax benefits for share-based payments	3,232	2,067
Cash paid for common stock purchased and retired	(4,961)	(29,675)
Proceeds received upon exercise of stock options	—	128

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Net cash used for financing activities	(43,144)	(67,551)
Net decrease in cash and cash equivalents	(3,880)	(1,659)
Cash and cash equivalents at beginning of period	14,163	7,393
Cash and cash equivalents at end of period	\$10,283	\$5,734
Supplemental cash flows disclosure:		
Interest paid, net of amount capitalized	\$26	\$357
Income taxes paid, net	\$37,591	\$24,879
Supplemental disclosure of noncash investing activities:		
Capital expenditures included in accounts payable	\$32,812	\$29,468

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

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

1. GENERAL

The accompanying unaudited consolidated financial statements include the accounts of RPC, Inc. and its wholly-owned subsidiaries (“RPC” or the “Company”) and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. These consolidated financial statements have been prepared in accordance with the Financial Accounting Standards Board (FASB) Accounting Standards Codification (ASC) Topic 810, “Consolidation” and Rule 3A-02(a) of Regulation S-X. In accordance with ASC Topic 810 and Rule 3A-02 (a) of Regulation S-X, the Company’s policy is to consolidate all subsidiaries and investees where it has voting control.

In the opinion of management, all adjustments (all of which consisted of normal recurring accruals) considered necessary for a fair presentation have been included. Operating results for the three months ended March 31, 2013 are not necessarily indicative of the results that may be expected for the year ending December 31, 2013.

The balance sheet at December 31, 2012 has been derived from the audited financial statements at that date but does not include all of the information and footnotes required by accounting principles generally accepted in the United States of America for complete financial statements. For further information, refer to the consolidated financial statements and footnotes thereto included in the Company’s annual report on Form 10-K for the year ended December 31, 2012.

A group that includes the Company’s Chairman of the Board, R. Randall Rollins, and his brother Gary W. Rollins, who is also a director of the Company, and certain companies under their control, controls in excess of fifty percent of the Company’s voting power.

2. REVENUES

RPC’s revenues are generated principally from providing services and the related equipment. Revenues are recognized when the services are rendered and collectability is reasonably assured. Revenues from services and equipment are based on fixed or determinable priced purchase orders or contracts with the customer and do not include the right of return. Rates for services and equipment are priced on a per day, per unit of measure, per man hour or similar basis. Sales tax charged to customers is presented on a net basis within the consolidated statement of operations and excluded from revenues.

3. RECENT ACCOUNTING PRONOUNCEMENTS

During 2013, the Financial Accounting Standards Board (FASB) issued the following applicable Accounting Standards Updates (ASU):

Recently Adopted Accounting Pronouncements:

Accounting Standards Update 2013-02, Comprehensive Income (Topic 220): Reporting of Amounts Reclassified Out of Accumulated Other Comprehensive Income. The amendments in this ASU do not change the current requirements for reporting net income or other comprehensive income in financial statements. All of the information that this ASU requires already is required to be disclosed elsewhere in the financial statements under U.S. GAAP. In addition, an

entity is required to present (either on the face of the statement where net income is presented or in the notes) the effects on the line items of net income of significant amounts reclassified out of accumulated other comprehensive income - but only if the item reclassified is required under U.S. GAAP to be reclassified to net income in its entirety in the same reporting period. The Company adopted these provisions in the first quarter of 2013 and has included the required additional disclosures in the accompanying financial statements and notes.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Accounting Standards Update 2011-11, Balance Sheet (Topic 210): Disclosures about Offsetting Assets and Liabilities. The amendments to the Codification in this ASU are part of an ongoing effort to bring congruence between U.S. GAAP and International Financial Reporting Standards. The amendments in this ASU require an entity to disclose information about derivatives that are subject to a legally enforceable netting arrangement with the same party where rights of set-off are only available in the event of default or bankruptcy and can be presented as a single net amount in the statement of financial position. The Company adopted these provisions in the first quarter of 2013 and the adoption did not have a material impact on the Company's consolidated financial statements.

Recently Issued Accounting Pronouncements Not Yet Adopted:

Accounting Standards Update 2013-05, Foreign Currency Matters (Topic 830): Parent's Accounting for the Cumulative Translation Adjustment upon Derecognition of Certain Subsidiaries or Groups of Assets within a Foreign Entity or of an Investment in a Foreign Entity. The amendments in this ASU requires that when a reporting entity (parent) ceases to have a controlling financial interest in a subsidiary or group of assets within a foreign entity, the parent should release the cumulative translation adjustment into net income only if the sale or transfer results in the complete or substantially complete liquidation of the foreign entity in which the subsidiary or group of assets had resided. Additionally, the amendments in this ASU clarify that the sale of an investment in a foreign entity includes both: (1) events that result in the loss of a controlling financial interest in a foreign entity; and (2) events that result in an acquirer obtaining control of an acquiree in which it held an equity interest immediately before the acquisition date. Upon the occurrence of those events, the cumulative translation adjustment should be released into net income. The amendments in this ASU are effective prospectively for fiscal years beginning after December 15, 2013 and for interim reporting periods within those years, with early adoption being permitted. The Company plans to adopt these provisions in the first quarter of 2014 and does not expect the adoption to have a material impact on the Company's consolidated financial statements.

4. EARNINGS PER SHARE

Basic and diluted earnings per share are computed by dividing net income by the weighted average number of shares outstanding during the respective periods. The basic and diluted calculations differ as a result of the dilutive effect of stock options and time lapse restricted shares included in diluted earnings per share, but excluded from basic earnings per share. In addition, the Company has periodically issued share-based payment awards that contain non-forfeitable rights to dividends and are therefore considered participating securities.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

A reconciliation of weighted average shares outstanding is as follows:

(In thousands except per share data)	Three months ended	
	March 31,	
	2013	2012
Net income available for stockholders:	\$ 35,076	\$ 80,755
Less: Dividends paid	(22,015)	(17,571)
Undistributed earnings	\$ 13,061	\$ 63,184
Basic shares outstanding:		
Common stock	211,873	211,079
Restricted shares of common stock	4,321	4,541
	216,194	215,620
Diluted shares outstanding:		
Common stock	211,873	211,079
Dilutive effect of stock based awards	1,331	1,730
	213,204	212,809
Restricted shares of common stock	4,321	4,541
	217,525	217,350

Earnings Per Share (EPS) under the two-class method generated a reduction of \$0.01 in the reported basic EPS of the restricted shares of common stock for the three months ended March 31, 2013 and 2012.

5. STOCK-BASED COMPENSATION

The Company reserved 11,390,625 shares of common stock under its 2004 Stock Incentive Plan which expires ten years from the date of approval. This plan provides for the issuance of various forms of stock incentives, including, among others, incentive and non-qualified stock options and restricted stock. As of March 31, 2013, there were approximately 1,294,000 shares available for grants.

Stock-based employee compensation expense was as follows for the periods indicated:

(in thousands)	Three months ended	
	March 31,	
	2013	2012
Pre-tax expense	\$ 2,105	1,901
After tax expense	\$ 1,337	1,207

Stock Options

There were no stock options exercised during 2013 and there are no stock options outstanding as of March 31, 2013. The total intrinsic value of stock options exercised was approximately \$835,000 during the three months ended March 31, 2012.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Restricted Stock

The following is a summary of the changes in non-vested restricted shares for the three months ended March 31, 2013:

	Shares	Weighted Average Grant-Date Fair Value
Non-vested shares at December 31, 2012	4,494,191	\$ 8.12
Granted	852,000	13.68
Vested	(1,078,534)	6.36
Forfeited	(91,057)	9.54
Non-vested shares at March 31, 2013	4,176,600	\$ 9.67

The total fair value of shares vested during the three months ended March 31, 2013 was approximately \$15,471,000 and during the three months ended March 31, 2012 was approximately \$10,695,000. Tax benefits for compensation tax deductions in excess of compensation expense for restricted stock totaled approximately \$3,232,000 for the three months ended March 31, 2013 and \$2,067,000 for the three months ended March 31, 2012 and were credited to capital in excess of par value and classified as financing cash flows.

As of March 31, 2013, total unrecognized compensation cost related to non-vested restricted shares was approximately \$40,685,000 which is expected to be recognized over a weighted-average period of 3.9 years.

6. BUSINESS SEGMENT INFORMATION

RPC's service lines have been aggregated into two reportable oil and gas services segments, Technical Services and Support Services, because of the similarities between the financial performance and approach to managing the service lines within each of the segments, as well as the economic and business conditions impacting their business activity levels. Corporate includes selected administrative costs incurred by the Company that are not allocated to business units. Gains or losses on disposition of assets are reviewed by the Company's chief decision maker on a consolidated basis, and accordingly the Company does not report gains or losses at the segment level.

Technical Services include RPC's oil and gas service lines that utilize people and equipment to perform value-added completion, production and maintenance services directly to a customer's well. These services include pressure pumping services, snubbing, coiled tubing, nitrogen pumping, well control consulting and firefighting, downhole tools, wireline, and fluid pumping services. These Technical Services are primarily used in the completion, production and maintenance of oil and gas wells. The principal markets for this segment include the United States, including the Gulf of Mexico, the mid-continent, southwest, Rocky Mountain and Appalachian regions, and international locations including primarily Africa, Canada, China, Latin America, the Middle East and New Zealand. Customers include major multi-national and independent oil and gas producers, and selected nationally-owned oil companies.

Support Services include RPC's oil and gas service lines that primarily provide equipment for customer use or services to assist customer operations. The equipment and services include drill pipe and related tools, pipe handling, inspection and storage services and oilfield training services. The demand for these services tends to be influenced

primarily by customer drilling-related activity levels. The principal markets for this segment include the United States, including the Gulf of Mexico and the mid-continent regions, and selected international locations. Customers include domestic operations of major multi-national and independent oil and gas producers, and selected nationally-owned oil companies.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Inter-segment revenues are generally recorded in segment operating results at prices that management believes approximate prices for arm's length transactions and are not material to operating results.

Certain information with respect to RPC's business segments is set forth in the following tables:

(in thousands)	Three months ended March 31,	
	2013	2012
Revenues:		
Technical Services	\$ 394,011	\$ 461,521
Support Services	31,810	41,036
Total revenues	\$ 425,821	\$ 502,557
Operating profit:		
Technical Services	\$ 58,501	\$ 123,531
Support Services	6,258	13,985
Corporate	(4,900)	(5,255)
Loss on disposition of assets, net	(2,640)	(1,404)
Total operating profit	\$ 57,219	\$ 130,857
Interest expense	(340)	(596)
Interest income	5	5
Other income (expense), net	555	920
Income before income taxes	\$ 57,439	\$ 131,186

Three months ended March 31, 2013	Technical Services	Support Services	Corporate	Total
(in thousands)				
Identifiable assets at March 31, 2013	\$ 1,090,511	\$ 194,967	\$67,098	\$1,352,576
Capital expenditures	44,072	8,480	488	53,040
Depreciation and amortization	\$ 44,781	\$ 7,868	\$172	\$52,821

7. INVENTORIES

Inventories of \$132,682,000 at March 31, 2013 and \$140,867,000 at December 31, 2012 consist of raw materials, parts and supplies.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

8. EMPLOYEE BENEFIT PLAN

The following represents the net periodic benefit cost and related components of the Company's multiple employer Retirement Income Plan:

(in thousands)	Three months ended March 31,	
	2013	2012
Service cost	\$-	\$-
Interest cost	435	467
Expected return on plan assets	(510)	(462)
Amortization of net losses	196	167
Net periodic benefit cost	\$121	\$172

Subsequent to March 31, 2013, the Company contributed approximately \$0.8 million to this plan.

The Company permits selected highly compensated employees to defer a portion of their compensation into the non-qualified Supplemental Retirement Plan ("SERP"). The SERP assets are marked to market and totaled \$11,717,000 as of March 31, 2013 and \$11,103,000 as of December 31, 2012. The SERP assets are reported in non-current other assets on the consolidated balance sheet and changes related to the fair value of these assets are recorded in the consolidated statement of operations as part of other (expense) income, net. Trading gains (losses) related to the SERP assets totaled approximately as follows:

(in thousands)	Three months ended March 31,	
	2013	2012
Gains (losses), net	\$614	\$650

The SERP deferrals and the distributions are recorded in pension liabilities with any change in the fair value recorded as compensation cost.

9. NOTES PAYABLE TO BANKS

On August 31, 2010, the Company replaced its \$200 million credit facility with a \$350 million revolving credit facility with Banc of America Securities, LLC, SunTrust Robinson Humphrey, Inc, and Regions Capital Markets as Joint Lead Arrangers and Joint Book Managers, and a syndicate of other lenders. The facility includes a full and unconditional guarantee by the Company's 100% owned domestic subsidiaries whose assets equal substantially all of the consolidated assets of RPC and its subsidiaries. The subsidiaries of the Company that are not guarantors are considered minor.

The facility has a general term of five years and provides for an unsecured line of credit of up to \$350 million, which includes a \$50 million letter of credit subfacility, and a \$25 million swingline subfacility. The maturity date of all

revolving loans under the Credit Agreement is August 31, 2015. The Company has incurred loan origination fees and other debt related costs associated with the facility in the aggregate of approximately \$2.3 million. These costs are being amortized to interest expense over the remaining term of the five year loan, and the net amount is classified as non-current other assets.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

Revolving loans under the Revolving Credit Agreement bear interest at one of the following two rates, at the Company's election:

the Base Rate, which is the highest of Bank of America's "prime rate" for the day of the borrowing, a fluctuating rate per annum equal to the Federal Funds Rate plus 0.50%, and a rate per annum equal to the one (1) month LIBOR rate plus 1.00%; in each case plus a margin that ranges from 0.25% to 1.25% based on a quarterly debt covenant calculation; or

with respect to any Eurodollar borrowings, Adjusted LIBOR (which equals LIBOR as increased to account for the maximum reserve percentages established by the U.S. Federal Reserve) plus a margin ranging from 1.25% to 2.25%, based upon a quarterly debt covenant calculation.

In addition, the Company pays an annual fee ranging from 0.25% to 0.35%, based on a quarterly debt covenant calculation, of the unused portion of the credit facility.

The facility contains customary terms and conditions, including certain financial covenants and restrictions on indebtedness, dividend payments, business combinations and other related items. Further, the facility contains financial covenants limiting the ratio of the Company's consolidated debt-to-EBITDA to no more than 2.5 to 1, and limiting the ratio of the Company's consolidated EBITDA to interest expense to no less than 2 to 1. The Company was in compliance with these covenants for the three months ended March 31, 2013.

At March 31, 2013, the Company had outstanding borrowings of \$87.6 million under the facility, and letters of credit outstanding relating to self-insurance programs and contract bids totaling \$18.0 million; therefore, a total of \$244.4 million of the facility was available.

Interest incurred on the credit facility, interest capitalized related to facilities and equipment under construction, and the related weighted average interest rates were as follows for the periods indicated:

	Three months ended			
	March 31,	2012		
	2013			
(in thousands except interest rate data)				
Interest incurred	\$594	\$923		
Capitalized interest	\$241	\$321		
Weighted average interest rate	3.0	% 2.1		%

10. INCOME TAXES

The Company determines its periodic income tax benefit or expense based upon the current period income and the annual estimated tax rate for the Company adjusted for any change to prior period estimates. The estimated tax rate is revised, if necessary, as of the end of each successive interim period during the fiscal year to the Company's current annual estimated tax rate.

For the three months ended March 31, 2013, the income tax provision reflects an effective tax rate of 38.9 percent, compared to an effective tax rate of 38.4 percent for the comparable period in the prior year.

11. FAIR VALUE DISCLOSURES

The various inputs used to measure assets at fair value establish a hierarchy that distinguishes between assumptions based on market data (observable inputs) and the Company's assumptions (unobservable inputs). The hierarchy consists of three broad levels as follows:

1. Level 1 – Quoted market prices in active markets for identical assets or liabilities.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

2. Level 2 – Quoted prices for similar instruments in active markets, quoted prices for identical or similar instruments in markets that are not active, and model-based valuation techniques for which all significant assumptions are observable in the market or can be corroborated by observable market data for substantially the full term of the assets or liabilities.
3. Level 3 – Unobservable inputs developed using the Company's estimates and assumptions, which reflect those that market participants would use.

The following table summarizes the valuation of financial instruments measured at fair value on a recurring basis in the balance sheets as of March 31, 2013 and December 31, 2012:

(in thousands)	Fair value measurements at March 31, 2013 with:		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:			
Trading securities	\$ -	\$ 11,717	\$ -
Available for sale securities	283	-	-
(in thousands)	Fair value measurements at December 31, 2012 with:		
	Quoted prices in active markets for identical assets (Level 1)	Significant other observable inputs (Level 2)	Significant unobservable inputs (Level 3)
Assets:			
Trading securities	\$ -	\$ 11,103	\$ -
Available for sale securities	380	-	-

The Company determines the fair value of the marketable securities that are available-for-sale through quoted market prices. The total fair value is the final closing price, as defined by the exchange in which the asset is actively traded, on the last trading day of the period, multiplied by the number of units held without consideration of transaction costs. Significant observable inputs in addition to quoted market prices were used to value trading securities. As a result, the Company classified these investments as using level 2 inputs.

The outstanding balance on the Revolving Credit Agreement was \$87.6 million at March 31, 2013 and \$107.0 million at December 31, 2012 which approximated the fair values. The fair value of these borrowings was based on quotes from the lender (level 2 inputs). The borrowings under the Company's revolving credit agreement bear interest at the variable rate described in Note 9. The Company is subject to interest rate risk on the variable component of the interest rate.

The carrying amounts of other financial instruments reported in the balance sheet for current assets and current liabilities approximate their fair values because of the short maturity of these instruments. The Company currently does not use the fair value option to measure any of its existing financial instruments and has not determined whether or not it will elect this option for financial instruments it may acquire in the future.

RPC, INC. AND SUBSIDIARIES

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

12. ACCUMULATED OTHER COMPREHENSIVE (LOSS) INCOME

Accumulated other comprehensive (loss) income consists of the following (in thousands):

	Pension Adjustment	Unrealized Gain (Loss) On Securities	Foreign Currency Translation	Total
Balance at December 31, 2012	\$(14,688)	\$ 29	\$413	\$(14,246)
Change during the quarter:				