GLATFELTER P H CO
Form 10-Q
August 04, 2015
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UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

x **Quarterly Report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the quarterly period ended June 30, 2015

or

¨ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**
For the transition period from to

96 South George Street, Suite 520

York, Pennsylvania 17401

(Address of principal executive offices)

(717) 225-4711

(Registrant s telephone number, including area code)

Commission file number	Exact name of registrant as specified in its charter	IRS Employer Identification No.	State or other jurisdiction of incorporation or organization
1-03560	P. H. Glatfelter Company	23-0628360	Pennsylvania

N/A

(Former name or former address, 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 at the past 90 days. Yes þ 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 þ No ¨.

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a small 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 þ Accelerated filer ¨ Non-accelerated filer ¨ (Do not check if a smaller reporting company). Small 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 þ.

Common Stock outstanding on July 30, 2015 totaled 43,358,193 shares.

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P. H. GLATFELTER COMPANY AND

SUBSIDIARIES

REPORT ON FORM 10-Q

For the QUARTERLY PERIOD ENDED

June 30, 2015

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PART I

Item 1 Financial Statements

P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF INCOME

(unaudited)

	Three months ended		Six months ended	
	June 30		June 30	
In thousands, except per share	**2015**	2014	**2015**	2014
Net sales	**$ 410,803**	$ 445,341	**$ 828,272**	$ 901,062
Energy and related sales, net	**715**	790	**2,783**	6,052
Total revenues	**411,518**	446,131	**831,055**	907,114
Costs of products sold	**378,685**	404,694	**746,114**	810,637
Gross profit	**32,833**	41,437	**84,941**	96,477
Selling, general and administrative expenses	**29,137**	32,314	**60,409**	65,865
Gains on dispositions of plant, equipment and timberlands, net	**(111)**	(1,482)	**(2,765)**	(2,291)
Operating income	**3,807**	10,605	**27,297**	32,903
Non-operating income (expense)				
Interest expense	**(4,352)**	(4,762)	**(8,860)**	(9,574)
Interest income	**77**	52	**142**	113
Other, net	**215**	61	**28**	272
Total non-operating expense	**(4,060)**	(4,649)	**(8,690)**	(9,189)
Income (loss) before income taxes	**(253)**	5,956	**18,607**	23,714
Income tax provision (benefit)	**(3,101)**	1,287	**1,834**	4,397
Net income	**$ 2,848**	$ 4,669	**$ 16,773**	$ 19,317
Earnings per share				
Basic	**$ 0.07**	$ 0.11	**$ 0.39**	$ 0.45
Diluted	**0.06**	0.11	**0.38**	0.44
Cash dividends declared per common share	**$ 0.12**	$ 0.11	**$ 0.24**	$ 0.22
Weighted average shares outstanding				
Basic	**43,377**	43,287	**43,315**	43,327
Diluted	**44,032**	44,136	**43,992**	44,251

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

6.30.15 Form 10-Q

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P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

(unaudited)

In thousands	**Three months ended June 30** **2015**	2014	**Six months ended June 30** **2015**	2014
Net income	**$ 2,848**	$ 4,669	**$ 16,773**	$ 19,317
Foreign currency translation adjustments	**16,704**	(533)	**(24,633)**	195
Net change in:				
Deferred gains (losses) on cash flow hedges, net of taxes of $956, $(408), $(107), and $(381), respectively	**(2,501)**	1,080	**265**	1,001
Unrecognized retirement obligations, net of taxes of $(1,769), $(1,513), $(3,779), and $(2,928), respectively	**2,884**	2,479	**6,170**	4,795
Other comprehensive income (loss)	**17,087**	3,026	**(18,198)**	5,991
Comprehensive income (loss)	**$ 19,935**	$ 7,695	**($ 1,425)**	$ 25,308

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

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P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS

(unaudited)

In thousands	**June 30 2015**	December 31 2014
Assets		
Cash and cash equivalents	**$ 65,762**	$ 99,837
Accounts receivable, net	**177,582**	163,760
Inventories	**252,197**	248,705
Prepaid expenses and other current assets	**60,092**	62,320
Total current assets	**555,633**	574,622
Plant, equipment and timberlands, net	**693,919**	697,608
Goodwill	**77,924**	84,137
Intangible assets	**68,702**	77,098
Other assets	**134,259**	128,039
Total assets	**$ 1,530,437**	$ 1,561,504
Liabilities and Shareholders Equity		
Current portion of long-term debt	**$ 7,564**	$ 5,734
Accounts payable	**149,377**	157,070
Dividends payable	**5,223**	4,775
Environmental liabilities	**9,957**	1,075
Other current liabilities	**116,260**	111,077
Total current liabilities	**288,381**	279,731
Long-term debt	**383,147**	398,878
Deferred income taxes	**102,437**	104,016
Other long-term liabilities	**117,547**	129,770
Total liabilities	**891,512**	912,395
Commitments and contingencies		
Shareholders equity		
Common stock	**544**	544
Capital in excess of par value	**51,625**	54,342
Retained earnings	**925,800**	919,468
Accumulated other comprehensive loss	**(173,068)**	(154,870)
	804,901	819,484
Less cost of common stock in treasury	**(165,976)**	(170,375)
Total shareholders equity	**638,925**	649,109
Total liabilities and shareholders equity	**$ 1,530,437**	$ 1,561,504

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

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P. H. GLATFELTER COMPANY AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS

(unaudited)

	Six months ended	
	June 30	
In thousands	**2015**	2014
Operating activities		
Net income	**$ 16,773**	$ 19,317
Adjustments to reconcile to net cash provided by operations:		
Depreciation, depletion and amortization	**31,602**	36,893
Amortization of debt issue costs	**599**	656
Pension expense, net of unfunded benefits paid	**3,699**	3,330
Deferred income tax provision (benefit)	**2,501**	(2,724)
Gains on dispositions of plant, equipment and timberlands, net	**(2,765)**	(2,291)
Share-based compensation	**3,663**	3,617
Change in operating assets and liabilities		
Accounts receivable	**(20,783)**	(23,805)
Inventories	**(8,609)**	(21,783)
Prepaid and other current assets	**(1,678)**	(6,937)
Accounts payable	**(989)**	(16,870)
Accruals and other current liabilities	**2,735**	(11,147)
Other	**(1,235)**	378
Net cash provided (used) by operating activities	**25,513**	(21,366)
Investing activities		
Expenditures for purchases of plant, equipment and timberlands	**(44,575)**	(30,156)
Proceeds from disposals of plant, equipment and timberlands, net	**3,051**	2,360
Other	**(1,600)**	(100)
Net cash used by investing activities	**(43,124)**	(27,896)
Financing activities		
Net repayments of revolving credit facility		(25,425)
Payments of borrowing costs	**(1,329)**	
Repayment of term loans	**(1,492)**	
Repurchases of common stock		(9,158)
Payments of dividends	**(9,992)**	(9,164)
Payments related to share-based compensation awards and other	**(2,000)**	(1,816)
Net cash used by financing activities	**(14,813)**	(45,563)
Effect of exchange rate changes on cash	**(1,651)**	(41)
Net decrease in cash and cash equivalents	**(34,075)**	(94,866)
Cash and cash equivalents at the beginning of period	**99,837**	122,882
Cash and cash equivalents at the end of period	**$ 65,762**	$ 28,016
Supplemental cash flow information		
Cash paid for:		

Interest, net of amounts capitalized	**$ 8,281**	$ 9,011
Income taxes, net	**10,234**	16,323

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

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P. H. GLATFELTER COMPANY AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(unaudited)

1. ORGANIZATION

P. H. Glatfelter Company and subsidiaries (Glatfelter) is a manufacturer of specialty papers and fiber-based engineered materials. Headquartered in York, PA, U.S. operations include facilities in Spring Grove, PA and Chillicothe and Fremont, OH. International operations include facilities in Canada, Germany, France, the United Kingdom and the Philippines, and sales and distribution offices in Russia and China. Our products are marketed worldwide, either through wholesale paper merchants, brokers and agents, or directly to customers.

2. ACCOUNTING POLICIES

Basis of Presentation The unaudited condensed consolidated financial statements (financial statements) include the accounts of Glatfelter and its wholly owned subsidiaries. All intercompany balances and transactions have been eliminated.

We prepared these financial statements in accordance with accounting principles generally accepted in the United States of America (generally accepted accounting principles or GAAP) and pursuant to the rules and regulations of the Securities and Exchange Commission pertaining to interim financial statements. In our opinion, the financial statements reflect all normal, recurring adjustments needed to present fairly our results for the interim periods. When preparing these financial statements, we have assumed that you have read the audited consolidated financial statements included in our 2014 Annual Report on Form 10-K.

Accounting Estimates The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosures of contingencies as of the balance sheet date and the reported amounts of revenues and expenses during the reporting period. Management believes the estimates and assumptions used in the preparation of these financial statements are reasonable, based upon currently available facts and known circumstances, but recognizes that actual results may differ from those estimates and assumptions.

Recently Issued Accounting Pronouncements In May 2014, the Financial Accounting Standards Board issued Accounting Standards Update No. 2014-09 - *Revenue from Contracts with Customers* which clarifies the principles for recognizing revenue and develops a

common revenue standard for GAAP and International Financial Reporting Standards. The FASB deferred the effective date to provide adequate time to effectively implement the new revenue standard. The new standard is now required to be adopted for fiscal years beginning after December 15, 2017 and early adoption is not permitted. We are in the process of evaluating the impact this standard may have, if any, on our reported results of operations or financial position.

3. ACQUISITION

On October 1, 2014, we completed the acquisition of all of the outstanding equity of Spezialpapierfabrik Oberschmitten GmbH (SPO) from FINSPO Beteiligungs-GmbH for $8.0 million. SPO has annual sales of approximately $33 million. SPO, located near Frankfurt, Germany, primarily produces highly technical papers for a wide range of capacitors used in consumer and industrial products; insulation papers for cables and transformers; and materials for industrial power inverters, electromagnetic current filters and electric rail traction. SPO also produces glassine products, which are used in cosmetics packaging, food packaging, and pharmaceutical dosage bags. SPO is operated as part of the Composite Fibers business unit, and complements other technical specialties.

4. GAINS ON DISPOSITIONS OF PLANT, EQUIPMENT AND TIMBERLANDS, NET

During the first six months of 2015 and 2014, we completed sales of assets as summarized in the following table:

Dollars in thousands	**Acres**	**Proceeds**	**Gain**
2015			
Timberlands	**1,398**	**$ 2,794**	**$ 2,705**
Other	**n/a**	**257**	**60**
Total		**$ 3,051**	**$ 2,765**
2014			
Timberlands	935	$ 2,355	$ 2,290
Other	n/a	5	1
Total		$ 2,360	$ 2,291

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5. EARNINGS PER SHARE

The following table sets forth the details of basic and diluted earnings per share (EPS):

In thousands, except per share	Three months ended June 30 2015	2014
Net income	**$ 2,848**	$ 4,669
Weighted average common shares outstanding used in basic EPS	**43,377**	43,287
Common shares issuable upon exercise of dilutive stock options and PSAs / RSUs	**655**	849
Weighted average common shares outstanding and common share equivalents used in diluted EPS	**44,032**	44,136
Earnings per share		
Basic	**$ 0.07**	$ 0.11
Diluted	**0.06**	0.11

In thousands, except per share	Six months ended June 30 2015	2014
Net income	**$ 16,773**	$ 19,317
Weighted average common shares outstanding used in basic EPS	**43,315**	43,327
Common shares issuable upon exercise of dilutive stock options and PSAs / RSUs	**677**	924
Weighted average common shares outstanding and common share equivalents used in diluted EPS	**43,992**	44,251
Earnings per share		
Basic	**$ 0.39**	$ 0.45
Diluted	**0.38**	0.44

The following table sets forth potential common shares outstanding for stock options and restricted stock units that were not included in the computation of diluted EPS for the period indicated, because their effect would be anti-dilutive:

In thousands	June 30 2015	2014
Three months ended	**687**	279
Six months ended	**687**	273

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6. ACCUMULATED OTHER COMPREHENSIVE INCOME

The following table sets forth details of the changes in accumulated other comprehensive income (losses) for the three months and six months ended June 30, 2015 and 2014.

in thousands	Currency translation adjustments	Unrealized gain (loss) on cash flow hedges	Change in pensions	Change in other postretirement defined benefit plans	Total
Balance at April 1, 2015	**$ (75,561)**	**$ 5,122**	**$ (116,994)**	**$ (2,722)**	**$ (190,155)**
Other comprehensive income before reclassifications (net of tax)	**16,704**	**(1,220)**			**15,484**
Amounts reclassified from accumulated other comprehensive income (net of tax)		**(1,281)**	**2,918**	**(34)**	**1,603**
Net current period other comprehensive income (loss)	**16,704**	**(2,501)**	**2,918**	**(34)**	**17,087**
Balance at June 30, 2015	**$ (58,857)**	**$ 2,621**	**$ (114,076)**	**$ (2,756)**	**$ (173,068)**
Balance at April 1, 2014	$ 15,869	$ (1,020)	$ (87,266)	$ 25	$ (72,392)
Other comprehensive income before reclassifications (net of tax)	(533)	618			85
Amounts reclassified from accumulated other comprehensive income (net of tax)		462	2,444	35	2,941
Net current period other comprehensive income (loss)	(533)	1,080	2,444	35	3,026
Balance at June 30, 2014	$ 15,336	$ 60	$ (84,822)	$ 60	$ (69,366)

in thousands	Currency translation adjustments	Unrealized gain (loss) on cash flow hedges	Change in pensions	Change in other postretirement defined benefit plans	Total
Balance at January 1, 2015	**$ (34,224)**	**$ 2,356**	**$ (120,260)**	**$ (2,742)**	**$ (154,870)**
Other comprehensive income before reclassifications (net of tax)	**(24,633)**	**2,174**			**(22,459)**
Amounts reclassified from accumulated other comprehensive income (net of tax)		**(1,909)**	**6,184**	**(14)**	**4,261**
Net current period other comprehensive income (loss)	**(24,633)**	**265**	**6,184**	**(14)**	**(18,198)**
Balance at June 30, 2015	**$ (58,857)**	**$ 2,621**	**$ (114,076)**	**$ (2,756)**	**$ (173,068)**
Balance at January 1, 2014	$ 15,141	$ (941)	$ (89,547)	$ (10)	$ (75,357)
Other comprehensive income before reclassifications (net of tax)	195	215			410
Amounts reclassified from accumulated other comprehensive income (net of tax)		786	4,725	70	5,581
Net current period other comprehensive income	195	1,001	4,725	70	5,991

Balance at June 30, 2014	$ 15,336	$ 60	$ (84,822)	$ 60	$ (69,366)

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Reclassifications out of accumulated other comprehensive income were as follows:

In thousands	Three months ended June 30		Six months ended June 30		
Description	**2015**	2014	**2015**	2014	**Line Item in Statements of Income**
Cash flow hedges (Note 14)					
(Gains) losses on cash flow hedges	**$ (1,750)**	$ 641	**$ (2,623)**	$ 1,090	Costs of products sold
Tax (benefit) expense	**469**	(179)	**714**	(304)	Income tax provision
Net of tax	**(1,281)**	462	**(1,909)**	786	
Retirement plan obligations (Note 9)					
Amortization of deferred benefit pension plan items					
Prior service costs	**574**	695	**1,142**	1,243	Costs of products sold
	187	226	**379**	412	Selling, general and administrative
Actuarial losses	**2,924**	2,233	**6,288**	4,429	Costs of products sold
	1,023	781	**2,165**	1,525	Selling, general and administrative
	4,708	3,935	**9,974**	7,609	
Tax benefit	**(1,790)**	(1,491)	**(3,790)**	(2,884)	Income tax provision
Net of tax	**2,918**	2,444	**6,184**	4,725	
Amortization of deferred benefit other plan items					
Prior service costs	**(57)**	(59)	**(115)**	(118)	Costs of products sold
	(13)	(13)	**(25)**	(26)	Selling, general and administrative
Actuarial losses	**12**	106	**94**	212	Costs of products sold
	3	23	**21**	46	Selling, general and administrative
	(55)	57	**(25)**	114	
Tax benefit	**21**	(22)	**11**	(44)	Income tax provision
Net of tax	**(34)**	35	**(14)**	70	
Total reclassifications, net of tax	**$ 1,603**	$ 2,941	**$ 4,261**	$ 5,581	

7. INCOME TAXES

Income taxes are recognized for the amount of taxes payable or refundable for the current year and deferred tax liabilities and assets for the future tax consequences of events that have been recognized in our consolidated financial statements or tax returns. The effects of income taxes are measured based on enacted tax laws and rates.

As of June 30, 2015 and December 31, 2014, we had $12.0 million and $14.9 million of gross unrecognized tax benefits. As of June 30, 2015, if such benefits were to be recognized, approximately $12.0 million would be recorded as a component of income tax expense, thereby affecting our effective tax rate. Gross unrecognized tax benefits reflected a net decrease of $2.9 million during the six months ended June 30, 2015, primarily due to the completion of tax audits during the second quarter.

We, or one of our subsidiaries, file income tax returns with the United States Internal Revenue Service, as well as various state and foreign authorities.

The following table summarizes, by major jurisdiction, tax years that remain subject to examination:

Jurisdiction	Open Tax Years Examinations not yet initiated	 Examination in progress
United States		
Federal	2013 - 2014	N/A
State	2010 - 2014	N/A
Canada (1)	2010 - 2014	N/A
Germany (1)	2012 - 2014	2007 - 2011
France	2013 - 2014	2011 - 2012
United Kingdom	2013 - 2014	N/A
Philippines	2012, 2014	2011, 2013

(1) includes provincial or similar local jurisdictions, as applicable

The amount of income taxes we pay is subject to ongoing audits by federal, state and foreign tax authorities, which often result in proposed assessments. Management performs a comprehensive review of its global tax positions on a quarterly basis and accrues amounts for uncertain tax positions. Based on these reviews and the result of discussions and resolutions of matters with certain tax authorities and the closure of tax years subject to tax audit, reserves are adjusted as necessary. However, future results may include favorable or unfavorable adjustments to our estimated tax liabilities in the period the assessments are determined or resolved or as such statutes are closed. Due to potential for resolution of federal, state and foreign examinations, and the lapse of various statutes of limitation, it is reasonably possible our gross unrecognized tax benefits balance may decrease within the next twelve months by a range of zero to $1.8 million. Substantially all of this range relates to tax positions taken in the U.S. and Germany.

We recognize interest and penalties related to uncertain tax positions as income tax expense. The following table summarizes information related to interest and penalties on uncertain tax positions:

	Six months ended June 30	
In millions	**2015**	2014
Interest expense	**$**	$ 0.1
Penalties		
	June 30 2015	December 31 2014
Accrued interest payable	$ 0.6	$ 0.6

8. STOCK-BASED COMPENSATION

The P. H. Glatfelter Amended and Restated Long Term Incentive Plan (the LTIP) provides for the issuance of Glatfelter common stock to eligible participants in the form of restricted stock units, restricted stock awards, non-qualified stock options, performance shares, incentive stock options and performance units.

Pursuant to terms of the LTIP, we have issued to eligible participants restricted stock units, performance share awards and stock only stock appreciation rights.

Restricted Stock Units (RSU) and Performance Share Awards (PSAs) Awards of RSUs and PSAs are made under our LTIP. The RSUs vest on the passage of time, generally on a graded scale over a three, four, and five-year period, or in certain instances the RSUs were issued with five year cliff vesting. PSAs are issued annually to members of management and each respective grant cliff vests each December 31 of the third year following the grant, assuming the achievement of predetermined, three-year cumulative performance targets. The performance measures include a minimum, target and maximum performance level providing the grantees an opportunity to receive more or less shares than targeted depending on actual financial performance. For both RSUs and PSAs, the grant date fair value of the awards, which is equal to the closing price per common share on the date of the award, is used to determine the amount of expense to be recognized over the applicable service period. Settlement of RSUs and PSAs will be made in shares of our common stock currently held in treasury.

The following table summarizes RSU and PSA activity during periods indicated:

Units	**2015**	2014
Balance at January 1,	**888,942**	1,001,814
Granted	**152,531**	167,255
Forfeited	**(77,652)**	(38,458)
Shares delivered	**(283,627)**	(239,394)
Balance at June 30,	**680,194**	891,217

The amount granted in 2015 and 2014 includes PSAs of 100,801 and 93,660 respectively, exclusive of reinvested dividends.

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The following table sets forth aggregate RSU and PSA compensation expense for the periods indicated:

	June 30	
In thousands	**2015**	2014
Three months ended	**$ 453**	$ 441
Six months ended	**820**	1,020

Stock Only Stock Appreciation Rights (SOSARs) Under terms of the SOSAR, a recipient receives the right to a payment in the form of shares of common stock equal to the difference, if any, in the fair market value of one share of common stock at the time of exercising the SOSAR and the exercise price. The SOSARs vest ratably over a three year period and have a term of ten years.

The following table sets forth information related to outstanding SOSARS.

	2015		2014	
SOSARS	Shares	Wtd Avg Exercise Price	Shares	Wtd Avg Exercise Price
Outstanding at January 1,	**1,864,707**	**$ 16.20**	1,977,133	$ 13.91
Granted	**406,142**	**24.94**	275,529	29.89
Exercised	**(58,343)**	**13.52**	(19,199)	15.57
Canceled / forfeited	**(3,349)**	**26.53**	(24,719)	18.85
Outstanding at June 30,	**2,209,157**	**$ 17.87**	2,208,744	$ 15.83
SOSAR Grants				
Weighted average grant date fair value per share	**$ 7.54**		$ 9.85	
Aggregate grant date fair value *(in thousands)*	**$ 3,063**		$ 2,713	
Black-Scholes assumptions				
Dividend yield	**1.92%**		1.47%	
Risk free rate of return	**1.64%**		1.73%	
Volatility	**36.48%**		37.59%	
Expected life	**6 yrs**		6 yrs	

The following table sets forth SOSAR compensation expense for the periods indicated:

	June 30	
In thousands	**2015**	2014
Three months ended	**$ 680**	$ 559
Six months ended	**1,268**	1,008

9. RETIREMENT PLANS AND OTHER POST-RETIREMENT BENEFITS

The following tables provide information with respect to the net periodic costs of our pension and post retirement medical benefit plans.

	Three months ended June 30	
In thousands	**2015**	2014
Pension Benefits		
Service cost	**$ 2,561**	$ 2,504
Interest cost	**5,788**	6,309
Expected return on plan assets	**(11,454)**	(10,931)

Amortization of prior service cost	**761**	921
Amortization of unrecognized loss	**3,947**	3,014
Net periodic benefit cost	**$ 1,603**	$ 1,817
Other Benefits		
Service cost	**$ 303**	$ 615
Interest cost	**436**	598
Amortization of prior service cost	**(70)**	(72)
Amortization of unrecognized loss	**15**	129
Net periodic benefit cost	**$ 684**	$ 1,270

	Six months ended June 30	
In thousands	**2015**	2014
Pension Benefits		
Service cost	**$ 5,696**	$ 5,208
Interest cost	**11,738**	12,480
Expected return on plan assets	**(22,997)**	(21,938)
Amortization of prior service cost	**1,521**	1,655
Amortization of unrecognized loss	**8,453**	5,954
Net periodic benefit cost	**$ 4,411**	$ 3,359
Other Benefits		
Service cost	**$ 716**	$ 1,230
Interest cost	**999**	1,196
Amortization of prior service cost	**(140)**	(144)
Amortization of unrecognized loss	**115**	258
Net periodic benefit cost	**$ 1,690**	$ 2,540

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10. INVENTORIES

Inventories, net of reserves, were as follows:

In thousands	**June 30 2015**	December 31 2014
Raw materials	**$ 63,108**	$ 61,266
In-process and finished	**120,379**	117,580
Supplies	**68,710**	69,859
Total	**$ 252,197**	$ 248,705

11. LONG-TERM DEBT

Long-term debt is summarized as follows:

In thousands	**June 30 2015**	December 31 2014
Revolving credit facility, due Mar. 2020	**$ 83,287**	$
Revolving credit facility, due Nov. 2016		90,555
5.375% Notes, due Oct. 2020	**250,000**	250,000
2.40% Term Loan, due Jun. 2022	**11,179**	12,155
2.05% Term Loan, due Mar. 2023	**46,245**	51,902
Total long-term debt	**390,711**	404,612
Less current portion	**(7,564)**	(5,734)
Long-term debt, net of current portion	**$ 383,147**	$ 398,878

On March 12, 2015, we entered into an amendment to our revolving credit agreement with a consortium of banks (the Revolving Credit Facility). The amendment increased the amount available for borrowing to $400 million, extended the maturity of the facility to March 12, 2020, and instituted a revised interest rate pricing grid.

For all US dollar denominated borrowings under the Revolving Credit Facility, the borrowing rate is, at our option, either, (a) the bank s base rate which is equal to the greater of i) the prime rate; ii) the federal funds rate plus 50 basis points; or iii) the daily Euro-rate plus 100 basis points plus an applicable spread over either i), ii) or iii) ranging from 12.5 basis points to 100 basis points based on the Company s leverage ratio and its corporate credit ratings determined by Standard & Poor s Rating Services and Moody s Investor Service, Inc. (the Corporate Credit Rating); or (b) the daily Euro-rate plus an applicable margin ranging from 112.5 basis points to 200 basis points based on the Company s leverage ratio and the Corporate Credit Rating. For non-US dollar denominated borrowings, interest is based on (b) above.

The Revolving Credit Facility contains a number of customary covenants for financings of this type that, among other things, restrict our ability to dispose of or create liens on assets, incur additional indebtedness, repay other indebtedness, limits certain intercompany financing arrangements, make acquisitions and engage in mergers or consolidations. We are also required to comply with specified financial tests and ratios including: i) maximum net debt to earnings before interest, taxes, depreciation and amortization (EBITDA) ratio (the leverage ratio); and ii) a consolidated EBITDA to interest expense ratio. The most restrictive of our covenants is a maximum leverage ratio of 3.5x. As of June 30, 2015, the leverage ratio, as calculated in accordance with the definition in our credit agreement, was 2.1x which is within the limits set forth in our credit agreement. A breach of these requirements would give rise to certain remedies under the Revolving Credit Facility, among which are the termination of the agreement and accelerated repayment of the outstanding borrowings plus accrued and unpaid interest under the credit facility.

On October 3, 2012, we completed a private placement offering of $250.0 million aggregate principal amount of 5.375% Senior Notes due 2020 (the 5.375% Notes). The 5.375% Notes are fully and unconditionally guaranteed, jointly and severally, by PHG Tea Leaves, Inc., Mollanvick, Inc., and Glatfelter Holdings, LLC (the Guarantors). Interest on the 5.375% Notes is payable semiannually in arrears on April 15 and October 15.

The 5.375% Notes are redeemable, in whole or in part, at anytime on or after October 15, 2016 at the redemption prices specified in the applicable Indenture. Prior to October 15, 2016, we may redeem some or all of the Notes at a make-whole premium as specified in the Indenture. These Notes and the guarantees of the notes are senior obligations of the Company and the Guarantors, respectively, rank equally in right of payment with future senior indebtedness of the Company and the Guarantors and will mature on October 15, 2020.

The 5.375% Notes contain various covenants customary to indebtedness of this nature including limitations on i) the amount of indebtedness that may be incurred; ii) certain restricted payments including common stock dividends; iii) distributions from certain subsidiaries; iv) sales of assets; v) transactions amongst subsidiaries; and vi) incurrence of liens on assets. In addition, the 5.375% Notes contain cross default provisions that could result in all such notes becoming due and payable in the event of a failure to repay debt outstanding under the Revolving Credit Agreement at maturity or a default under the Revolving Credit Agreement that accelerates the debt outstanding thereunder. As of June 30, 2015, we met all of the requirements of our debt covenants.

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Glatfelter Gernsbach GmbH & Co. KG (Gernsbach), a wholly-owned subsidiary of ours, has two separate agreements with IKB Deutsche Industriebank AG, Düsseldorf (IKB). Pursuant to the first agreement, dated April 11, 2013, Gernsbach borrowed 42.7 million (or $57.6 million) aggregate principal amount (the 2013 IKB Loan). The 2013 IKB Loan is repayable in 32 quarterly installments beginning on June 30, 2015 and ending on March 31, 2023 and bears interest at a rate of 2.05% per annum.

Pursuant to the second agreement with IKB dated September 4, 2014, Gernsbach borrowed 10.0 million (or $12.6 million) aggregate principal amount (the 2014 IKB Loan). The 2014 IKB Loan is repayable in 27 quarterly installments beginning on September 30, 2015 and ending on June 30, 2022 and bears interest at a rate of 2.40% per annum. Interest on the IKB Loan or portion thereof is payable quarterly.

The IKB loans provide for representations, warranties and covenants customary for financings of these types. The financial covenants contained in each of the IKB loans, which relate to the minimum ratio of consolidated EBITDA to consolidated interest expense and the maximum ratio of consolidated total net debt to consolidated adjusted EBITDA, will be calculated by reference to our Revolving Credit Agreement.

Aggregated unamortized deferred debt issuance costs incurred in connection with all of our outstanding debt totaled $5.8 million at June 30, 2015 and are reported under the caption Other assets in the accompanying condensed consolidated balance sheets. The deferred costs are being amortized on a straight line basis over the life of the underlying instruments.

P. H. Glatfelter Company guarantees all debt obligations of its subsidiaries, including each of the IKB loans. All such obligations are recorded in these condensed consolidated financial statements.

As of June 30, 2015 and December 31, 2014, we had $5.3 million of letters of credit issued to us by certain financial institutions. The letters of credit, which reduce amounts available under our revolving credit facility, primarily provide financial assurances for the benefit of certain state workers compensation insurance agencies in conjunction with our self-insurance program. We bear the credit risk on this amount to the extent that we do not comply with the provisions of certain agreements. No amounts are outstanding under the letters of credit.

12. ASSET RETIREMENT OBLIGATION

During 2008, we recorded $11.5 million, net present value, of asset retirement obligations related to the legal requirement to close several lagoons at the Spring Grove, PA facility. Historically, lagoons were used to dispose of residual waste material. Closure of the lagoons is expected to be completed in 2016 and will be accomplished by filling the lagoons, installing a non-permeable liner which will be covered with soil to construct the required cap over the lagoons. The retirement obligation was accrued with a corresponding increase in the carrying value of the property, equipment and timberlands caption on the consolidated balance sheet. The amount capitalized is being amortized as a charge to operations on the straight-line basis in relation to the expected closure period. Following is a summary of activity recorded during the first six months of 2015 and 2014:

In thousands	**2015**	2014
Balance at January 1,	**$ 4,114**	$ 5,032
Accretion	**59**	77
Payments	**(1,905)**	(429)
Downward revision	**(1,000)**	
Gain	**(286)**	(86)
Balance at June 30,	**$ 982**	$ 4,594

During the second quarter of 2015 we recorded a downward revision to our estimated cost of closing the lagoons. The revision was recorded as an adjustment to both the carrying value of the associated property, equipment and timberlands as well as the asset retirement obligation.

The following table summarizes the line items in the accompanying condensed consolidated balance sheets where the asset retirement obligations are recorded:

In thousands	**June 30 2015**	December 31 2014

Other current liabilities	**$ 982**	$ 2,855
Other long-term liabilities		1,259
Total	**$ 982**	$ 4,114

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13. FAIR VALUE OF FINANCIAL INSTRUMENTS

The amounts reported on the condensed consolidated balance sheets for cash and cash equivalents and accounts receivable approximate fair value. The following table sets forth carrying value and fair value of long-term debt:

	June 30, 2015		December 31, 2014	
In thousands	**Carrying Value**	**Fair Value**	Carrying Value	Fair Value
Variable rate debt	**$ 83,287**	**$ 83,287**	$ 90,555	$ 90,555
Fixed-rate bonds	**250,000**	**257,813**	250,000	255,470
2.40% Term loan	**11,179**	**11,581**	12,155	12,626
2.05% Term loan	**46,245**	**47,251**	51,902	53,106
Total	**$ 390,711**	**$ 399,932**	$ 404,612	$ 411,757

As of June 30, 2015, and December 31, 2014, we had $250.0 million of 5.375% fixed rate bonds. These bonds are publicly registered, but thinly traded. Accordingly, the values set forth above for the bonds, as well as our other debt instruments, are based on observable inputs and other relevant market data (Level 2). The fair value of financial derivatives is set forth below in Note 14.

14. FINANCIAL DERIVATIVES AND HEDGING ACTIVITIES

As part of our overall risk management practices, we enter into financial derivatives primarily designed to either i) hedge foreign currency risks associated with forecasted transactions cash flow hedges ; or ii) mitigate the impact that changes in currency exchange rates have on intercompany financing transactions and foreign currency denominated receivables and payables foreign currency hedges.

Derivatives Designated as Hedging Instruments Cash Flow Hedges We use currency forward contracts as cash flow hedges to manage our exposure to fluctuations in the currency exchange rates on certain forecasted production costs expected to be incurred over a twelve month to eighteen month period of time. Currency forward contracts involve fixing the exchange rate for delivery of a specified amount of foreign currency on a specified date.

We designate certain currency forward contracts as cash flow hedges of forecasted raw material purchases or certain production costs with exposure to changes in foreign currency exchange rates. The effective portion of changes in the fair value of derivatives designated and that qualify as cash flow hedges of foreign exchange risk is deferred as a component of accumulated other comprehensive income in the accompanying condensed consolidated balance sheets and is subsequently reclassified into costs of products sold in the period that inventory produced using the hedged transaction affects earnings. The ineffective portion of the change in fair value of the derivative is recognized directly to earnings and reflected in the accompanying condensed consolidated statements of income as non-operating income (expense) under the caption Other, net.

We had the following outstanding derivatives that were used to hedge foreign exchange risks associated with forecasted transactions and designated as hedging instruments:

In thousands	**June 30 2015**	December 31 2014
Derivative		
Sell/Buy - sell notional		
Euro / British Pound	**8,607**	4,592
Sell/Buy - buy notional		
Euro / Philippine Peso	**585,476**	523,313
British Pound / Philippine Peso	**443,632**	260,535
Euro / U.S. Dollar	**45,143**	32,527
U.S. Dollar / Canadian Dollar	**18,063**	10,036

These contracts have maturities of between twelve months and eighteen months from the date originally entered into.

Derivatives Not Designated as Hedging Instruments Foreign Currency Hedges We also enter into forward foreign exchange contracts to mitigate the impact changes in currency exchange rates have on balance sheet monetary assets and liabilities. None of these contracts are designated as hedges for financial accounting purposes and, accordingly, changes in value of the foreign exchange forward contracts and in the offsetting underlying on-balance-sheet transactions are reflected in the accompanying condensed consolidated statements of income under the caption Other, net.

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The following sets forth derivatives used to mitigate the impact changes in currency exchange rates have on balance sheet monetary assets and liabilities:

In thousands	**June 30 2015**	December 31 2014
Derivative		
Sell/Buy - sell notional		
U.S. Dollar / Euro	**1,500**	4,000
U.S. Dollar / British Pound	**6,000**	9,000
Euro / British Pound		2,000
Sell/Buy - buy notional		
Euro / U.S. Dollar	**7,000**	
British Pound / Euro	**14,500**	3,000

These contracts have maturities of one month from the date originally entered into.

Fair Value Measurements The following table summarizes the fair values of derivative instruments for the period indicated and the line items in the accompanying condensed consolidated balance sheets where the instruments are recorded:

In thousands	**June 30 2015**	December 31 2014	**June 30 2015**	December 31 2014
Balance sheet caption	Prepaid Expenses and Other Current Assets		Other Current Liabilities	
Designated as hedging:				
Forward foreign currency exchange contracts	**$ 2,525**	$ 3,106	**$ 379**	$ 394
Not designated as hedging:				
Forward foreign currency exchange contracts	**$**	$ 70	**$ 34**	$ 161

The amounts set forth in the table above represent the net asset or liability giving effect to rights of offset with each counterparty. The effect of netting the amounts presented above did not have a material effect on our consolidated financial position.

The following table summarizes the amount of income or (loss) from derivative instruments recognized in our results of operations for the periods indicated and the line items in the accompanying condensed consolidated statements of income where the results are recorded:

In thousands	Three months ended June 30 **2015**	2014	Six months ended June 30 **2015**	2014
Designated as hedging:				
Forward foreign currency exchange contracts:				
Effective portion cost of products sold	**$ 1,750**	$ (641)	**$ 2,623**	$ (1,090)
Ineffective portion other net	**(62)**	119	**288**	100
Not designated as hedging:				
Forward foreign currency exchange contracts:				
Other net	**$ (313)**	$ 861	**$ 407**	$ 1,196

The impact of activity not designated as hedging was substantially all offset by the remeasurement of the underlying on-balance sheet item.

The fair value hierarchy consists of three broad levels, which gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities (Level 1) and the lowest priority to unobservable inputs (Level 3).

The fair values of the foreign exchange forward contracts are considered to be Level 2. Foreign currency forward contracts are valued using foreign currency forward and interest rate curves. The fair value of each contract is determined by comparing the contract rate to the forward rate and discounting to present value. Contracts in a gain position are recorded in the condensed consolidated balance sheets under the caption Prepaid expenses and other current assets and the value of contracts in a loss position is recorded under the caption Other current liabilities.

A rollforward of fair value amounts recorded as a component of accumulated other comprehensive income is as follows:

In thousands	**2015**	2014
Balance at January 1,	**$ 3,282**	$ (1,296)
Deferred (losses) gains on cash flow hedges	**2,995**	292
Reclassified to earnings	**(2,623)**	1,090
Balance at June 30,	**$ 3,654**	$ 86

We expect substantially all of the amounts recorded as a component of accumulated other comprehensive income will be realized in results of operations within the next twelve months and the amount ultimately recognized will vary depending on actual market rates.

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Credit risk related to derivative activity arises in the event the counterparty fails to meet its obligations to us. This exposure is generally limited to the amounts, if any, by which the counterparty s obligations exceed our obligation to them. Our policy is to enter into contracts only with financial institutions which meet certain minimum credit ratings.

15. COMMITMENTS, CONTINGENCIES AND LEGAL PROCEEDINGS
Fox River Neenah, Wisconsin

Background. We have significant uncertainties associated with environmental claims arising out of the presence of polychlorinated biphenyls (PCBs) in sediments in the lower Fox River, on which our former Neenah facility was located, and in the Bay of Green Bay Wisconsin (collectively, the Site). Since the early 1990s, the United States, the State of Wisconsin and two Indian tribes (collectively, the Governments) have pursued a cleanup of a 39-mile stretch of river from Little Lake Butte des Morts into Green Bay and natural resource damages (NRDs).

The United States notified the following parties (PRPs) of their potential responsibility to implement response actions, to pay response costs, and to compensate for NRDs at this site: Appvion, Inc. (formerly known as Appleton Papers Inc.), CBC Coating, Inc. (formerly known as Riverside Paper Corporation), Georgia-Pacific Consumer Products, L.P. (Georgia-Pacific , formerly known as Fort James Operating Company), Menasha Corporation, NCR Corporation (NCR), U.S. Paper Mills Corp., and WTM I Company. As described below, many other parties have been joined in litigation. After giving effect to settlements reached with the Governments, the remaining PRPs exposed to continuing obligations to implement the remainder of the cleanup consist of us, Georgia-Pacific and NCR.

The Site has been subject to certain studies and the parties conducted certain demonstration projects and completed certain interim cleanups. The permanent cleanup, known as a remedial action under the Comprehensive Environmental Response, Compensation and Liability Act (CERCLA or Superfund), consists of sediment dredging, installation of engineered caps, and placement of sand covers in various areas in the bed of the river.

The United States Environmental Protection Agency (EPA) has divided the Site into five operable units , including the most upstream portion of the Site on which our facility was located (OU1) and four downstream reaches of the river and bay (OU2-5).

We and WTM I Company implemented the remedial action in OU1 under a consent decree with the Governments; Menasha Corporation made a financial contribution to that work. That project began in 2004 and the work is complete other than on-going monitoring and maintenance.

For OU2-5, work has proceeded primarily under a Unilateral Administrative Order (UAO) issued in November 2007 by the EPA to us and seven other respondents. The remedial actions from 2007 through 2014 were funded primarily by NCR and its indemnitors, including Appvion, Inc. In late June 2015, we began placing sand caps in OU4b as a response to the government s demands. We expect the cost of the work to be approximately $10 million during 2015. Georgia Pacific and NCR are funding work in 2015 pursuant to a proposed consent decree. Work is scheduled to continue in OU2-5 through 2017; although work may be required into 2018 to fully complete the project, with monitoring and maintenance to follow.

Although we have not contributed significant funds towards remedial actions other than in OU1 until 2015, as more fully discussed below, significant uncertainties exist pertaining to the ultimate allocation of OU2-5 remediation costs as well as the shorter term funding of the remedial actions for OU2-5.

Cost estimates. Estimates of the Site remediation change over time as we, or others, gain additional data and experience at the Site. In addition, disagreement exists over the likely costs for some of this work. On October 14, 2014, the Governments represented to the United States District Court in Green Bay that $1.1 billion provided an upper end estimate of total past and future response costs including a $100 million uncertainty premium for future response costs. Based upon estimates made by the Governments and independent estimates commissioned by various potentially responsible parties, we have no reason to disagree with the Governments assertion. Much of that amount has already been incurred, including approximately $100 million for OU1 and what we believe to be approximately $500 million for OU2-5 prior to the 2015 remediation season.

In previous years, the Governments indicated their expectation was to have work in OU2-5 completed at a rate estimated to cost at least $70 million annually in 2015 and 2016, and at lower rates thereafter. However, the Governments have revised their estimate per year and the cost for the 2015 dredging season was increased to be approximately $100 million.

As the result of a partial settlement, Georgia-Pacific has no obligation to pay for work upstream of a line near

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Georgia-Pacific s Green Bay West Mill located in OU4. We believe substantially all in-water work upstream of this line has been completed as of the end of the 2014 dredging season.

Allocation Litigation. In January 2008, NCR and Appvion brought an action in the federal district court in Green Bay to allocate among all parties responsible for this Site all of the costs incurred by the Governments, all of the costs incurred by the parties, and all of the NRDs owed to the Natural Resource Trustees. We have previously referred to this case as the Whiting Litigation. After several summary judgment rulings and a trial, the trial court entered judgment in the Whiting Litigation, allocating to NCR 100 percent of the costs (a) of the OU2-5 cleanup, (b) NRDs, (c) past and future costs incurred by the Governments in OU2-5, and (d) past and future costs incurred by any of the other parties net of an appropriate equitable adjustment for insurance recoveries. As to Glatfelter, NCR was judged liable to us for $4.28 million and any future costs or damages we may incur. NCR was held not responsible for costs incurred in OU1.

All parties appealed the Whiting Litigation judgment to the United States Court of Appeals for the Seventh Circuit. On September 25, 2014, that court affirmed, holding that if knowledge and fault were the only equitable factors governing allocation of costs and NRDs at the Site, NCR would owe 100% of all costs and damages in OU2-5, but would not have a share of costs in OU1, which is upstream of the outfall of the facilities for which NCR is responsible solely as an arranger for disposal of PCB-containing waste paper by recycling it at our mill. However, the court of appeals vacated the judgment and remanded the case for the district court s further consideration of whether any other equitable factors might cause the district court to alter its allocation.

We contend the district court should, after further consideration, reinstate the 100%, or some similar very high, allocation to NCR of all the costs, and we should bear no share or a very small share. However, NCR has taken a contrary position and has sought contributions from others for future work until all allocation issues are resolved.

In addition, we take the position that the single site theory on which the courts held us responsible for cleaning up parts of the Site far downstream of our former mill should, if applied to NCR, make it liable for costs incurred in OU1. The district court agreed with us in an order dated March 3, 2015.

On March 31, 2015, NCR sought review of that order by the court of appeals which review was denied on May 1, 2015. However, on May 15, 2015, the district court issued an opinion in the Government Action, described

below, containing a sentence suggesting that NCR would not be liable for OU1; we have sought reconsideration, as described below.

Appvion and NCR have had a cost-sharing agreement since at least 1998. The court of appeals held if Appvion incurred any recoverable costs because the Governments had named Appvion as a potentially responsible party, then Appvion may have a right to recover those costs under CERCLA. We and Appvion disagree over the proper treatment of amounts that Appvion incurred while a PRP that were also subject to a cost-sharing agreement with NCR; we contend Appvion may not recover costs it was contractually obligated to incur, that it has no other costs, and if it did, we would have a right to contribution of any recovery against NCR and others. However, Appvion takes a contrary position and claims in excess of $170 million.

The district court has established a schedule for the Whiting Litigation under which it would hold a trial in June 2016 on remaining issues.

Enforcement Litigation. In October 2010, the United States and the State of Wisconsin brought an action (Government Action) in the federal district court in Green Bay against us and 13 other defendants seeking (a) to recover all of their unreimbursed past costs, (b) to obtain a declaration of joint and several liability for all of their future costs, (c) to recover NRDs, and (d) to obtain a declaration of liability of all of the respondents on the UAO to perform the remedy in OU2-5 as required by the UAO and a mandatory permanent injunction to the same effect. The last of these claims was tried in 2012, and in May 2013, the district court enjoined us, NCR, WTM I, and Menasha Corp. to perform the work under the UAO. As the result of partial settlements, U.S. Paper Mills Corp. and Georgia-Pacific Consumer Products L.P. agreed to joint and several liability for some of the work. Appvion was held not liable for this Site under CERCLA.

All other potentially responsible parties, including the United States and the State of Wisconsin, have settled with the Governments. As a result, the remaining defendants consist of us, NCR, and Georgia-Pacific.

We appealed the injunction to the United States Court of Appeals for the Seventh Circuit, as did NCR, WTM I, and Menasha. On September 25, 2014, the court of appeals decided our and NCR s appeals; the others appeals were not decided because they entered into a settlement. The court of appeals vacated the injunction as to us and NCR. However, it affirmed the district court s ruling that we are liable for response actions in OU2-5 and for complying with the UAO. The court of appeals vacated and remanded the district court s decision that NCR had failed to prove that liability for OU2-5 could be apportioned, directing the lower court to consider issues it had not considered initially.

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On remand, the district court issued an opinion on May 15, 2015, (May 15 Decision) in which it held that the existing trial record allowed it to apportion NCR s liability for OU4 at 28% of the total costs. The district court did not apportion liability for OU2 or OU3. The court s opinion contains a sentence stating that NCR would not be liable for OU1 because the facilities formerly owned by NCR discharged downstream. The parties disagree over the judgment that the district court should enter, if any, based on the May 15 Decision. Further, we, Georgia-Pacific, and the United States have moved separately for reconsideration of the May 15 Decision; other parties have also moved or submitted briefs in support of one of the three other motions. The district court has not yet ruled on those motions for reconsideration or entered a final judgment.

Except as described above with respect to the claim for NRDs, the pending settlement, and the motion for a judgment on further findings, we do not know the Governments intentions concerning further litigation of the Government Action, nor do we know the schedule for any further proceedings. We cannot now predict when it will be resolved.

Interim Funding of Ongoing Work. As described above, the court of appeals vacated the allocation judgment in the Whiting Litigation on September 25, 2014, but neither court has since replaced that allocation with any other. On April 9, 2015, the EPA approved a Final Phase 2B Work Plan For 2015 Remedial Action of Operable Units 2 Through 5 (the 2015 Work Plan), which sets forth remedial activities for 2015 estimated to cost approximately $100 million. NCR, GP, and we were not able to reach agreement on a division of the costs of that work on an interim basis, subject to reallocation in the Whiting Litigation. NCR and GP have entered into a proposed consent decree with the United States under which they will fund certain work estimated to cost approximately $67 million in 2015, and they will not be responsible for the remainder of the work, estimated to cost approximately $33 million. The United States has not moved to enter that consent decree. Through the issuance of the 2015 Work Plan the EPA assigned to us those remaining tasks. Under the proposed consent decree, all parties would remain jointly and severally liable for work in the 2015 Work Plan not completed in 2015, except for a small amount of work upstream of the area for which GP is responsible.

Accordingly, we have contracted for and have begun certain portions of the work assigned to us under the 2015 Work Plan estimated to cost approximately $5 million, and we anticipate contracting for further work in 2015 estimated to cost an additional $5 million. We do not know whether all of the work assigned to us can be completed practically in 2015.

As noted above, we are in the process of completing work in OU4, estimated to total approximately $10 million, an amount less than the amount assigned to us in the 2015 Work Plan and any such work is subject to a reallocation of costs in the pending Whiting litigation. With respect to the 2015 Work Plan, we disagree with the United States over i) whether the work purportedly assigned to us could be completed in the specified timeframe; ii) whether the EPA has the legal authority to assign remedial tasks as it purports to have done under the terms of the UAO; iii) whether we have available to us avenues for relief from the purported obligation to perform the assigned work in 2015; iv) whether we have any other responses of which we may avail our self; v) whether an arbitrary per capita allocation of one-third can be imposed on us in light of the multiple rulings by the courts since 2009 that appear inconsistent with a per capita allocation; and vi) whether the 2015 Work Plan affects the Company s ultimate liability for this Site. Further, we contend that if the district court does not reconsider the May 15 Decision described above, we believe our apportioned share of liability in OU4 to be about one-eighth of the work performed in any period. We anticipate that $10 million of work in 2015 would satisfy our share of the obligation if NCR and GP perform the work assigned to them in the 2015 Work Plan. The United States disagrees. We cannot predict the outcome of these disagreements or any possible resulting litigation.

Therefore, in the interim it is conceivable we may be required to complete more of the tasks assigned to us in the 2015 Work Plan than those described above. It is also conceivable we may be required to continue to perform work in OU2-5 beyond the 2015 season. Although we are unable to determine with any degree of certainty the amount we may be required to complete or fund, those amounts could be significant. Any amounts we pay or any other party pays in the interim may be subject to reallocation when the Whiting Litigation is resolved.

NRDs. The Governments NRD assessment documents originally claimed we are jointly and severally responsible for NRDs with a value between $176 million and $333 million. The Governments claimed this range should be inflated to current dollars and then certain unreimbursed past assessment costs should be added, so the range of their claim was $287 million to $423 million in 2009.

However, on October 14, 2014, the Governments represented to the district court that if certain settlements providing $45.9 million toward compensation of NRDs

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were approved, the total NRD recovery would amount to $105 million. The Governments stated they would consider those recoveries adequate and they would withdraw their claims against us and NCR for additional compensation of NRDs. The Governments have subsequently sought leave to withdraw their NRD claims against us. The district court has yet to decide whether it will permit the Governments to withdraw those claims without prejudice to re-filing them at some later time, or whether their NRD claims have been satisfied. Some of the settling parties, including all of the settling parties contributing the $45.9 million, have waived their rights to seek contribution from us of the settlement amounts. We previously paid a portion of the earlier settlements that the Governments value at $59 million and that we contend may be somewhat more.

Reserves for the Site. Our reserve including ongoing monitoring obligations in OU1, our share of remediation of the downstream portions of the Site, the 2015 Work Plan, NRDs and all pending, threatened or asserted and unasserted claims against us relating to PCB contamination totaled $16.2 million and $16.3 million, as of June 30, 2015 and December 31, 2014, respectively. We have not increased our reserve as a result of the issuance of the 2015 Work Plan nor for any of the courts actions during the year. If we are unsuccessful in the allocation litigation or in the enforcement litigation described above, we may be required to record additional charges and such charges could be significant.

Of our total reserve for the Fox River, $10.0 million is recorded in the accompanying June 30, 2015 condensed consolidated balance sheet under the caption Environmental liabilities and the remainder is recorded under the caption Other long term liabilities.

As described above, the appellate court vacated and remanded for reconsideration the district court s ruling in the Whiting Litigation that NCR would bear 100% of costs for the downstream portion of the Site. We continue to believe we will not be allocated a significant share of liability in any final equitable allocation of the response costs for OU2-5 or for NRDs. The parties take contrary positions, however, as to whether costs incurred in satisfying apportioned liability that is, liability for which the parties are not jointly and severally liable may be reallocated equitably, and the district court has yet to resolve that issue. The accompanying condensed consolidated financial statements do not include reserves for any future defense costs, which