Rock-Tenn CO
Form 10-Q
August 02, 2012
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549
Form 10-Q

S Quarterly report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the quarterly period ended June 30, 2012
or

£ Transition report pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934
For the transition period from to
Commission File Number 1-12613
Rock-Tenn Company
(Exact Name of Registrant as Specified in Its Charter)

Georgia	62-0342590
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
504 Thrasher Street, Norcross, Georgia	30071
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (770) 448-2193
N/A
(Former Name, Former Address and Former Fiscal Year, if Changed Since Last Report.)
Indicate by check mark whether the registrant: (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes S No £
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).
Yes S No £
Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act (check one):

Large accelerated filer S	Accelerated filer £
Non-accelerated filer £ (Do not check if smaller reporting company)	Smaller reporting company £

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).
Yes £ No S
Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date:

Class	Outstanding as of July 20, 2012
Class A Common Stock, $0.01 par value	70,768,614

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PART I: FINANCIAL INFORMATION

Item 1. FINANCIAL STATEMENTS (UNAUDITED)

ROCK-TENN COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited)
(In Millions, Except Per Share Data)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Net sales	$2,303.2	$1,382.1	$6,853.8	$2,936.1
Cost of goods sold	1,943.4	1,169.7	5,741.0	2,378.6
Gross profit	359.8	212.4	1,112.8	557.5
Selling, general and administrative expenses	229.6	145.3	685.1	316.8
Restructuring and other costs, net	13.7	55.5	52.1	62.4
Operating profit	116.5	11.6	375.6	178.3
Interest expense	(26.8)	(22.8)	(91.7)	(55.7)
Loss on extinguishment of debt	(0.1)	(39.5)	(19.6)	(39.5)
Interest income and other income, net	0.2	4.1	1.1	4.1
Equity in income of unconsolidated entities	0.8	0.6	2.9	1.2
Income (loss) before income taxes	90.6	(46.0)	268.3	88.4
Income tax (expense) benefit	(31.3)	17.6	(99.5)	(27.2)
Consolidated net income (loss)	59.3	(28.4)	168.8	61.2
Less: Net income attributable to noncontrolling interests	(1.1)	(1.7)	(2.0)	(4.0)
Net income (loss) attributable to Rock-Tenn Company shareholders	$58.2	$(30.1)	$166.8	$57.2
Basic earnings (loss) per share attributable to Rock-Tenn Company shareholders	$0.82	$(0.60)	$2.34	$1.32
Diluted earnings (loss) per share attributable to Rock-Tenn Company shareholders	$0.81	$(0.60)	$2.31	$1.30
Cash dividends paid per share	$0.20	$0.20	$0.60	$0.60

See Accompanying Notes to Condensed Consolidated Financial Statements

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ROCK-TENN COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited)
(In Millions)

	Three Months Ended June 30,		Nine Months Ended June 30,	
	2012	2011	2012	2011
Consolidated net income (loss)	$59.3	$(28.4)	$168.8	$61.2
Other comprehensive income, net of tax:				
Foreign currency translation gain (loss)	(6.2)	7.0	8.0	18.8
Derivatives:				
Deferred loss on cash flow hedges	—	(0.1)	—	(0.3)
Less: reclassification adjustment of net loss on cash flow hedges included in earnings	—	1.0	1.4	3.2
Defined benefit pension plans:				
Amortization of net actuarial loss, included in pension cost	3.3	3.3	9.9	9.1
Amortization of prior service cost, included in pension cost	0.1	0.1	0.3	0.3
Other comprehensive income (loss)	(2.8)	11.3	19.6	31.1
Comprehensive income (loss)	56.5	(17.1)	188.4	92.3
Less: Comprehensive income attributable to noncontrolling interests	(1.1)	(2.0)	(2.5)	(5.0)
Comprehensive income (loss) attributable to Rock-Tenn Company shareholders	$55.4	$(19.1)	$185.9	$87.3

See Accompanying Notes to Condensed Consolidated Financial Statements

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ROCK-TENN COMPANY
CONDENSED CONSOLIDATED BALANCE SHEETS
(Unaudited)
(In Millions, Except Share Data)

	June 30, 2012	September 30, 2011
ASSETS		
Current Assets:		
Cash and cash equivalents	$19.5	$41.7
Restricted cash	40.6	41.1
Accounts receivable (net of allowances of $23.4 and $30.1)	1,065.9	1,109.6
Inventories	855.5	849.8
Other current assets	104.3	186.7
Total current assets	2,085.8	2,228.9
Property, plant and equipment at cost:		
Land and buildings	1,196.9	1,135.1
Machinery and equipment	5,988.0	5,691.1
Transportation equipment	13.4	12.8
Leasehold improvements	18.4	6.9
	7,216.7	6,845.9
Less accumulated depreciation and amortization	(1,632.7)	(1,318.7)
Net property, plant and equipment	5,584.0	5,527.2
Goodwill	1,859.1	1,839.4
Intangibles, net	817.9	799.4
Other assets	244.3	171.1
	$10,591.1	$10,566.0
LIABILITIES AND EQUITY		
Current Liabilities:		
Current portion of debt	$257.7	$143.3
Accounts payable	758.5	780.7
Accrued compensation and benefits	208.4	220.0
Other current liabilities	219.3	174.3
Total current liabilities	1,443.9	1,318.3
Long-term debt due after one year	3,102.6	3,302.5
Pension liabilities, net of current portion	1,249.8	1,431.0
Postretirement benefit liabilities, net of current portion	158.1	155.2
Deferred income taxes	907.7	827.1
Other long-term liabilities	173.7	153.3
Commitments and contingencies (Note 14)		
Redeemable noncontrolling interests	8.5	6.3
Equity:		
Preferred stock, $0.01 par value; 50,000,000 shares authorized; no shares outstanding	—	—
Class A common stock, $0.01 par value; 175,000,000 shares authorized; 70,757,615 and 70,467,904 shares outstanding at June 30, 2012 and September 30, 2011, respectively	0.7	0.7
Capital in excess of par value	2,799.0	2,762.7
Retained earnings	1,026.6	907.4
Accumulated other comprehensive loss	(280.1)	(299.2)

Total Rock-Tenn Company shareholders’ equity	3,546.2	3,371.6
Noncontrolling interests	0.6	0.7
Total equity	3,546.8	3,372.3
	$10,591.1	$10,566.0

See Accompanying Notes to Condensed Consolidated Financial Statements

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ROCK-TENN COMPANY
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In Millions)

	Nine Months Ended June 30, 2012	2011
Operating activities:		
Consolidated net income	$168.8	$61.2
Adjustments to reconcile consolidated net income to net cash provided by operating activities:		
Depreciation, depletion and amortization	396.7	147.4
Deferred income tax expense	90.7	8.8
Share-based compensation expense	21.1	16.6
Loss on extinguishment of debt	19.6	39.5
Gain on disposal of plant, equipment and other, net	(12.9)	(0.1)
Equity in income of unconsolidated entities	(2.9)	(1.2)
Settlement of interest rate swaps and foreign currency hedge	(2.8)	1.7
Pension and other postretirement funding (more) less than expense	(162.3)	5.4
Impairment adjustments and other non-cash items	19.1	4.2
Change in operating assets and liabilities, net of acquisitions:		
Accounts receivable	63.8	(5.8)
Inventories	8.5	30.6
Other assets	(44.4)	35.7
Accounts payable	(35.7)	18.8
Income taxes	10.6	(53.1)
Accrued liabilities and other	3.5	30.0
Net cash provided by operating activities	541.4	339.7
Investing activities:		
Capital expenditures	(348.3)	(107.5)
Cash paid for purchase of business, net of cash acquired	(120.5)	(1,301.5)
Investment in unconsolidated entities	(1.7)	(1.3)
Return of capital from unconsolidated entities	1.6	0.6
Proceeds from sale of property, plant and equipment	37.1	7.6
Proceeds from property, plant and equipment insurance settlement	10.2	0.3
Net cash used for investing activities	(421.6)	(1,401.8)
Financing activities:		
Proceeds from issuance of notes	748.9	—
Additions to revolving credit facilities	310.6	363.5
Repayments of revolving credit facilities	(144.3)	(279.5)
Additions to debt	313.8	2,877.0
Repayments of debt	(1,319.3)	(1,786.1)
Debt issuance costs	(6.5)	(43.1)
Debt extinguishment costs	(13.9)	(37.9)
Issuances of common stock, net of related minimum tax withholdings	0.4	24.2
Excess tax benefits from share-based compensation	10.8	7.3
(Repayments to) advances from unconsolidated entity	(0.3)	0.6
Cash dividends paid to shareholders	(42.4)	(23.6)
Cash distributions paid to noncontrolling interests	(0.4)	(4.2)

Net cash (used for) provided by financing activities	(142.6)	1,098.2
Effect of exchange rate changes on cash and cash equivalents	0.6	(0.4)
(Decrease) increase in cash and cash equivalents	(22.2)	35.7
Cash and cash equivalents at beginning of period	41.7	15.9
Cash and cash equivalents at end of period	$19.5	$51.6
Supplemental disclosure of cash flow information:		
Cash paid (received) during the period for:		
Income taxes, net of refunds	$(13.0)	$19.6
Interest, net of amounts capitalized	75.6	42.8

See Accompanying Notes to Condensed Consolidated Financial Statements

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ROCK-TENN COMPANY
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
For the Three and Nine Month Period Ended June 30, 2012
(Unaudited)
Unless the context otherwise requires, “we”, “us”, “our”, “RockTenn” and “the Company” refer to the business of Rock-Tenn Company, its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries.

We are one of North America's leading integrated manufacturers of corrugated and consumer packaging and recycling solutions and are primarily a manufacturer of containerboard, recycled paperboard, bleached paperboard, packaging products and merchandising displays. We operate locations in the United States, Canada, Mexico, Chile, Argentina, Puerto Rico and China.

Note 1. Interim Financial Statements

Our independent public accounting firm has not audited our accompanying interim financial statements. We derived the Condensed Consolidated Balance Sheet at September 30, 2011 from the audited Consolidated Financial Statements included in our Annual Report on Form 10-K for the fiscal year ended September 30, 2011 (the “Fiscal 2011 Form 10-K”). In the opinion of our management, the Condensed Consolidated Financial Statements reflect all adjustments, which are of a normal recurring nature, necessary for a fair presentation of our results of operations for the three and nine months ended June 30, 2012 and June 30, 2011, our comprehensive income (loss) for the three and nine months ended June 30, 2012 and June 30, 2011, our financial position at June 30, 2012 and September 30, 2011, and our cash flows for the nine months ended June 30, 2012 and June 30, 2011.

We have condensed or omitted certain notes and other information from the interim financial statements presented in this Quarterly Report on Form 10-Q. Therefore, these interim statements should be read in conjunction with our Fiscal 2011 Form 10-K. The results for the three and nine months ended June 30, 2012 are not necessarily indicative of results that may be expected for the full year.

Note 2. New Accounting Standards

Recently Adopted Standards

In May 2011, the FASB issued Accounting Standards Update 2011-04 “Amendments to Achieve Common Fair Value Measurements and Disclosures in U.S. GAAP and IFRS” which amended certain provisions of ASC 820 “Fair Value Measurement”. These provisions change key principles or requirements for measuring fair value and clarify the FASB's intent regarding application of existing requirements and impact required disclosures. These provisions are effective for interim and annual periods beginning after December 15, 2011 (January 1, 2012 for us). The adoption of these provisions did not have a material effect on our consolidated financial statements.

In June 2011, the FASB issued Accounting Standards Update 2011-05 “Comprehensive Income Presentation of Financial Statements” and subsequently Accounting Standards Update 2011-12 in December 2011 "Deferral of the Effective date for Amendments to the Presentation of Reclassification Items out of Accumulated Other Comprehensive Income, " which amended certain provisions of ASC 220 “Comprehensive Income”. These provisions change the presentation requirements for other comprehensive income and total comprehensive income and require one continuous statement or two separate but consecutive statements. Presentation of other comprehensive income in the statement of stockholders' equity is no longer permitted. These provisions are effective for fiscal and interim periods beginning after December 15, 2011 (January 1, 2012 for us). The adoption of these provisions did not have a material effect on our consolidated financial statements.

Recently Issued Standards

In September 2011, the FASB issued Accounting Standards Update 2011-09 “Disclosures about an Employer's Participation in a Multiemployer Plan”, which amends certain provisions of ASC 715 “Retirement Plans”. These provisions require enhanced disclosures in our annual financial statements including a general description of the multiemployer plan, the nature of our participation in the plan and whether our contributions into the plan exceed 5% of total contributions. These provisions are effective for fiscal years ending after December 15, 2011 (September 30, 2012 for us). We do not expect the adoption of these provisions to have a material impact on our consolidated financial statements, although the notes to our consolidated financial statements may include additional information concerning our participation in these plans.

In December 2011, the FASB issued Accounting Standards Update 2011-11 “Disclosures about Offsetting Assets and Liabilities”, which amends certain provisions in ASC 210 “Balance Sheet”. These provisions require additional disclosures for financial instruments that are presented net for financial statement presentation, including the gross amount of the asset and liability as well as the impact of any net amount presented in the consolidated financial statements. These provisions are effective for fiscal and interim periods beginning on or after January 1, 2013. We do not expect the adoption of these provisions to have a material impact on our consolidated financial statements.

Note 3. Equity and Other Comprehensive Income (Loss)

Equity

The following is a summary of the changes in total equity for the nine months ended June 30, 2012 (in millions):

	Rock-Tenn Company Shareholders' Equity	Noncontrolling [1] Interests	Total Equity
Balance at September 30, 2011	$3,371.6	$0.7	$3,372.3
Net income	166.8	(0.1)	166.7
Other comprehensive income, net of tax	19.1	—	19.1
Income tax benefit from share-based plans	9.6	—	9.6
Compensation expense under share-based plans	21.1	—	21.1
Cash dividends (per share - $0.60)	(42.4)	—	(42.4)
Issuance of Class A common stock, net of stock received for minimum tax withholdings	0.4	—	0.4
Balance at June 30, 2012	$3,546.2	$0.6	$3,546.8

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

Other Comprehensive Income (Loss)

The net of tax components of other comprehensive income were determined using effective tax rates of approximately 39% for the three and nine months ended June 30, 2012 and June 30, 2011. Foreign currency translation gains deferred into other comprehensive income for the three and nine months ended June 30, 2012 and June 30, 2011 were primarily due to the change in the Canadian/U.S. dollar exchange rates. There were no foreign currency reclassification adjustments for the three and nine months ended June 30, 2012 and June 30, 2011. Other comprehensive income includes reclassification adjustments related to our defined benefit pension plans for the amortization of actuarial losses and prior service costs. There were no actuarial gains, losses or prior service costs arising during the period deferred into other comprehensive income for our defined benefit pension plans for the three and nine months ended June 30, 2012 and June 30, 2011.

Note 4. Earnings (Loss) per Share

Certain of our restricted stock awards are considered participating securities as they receive non-forfeitable rights to dividends at the same rate as common stock. As participating securities, we include these instruments in the earnings allocation in computing earnings per share ("EPS") under the two-class method described in ASC 260 "Earnings per Share." The following table sets forth the computation of basic and diluted earnings per share under the two-class method (in millions, except per share data):

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Notes to Condensed Consolidated Statements (Unaudited) (Continued)

	Three Months Ended June 30, 2012	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2012	Nine Months Ended June 30, 2011
Basic earnings (loss) per share:				
Numerator:				
Net income (loss) attributable to Rock-Tenn Company shareholders	$58.2	$(30.1)	$166.8	$57.2
Less: Distributed and undistributed income available to participating securities	—	(0.1)	(0.6)	(0.8)
Distributed and undistributed income (loss) attributable to Rock-Tenn Company shareholders	$58.2	$(30.2)	$166.2	$56.4
Denominator:				
Basic weighted average shares outstanding	71.4	50.7	71.1	42.7
Basic earnings (loss) per share attributable to Rock-Tenn Company shareholders	$0.82	$(0.60)	$2.34	$1.32
Diluted earnings (loss) per share:				
Numerator:				
Net income (loss) attributable to Rock-Tenn Company shareholders	$58.2	$(30.1)	$166.8	$57.2
Less: Distributed and undistributed income available to participating securities	—	(0.1)	(0.6)	(0.7)
Distributed and undistributed income (loss) attributable to Rock-Tenn Company shareholders	$58.2	$(30.2)	$166.2	$56.5
Denominator:				
Basic weighted average shares outstanding	71.4	50.7	71.1	42.7
Effect of dilutive stock options and non-participating securities	0.9	—	0.8	0.6
Diluted weighted average shares outstanding	72.3	50.7	71.9	43.3
Diluted earnings (loss) per share attributable to Rock-Tenn Company shareholders	$0.81	$(0.60)	$2.31	$1.30

Weighted average shares includes approximately 0.7 million of reserved, but unissued shares at June 30, 2012. These reserved shares will be distributed as claims are liquidated or resolved in accordance with the Smurfit-Stone Plan of Reorganization and Confirmation Order.

Options to purchase 0.4 million and 0.3 million common shares in the three and nine months ended June 30, 2012 were not included in computing diluted earnings per share because the effect would have been antidilutive. Due to the net loss in the three months ended June 30, 2011, stock options and non-participating securities of 0.8 million common shares were not included in computing diluted earnings per share because the effect would have been antidilutive. Options to purchase 0.1 million common shares in the nine months ended June 30, 2011 were not included in computing diluted earnings per share because the effect would have been antidilutive.

Note 5. Acquisitions

Smurfit-Stone Acquisition

On May 27, 2011, we completed our acquisition of Smurfit-Stone Container Corporation (the "Smurfit-Stone Acquisition" or "Smurfit-Stone"). We have included in our financial statements the results of Smurfit-Stone's containerboard mill and corrugated converting operations in our Corrugated Packaging segment, Smurfit-Stone's recycling operations in our Recycling and Waste Solutions segment and Smurfit-Stone's display operations in our Consumer Packaging segment. We acquired Smurfit-Stone in order to expand our corrugated packaging business as we believe the containerboard and corrugated packaging industry is a very attractive business and U.S. virgin containerboard is a strategic global asset. The purchase price for the acquisition was $4,919.1 million, net of cash acquired of $473.5 million. The purchase price included cash consideration, net of cash acquired of $1,303.4 million, the issuance of approximately 31.0 million shares of RockTenn common stock valued at $2,378.8 million, including approximately 0.7 million shares reserved but unissued at June 30, 2012 for the resolution of Smurfit-Stone bankruptcy claims, we assumed $1,180.5 million of debt and recorded $56.4 million for stock options to replace outstanding Smurfit-Stone stock

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Notes to Condensed Consolidated Statements (Unaudited) (Continued)

options. The reserved shares will be distributed as claims are liquidated or resolved in accordance with the Smurfit-Stone Plan of Reorganization and Confirmation Order. The shares issued were valued at $76.735 per share which represented the average of the high and low stock price on the acquisition date.

We entered into a new Credit Facility and amended our receivables-backed financing facility at the time of the Smurfit-Stone Acquisition. In fiscal 2011, we recorded a loss on extinguishment of debt of approximately $39.5 million primarily for fees paid to certain creditors and third parties and to write-off certain unamortized deferred financing costs related to the Terminated Credit Facility and capitalized approximately $43.3 million of debt issuance costs in other assets related to the new and amended credit agreements. For additional information on our Credit Facility see "Note 9. Debt".

The following table summarizes the estimated fair values of the assets acquired and liabilities assumed by major class of assets and liabilities as of the acquisition date, as well as adjustments made during fiscal 2012 (referred to as "measurement period adjustments") (in millions):

	Amounts Recognized as of Acquisition Date[(1)]	Measurement Period Adjustments[(2)]	Amounts Recognized as of Acquisition Date (as Adjusted)[(3)]
Current assets, net of cash received	$1,459.5	$(6.8)	$1,452.7
Property, plant and equipment	4,391.4	(12.1)	4,379.3
Goodwill	1,091.6	(16.2)	1,075.4
Intangible assets	691.4	21.7	713.1
Other long-term assets	95.5	28.5	124.0
Total assets acquired	7,729.4	15.1	7,744.5
Current portion of debt	9.4	—	9.4
Current liabilities	816.7	6.6	823.3
Long-term debt due after one year	1,171.1	—	1,171.1
Accrued pension and other long-term benefits	1,205.8	(4.1)	1,201.7
Noncontrolling interest and other long-term liabilities	787.8	12.6	800.4
Total liabilities and noncontrolling interest assumed	3,990.8	15.1	4,005.9
Net assets acquired	$3,738.6	$—	$3,738.6

(1) As previously reported in the Notes to Consolidated Financial Statements included in our Fiscal 2011 Form 10-K.

(2) The measurement period adjustments recorded in the second and third quarters of fiscal 2012 did not have a significant impact on our condensed consolidated statements of income for any period of fiscal 2012 or 2011. In addition, these adjustments did not have a significant impact on our condensed consolidated balance sheet as of September 30, 2011. Therefore, we have not retrospectively adjusted the comparative 2011 financial information presented herein.

(3) The measurement period adjustments were due primarily to refinements of third party appraisals related to certain property, plant and equipment and intangible assets and related estimated useful lives as well as adjustments to certain tax accounts based on among other things, adjustments to deferred tax liabilities including the recent

appraisal adjustments, analysis of the tax basis of acquired assets and liabilities and other tax adjustments. The net impact of the measurement period adjustments resulted in a net decrease to goodwill.

We recorded fair values for acquired assets and liabilities including goodwill and intangibles. The fair value assigned to goodwill is primarily attributable to buyer-specific synergies expected to arise after the acquisition (e.g., enhanced geographic reach of the combined organization, increased vertical integration opportunities and diversification of fiber sourcing) and the assembled work force of Smurfit-Stone.

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Notes to Condensed Consolidated Statements (Unaudited) (Continued)

The following table summarizes the weighted average life (in years) and gross carrying amount relating to intangible assets recognized in the Smurfit-Stone Acquisition, excluding goodwill (in millions):

	Weighted Avg. Life	Gross Carrying Amount
Customer relationships	10.5	$663.0
Favorable contracts	6.9	23.5
Technology and patents	8.0	13.3
Trademarks and tradenames	3.5	10.3
Non-compete agreements	2.0	3.0
Total	10.2	$713.1

None of the intangibles have significant residual value. The intangibles are being amortized over estimated useful lives ranging from 1 to 18 years based on the approximate pattern in which the economic benefits are consumed or straight-line if the pattern was not reliably determinable.

The following unaudited pro forma information reflects our consolidated results of operations as if the acquisition had taken place on October 1, 2009. The unaudited pro forma information in the table below is not necessarily indicative of the results of operations that we would have reported had the transaction actually occurred at the beginning of this period nor is it necessarily indicative of future results. The unaudited pro forma financial information does not reflect the impact of future events that may occur after the acquisition, including, but not limited to, anticipated costs savings from synergies or other operational improvements.

	Three Months Ended June 30, 2011	Nine Months Ended June 30, 2011
	(Unaudited, in millions)	
Net sales	$2,384.2	$7,111.0
Net income attributable to Rock-Tenn Company shareholders	$67.9	$252.9

Revenues associated with the Smurfit-Stone Acquisition since the date acquired for the three months ended June 30, 2011 were $606.3 million. Disclosure of earnings associated with the Smurfit-Stone Acquisition since the date acquired for the three months ended June 30, 2011 is not practicable as it is not being operated as a standalone business.

The unaudited pro forma financial information presented in the table above has been adjusted to give effect to adjustments that are (1) directly related to the business combination; (2) factually supportable; and (3) expected to have a continuing impact. These adjustments include, but are not limited to, the application of our accounting policies; elimination of related party transactions; depreciation and amortization related to fair value adjustments to property, plant and equipment and intangible assets including contracts assumed; and interest expense on acquisition-related debt.

Unaudited pro forma earnings for the three months ended June 30, 2011 were adjusted to exclude $55.4 million of acquisition inventory step-up expense, $97.8 million of employee compensation related items consisting primarily of certain change in control payments and acceleration of stock-based compensation, $42.8 million of acquisition costs which primarily consist of advisory, legal, accounting, valuation and other professional or consulting fees, and $81.5 million of loss on extinguishment of debt. Unaudited pro forma earnings for the nine months ended June 30, 2011 were adjusted to exclude $55.4 million of acquisition inventory step-up expense, $97.8 million of employee compensation related items consisting primarily of certain change in control payments and acceleration of stock-based compensation, $49.2 million of acquisition costs which primarily consist of advisory, legal, accounting, valuation and other professional or consulting fees, and $81.5 million of loss on extinguishment of debt. Included in earnings for the three month and nine months ended June 30, 2011 are $19.9 million and $22.2 million, respectively, of integration costs which primarily consist of severance and other employee costs and professional services.

GMI Acquisition

On October 28, 2011, we acquired the stock of four entities doing business as GMI Group ("GMI" or "CorPak"). We have made joint elections under section 338(h)(10) of the Internal Revenue Code of 1986, as amended (the "Code") that increased our tax basis in the underlying assets acquired. The purchase price was approximately $90.1 million, including the amount to be paid

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to the sellers related to the Code section 338(h)(10) elections. There was no debt assumed. We acquired the GMI business to expand our presence in the corrugated markets. The acquisition also increases our vertical integration. We have included the results of GMI's operations since the date of acquisition in our consolidated financial statements in our Corrugated Packaging segment. The acquisition included $39.5 million of customer relationship intangible assets, $25.8 million of goodwill and $2.1 million of net unfavorable lease contracts. We are amortizing the customer relationship intangibles over 11 to 12 years based on a straight-line basis because the pattern was not reliably determinable and amortizing the lease contracts over 2 to 10 years. None of the intangibles have a significant residual value. The estimated fair value assigned to goodwill is primarily attributable to buyer-specific synergies expected to arise after the acquisition (e.g., enhanced geographic reach of the combined organization, increased vertical integration) and the assembled work force of GMI. We expect the goodwill to be amortizable for income tax purposes as a result of the Code section 338(h)(10) elections.

Mid South Packaging Acquisition

On June 22, 2012, we acquired the assets of Mid South Packaging LLC ("Mid South"), a specialty corrugated packaging manufacturer with operations in Cullman, AL, and Olive Branch, MS. The purchase price was approximately $32.1 million, net of a preliminary working capital settlement. No debt was assumed. We acquired the Mid South business as part of our announced strategy to seek acquisitions that increase our integration levels in the corrugated markets. We have included the results of Mid South's operations since the date of acquisition in our consolidated financial statements in our Corrugated Packaging segment. The acquisition included $9.9 million of customer relationship intangible assets and $8.5 million of goodwill. We are amortizing the customer relationship intangibles over 12.5 years based on a straight-line basis because the pattern was not reliably determinable. None of the intangibles have a significant residual value. We are in the process of analyzing the estimated values of all assets acquired and liabilities assumed, among other things, completing our valuations of certain tangible and intangible assets, and determining the working capital settlement, thus, the allocation of purchase price is preliminary and subject to revision. The estimated fair value assigned to goodwill is primarily attributable to buyer-specific synergies expected to arise after the acquisition (e.g., enhanced geographic reach of the combined organization, increased vertical integration) and the assembled work force of Mid South.

Note 6. Restructuring and Other Costs, Net

Summary of Restructuring and Other Initiatives

We recorded pre-tax restructuring and other costs, net, of $13.7 million and $55.5 million for the three months ended June 30, 2012 and June 30, 2011, respectively and recorded pre-tax restructuring and other costs, net, of $52.1 million and $62.4 million for the nine months ended June 30, 2012 and June 30, 2011, respectively. Amounts recorded in each period are not comparable since the timing and scope of the individual actions associated with a restructuring, an acquisition or integration can vary. We discuss these charges in more detail below.

The following table presents a summary of restructuring and other charges, net, related to active restructuring and other initiatives that we incurred during the three and nine months ended June 30, 2012 and June 30, 2011, the cumulative recorded amount since we started the initiative, and the total we expect to incur (in millions):

Summary of Restructuring and Other Costs, Net

Segment	Period	Net Property, Plant and Equipment (1)	Severance and Other Employee Related Costs	Equipment and Inventory Relocation Costs	Facility Carrying Costs	Other Costs	Total
	Current Qtr.	$3.8	$2.1	$1.2	$2.1	$(0.6)	$8.6
Corrugated Packaging[a]	YTD Fiscal 2012	9.7	10.5	2.9	4.5	4.3	31.9
	Prior Year Qtr.	2.3	5.5	0.1	0.3	—	8.2
	YTD Fiscal 2011	1.9	5.6	0.1	0.3	0.6	8.5
	Cumulative	26.8	18.7	4.1	5.5	5.1	60.2
	Expected Total	26.8	18.7	6.1	8.9	5.1	65.6
	Current Qtr.	(2.6)	0.1	—	—	—	(2.5)
Consumer Packaging[b]	YTD Fiscal 2012	(3.3)	0.1	0.5	—	(0.1)	(2.8)
	Prior Year Qtr.	3.5	1.6	0.2	0.2	0.1	5.6
	YTD Fiscal 2011	3.3	1.7	0.3	0.5	0.1	5.9
	Cumulative	1.4	3.4	1.6	0.9	0.9	8.2
	Expected Total	1.4	3.4	1.6	1.2	0.9	8.5
	Current Qtr.	0.1	—	—	—	—	0.1
Recycling and Waste Solutions[c]	YTD Fiscal 2012	0.1	—	—	—	—	0.1
	Prior Year Qtr.	—	—	—	—	—	—
	YTD Fiscal 2011	—	—	—	0.1	—	0.1
	Cumulative	0.1	—	—	0.4	0.1	0.6
	Expected Total	0.1	—	—	0.4	0.1	0.6
Other[d]	Current Qtr.	—	—	—	—	7.5	7.5
	YTD Fiscal 2012	—	—	—	—	22.9	22.9
	Prior Year Qtr.	—	—	—	—	41.7	41.7
	YTD Fiscal 2011	—	—	—	—	47.9	47.9
	Cumulative	—	—	—	—	83.7	83.7
	Expected Total	—	—	—	—	83.7	83.7
Total	Current Qtr.	$1.3	$2.2	$1.2	$2.1	$6.9	$13.7
	YTD Fiscal 2012	$6.5	$10.6	$3.4	$4.5	$27.1	$52.1

Prior Year Qtr.	$5.8	$7.1	$0.3	$0.5	$41.8	$55.5
YTD Fiscal 2011	$5.2	$7.3	$0.4	$0.9	$48.6	$62.4
Cumulative	$28.3	$22.1	$5.7	$6.8	$89.8	$152.7
Expected Total	$28.3	$22.1	$7.7	$10.5	$89.8	$158.4

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(1) We have defined "Net property, plant and equipment" as used in this Note 6 as property, plant and equipment, impairment losses, subsequent adjustments to fair value for assets classified as held for sale, and subsequent (gains) or losses on sales of property, plant and equipment and related parts and supplies and accelerated depreciation on such assets.

When we close a facility, if necessary, we recognize an impairment charge primarily to reduce the carrying value of equipment or other property to their estimated fair value less cost to sell, and record charges for severance and other employee related costs. Any subsequent change in fair value, less cost to sell, prior to disposition is recognized as identified; however, no gain is recognized in excess of the cumulative loss previously recorded. At the time of each announced closure, we also generally expect to record future charges for equipment relocation, facility carrying costs, costs to terminate a lease or contract before the end of its term and other employee related costs. Expected future charges are reflected in the table above in the "Expected Total" lines until incurred. Although specific circumstances vary, our strategy has generally been to consolidate our sales and operations into large well-equipped plants that operate at high utilization rates and take advantage of available capacity created by operational excellence initiatives. Therefore, we transfer a substantial portion of each plant's assets and production to our other plants. We believe these actions have allowed us to more effectively manage our business.

(a) The Corrugated Packaging segment current year charges primarily reflect the closure of our Matane, Quebec containerboard mill, a machine taken out of operation at our Hodge, LA containerboard mill and five corrugated container plants, all acquired in the Smurfit-Stone Acquisition (each initially recorded and four closed in fiscal 2012) and charges associated primarily with on-going closure costs at certain of six other corrugated container plants acquired in the Smurfit-Stone Acquisition (each initially recorded in fiscal 2011, five of the six were closed in fiscal 2011 and one closed in fiscal 2012) and our Hauppauge, NY sheet plant (initially recorded in fiscal 2010 and closed in fiscal 2011), net of a gain on sale of our Santa Fe Spring, CA corrugated converting facility. The expenses in the "Other Costs" column primarily represent repayment of energy credits and site environmental closure activities at the Matane mill. The cumulative charges are primarily for the facilities mentioned above and fiscal 2011 charges related to kraft paper assets at our Hodge containerboard mill we acquired in the Smurfit-Stone Acquisition. We have transferred a substantial portion of each closed facility's production to our other facilities.

(b) The Consumer Packaging segment current year activity primarily reflects the gain on sale of our Columbus, IN laminated paperboard converting operation and Milwaukee, WI folding carton facility (initially recorded and closed in fiscal 2011) and on-going closure costs associated with previously closed facilities. The cumulative charges primarily reflect the actions mentioned above as well as closure costs at certain of four interior packaging plants (three initially recorded and closed in fiscal 2011 and one initially recorded and closed in fiscal 2010), our Columbus laminated paperboard converting operation and our Macon, GA drum manufacturing operation (each initially recorded and closed in fiscal 2010) and our Drums, PA interior packaging plant (initially recorded and closed in fiscal 2010).

(c) The Recycling and Waste Solutions segment current year charges reflect one collection facility sold in the current year and the cumulative charges reflect carrying costs for two collections facilities shutdown in a prior year.

(d) The expenses in the "Other Costs" column primarily reflect costs incurred primarily as a result of our Smurfit-Stone Acquisition, including merger integration expenses. The pre-tax charges are summarized below (in millions):

	Acquisition Expenses	Integration Expenses	Other Expenses / (Income)	Total
Current Qtr.	$1.6	$5.9	$—	$7.5

YTD Fiscal 2012	$2.7	$20.8	$(0.6)	$22.9
Prior Year Qtr.	$12.2	$29.5	$—	$41.7
YTD Fiscal 2011	$16.2	$31.7	$—	$47.9

Acquisition expenses include expenses associated with other acquisitions, whether consummated or not, as well as litigation expenses associated with the Smurfit-Stone Acquisition. Acquisition expenses primarily consist of advisory, legal, accounting, valuation and other professional or consulting fees. Integration expenses reflect primarily severance and other employee costs, professional services including work being performed to facilitate the Smurfit-Stone integration including information systems integration costs, lease expense and other costs. Due to the complexity and duration of the integration activities the precise amount expected to be incurred has not been quantified above. We expect integration activities to continue into fiscal 2013.

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The following table represents a summary of and the changes in the restructuring accrual, which is primarily