ENERGIZER HOLDINGS INC
Form 4
September 12, 2014

FORM 4

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
Washington, D.C. 20549

Check this box if no longer subject to Section 16. Form 4 or Form 5 obligations may continue. *See* Instruction 1(b).

STATEMENT OF CHANGES IN BENEFICIAL OWNERSHIP OF SECURITIES

Filed pursuant to Section 16(a) of the Securities Exchange Act of 1934, Section 17(a) of the Public Utility Holding Company Act of 1935 or Section 30(h) of the Investment Company Act of 1940

OMB APPROVAL

OMB Number:	3235-0287
Expires:	January 31, 2005
Estimated average burden hours per response...	0.5

(Print or Type Responses)

1. Name and Address of Reporting Person *
HATFIELD DAVID P

(Last) (First) (Middle)

ENERGIZER HOLDINGS, INC., 533 MARYVILLE UNIVERSITY DRIVE

(Street)

ST LOUIS, MO 63141

(City) (State) (Zip)

2. Issuer Name **and** Ticker or Trading Symbol
ENERGIZER HOLDINGS INC [ENR]

3. Date of Earliest Transaction (Month/Day/Year)
09/10/2014

4. If Amendment, Date Original Filed(Month/Day/Year)

5. Relationship of Reporting Person(s) to Issuer

(Check all applicable)

_____ Director _____ 10% Owner
__X__ Officer (give title below) _____ Other (specify below)
PRES & CEO, ENR PERSONAL CARE

6. Individual or Joint/Group Filing(Check Applicable Line)
_X_ Form filed by One Reporting Person
___ Form filed by More than One Reporting Person

Table I - Non-Derivative Securities Acquired, Disposed of, or Beneficially Owned

1.Title of Security (Instr. 3)	2. Transaction Date (Month/Day/Year)	2A. Deemed Execution Date, if any (Month/Day/Year)	3. Transaction Code (Instr. 8)		4. Securities Acquired (A) or Disposed of (D) (Instr. 3, 4 and 5)			5. Amount of Securities Beneficially Owned Following Reported Transaction(s) (Instr. 3 and 4)	6. Ownership Form: Direct (D) or Indirect (I) (Instr. 4)	7. Nature of Indirect Beneficial Ownership (Instr. 4)
			Code	V	Amount	(A) or (D)	Price			

Reminder: Report on a separate line for each class of securities beneficially owned directly or indirectly.

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SEC 1474 (9-02)

Table II - Derivative Securities Acquired, Disposed of, or Beneficially Owned
(*e.g.*, puts, calls, warrants, options, convertible securities)

1. Title of Derivative Security (Instr. 3)	2. Conversion or Exercise Price of Derivative Security	3. Transaction Date (Month/Day/Year)	3A. Deemed Execution Date, if any (Month/Day/Year)	4. Transaction Code (Instr. 8)		5. Number of Derivative Securities Acquired (A) or Disposed of (D) (Instr. 3, 4, and 5)		6. Date Exercisable and Expiration Date (Month/Day/Year)		7. Title and Amount of Underlying Securities (Instr. 3 and 4)		8. I De Sec (In
				Code	V	(A)	(D)	Date Exercisable	Expiration Date	Title	Amount or Number of Shares	
Phantom Stk Units in Deferred Compensation Plan CM	$ 0	09/10/2014		A		15 (1)		(2)	(2)	Energizer Holdings, Inc. Common Stock	15	$
Phantom Stock Units in Deferred Compensation Plan	$ 0	09/10/2014		A		7 (1)		(2)	(2)	Energizer Holdings, Inc. Common Stock	7	$

Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
HATFIELD DAVID P ENERGIZER HOLDINGS, INC. 533 MARYVILLE UNIVERSITY DRIVE ST LOUIS, MO 63141			PRES & CEO, ENR PERSONAL CARE	

Signatures

DAVID P. HATFIELD	09/12/2014
**Signature of Reporting Person	Date

Explanation of Responses:

* If the form is filed by more than one reporting person, *see* Instruction 4(b)(v).

** Intentional misstatements or omissions of facts constitute Federal Criminal Violations. *See* 18 U.S.C. 1001 and 15 U.S.C. 78ff(a).

(1) Dividend equivalent payment credited to the Reporting Person's balance in the Energizer stock fund of the Company's deferred compensation plan in the form of additional units.

(2) Phantom stock units are payable in cash following termination of the Reporting Person's employment with Energizer Holdings, Inc.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure.

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Service centers

$

34,971

66.9

%

$

29,103

67.9

%

$

5,868

20.2

%

Forgers

7,080

13.5

4,433

10.3

2,647

59.7

Rerollers

4,627

8.8

Explanation of Responses:

5,578

13.0

(951)

(17.0)

Original equipment manufacturers

4,002

7.7

2,867

6.7

Explanation of Responses:

1,135

39.6

Conversion services and other sales

1,629

3.1

906

2.1

723

79.8

Explanation of Responses:

Total net sales

$

52,309

100.0

%

$

42,887

100.0

%

$

9,422

22.0

%

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Explanation of Responses:

Melt Type Information

(in thousands)	Three months ended June 30, 2014		2013			
	Amount	Percentage of net sales	Amount	Percentage of net sales	Dollar variance	Percentage variance
Net sales:						
Specialty alloys	$ 46,424	88.8 %	$ 40,097	93.5 %	$ 6,327	15.8 %
Premium alloys (A)	4,256	8.1	1,884	4.4	2,372	125.9
Conversion services and other sales	1,629	3.1	906	2.1	723	79.8
Total net sales	$ 52,309	100.0 %	$ 42,887	100.0 %	$ 9,422	22.0 %

(A) Premium alloys represent all vacuum induction melted (VIM) products.

The majority of our products are sold to service centers/processors rather than the ultimate end market customers. The end market information in this Quarterly Report is our estimate based upon our knowledge of our customers and the grade of material sold to them, which they will in-turn sell to the ultimate end market customer.

End Market Information

(in thousands)	Three months ended June 30, 2014		2013			
	Amount	Percentage of net sales	Amount	Percentage of net sales	Dollar variance	Percentage variance
Net sales:						
Aerospace	$ 30,190	57.7 %	$ 24,990	58.2 %	$ 5,200	20.8 %
Power generation	6,552	12.5	4,531	10.6	2,021	44.6
Oil & gas	5,406	10.3	4,484	10.5	922	20.6
Heavy equipment	3,697	7.1	5,518	12.9	(1,821)	(33.0)
General industrial, conversion services and other sales	6,464	12.4	3,364	7.8	3,100	92.2
Total net sales	$ 52,309	100.0 %	$ 42,887	100.0 %	$ 9,422	22.0 %

Net sales:

Net sales for the three months ended June 30, 2014 increased $9.4 million, or 22.0%, as compared to the three months ended June 30, 2013. This increase primarily reflects a 15.9% increase in consolidated shipments for the three months ended June 30, 2014, compared to the same prior year period. In addition, our sales dollars per shipped ton increased

by 5.2% from the three months ended June 30, 2013 to the three months ended June 30, 2014. The increase in both sales and sales dollars per shipped ton is partially a result of increased base prices/surcharges as well as favorable product mix. Our product sales to all of our end markets, except heavy equipment, increased, as noted in the above table. During the three months ended June 30, 2014, we recognized a $2.4 million, or 125.9%, increase in premium alloy sales when compared to the three months ended June 30, 2013. Our premium alloy sales increased from 4.4% of total sales for the three months ended June 30, 2013 to 8.1% for the three months ended June 30, 2014. Our premium alloy sales are primarily for the aerospace end market.

Gross margin:

Our gross margin, as a percentage of sales, was 16.1% and 12.4% for the three months ended June 30, 2014 and 2013, respectively. The improvement in our gross margin for the three months ended June 30, 2014 as compared to the three months ended June 30, 2013, is largely a result of improved yields, lower scrap rates, better product mix, and higher operating levels due to improving business conditions.

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Selling, general and administrative expenses:

Our selling, general and administrative (“SG&A”) expenses consist primarily of employee costs, which include salaries, payroll taxes and benefit related costs, legal and accounting services, stock compensation and insurance costs. SG&A expenses increased by $300,000 in the three months ended June 30, 2014 as compared to the three months ended June 30, 2013 primarily due to increased employee related costs which were partially offset by a decrease in severance expense. We incurred $356,000 in severance expense in the three months ended June 30, 2013 from the departure of a senior executive. There were no similar severance expenses in the three months ended June 30, 2014. As a percentage of sales, our SG&A expenses decreased from 11.4% during the three months ended June 30, 2013 to 9.9% for the three months ended June 30, 2014 primarily as a result of the 22.0% increase in our net sales quarter over quarter.

Interest expense and other financing costs:

Our interest expense and other financing costs increased from $837,000 for the three months ended June 30, 2013 to $1.0 million for the three months ended June 30, 2014. This increase is primarily due to higher interest rates incurred on our debt in 2014 when compared to 2013 and higher deferred financing amortization costs as a result of our two amendments to our credit facilities in 2013. Our interest rates are determined by a LIBOR-based rate plus an applicable margin based upon our quarterly leverage ratio. During the three months ended June 30, 2014 and 2013, we recognized $160,000 and $115,000, respectively, of deferred financing amortization.

Income tax provision (benefit):

For the three months ended June 30, 2014 and 2013, our estimated annual effective tax rates applied to ordinary income were 34.4% and (117.5)%, respectively.

Our effective tax rates for the three months ended June 30, 2014 and 2013 were 34.1% and (231.7)%, respectively. Our effective tax rate for the quarter ended June 30, 2013 reflects a benefit from a reduced state apportionment factor based upon year–to-date sales, which resulted in approximately $254,000 of discrete income tax benefit.

Net income:

Our net income increased from $478,000, or $0.06 per diluted share, for the three months ended June 30, 2013 to $1.4 million, or $0.20 per diluted share, for the three months ended June 30, 2014 for the reasons stated above.

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Six months ended June 30, 2014 as compared to the six months ended June 30, 2013

(in thousands, except per shipped ton information)	Six months ended June 30, 2014			2013				
	Amount	Percentage of net sales		Amount	Percentage of net sales		Dollar / ton variance	Percentage variance
Net sales:								
Stainless steel	$ 78,672	79.6	%	$ 67,670	73.4	%	$ 11,002	16.3 %
High-strength low alloy steel	7,246	7.3		10,458	11.4		(3,212)	(30.7)
Tool steel	7,061	7.1		10,102	11.0		(3,041)	(30.1)
High-temperature alloy steel	3,015	3.0		2,075	2.3		940	45.3
Conversion services and other sales	2,982	3.0		1,717	1.9		1,265	73.7
Total net sales	98,976	100.0		92,022	100.0		6,954	7.6
Cost of products sold	84,506	85.4		82,068	89.2		2,438	3.0
Gross margin	14,470	14.6		9,954	10.8		4,516	45.4
Selling and administrative expenses	9,797	9.9		9,348	10.2		449	4.8
Operating income	4,673	4.7		606	0.6		4,067	NM
Interest expense and other financing costs	(1,905)	(1.9)		(1,526)	(1.7)		(379)	24.8
Other income, net	3	-		63	0.1		(60)	(95.2)
Income (loss) before income taxes	2,771	2.8		(857)	(1.0)		3,628	(423.3)
Provision (benefit) for income taxes	1,821	1.8		(1,375)	(1.5)		3,196	(232.4)
Net income	$ 950	1.0	%	$ 518	0.5	%	$ 432	83.4
Tons shipped	19,246			18,185			1,061	5.8
Sales dollars per shipped ton	$ 5,143			$ 5,060			$ 83	1.6 %

NM – Not meaningful

Market Segment Information

(in thousands)	Six months ended June 30, 2014	2013

	Amount	Percentage of net sales		Amount	Percentage of net sales		Dollar variance	Percentage variance	
Net sales:									
Service centers	$ 63,762	64.4	%	$ 61,612	67.0	%	$ 2,150	3.5	%
Forgers	13,462	13.6		11,062	12.0		2,400	21.7	
Rerollers	10,852	11.0		11,080	12.0		(228)	(2.1)	
Original equipment manufacturers	7,918	8.0		6,551	7.1		1,367	20.9	
Conversion services and other sales	2,982	3.0		1,717	1.9		1,265	73.7	
Total net sales	$ 98,976	100.0	%	$ 92,022	100.0	%	$ 6,954	7.6	%

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Explanation of Responses:

Melt Type Information

(in thousands)	Six months ended June 30, 2014			2013					
	Amount	Percentage of net sales		Amount	Percentage of net sales		Dollar variance	Percentage variance	
Net sales:									
Specialty alloys	$ 89,040	90.0	%	$ 86,219	93.7	%	$ 2,821	3.3	%
Premium alloys (A)	6,954	7.0		4,086	4.4		2,868	70.2	
Conversion services and other sales	2,982	3.0		1,717	1.9		1,265	73.7	
Total net sales	$ 98,976	100.0	%	$ 92,022	100.0	%	$ 6,954	7.6	%

(A) Premium alloys represent all vacuum induction melted (VIM) products.

The majority of our products are sold to service centers/processors rather than the ultimate end market customers. The end market information in this Quarterly Report is our estimate based upon our knowledge of our customers and the grade of material sold to them, which they will in-turn sell to the ultimate end market customer.

End Market Information

(in thousands)	Six months ended June 30, 2014			2013					
	Amount	Percentage of net sales		Amount	Percentage of net sales		Dollar variance	Percentage variance	
Net sales:									
Aerospace	$ 56,897	57.5	%	$ 50,725	55.1	%	$ 6,172	12.2	%
Power generation	11,967	12.1		10,290	11.2		1,677	16.3	
Oil & gas	9,655	9.8		10,776	11.7		(1,121)	(10.4)	
Heavy equipment	7,656	7.7		11,034	12.0		(3,378)	(30.6)	
General industrial, conversion services and other sales	12,801	12.9		9,197	10.0		3,604	39.2	
Total net sales	$ 98,976	100.0	%	$ 92,022	100.0	%	$ 6,954	7.6	%

Net sales:

Net sales for the six months ended June 30, 2014 increased $7.0 million, or 7.6%, as compared to the six months ended June 30, 2013. This increase primarily reflects a 5.8% increase in consolidated shipments for the six months ended June 30, 2014, compared to the six months ended June 30, 2014. In addition, our sales dollars per shipped ton

increased by 1.6% from the six months ended June 30, 2013 to the six months ended June 30, 2014. The increase in both sales and sales dollars per shipped ton is partially a result of increased base prices/surcharges as well as favorable product mix. Our product sales to all of our end markets, except heavy equipment and oil and gas, increased as noted in the above table. During the six months ended June 30, 2014, we recognized a $2.9 million, or 70.2%, increase in premium alloy sales when compared to the same period in 2013. Our premium alloy sales increased from 4.4% of total sales for the six months ended June 30, 2013 to 7.0% in the current period. Our premium alloy sales are primarily for the aerospace end market.

Gross margin:

Our gross margin, as a percentage of sales, was 14.6% and 10.8% for the six months ended June 30, 2014 and 2013, respectively. The improvement in our gross margin over the first half of 2014 when compared to the same prior year period is largely a result of a better product mix, improved yields and scrap rates, and higher operating levels due to improving business conditions.

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Selling, general and administrative expenses:

Our SG&A expenses increased by $449,000 in the six months ended June 30, 2014 as compared to the six months ended June 30, 2013 primarily due to increased employee related costs which were offset by a decrease in severance expense. We incurred $356,000 in severance expense in the six months ended June 30, 2013 from the departure of a senior executive. There were no similar severance expenses in the six months ended June 30, 2014. As a percentage of sales, our SG&A expenses decreased to 9.9% for the six months ended June 30, 2014, as compared to 10.2% during the six months ended June 30, 2013.

Interest expense and other financing costs:

Our interest expense and other financing costs increased from $1.5 million for the six months ended June 30, 2013 to $1.9 million for the six months ended June 30, 2014. This increase is primarily due to higher interest rates incurred on our debt in 2014 when compared to 2013 and higher deferred financing amortization costs as a result of our two amendments to our credit facilities in 2013. Our interest rates are determined by a LIBOR-based rate plus an applicable margin based upon our quarterly leverage ratio. During the six months ended June 30, 2014 and 2013, we recognized $325,000 and $196,000, respectively, of deferred financing amortization.

Income tax provision (benefit):

Our effective tax rates for the six months ended June 30, 2014 and 2013 were 65.7% and (160.4)%, respectively. Our overall effective tax rate for the six months ended June 30, 2014, which reflects federal and state taxable income, also includes net discrete tax expenses of $869,000 due to a change in the state tax rate to zero percent (0%) for qualified New York manufacturers, a settlement with Pennsylvania regarding certain expenses deducted, and research and development ("R&D") tax credits. On March 31, 2014, new tax legislation was enacted in New York that reduced the state net income tax rate to zero percent (0%) for qualified manufacturers, such as ourselves, for tax years beginning on or after January 1, 2014. Prior to this legislation, our facility in Dunkirk operated in a New York State Empire Zone and qualified to benefit from investments made and employees hired, and as such, we had recorded a deferred tax asset on these investments. Our effective tax rate for the six months ended June 30, 2013 reflects a benefit from a reduced state apportionment factor based upon year-to-date sales. Our effective tax rate for the six months ended June 30, 2013 also included a net discrete tax benefit of $368,000 for research and development tax credits. An extension of the research and development tax credit for 2014 has not been enacted by Congress. Our estimated annual effective tax rate on ordinary income for 2014 is 34.4%.

Net income:

Our net income increased from $518,000, or $0.06 per diluted share, for the six months ended June 30, 2013 to $950,000, or $0.13 per diluted share, for the six months ended June 30, 2014 for the reasons stated above.

Recently Adopted Accounting Pronouncement

In July 2013, the Financial Accounting Standards Board ("FASB") issued Accounting Standard Update ("ASU") 2013-11 Income Taxes (Topic 740): Presentation of an Unrecognized Tax Benefit When a Net Operating Loss Carryforward, a Similar Tax Loss, or a Tax Credit Carryforward Exists. We adopted ASU 2013-11 in 2014. The update did not have a material impact on our consolidated financial statements.

Recently Issued Accounting Pronouncement

In May 2014, the FASB issued ASU 2014-09 "Revenue from Contracts with Customers (Topic 606)". This topic converges the guidance within U.S. generally accepted accounting principles ("U.S. GAAP") and International Financial Reporting Standards and supersedes Accounting Standards Codification 605, Revenue Recognition. The new standard requires companies to recognize revenue to depict the transfer of goods or services to customers in amounts that reflect the consideration to which the company expects to be entitled in exchange for those goods or services. The new standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, and improve guidance for multiple-element arrangements. The new guidance is effective for annual reporting periods beginning after December 15, 2016, including interim reporting periods within that reporting period and early application is not permitted. We are currently evaluating the impact that this standard will have on our consolidated financial statements.

Liquidity and Capital Resources

Historically, we have financed our operating activities through cash provided by operations and cash provided through our credit facilities. At June 30, 2014, our managed working capital, defined as net accounts receivable plus net inventory minus accounts payable, increased by $11.6 million to $101.4 million compared to $89.8 million at December 31, 2013. Our net accounts receivable

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balances increased $10.5 million primarily as a result of a 29.8% increase in net sales for the quarter ended June 30, 2014 compared to the quarter ended December 31, 2013. Inventory levels increased by $13.7 million to $96.3 million as of June 30, 2014 from $82.6 million as of December 31, 2013 due to our strategic increase in our inventory levels on certain product grades as a result of increased customer activity and anticipated higher sales levels over the last half of 2014. Our accounts payable balance increased by $12.5 million to $26.8 million as of June 30, 2014 from $14.3 million as of December 31, 2013 due to increased operating activity and the timing of vendor payments.

Net cash provided by operating activities:

During the six months ended June 30, 2014, we generated net cash from operating activities of $430,000. The net increase in our accounts payable and other accruals and assets provided $13.4 million in cash which was offset by the increase in our net inventory and net accounts receivable which used $14.5 million and $10.5 million of cash, respectively. In addition, during the six months ended June 30, 2014, our net income adjusted for non-cash expenses generated approximately $12.1 million of cash.

During the six months ended June 30, 2013, we generated net cash from operating activities of $10.6 million. The net increase in our accounts payable provided $3.5 million in cash, which was partially offset by changes in our other assets and liabilities which used $1.7 million of cash. In addition, during the six months ended June 30, 2013, our net income adjusted for non-cash expenses generated approximately $8.9 million of cash.

Net cash used in investing activity:

During the six months ended June 30, 2014, we used $3.5 million in cash for capital expenditures compared to $7.0 million during the six months ended June 30, 2013. The primary reason for reduced capital spending during the six months ended June 30, 2014 as compared to the same period in 2013 was that we completed the North Jackson facility build-out during the first half of 2013 with capital expenditures of $3.7 million. We believe that overall capital expenditures in 2014 will be similar to 2013 spending levels, as we anticipate higher capital spending on certain projects over the last half of 2014.

Net cash provided by (used in) financing activities:

During the six months ended June 30, 2014, our financing activities provided $2.9 million in cash. Net cash provided from borrowings under our credit facility was approximately $2.0 million; additionally, we received $891,000 in receipts from the exercise of stock options and the issuance of stock under our Employee Stock Purchase Plan. Our borrowings increased to support increased inventory and operating levels.

During the six months ended June 30, 2013, we used $3.2 million in cash for our financing activities. Of that amount, approximately $3.3 million of our cash was utilized to reduce our bank debt. In addition, we used $487,000 to amend our credit facility during the six months ended June 30, 2013, which was offset by the receipt of $613,000 from the exercise of stock options and the issuance of stock under our Employee Stock Purchase Plan.

We believe that our cash flows from continuing operations as well as available borrowings under our credit facility are adequate to satisfy our working capital, capital expenditure requirements, and other contractual obligations for the foreseeable future, including at least the next 12 months.

We continuously monitor market price fluctuations of key raw materials. The market values for these raw materials continue to fluctuate based on supply and demand, market disruptions, and other factors. We maintain sales price surcharge mechanisms on certain of our products, priced at time of shipment, to mitigate the risk of raw material cost fluctuations. There can be no assurance that these sales price adjustments will completely offset our raw material

costs.

The following table reflects the average market values per pound for selected months during the last 18-month period:

	June 2014	December 2013	June 2013	December 2012
Nickel	$ 8.42	$ 6.31	$ 6.47	$ 7.90
Chrome	$ 1.16	$ 1.04	$ 1.00	$ 0.98
Molybdenum	$ 14.75	$ 9.73	$ 10.63	$ 11.38
Carbon scrap	$ 0.18	$ 0.19	$ 0.16	$ 0.17

Sources: Nickel is the daily average LME Cash Settlement Price; Chrome and Molybdenum is the final monthly average as published by Ryan's Notes; Carbon is the consumer price for #1 Industrial Bundles in the Pittsburgh, PA area as reported in American Metal Market.

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We have a Credit Agreement, as amended to date (the “Credit Agreement”), with a syndication of banks which provides for a $105.0 million senior secured revolving credit facility (the “Revolver”) and a $20.0 million senior secured term loan facility (the “Term Loan” and together with the Revolver, the “Facilities”) that expires in March 2017. Under the Credit Agreement, our loan availability under the Revolver is calculated monthly based upon our accounts receivable and inventory balances.

We are required to pay a commitment fee of 0.25% based on the daily unused portion of the Revolver. The Revolver also provides for up to $7.0 million of swing loans so long as the sum of the outstanding swing loans and the outstanding borrowings under the Revolver do not exceed the borrowing base at any given time. The Term Loan is payable in quarterly installments in the principal amount of $750,000 which began on July 1, 2013, with the balance of the Term Loan payable in full on March 19, 2017.

Amounts outstanding under the Facilities, at our option, will bear interest at either a base rate or a LIBOR-based rate (the “LIBOR Option”), in either case calculated in accordance with the terms of the Credit Agreement. We elected to use the LIBOR Option during the six months ended June 30, 2014, which was 3.16% at June 30, 2014. Interest on the Facilities is payable monthly.

We are required to maintain a trailing twelve month EBITDA under the Credit Agreement of $12.0 million for the second quarter of 2014, and $14.0 million for the third quarter of 2014. Beginning with the fourth quarter of 2014, we will be required to maintain a leverage ratio not exceeding a ratio decreasing from 3.75 to 1.00 for the period December 31, 2014 to March 31, 2015, 3.50 to 1.00 for the period June 30, 2015 to September 30, 2015, 3.25 to 1.00 at December 31, 2015 and 3.00 to 1.00 from March 31, 2016 through maturity. We are required to maintain a fixed charge coverage ratio of 1.0 to 1.0 for the second and third quarters of 2014, and we will be required to maintain a fixed charge coverage of 1.1 to 1.0 from the fourth quarter of 2014 to maturity. We were in compliance with our covenants at June 30, 2014 and 2013.

In connection with the acquisition of the North Jackson facility, in August 2011, we issued $20.0 million in convertible notes (the “Notes”) to the sellers of the North Jackson facility as partial consideration of the acquisition. The Notes are subordinated obligations and rank junior to the Facilities. The Notes bear interest at a fixed rate of 4.0% per annum, payable in cash semi-annually in arrears on each June 18 and December 18, beginning on December 18, 2011. Unless earlier converted, the Notes mature and the unpaid principal balance is due on August 17, 2017. The Notes and any accrued and unpaid interest are convertible into shares of our common stock at the option of the holder at an initial conversion price of $47.1675 per share of common stock. The conversion price associated with the Notes may be adjusted in certain circumstances. We may prepay any outstanding Notes, in whole or in part, on any date after August 17, 2014 during a fiscal quarter if our share price is greater than 140% of the then current conversion price for at least 20 of the trading days in the 30 consecutive trading day period ending on the last trading day of the immediately preceding quarter.

Item 3.QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

The Company has reviewed its market risk and believes there are no significant changes from that disclosed in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013, except as provided in this Form 10-Q in “Management’s Discussion and Analysis of Financial Condition and Results of Operations.”

Item 4.CONTROLS AND PROCEDURES

The Company’s management, including the Company’s Chairman, President and Chief Executive Officer and its Vice President of Finance, Chief Financial Officer and Treasurer, performed an evaluation of the effectiveness of the Company’s disclosure controls and procedures. Based on that evaluation, the Company’s Chairman, President and

Chief Executive Officer and its Vice President of Finance, Chief Financial Officer and Treasurer concluded that, as of the end of the fiscal period covered by this quarterly report, the Company's disclosure controls and procedures are effective. During the fiscal quarter ended June 30, 2014 there were no changes in the Company's internal control over financial reporting which have materially affected, or are reasonably likely to materially affect, the Company's internal control over financial reporting.

Part II.OTHER INFORMATION

Item 1.LEGAL PROCEEDINGS

There are no material changes from the legal proceedings disclosed in Item 3. of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 1A.RISK FACTORS

There are no material changes from the risk factors disclosed in Item 1A. of the Company's Annual Report on Form 10-K for the year ended December 31, 2013.

Item 2.UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

None.

Item 3.DEFAULTS UPON SENIOR SECURITIES

None.

Item 4. MINE SAFETY DISCLOSURES

Not Applicable.

Item 5.OTHER INFORMATION

None.

Item 6.EXHIBITS

Exhibit Number	Exhibit
31.1	Certification of Chief Executive Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
31.2	Certification of Chief Financial Officer pursuant to Rule 13a-14(a) and 15d-14(a), as adopted pursuant to Section 302 of the Sarbanes-Oxley Act of 2002 (filed herewith).
32.1	Certification of Chief Executive Officer and Chief Financial Officer pursuant to Rule 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002 (filed herewith).
101	The following financial information from this Quarterly Report on Form 10-Q for the fiscal quarter ended June 30, 2014, formatted in XBRL (Extensible Business Reporting Language) and filed electronically herewith: (i) the Consolidated Balance Sheets; (ii) the Consolidated Statements of Operations; (iii) the Consolidated Statements of Cash Flows; and (iv) the Notes to the Consolidated Financial Statements (filed herewith).

SIGNATURES

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

Date: July 31, 2014

/s/ Dennis M. Oates
Dennis M. Oates
Chairman, President and Chief Executive Officer
(Principal Executive Officer)

/s/ Michael D. Bornak
Michael D. Bornak
Vice President of Finance,
Chief Financial Officer and Treasurer
(Principal Financial and Accounting Officer)

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