Hawaiian Telcom Holdco, Inc.
Form 10-Q
May 06, 2013
Table of Contents

UNITED STATES

SECURITIES AND EXCHANGE COMMISSION

Washington, D.C. 20549

FORM 10-Q

(Mark one)

x QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended March 31, 2013

OR

o 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: 001-34686

Hawaiian Telcom Holdco, Inc.

(Exact name of registrant as specified in its charter)

Delaware	**16-1710376**
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

1177 Bishop Street

Honolulu, Hawaii 96813

(Address of principal executive offices)

808-546-4511

(Registrant s telephone number, including area code)

Not Applicable

(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 x No o

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 x No o

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 definition of large accelerated filer, accelerated filer, and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large Accelerated Filer o	Accelerated Filer x
Non-Accelerated Filer o (Do not check if smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes o No x

Indicate by check mark whether the registrant has filed all documents and reports required to be filed by Sections 12, 13 or 15(d) of the Securities Exchange Act of 1934 subsequent to the distribution of securities under a plan confirmed by a court. Yes x No o

As of May 6, 2013, 10,336,187 shares of the registrant s common stock were outstanding.

Table of Contents

Table of Contents

Table of Contents

PART I FINANCIAL INFORMATION

Item 1. Financial Statements

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Income

(Unaudited, dollars in thousands, except per share amounts)

	Three Months Ended March 31, 2013		2012	
Operating revenues	$	95,965	$	97,574
Operating expenses:				
Cost of revenues (exclusive of depreciation and amortization)		40,284		40,799
Selling, general and administrative		28,379		29,026
Depreciation and amortization		18,717		16,588
Total operating expenses		87,380		86,413
Operating income		8,585		11,161
Other income (expense):				
Interest expense		(5,540)		(5,986)
Loss on early extinguishment of debt				(5,112)
Interest income and other		15		12
Total other expense		(5,525)		(11,086)
Income before income tax provision (benefit)		3,060		75
Income tax provision (benefit)		1,212		(132)
Net income	$	1,848	$	207
Net income per common share -				
Basic	$	0.18	$	0.02
Diluted	$	0.17	$	0.02
Weighted average shares used to compute net income per common share -				
Basic		10,291,897		10,201,039
Diluted		10,890,917		10,434,026

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Comprehensive Income

(Unaudited, dollars in thousands)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Net income	$ 1,848	$ 207
Other comprehensive income, net of tax -		
Unrealized holding losses arising during period	(19)	(3)
Retirement plan	222	33,388
Income tax charge on comprehensive income	(88)	
Other comprehensive income, net of tax	115	33,385
Comprehensive income	$ 1,963	$ 33,592

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Balance Sheets

(Unaudited, dollars in thousands, except per share amounts)

	March 31, 2013	December 31, 2012
Assets		
Current assets		
Cash and cash equivalents	$ 55,942	$ 66,993
Receivables, net	34,354	34,082
Material and supplies	12,148	11,352
Prepaid expenses	4,658	5,161
Deferred income taxes, current	5,727	5,727
Other current assets	1,768	2,181
Total current assets	114,597	125,496
Property, plant and equipment, net	508,907	507,197
Intangible assets, net	38,001	39,075
Goodwill	1,415	1,569
Deferred income taxes	101,295	102,680
Other assets	9,720	9,075
Total assets	$ 773,935	$ 785,092
Liabilities and Stockholders Equity		
Current liabilities		
Current portion of long-term debt	$ 1,612	$ 3,000
Accounts payable	29,804	36,351
Accrued expenses	17,731	20,537
Advance billings and customer deposits	15,633	15,185
Other current liabilities	3,963	3,961
Total current liabilities	68,743	79,034
Long-term debt	291,865	292,410
Employee benefit obligations	129,060	132,004
Other liabilities	5,383	4,784
Total liabilities	495,051	508,232
Commitments and contingencies (Note 12)		
Stockholders equity		
Common stock, par value of $0.01 per share, 245,000,000 shares authorized and 10,291,897 shares issued and outstanding at March 31, 2013 and December 31, 2012	103	103
Additional paid-in capital	166,002	165,941
Accumulated other comprehensive loss	(28,335)	(28,450)
Retained earnings	141,114	139,266
Total stockholders equity	278,884	276,860
Total liabilities and stockholders equity	$ 773,935	$ 785,092

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statements of Cash Flows

(Unaudited, dollars in thousands)

	Three Months Ended March 31, 2013	Three Months Ended March 31, 2012
Cash flows from operating activities:		
Net income	$ 1,848	$ 207
Adjustments to reconcile net income to net cash provided by operating activities		
Depreciation and amortization	18,717	16,588
Loss on early extinguishment of debt		5,112
Employee retirement benefits	(2,722)	(1,796)
Provision for uncollectibles	553	889
Stock based compensation	423	340
Deferred income taxes	1,297	
Changes in operating assets and liabilities:		
Receivables	(825)	(1,487)
Material and supplies	(796)	(1,421)
Prepaid expenses and other current assets	605	100
Accounts payable and accrued expenses	(4,987)	(7,064)
Advance billings and customer deposits	448	809
Other current liabilities	2	105
Other	303	92
Net cash provided by operating activities	14,866	12,474
Cash flows from investing activities:		
Capital expenditures	(23,254)	(19,814)
Net cash used in investing activities	(23,254)	(19,814)
Cash flows from financing activities:		
Repayment of capital lease and installment liability	(163)	
Repayment of debt including premium	(2,138)	(306,000)
Proceeds from borrowing		295,500
Loan refinancing costs		(4,130)
Taxes paid related to net share settlement of equity awards	(362)	(45)
Net cash used in financing activities	(2,663)	(14,675)
Net change in cash and cash equivalents	(11,051)	(22,015)
Cash and cash equivalents, beginning of period	66,993	82,063
Cash and cash equivalents, end of period	$ 55,942	$ 60,048
Supplemental disclosure of cash flow information:		
Interest paid, net of amounts capitalized	$ 5,236	$ 10,556

See accompanying notes to condensed consolidated financial statements.

6

Table of Contents

Hawaiian Telcom Holdco, Inc.

Condensed Consolidated Statement of Changes in Stockholders Equity

(Unaudited, dollars in thousands)

	Common Stock Shares	Common Stock Amount	Additional Paid-In Capital	Accumulated Other Comprehensive Income (Loss)	Retained Earnings	Total Stockholders Equity
Balance, January 1, 2013	10,291,897	$ 103	$ 165,941	$ (28,450)	$ 139,266	$ 276,860
Stock based compensation			423			423
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes			(362)			(362)
Net income					1,848	1,848
Other comprehensive income, net of tax				115		115
Balance, March 31, 2013	10,291,897	$ 103	$ 166,002	$ (28,335)	$ 141,114	$ 278,884
Balance, January 1, 2012	10,190,526	$ 102	$ 164,328	$ (57,518)	$ 29,284	$ 136,196
Stock based compensation			340			340
Common stock issued for stock compensation plans, net of shares withheld and withholding paid for employee taxes	50,350		(45)			(45)
Net income					207	207
Other comprehensive income, net of tax				33,385		33,385
Balance, March 31, 2012	10,240,876	$ 102	$ 164,623	$ (24,133)	$ 29,491	$ 170,083

See accompanying notes to condensed consolidated financial statements.

Table of Contents

Hawaiian Telcom Holdco, Inc.

Notes to Condensed Consolidated Financial Statements

(Unaudited)

1. Description of Business

Business Description

Hawaiian Telcom Holdco, Inc. and subsidiaries (the Company) is the incumbent local exchange carrier for the State of Hawaii with an integrated telecommunications network. The Company offers a variety of telecommunication services to residential and business customers in Hawaii including local telephone, network access and data transport, long distance, Internet, television and wireless phone service. The Company also provides communications equipment sales and maintenance, and network managed services.

Organization

The Company has one direct wholly-owned subsidiary, Hawaiian Telcom Communications, Inc. which has two direct wholly-owned subsidiaries Hawaiian Telcom, Inc. and Hawaiian Telcom Services Company, Inc. Hawaiian Telcom, Inc. operates the regulated local exchange carrier and Hawaiian Telcom Services Company, Inc. operates all other businesses.

2. Basis of Presentation

The accompanying unaudited condensed consolidated financial statements of the Company have been prepared by the Company in accordance with accounting principles generally accepted in the United States of America. Certain information and disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been omitted and condensed. In the opinion of the Company s management, all adjustments (consisting of only normal and recurring accruals) have been made to present fairly the financial position, the results of operations and cash flows for the periods presented. The results of operations for the periods presented are not necessarily indicative of the results to be expected for the full year. Although the Company believes that the disclosures are adequate to make the information presented not misleading, these financial statements should be read in conjunction with the Company s audited consolidated financial statements as of and for the year ended December 31, 2012.

Cash and Cash Equivalents

Cash and cash equivalents include cash and money market accounts with maturities at acquisition of three months or less. The majority of cash balances at March 31, 2013 are held in one bank in demand deposit accounts.

Supplemental Non-Cash Investing and Financing Activities

Accounts payable included $3.0 million and $1.3 million at March 31, 2013 and 2012, respectively, for additions to property, plant and equipment.

Taxes Collected from Customers

The Company presents taxes collected from customers and remitted to governmental authorities on a gross basis, including such amounts in the Company s reported operating revenues. Such amounts represent primarily Hawaii state general excise taxes and Hawaii Public Utility Commission fees. Such taxes and fees amounted to $1.8 million and $2.0 million for the three months ended March 31, 2013 and 2012, respectively.

Table of Contents

Earnings per Share

Basic earnings per share is based on the weighted effect of all common shares issued and outstanding, and is calculated by dividing earnings by the weighted average shares outstanding during the period. Diluted earnings per share is calculated by dividing earnings, adjusted for the effect, if any, from assumed conversion of all potentially dilutive common shares outstanding, by the weighted average number of common shares used in the basic earnings per share calculation plus the number of common shares that would be issued assuming conversion of all potentially dilutive common shares outstanding. The denominator used to compute basic and diluted earnings per share was as follows:

	Three Months Ended March 31,	
	2013	**2012**
Basic earnings per share - weighted average shares	10,291,897	10,201,039
Effect of dilutive securities:		
Employee and director restricted stock units	139,264	73,388
Warrants	459,756	159,599
Diluted earnings per share - weighted average shares	10,890,917	10,434,026

The computation of weighted average dilutive shares outstanding excluded restrictive stock units to acquire 75,047 shares of common stock for the three month period ended March 31, 2012. The unrecognized compensation on a per unit basis for these restricted stock units was greater than the average market price of the Company s common stock for the period presented. Therefore, the effect would be anti-dilutive. There was no such exclusion for the three month period ended March 31, 2013.

Recently Adopted Accounting Pronouncements

Effective for the first quarter of 2013, we adopted new accounting guidance on the presentation of comprehensive income. This guidance requires companies to present reclassification adjustments out of accumulated other comprehensive income by component in both the statement in which net income is presented and the statement in which other comprehensive income is presented. As this guidance only amends the presentation of the components of comprehensive income, the adoption did not have an impact on the Company s consolidated financial position or results of operations.

3. Wavecom Solutions Corporation Acquisition

On December 31, 2012, the Company completed its acquisition of Wavecom Solutions Corporation (Wavecom) for $8.7 million in cash, net of cash acquired and final purchase adjustments. Wavecom provides telecommunication services in the State of Hawaii which are complementary to the Company s operations.

Table of Contents

The Company followed the acquisition method of accounting and allocated the purchase price to the tangible and intangible assets acquired and liabilities assumed based on their preliminary fair values, and the estimates and assumptions are subject to change within the measurement period, which is one year from the acquisition date. The excess of the purchase price over those fair values was recorded as goodwill. During the three months ended March 31, 2013, the Company made adjustments to the preliminary purchase price allocation based on additional information as to the existence and value of certain assets. In addition, the net acquisition price changed with the final purchase adjustments agreed to by the seller. The measurement period adjustments did not have a significant impact on the Company s condensed consolidated statements of income for the three months ended March 31, 2013. In addition, these adjustments did not have a significant impact on the Company s consolidated balance sheets as of December 31, 2012. Therefore, the Company has not retrospectively adjusted the comparative 2012 financial information presented herein. The adjustments are as follows (dollars in thousands):

	Recognized as of Acqusition	Measurement Period Adjustments	Recognized as of Acqusition As Revised
Assets -			
Property and equipment	$ 11,898	$ 876	$ 12,774
Intangible assets	1,060	(410)	650
Goodwill	1,569	(154)	1,415
Other assets	1,663		1,663
	16,190	312	16,502
Liabilities -			
Current liabilities	2,360		2,360
Payable from Wavecom to the Company	4,037		4,037
Non-current liabilities	1,450		1,450
	7,847		7,847
Net acquisition price	$ 8,343	$ 312	$ 8,655

4. Receivables

Receivables consisted of the following (dollars in thousands):

	March 31, 2013	December 31, 2012
Customers and other	$ 37,687	$ 36,713
Allowance for doubtful accounts	(3,333)	(2,631)
	$ 34,354	$ 34,082

Table of Contents

5. Long-Lived Assets

Property, plant and equipment consisted of the following (dollars in thousands):

	March 31, 2013	December 31, 2012
Property, plant and equipment	$ 658,831	$ 639,343
Less accumulated depreciation and amortization	(149,924)	(132,146)
	$ 508,907	$ 507,197

Depreciation expense amounted to $18.0 million and $15.9 million for the three months ended March 31, 2013 and 2012, respectively.

In January 2013, the Company entered into an agreement to sell most of its radio towers for $3.6 million. The agreement includes a leaseback by the Company for a minimum period of 10 years to allow it to continue to use the towers for its radio equipment. Closing of the sale is expected by the third quarter of 2013 subject to due diligence by the buyer and approval by the Hawaii Public Utilities Commission (HPUC).

In February 2013, the Company entered into an agreement to sell a parcel of land and warehouse not actively used in the Company s operations for $13.7 million. Closing of this sale is expected by the third quarter of 2013 subject to due diligence by the buyer and approval by the HPUC.

The gross carrying amount and accumulated amortization of identifiable intangible assets are as follows (dollars in thousands):

	March 31, 2013			December 31, 2012		
	Gross Carrying Value	Accumulated Amortization	Net Carrying Value	Gross Carrying Value	Accumulated Amortization	Net Carrying Value
Subject to amortization						
Customer relationships	$ 17,440	$ 6,922	$ 10,518	$ 17,850	$ 6,285	$ 11,565
Trade name and other	210	27	183	210		210
	17,650	6,949	10,701	18,060	6,285	11,775
Not subject to amortization						
Brand name	27,300		27,300	27,300		27,300
	27,300		27,300	27,300		27,300
	$ 44,950	$ 6,949	$ 38,001	$ 45,360	$ 6,285	$ 39,075

Amortization expense amounted to $0.7 million for both the three months ended March 31, 2013 and 2012. Estimated amortization expense for the next five years and thereafter is as follows (dollars in thousands):

2013 (remaining months)	$	1,993
2014		2,257
2015		1,917
2016		1,577
2017		1,237
Thereafter		1,720
	$	10,701

Table of Contents

In conjunction with the acquisition of Wavecom, the Company adjusted the carrying value of goodwill in the first quarter of 2013 as further discussed in Note 3. The revised goodwill amounted to $1.4 million and is included in the wireline segment.

6. Accrued Expenses

Accrued expenses consisted of the following (dollars in thousands):

	March 31, 2013	December 31, 2012
Salaries and benefits	$ 13,280	$ 15,642
Interest	3,456	3,607
Other taxes	995	1,288
	$ 17,731	$ 20,537

7. Long-Term Debt

Long-term debt consists of the following (dollars in thousands):

	Interest Rate at March 31, 2013	Final Maturity	March 31, 2013	December 31, 2012
Term loan	7.00%	February 28, 2017	$ 297,112	$ 299,250
Original issue discount			(3,635)	(3,840)
			293,477	295,410
Current			1,612	3,000
Noncurrent			$ 291,865	$ 292,410

The term loan outstanding at March 31, 2013 provides for interest at the Alternate Base Rate, a rate which is indexed to the prime rate with certain adjustments as defined, plus a margin of 4.75% or a Eurocurrency rate on deposits of one, two, three or six months but no less than 1.25% per annum plus a margin of 5.75%. The Company has selected the Eurocurrency rate as of March 31, 2013 resulting in a nominal interest rate currently at 7.00%.

The term loan provides for interest payments no less than quarterly. In addition, quarterly principal payments of $0.8 million are required which began December 2012. The balance of the loan is due at maturity on February 28, 2017. The Company must prepay, generally within three months after year end, 50% or 25% of excess cash flow, as defined. The percent of excess cash flow required is dependent on the Company s leverage ratio. The excess cash flow payment for the year ended December 31, 2012 amounted to $2.1 million and was paid in March 2013.

The Company must also make prepayments on loans in the case of certain events such as large asset sales.

In connection with the February 2012 refinancing of the term loan debt, the Company paid a premium on the repayment of the old term loan of $6.0 million. In addition, the Company paid $4.1 million in underwriting fees and legal costs. The premium on repayment of debt, and underwriting fees and legal costs were accounted for in accordance with accounting standards for modification of debt instruments with different terms. The Company compared each syndicated lenders loan under the old term loan with the syndicated lenders loan under the new term loans. For loans under the new term loan that were substantially different, the Company recognized the exchange of debt instruments as a debt extinguishment. For loans under the new term loan that were not substantially different, the Company accounted for the exchange of debt instruments as a modification. As a result of the refinancing, the Company capitalized $5.0 million of the premium on the repayment of debt and refinancing fees and expensed the remainder resulting in a loss on early extinguishment of debt of $5.1 million.

Table of Contents

The Company also has a revolving credit facility which matures on October 3, 2015. The facility has an available balance of $30.0 million with no amounts drawn as of or for the periods ended March 31, 2013 and 2012. A commitment fee is payable quarterly to the lender under the facility. Interest on amounts outstanding is based on, at the Company s option, the bank prime rate plus a margin of 3.0% to 6.0% or the Eurocurrency rate for one, two, three or six month periods plus a margin of 4.0% to 5.5%. The margin is dependent on the Company s leverage, as defined in the agreement, at the time of the borrowing.

Maturities

The annual requirements for principal payments on long-term debt as of March 31, 2013 are as follows (dollars in thousands):

Year ended December 31,		
2013 (remainder of year)	$	862
2014		3,000
2015		3,000
2016		3,000
2017		287,250
	$	297,112

8. Employee Benefit Plans

The Company sponsors a defined benefit pension plan, with benefits frozen as of March 1, 2012, and postretirement health and life insurance benefits for union employees. The Company also sponsors a cash balance pension plan for nonunion employees, with benefits frozen as of April 1, 2007, and certain management employees receive postretirement health and life insurance under grandfathered provisions of a terminated plan.

The Company amended its union pension plan on January 24, 2012 for the freeze of benefits effective March 1, 2012. This resulted in a reduction of the projected benefit obligation by $30.2 million which is the difference between the accumulated benefit obligation and projected benefit obligation at that date. The liability as of January 24, 2012 was measured using a discount rate of 4.54%. The union pension trust assets were also measured as of this date. The reduction in the net recorded liability of $33.4 million was used to offset actuarial losses previously recognized in the accumulated other comprehensive loss.

The Company accrues the costs of pension and postretirement benefits over the period from the date of hire until the date the employee becomes fully eligible for benefits. The following provides the components of benefit costs for the three months ended March 31, 2013 and 2012 (dollars in thousands):

Pension

	Three Months Ended March 31, 2013	2012
Service cost	$	$ 1,550
Interest cost	2,055	2,496
Expected asset return	(2,935)	(2,829)
Amortization of loss	148	222
Net periodic benefit cost	(732)	1,439

Table of Contents

Other Postretirement Benefits

	Three Months Ended March 31, 2013	2012
Service cost	$ 277	$ 252
Interest cost	516	598
Amortization of loss	74	41
Net periodic benefit cost	$ 867	$ 891

The Company previously disclosed in its consolidated financial statements for the year ended December 31, 2012 that it expected to contribute $12.1 million to its pension plan in 2013. As of March 31, 2013, the Company has contributed $2.4 million. The Company presently anticipates contributing the full amount during the remainder of 2013.

9. Income Taxes

The income tax provision differs from the amounts determined by applying the statutory federal income tax rate of 34% to the income before income tax provision for the following reasons (dollars in thousands):

	Three Months Ended March 31, 2013	2012
Income tax provision	$ 1,040	$ 26
Increase (decrease) resulting from:		
State income taxes, net of federal income tax	37	(129)
Other	135	
Valuation allowance		(29)
Income tax provision (benefit)	$ 1,212	$ (132)

The Company evaluates its tax positions for liability recognition. As of March 31, 2013, the Company had no unrecognized tax benefits. No interest or penalties related to tax assessments were recognized in the Company s condensed consolidated statements of operations for the three months ended March 31, 2013 or 2012. All tax years from 2009 remain open for both federal and Hawaii state purposes.

Table of Contents

10. Stock Compensation

The Company has an equity incentive plan. The Compensation Committee of the Company s Board of Directors may grant awards under the plan in the form of incentive stock options, non-qualified stock options, stock appreciation rights, restricted stock, restricted stock units and other stock-based awards. The maximum number of shares issuable under the new equity incentive plan is 1,400,000 shares. All grants under the equity incentive plan will be issued to acquire shares at the fair value on date of grant.

As of March 31, 2013, all awards were restricted stock units. Activity with respect to outstanding restricted stock units for the three months ended March 31, 2013 and 2012 was as follows:

	Shares		Weighted-Average Grant-Date Fair Value
2013			
Nonvested at January 1, 2013	223,224	$	15
Granted	181,330		20
Vested	(62,485)		16
Forfeited	(14,629)		16
Nonvested at March 31, 2013	327,440	$	17
2012			
Nonvested at January 1, 2012	248,951	$	17
Granted	116,987		16
Vested	(53,060)		26
Forfeited	(1,539)		26
Nonvested at March 31, 2012	311,339	$	15

The Company recognized compensation expense of $0.4 million and $0.3 million for the three months ended March 31, 2013 and 2012, respectively. The fair value as of the vesting date for the restricted stock units that vested during the three months ended March 31, 2013 and 2012 was $1.2 million and $0.9 million, respectively. Upon vesting, unit holders have the option to net share-settle to cover the required withholding tax and the remaining amount is converted into an equivalent number of shares of common stock. The total shares withheld were 17,986 and 2,715 for the three months ended March 31, 2013 and 2012, respectively, and were based on the value of the restricted stock units as determined by the Company s closing stock price. Total payments for the employees tax obligations to the tax authorities amounted to $0.4 million and less than $0.1 million for the three months ended March 31, 2013 and 2012, respectively. Other than reimbursements for tax withholdings, there was no cash received under all share-based arrangements.

For the three months ended March 31, 2013, shares vested for restricted stock units, net of shares withheld for tax withholding, amounted to 44,499. While the shares vested per the terms of the restricted stock units in March 2013, for administrative purposes the shares were not issued by the Company s stock transfer agent until April 2013. The shares are not reflected as issued on the Company s condensed consolidated balance sheet as of March 31, 2013. However, the shares have been reflected in the computation of diluted earnings per share.

Table of Contents

11. Other Comprehensive Income

Reclassifications out of other comprehensive income (loss) for the three months ended March 31, 2013 and 2012 were as follows (dollars in thousands):

	Three Months Ended March 31, 2013	2012
Retirement plans		
Amortization of loss	222	