COMPASS MINERALS INTERNATIONAL INC
Form 10-Q
July 28, 2014

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

FORM 10-Q

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

For the quarterly period ended June 30, 2014

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 001-31921
Compass Minerals International, Inc.

(Exact name of registrant as specified in its charter)

Delaware	36-3972986
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification Number)

9900 West 109th Street
Suite 100
Overland Park, KS 66210
(913) 344-9200
(Address of principal executive offices, zip code and telephone number, including area code)

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: þ 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: þ 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 the definitions of “large accelerated filer,” “accelerated filer” and “smaller reporting company” in Rule 12b-2 of the Exchange Act.

Large accelerated filer þ Accelerated filer o Non-accelerated filer o 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: þ

The number of shares outstanding of the registrant's common stock, $0.01 par value per share, at July 24, 2014 was 33,565,300 shares.

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PART I. FINANCIAL INFORMATION

Item 1. Financial Statements

COMPASS MINERALS INTERNATIONAL, INC.
CONSOLIDATED BALANCE SHEETS
(in millions, except share data)

	(Unaudited) June 30, 2014	December 31, 2013
ASSETS		
Current assets:		
Cash and cash equivalents	$ 304.0	$ 159.6
Receivables, less allowance for doubtful accounts of $1.4 in 2014 and $1.6 in 2013	100.7	211.9
Inventories	159.8	180.7
Deferred income taxes, net	6.6	7.9
Other	27.9	17.3
Total current assets	599.0	577.4
Property, plant and equipment, net	691.9	677.3
Intangible assets, net	114.9	72.5
Goodwill	73.8	20.5
Other	61.6	57.1
Total assets	$ 1,541.2	$ 1,404.8
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$ 3.9	$ 3.9
Accounts payable	66.3	109.4
Accrued expenses	51.3	54.3
Deferred revenue	70.4	56.5
Accrued salaries and wages	19.3	21.6
Income taxes payable	0.7	11.0
Accrued interest	0.5	0.9
Total current liabilities	212.4	257.6
Long-term debt, net of current portion	624.4	474.7
Deferred income taxes, net	91.5	78.4
Other noncurrent liabilities	38.7	39.9
Commitments and contingencies (Note 10)		
Stockholders' equity:		
Common stock: $0.01 par value, 200,000,000 authorized shares; 35,367,264 issued shares	0.4	0.4
Additional paid-in capital	77.0	70.4
Treasury stock, at cost — 1,807,494 shares at June 30, 2014 and 1,890,367 shares at December 31, 2013	(3.4)	(3.6)
Retained earnings	461.6	452.5
Accumulated other comprehensive income	38.6	34.5
Total stockholders' equity	574.2	554.2
Total liabilities and stockholders' equity	$ 1,541.2	$ 1,404.8

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

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COMPASS MINERALS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF OPERATIONS
(Unaudited, in millions, except share and per share data)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Sales	$186.6	$173.8	$608.6	$557.5
Shipping and handling cost	44.8	40.3	175.5	155.6
Product cost	104.3	91.6	303.3	268.7
Gross profit	37.5	41.9	129.8	133.2
Selling, general and administrative expenses	24.1	27.2	49.4	51.0
Operating earnings	13.4	14.7	80.4	82.2
Other (income) expense:				
Interest expense	4.5	4.4	8.9	8.8
Other, net	7.1	(2.7)	4.0	(3.1)
Earnings before income taxes	1.8	13.0	67.5	76.5
Income tax expense	2.5	2.4	18.0	19.5
Net earnings (loss)	$(0.7)	$10.6	$49.5	$57.0
Basic net earnings (loss) per common share	$(0.02)	$0.32	$1.47	$1.69
Diluted net earnings (loss) per common share	$(0.02)	$0.32	$1.47	$1.69
Weighted-average common shares outstanding (in thousands):				
Basic	33,549	33,380	33,526	33,332
Diluted	33,549	33,411	33,546	33,362
Cash dividends per share	$0.60	$0.545	$1.20	$1.09

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

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COMPASS MINERALS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME (LOSS)
(Unaudited, in millions)

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Net earnings (loss)	$(0.7)	$10.6	$49.5	$57.0
Other comprehensive income (loss):				
Gain from change in pension obligations, net of tax of $(0.1) and $(0.2) in the three and six months ended June 30, 2014, respectively, and $(0.1) and $(0.2) in the three and six months ended June 30, 2013, respectively	0.3	0.3	0.6	0.6
Net gain (loss) on cash flow hedges, net of tax of $0.1 and $(0.1) in the three and six months ended June 30, 2014, respectively, and $0.3 and $(0.1) in the three and six months ended June 30, 2013, respectively	(0.1)	(0.5)	0.1	0.2
Cumulative translation adjustment	18.9	(15.2)	3.4	(28.6)
Comprehensive income (loss)	$18.4	$(4.8)	$53.6	$29.2

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

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COMPASS MINERALS INTERNATIONAL, INC.
CONSOLIDATED STATEMENT OF STOCKHOLDERS' EQUITY
For the six months ended June 30, 2014
(Unaudited, in millions)

	Common Stock	Additional Paid-In Capital	Treasury Stock	Retained Earnings	Accumulated Other Comprehensive Income	Total
Balance, December 31, 2013	$ 0.4	$ 70.4	$ (3.6)	$ 452.5	$ 34.5	$ 554.2
Dividends on common stock				(40.4)		(40.4)
Stock options exercised		4.2	0.2			4.4
Income tax deficiency from equity awards		(0.3)				(0.3)
Stock-based compensation		2.7				2.7
Comprehensive income				49.5	4.1	53.6
Balance, June 30, 2014	$ 0.4	$ 77.0	$ (3.4)	$ 461.6	$ 38.6	$ 574.2

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

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COMPASS MINERALS INTERNATIONAL, INC.
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited, in millions)

	Six Months Ended June 30, 2014	2013
Cash flows from operating activities:		
Net earnings	$49.5	$57.0
Adjustments to reconcile net earnings to net cash flows provided by operating activities:		
Depreciation, depletion and amortization	37.2	35.4
Finance fee amortization	0.6	0.6
Early extinguishment of debt	6.9	-
Stock-based compensation	2.7	2.6
Deferred income taxes	2.3	1.4
Other, net	(0.8)	(0.1)
Insurance advances for operating purposes, Goderich tornado	5.0	3.2
Changes in operating assets and liabilities, net of acquisition:		
Receivables	107.9	68.1
Inventories	22.8	41.3
Other assets	(12.7)	2.7
Accounts payable and accrued expenses	(60.4)	(37.3)
Other liabilities	0.8	0.9
Net cash provided by operating activities	161.8	175.8
Cash flows from investing activities:		
Capital expenditures	(49.0)	(55.5)
Acquisition of a business	(86.1)	-
Insurance advances for investment purposes, Goderich tornado	8.7	11.9
Other, net	3.1	2.4
Net cash used in investing activities	(123.3)	(41.2)
Cash flows from financing activities:		
Proceeds from issuance of long-term debt	250.0	-
Principal payments on long-term debt	(100.4)	(1.9)
Premium and other payments to refinance debt	(5.5)	-
Deferred financing costs	(3.1)	-
Dividends paid	(40.4)	(36.5)
Proceeds received from stock option exercises	4.4	7.6
Excess tax benefit (deficiency) from equity compensation awards	(0.3)	0.6
Net cash provided by (used in) financing activities	104.7	(30.2)
Effect of exchange rate changes on cash and cash equivalents	1.2	(8.1)
Net change in cash and cash equivalents	144.4	96.3
Cash and cash equivalents, beginning of the year	159.6	100.1
Cash and cash equivalents, end of period	$304.0	$196.4
Supplemental cash flow information:		
Interest paid, net of amounts capitalized	$8.6	$8.6
Income taxes paid, net of refunds	$28.5	$12.3

In connection with the acquisition of Wolf Trax, Inc., the Company assumed liabilities as follows (in millions):

Fair value of assets acquired	$98.7
Cash paid during the second quarter of 2014	(86.1)
Liabilities assumed	$12.6

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

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COMPASS MINERALS INTERNATIONAL, INC.

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
(Unaudited)

1. Accounting Policies and Basis of Presentation:

Compass Minerals International, Inc. (“CMP”, “Compass Minerals”, or the “Company”), through its subsidiaries, is a producer and marketer of inorganic mineral products with manufacturing sites in North America and the U.K. Its principal products are salt, consisting of sodium chloride and magnesium chloride, and sulfate of potash (“SOP”), which is primarily used as a specialty crop fertilizer. The Company provides highway deicing products to customers in North America and the U.K., and plant nutrition products to growers worldwide. The Company also produces and markets consumer deicing and water conditioning products, salt ingredients used in consumer and commercial food preparation, and other mineral-based products for consumer, agricultural and industrial applications. CMP also provides records management services to businesses located in the U.K.

CMP is a holding company with no operations other than those of its wholly owned subsidiaries. The consolidated financial statements include the accounts of CMP and its wholly owned subsidiaries. All significant intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited consolidated financial statements have been prepared in accordance with U.S. generally accepted accounting principles for interim financial information and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by U.S. generally accepted accounting principles (“GAAP”) for complete financial statements. These unaudited consolidated financial statements should be read in conjunction with the consolidated financial statements of CMP for the year ended December 31, 2013 as filed with the Securities and Exchange Commission in its Annual Report on Form 10-K. In the opinion of management, all adjustments, consisting of normal recurring accruals considered necessary for a fair presentation, have been included.

The Company experiences a substantial amount of seasonality in salt segment sales, primarily with respect to its deicing products. As a result, sales and operating income are generally higher in the first and fourth quarters and lower during the second and third quarters of each year. In particular, sales of highway and consumer deicing salt and magnesium chloride products vary based on the severity of the winter conditions in areas where the product is used. Following industry practice in North America and the U.K., the Company seeks to stockpile sufficient quantities of deicing salt throughout the second, third and fourth quarters to meet the estimated requirements for the upcoming winter season. Production of deicing salt can vary based on the severity or mildness of the preceding winter season. Due to the seasonal nature of the deicing product lines, operating results for the interim periods are not necessarily indicative of the results that may be expected for the full year.

Reclassifications – The prior year amount for goodwill included in other assets in the Company’s consolidated financial statements has been disaggregated due to the significance of goodwill resulting from the Wolf Trax, Inc. acquisition.

Recent Accounting Pronouncements – In May 2014, the Financial Accounting Standards Board (“FASB”) issued guidance to provide a single, comprehensive revenue recognition model for all contracts with customers. The new revenue recognition model supersedes existing revenue recognition guidance and requires revenue recognition to depict the transfer of promised goods or services to customers in an amount that reflects the consideration an entity expects to receive in exchange for those goods or services. This guidance is effective for fiscal years and interim periods with those years beginning after December 15, 2016 and early adoption is not permitted. The guidance permits the use of either a retrospective or cumulative effect transition method. The Company is currently evaluating the impact that the implementation of this standard will have on the Company’s consolidated financial statements.

In April 2014, the FASB issued guidance which changes the requirements for reporting discontinued operations and requires additional disclosures about discontinued operations. Under the new guidance, disposals that represent a strategic shift that have or will have a major effect on an entity's operations or financial results should be reported as discontinued operations. The guidance is effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2014. The Company does not expect that the guidance will have a material impact on our consolidated financial statements.

In January 2014, the FASB issued guidance related to service concession arrangements. The guidance states that entities should not account for certain service concession arrangements with public-sector entities as leases and should not recognize any infrastructure as property, plant and equipment. The guidance is effective for fiscal years beginning after December 15, 2014. The Company does not expect that this guidance will have an impact on its consolidated financial statements.

2. Acquisition:

In April 2014, the Company completed the acquisition of Wolf Trax, Inc., a privately held Canadian corporation, which develops and distributes plant nutrition products. The Company purchased all of the stock of Wolf Trax, Inc. for $95 million

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Canadian dollars (approximately $86 million U.S. dollars at the closing date) in cash, subject to customary adjustments. Wolf Trax, Inc. develops innovative crop nutrient products based upon proprietary technologies. The acquisition provides an opportunity for the Company to enter a new market and position itself as a key resource for premium plant nutrition products.

The acquisition has been accounted for as a business combination in accordance with GAAP and the results of operations have been included from the date of acquisition in the Company's plant nutrition segment (formerly known as the specialty fertilizer segment). Pro forma results of operations have not been presented as the pro forma revenues and earnings were not significant to the historical periods. The Company engaged an independent third-party expert to assist in the allocation of the purchase price. The fair value of intangible assets and working capital adjustments have not been finalized as of June 30, 2014. The preliminary purchase price, subject to customary closing adjustments, was allocated to the assets acquired and liabilities assumed based on the estimated fair values as follows (in millions):

	Estimated Fair Value
Receivables	$ 2.3
Inventories	1.8
Other current assets	0.1
Property, plant and equipment	0.3
Intangible assets	42.8
Goodwill	51.4
Liabilities assumed	(0.9)
Deferred income taxes	(11.7)
Total preliminary purchase price	$ 86.1

The purchase price in excess of the fair value of tangible assets acquired has been allocated to identifiable intangible assets and goodwill, which are not deductible for tax purposes. The amount of preliminary goodwill recorded reflects the future earnings and cash flow potential of the new crop nutrition products as well as the complementary strategic fit of the product line. In connection with the acquisition, the Company acquired identifiable intangible assets, which consisted principally of patents, distributor relationships, developed technology and a trade name. The fair values were determined using Level 3 inputs (see Note 14 for a discussion of the levels in the fair value hierarchy). The distributor relationships were valued using a cost approach method. All of the other identifiable assets were valued using an income approach method. The preliminary estimated fair values and weighted average amortization periods of the identifiable intangible assets are as follows:

	Estimated Fair Value (in millions)	Weighted Average Amortization Period
Identifiable Intangible Assets:		
Patents	$ 18.8	12 years
Developed technology	3.4	5 years
Distributor relationships	6.8	10 years
Trademarks	1.2	10 years
Trade name	12.3	Indefinite
Noncompete agreements	0.3	5 years
Total identifiable intangible assets	$ 42.8	11 years

3. Goderich Tornado:

In August 2011, a tornado struck the Company's salt mine and its salt mechanical evaporation plant, both located in Goderich, Ontario. There was no damage to the underground operations at the mine. However, some of the mine's surface structures and the evaporation plant incurred significant damage which temporarily ceased production at both facilities. Both facilities resumed normal production and shipping activities in 2012. The Company has substantially completed its repairs and reconstruction activities to fully restore the damaged surface structures and operating assets at both facilities.

The Company maintains comprehensive property and casualty insurance, including business interruption, which is expected to provide substantial coverage for the losses that have occurred at these facilities and to the Company's business losses related to the tornado. The Company recorded impairment of its property, plant and equipment during 2011 through 2013 related to

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the impacted areas at both of the Goderich facilities. In addition, the Company incurred clean-up costs related to the storm. The Company expects to be reimbursed for losses from its insurers for substantially all of the replacement and repair costs for its property, plant and equipment and associated clean-up costs incurred, net of the Company's deductible.

The Company received $13.7 million and $18.5 million of insurance advances in the first six months of 2014 and 2013, respectively. The Company recorded $1.0 million of insurance advances as a reduction to salt product cost for the first six months of 2013 in its consolidated statements of operations to offset recognized asset impairment charges and site clean-up and restoration costs. The Company has also recorded approximately $13.7 million and $15.1 million of the insurance advances as deferred revenue in the first six months of 2014 and 2013, respectively, in the consolidated balance sheets and has presented these amounts in its operating and investing section of the consolidated statements of cash flows for their respective period. In total, the Company has received $100.0 million of insurance advances since the tornado occurred and recorded approximately $70.4 million and $56.5 million of deferred revenue in its consolidated balance sheets as of June 30, 2014 and December 31, 2013, respectively. The actual insurance recoveries related to the replacement cost of property, plant and equipment are expected to exceed the net book value of the damaged property, plant and equipment and the related impairment charges. However, U.S. GAAP limits the recognition of insurance recoveries in the consolidated financial statements to the amount of recognized losses, provided the Company believes the recoveries are probable. Any gains related to the replacement of property, plant and equipment from insurance recoveries will be recorded in product cost in the consolidated statements of operations when all contingencies relating to the insurance claim have been resolved.

The Company has submitted a substantial business interruption insurance claim to compensate it for lost profits and certain additional expenses incurred related to the ongoing operations. The Company believes its losses, including the impact of estimated lost sales, lost production and additional expenses that have been incurred related to the tornado will be substantially covered by the Company's insurance policies as business interruption losses. The amount of actual business interruption recoveries may differ materially from the Company's estimates. Any insurance recoveries related to business interruption will be recognized as a reduction to product cost in the consolidated statements of operations when the insurance claim has been settled. The Company has not recognized any reduction to product cost from insurance recoveries related to estimated business interruption losses as of June 30, 2014. The Company expects to settle its insurance claim in the third quarter of 2014 and recognize a gain as a reduction of product cost in its consolidated statements of operations of more than $80 million.

4. Inventories:

Inventories consist of the following (in millions):

	June 30, 2014	December 31, 2013
Finished goods	$115.6	$ 139.4
Raw materials and supplies	44.2	41.3
Total inventories	$159.8	$ 180.7

5. Property, Plant and Equipment, Net:

Property, plant and equipment, net consists of the following (in millions):

	June 30, 2014	December 31, 2013

Land, buildings and structures and leasehold improvements	$ 349.5	$ 347.1
Machinery and equipment	685.7	668.0
Office furniture and equipment	23.4	21.5
Mineral interests	186.0	180.9
Construction in progress	87.9	69.5
	1,332.5	1,287.0
Less accumulated depreciation and depletion	(640.6)	(609.7)
Total property, plant and equipment, net	$ 691.9	$ 677.3

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6. Goodwill and Intangible Assets, Net:

Intangible assets, other than the intangible assets acquired in the second quarter of 2014 (see Note 2), consist primarily of a potassium chloride ("KCl") supply agreement, purchased rights to produce SOP, lease rights, water rights, a trade name and customer relationships. The KCl supply agreement, SOP production rights, lease rights and customer relationships are being amortized over weighted average periods of 50 years, 25 years, 25 years and 7-10 years, respectively. The Company has water rights of $22.9 million as of June 30, 2014 and December 31, 2013, and trade names, which have a value of $13.5 million (including $12.8 million related to the Wolf Trax, Inc. acquisition) and $0.7 million as of June 30, 2014 and December 31, 2013, respectively. The water rights and trade names have indefinite lives. None of the finite-lived intangible assets have a residual value. Aggregate amortization expense was $1.3 million and $0.5 million in the second quarters of 2014 and 2013, respectively, and $1.8 million and $1.0 million in the first six months of 2014 and 2013, respectively.

The asset value and accumulated amortization as of June 30, 2014 and December 31, 2013 for the finite-lived intangibles assets are as follows (in millions):

	Supply Agreement	SOP Production Rights	Customer/ Distributor Relationships[a]	Lease Rights	Patents[a]	Other[a]	Total
June 30, 2014:							
Gross intangible asset	$ 34.1	$ 24.3	$ 9.2	$ 2.1	$ 19.4	$ 5.1	$94.2
Accumumlated amortization	(2.4)	(10.3)	(2.1)	(0.2)	(0.4)	(0.3)	(15.7)
Net intangible assets	$ 31.7	$ 14.0	$ 7.1	$ 1.9	$ 19.0	$ 4.8	$78.5

(a) Intangible asset values related to the Wolf Trax, Inc. acquisition are preliminary.

	Supply Agreement	SOP Production Rights	Customer Relationships	Lease Rights	Total
December 31, 2013:					
Gross intangible asset	$ 34.1	$ 24.3	$ 2.1	$ 2.1	$62.6
Accumumlated amortization	(2.0)	(9.8)	(1.8)	(0.1)	(13.7)
Net intangible assets	$ 32.1	$ 14.5	$ 0.3	$ 2.0	$48.9

The Company has recorded goodwill of $73.8 million and $20.5 million as of June 30, 2014 and December 31, 2013, in its consolidated balance sheets. Approximately $67.0 million and $13.8 million of the amounts recorded for goodwill as of June 30, 2014 and December 31, 2013, respectively, were recorded in the Company's plant nutrition segment and the remaining amounts in both periods were immaterial and recorded in its corporate and other and salt segment. The increase in the balance of goodwill from December 31, 2013 was primarily a result of additional goodwill recorded of $51.4 million related to the acquisition of Wolf Trax, Inc. in April 2014. The remaining difference was due to the impact of foreign exchange.

7. Income Taxes:

The Company's effective income tax rate differs from the U.S. statutory federal income tax rate primarily due to U.S. statutory depletion, state income taxes (net of federal tax benefit), foreign income tax rate differentials, foreign mining taxes, domestic manufacturing deductions, and interest expense recognition differences for book and tax purposes. The Company's effective tax rate for the second quarter of 2014 increased from the same quarter in the prior year due to refinements made in the second quarter of 2014 related to the expected increase in the full-year effective tax rate.

At both June 30, 2014 and December 31, 2013, the Company had approximately $4.1 million of gross foreign federal net operating loss ("NOL") carryforwards that have no expiration date and $0.1 million of tax-effected state NOL carryforwards which expire in 2033. In the future, if the Company determines, based on the existence of sufficient evidence, that it should realize more or less of its deferred tax assets, an adjustment to any existing valuation allowance will be made in the period such determination is made.

Canadian provincial tax authorities have challenged tax positions claimed by one of the Company's Canadian subsidiaries and have issued tax reassessments for years 2002-2008. The reassessments are a result of ongoing audits and total approximately $83 million, including interest through June 2014. The Company disputes these reassessments and plans to continue to work with the appropriate authorities in Canada to resolve the dispute. There is a reasonable possibility that the

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ultimate resolution of this dispute, and any related disputes for other open tax years, may be materially higher or lower than the amounts the Company has reserved for such disputes. In connection with this dispute, local regulations require the Company to post security with the tax authority until the dispute is resolved. The Company and the tax authority have agreed that it will post collateral in the form of a $31 million performance bond (including approximately $6 million of the performance bond which will be cancelled pro rata as the outstanding assessment balance falls below the outstanding amount of the performance bond). As part of the additional required collateral, the Company has previously paid approximately $30 million and it has agreed to pay an additional approximately $2 million during the remainder of 2014 with the remaining collateral balance to be paid after 2014. The Company will be required by the same local regulations to provide security for additional interest on the above disputed amounts and for any future reassessments issued by these Canadian tax authorities in the form of cash, letters of credit, performance bonds, asset liens or other arrangements agreeable with the tax authorities until the dispute is resolved.

In addition, Canadian federal and provincial taxing authorities have reassessed the Company for years 2004-2006 which have been previously settled by agreement among the Company, the Canadian federal taxing authority and the U.S. federal taxing authority. The Company has fully complied with the agreement since entering into it and it believes this action is highly unusual. The Company is seeking to enforce the agreement which provided the basis upon which the returns were previously filed and settled. The total amount of the reassessments, including penalties and interest through June, 2014, related to this matter is approximately $104 million. The Company has agreed to post collateral in the form of a performance bond for approximately $22 million and has previously made cash payments of approximately $2 million. The Company is currently in discussions with the Canadian tax authorities regarding the remaining required collateral of approximately $44 million.

The Company expects that the ultimate outcome of these matters will not have a material impact on its results of operations or financial condition. However, the Company can provide no assurance as to the ultimate outcome of these matters and the impact could be material if they are not resolved in the Company's favor. As of June 30, 2014, the amount reserved related to these reassessments was immaterial to the Company's consolidated financial statements.

Additionally, the Company has other uncertain tax positions as well as assessments and disputed positions with taxing authorities in its various jurisdictions.

8. Long-term Debt:

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

	June 30, 2014	December 31, 2013
Term Loan due May 2017	$378.3	$ 380.2
Revolving Credit Facility due August 2017	-	-
8% Senior Notes due June 2019	-	98.4
4.875% Senior Notes due July 2024	250.0	-
	628.3	478.6
Less current portion	(3.9)	(3.9)
Total long-term debt	$624.4	$ 474.7

In June 2014, the Company issued senior notes ("4.875% Senior Notes") with an aggregate face amount of $250.0 million due in 2024 which bear interest at a rate of 4.875% per year payable semi-annually in January and July, beginning in January 2015. The 4.875% Senior Notes were issued at their face value. With the proceeds of the 4.875% Senior Notes, the Company redeemed all of its outstanding $100.0 million aggregate principal amount of 8% senior notes due 2019 ("8% Senior Notes"). In connection with the debt refinancing, the Company incurred approximately $8.1 million of costs, including $4.1 million of fees that were capitalized as deferred financing costs related to the 4.875% Senior Notes and $4.0 million in call premiums. The $4.0 million paid for call premiums along with the write-off of $1.4 million of the Company's unamortized deferred financing costs and approximately $1.5 million of original issue discount, each related to the 8% Senior Notes, were recorded in other expense in the consolidated statements of earnings for the three and six months ended June 30, 2014.

The Term Loan and Revolving Credit Facility are secured by substantially all existing and future assets of the Company's subsidiaries.

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9. U.K. Pension Plan:

The components of net periodic benefit cost related to its U.K. defined benefit pension plan for the three and six months ended June 30, 2014 and 2013 are as follows (in millions):

	Three Months Ended June 30,		Six Months Ended June 30,	
	2014	2013	2014	2013
Interest cost on projected benefit obligation	$0.8	$0.7	$1.6	$1.5
Expected return on plan assets	(0.9)	(0.7)	(1.8)	(1.4)
Net amortization	0.4	0.5	0.8	0.9
Net pension expense	$0.3	$0.5	$0.6	$1.0

During the first six months of 2014 and 2013, the Company made $0.8 million of contributions in each period to its U.K. defined benefit pension plan.

10. Commitments and Contingencies:

The Company is involved in legal and administrative proceedings and claims of various types from normal Company activities.

The Company is aware of an aboriginal land claim filed in 2003 by The Chippewas of Nawash and The Chippewas of Saugeen (the “Chippewas”) in the Ontario Superior Court against The Attorney General of Canada and Her Majesty The Queen In Right of Ontario. The Chippewas claim that a large part of the land under Lake Huron was never surrendered by treaty and thus seeks a declaration that the Chippewas hold aboriginal title to those submerged lands. The land to which aboriginal title is claimed includes land under which the Company’s Goderich mine operates and has mining rights granted to it by the government of Ontario. The actions also seek damages for the value and loss of use of lands. The Company is not a party to the court actions. The Company understands that Canada and Ontario are defending the actions for aboriginal title on the basis, among other things, that common law does not recognize aboriginal title to the Great Lakes and other navigable waterways.

The Wisconsin Department of Agriculture, Trade and Consumer Protection (“DATCP”) has information indicating that agricultural chemicals are present within the subsurface area of the Kenosha, Wisconsin plant. The agricultural chemicals were used by previous owners and operators of the site. None of the identified chemicals have been used in association with Compass Minerals’ operations since it acquired the property in 2002. DATCP directed the Company to conduct further investigations into the possible presence of agricultural chemicals in soil and ground water at the Kenosha plant. The Company has completed such investigations of the soils and ground water and has provided the findings to DATCP. The Company is presently proceeding with select remediation activities to mitigate agricultural chemical impact to soils and ground water at the site. All investigations and mitigation activities to date, and any potential future remediation work, are being conducted under the Wisconsin Agricultural Chemical Cleanup Program (“ACCP”), which would provide for reimbursement of some of the costs. The Company may seek participation by, or cost reimbursement from, other parties responsible for the presence of any agricultural chemicals found in soil and ground water at this site if the Company does not receive an acknowledgement of no further action and is required to conduct further investigation or remedial work that may not be eligible for reimbursement under the ACCP.

In December 2009, a surface salt storage dome which was under construction collapsed at the Company’s mine in Goderich, Ontario. The Company is involved in construction litigation and other contract claims relating to the dome’s collapse. Claims asserted against the Company total approximately $13 million. The Company has also counterclaimed for damages.

The Company is also involved in legal and administrative proceedings and claims of various types from normal Company activities.

The Company does not believe that these actions will have a material adverse financial effect on the Company. Furthermore, while any litigation contains an element of uncertainty, management presently believes that the outcome of each such proceeding or claim, which is pending or known to be threatened, or all of them combined, will not have a material adverse effect on the Company's results of operations, cash flows or financial position.

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11. Operating Segments:

As discussed in Note 2, the Company broadened its portfolio of specialty plant nutrient products with the acquisition of Wolf Trax, Inc. in the second quarter of 2014. The strategic focus of this segment seeks to differentiate the Company's portfolio of crop nutrient products from commodity fertilizers. As a result, the specialty fertilizer segment has been renamed plant nutrition. The results of operations and financial position for Wolf Trax Inc. have been included in the Company's plant nutrition segment from the date of the acquisition. Segment information is as follows (in millions):

	Three Months Ended June 30, 2014			
	Salt	Plant Nutrition	Corporate and Other [(a)]	Total
Sales to external customers	$118.7	$ 65.6	$ 2.3	$186.6
Intersegment sales	0.2	2.7	(2.9)	-
Shipping and handling cost	37.0	7.8	-	44.8
Operating earnings (loss)	6.8	17.9	(11.3)	13.4
Depreciation, depletion and amortization	10.7	6.9	1.2	18.8
Total assets (as of end of period)	955.4	517.7	68.1	1,541.2

	Three Months Ended June 30, 2013			
	Salt	Plant Nutrition	Corporate and Other [(a)]	Total
Sales to external customers	$127.3	$ 44.1	$ 2.4	$173.8
Intersegment sales	0.3	2.7	(3.0)	-
Shipping and handling cost	35.7	4.6	-	40.3
Operating earnings (loss)	15.7	14.0	(15.0)	14.7
Depreciation, depletion and amortization	11.1	5.9	1.1	18.1
Total assets (as of end of period)	818.8	389.5	76.6	1,284.9

	Six Months Ended June 30, 2014			
	Salt	Plant Nutrition	Corporate and Other [(a)]	Total
Sales to external customers	$471.9	$ 131.7	$ 5.0	$608.6
Intersegment sales	0.4	3.2	(3.6)	-
Shipping and handling cost	160.1	15.4	-	175.5
Operating earnings (loss)	70.3	34.2	(24.1)	80.4
Depreciation, depletion and amortization	22.1	12.9	2.2	37.2

	Six Months Ended June 30, 2013			
	Salt	Plant Nutrition	Corporate and Other [(a)]	Total
Sales to external customers	$454.8	$ 98.1	$ 4.6	$557.5
Intersegment sales	0.5	2.9	(3.4)	-
Shipping and handling cost	144.8	10.8	-	155.6
Operating earnings (loss)	81.1	29.4	(28.3)	82.2
Depreciation, depletion and amortization	21.5	11.8	2.1	35.4

(a) "Corporate and Other" includes corporate entities, the records management business, other incidental business operations and eliminations. Corporate assets include deferred tax assets, deferred financing fees, investments related to the non-qualified retirement plan, and other assets not allocated to the operating segments.

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12. Stockholders' Equity and Equity Instruments:

In the first six months of 2014, the Company granted 95,610 stock options, 16,725 restricted stock units ("RSUs") and 27,574 performance stock units ("PSUs") to certain employees under its 2005 Incentive Award Plan. The Company's closing stock price on the grant date was used to set the exercise price for the options and the fair value of the RSUs. The options vest ratably on each anniversary date over a four-year service period. Unexercised options expire after seven years. The RSUs vest on the third anniversary following the grant date. None of the awards granted have voting rights. The RSUs granted entitle the holders to receive non-forfeitable dividends or other distributions equal to those declared on the Company's common stock for RSUs earned.

The PSUs granted in 2014 have a three-year performance period beginning in 2014 and ending in 2016. The PSUs earn between 0% and 150% based upon the Company's total shareholder return, compared to the total shareholder return for each company comprising the Russell 3000 Index over the three-year period. The performance units will vest three years after the grant date. The PSUs granted entitle the holders to receive non-forfeitable dividends or other distributions equal to those declared on the Company's common stock from the grant date through the vest date for PSUs earned.

To estimate the fair value of options on the grant date, the Company uses the Black-Scholes option valuation model. Award recipients are grouped according to expected exercise behavior. Unless better information is available to estimate the expected term of the options, the estimate is based on historical exercise experience. The risk-free rate, using U.S. Treasury yield curves in effect at the time of grant, is selected based on the expected term of each group. The Company's historical stock price is used to estimate expected volatility. The range of estimates and calculated fair values for options granted during the first six months of 2014 is included in the table below. The weighted-average grant date fair value of these options was $15.25.

	Range
Fair value of options granted	$14.08 - $16.23
Exercise price	$87.18
Expected term (years)	4-5
Expected volatility	26.5% - 28.8%
Dividend yield	3.4%
Risk-free rate of return	1.4% - 1.6%

To estimate the fair value of the PSUs on the grant date, the Company uses a Monte-Carlo simulation model, which simulates future stock prices of the Company as well as the companies comprising the Russell 3000 Index. This model uses historical stock prices to estimate expected volatility and the Company's correlation to the Russell 3000 Index. The risk-free rate was determined using the same methodology as the option valuations as discussed above. The estimated fair value of the PSUs granted in 2014 is $105.77 per unit.

During the six months ended June 30, 2014, the Company reissued 63,270 shares of treasury stock related to the exercise of stock options, 15,348 shares related to the release of RSUs which vested, 3,998 shares related to the release of PSUs which vested and 257 shares related to a stock payment. The Company recorded additional tax expense of $0.3 million from its equity compensation awards as a reduction of additional paid-in capital during the first six months of 2014. During the six months ended June 30, 2014 and 2013, the Company recorded $2.7 million and $2.6 million, respectively, of compensation expense pursuant to its stock-based compensation plans. No amounts have been capitalized. The following table summarizes stock-based compensation activity during the six months ended June 30, 2014.

	Stock Options		RSUs		PSUs[a]	
	Number	Weighted-average exercise price	Number	Weighted-average fair value	Number	Weighted-average fair value
Outstanding at December 31, 2013	328,364	$ 72.88	95,718	$ 76.09	55,149	$ 80.89
Granted	95,610	87.18	16,725	87.18	27,574	105.77
Exercised [b]	(63,270)	68.42	-	-	-	-
Released from restriction [b]	-	-	(15,348)	86.47	(3,998)	93.82
Cancelled/Expired	(12,085)	77.93	(3,420)	77.64	(11,739)	91.74
Outstanding at June 30, 2014	348,619	$ 77.43	93,675	$ 76.31	66,986	$ 88.46

(a) Until they vest, PSUs are included in the table at the 100% attainment level at their grant date and at that level represent one share per unit. The final performance period for the 2011 PSU grant was completed in 2013. The Company issued 3,998 shares and cancelled 9,330 PSUs in March 2014 related to the 2011 PSU grant.

(b) Common stock issued for exercised options and RSUs and PSUs released from restriction were issued from treasury stock.

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Other Comprehensive Income (Loss)

The Company's comprehensive income (loss) is comprised of net earnings, net amortization of the unrealized loss of the pension obligation, the change in the unrealized gain (loss) on natural gas cash flow hedges and foreign currency translation adjustments. The components of and changes in accumulated other comprehensive income ("AOCI") as of and for the three and six months ended June 30, 2014 and 2013 are as follows (in millions):

Three Months Ended June 30, 2014 [a]	Gains and (Losses) on Cash Flow Hedges	Defined Benefit Pension	Foreign Currency	Total
Beginning balance	$ 0.5	$ (9.0)	$ 28.0	$19.5
Other comprehensive income (loss) before reclassifications [b]	0.1	-	18.9	19.0
Amounts reclassified from accumulated other comprehensive income	(0.2)	0.3	-	0.1
Net current period other comprehensive income (loss)	(0.1)	0.3	18.9	19.1
Ending balance	$ 0.4	$ (8.7)	$ 46.9	$38.6

Three Months Ended June 30, 2013 [a]	Gains and (Losses) on Cash Flow Hedges	Defined Benefit Pension	Foreign Currency	Total
Beginning balance	$ -	$ (9.3)	$ 54.5	$45.2
Other comprehensive income (loss) before reclassifications [b]	(0.6)	-	(15.2)	(15.8)
Amounts reclassified from accumulated other comprehensive income	0.1	0.3	-	0.4
Net current period other comprehensive income (loss)	(0.5)	0.3	(15.2)	(15.4)
Ending balance	$ (0.5)	$ (9.0)	$ 39.3	$29.8

Six Months Ended June 30, 2014 [a]	Gains and (Losses) on Cash Flow Hedges	Defined Benefit Pension	Foreign Currency	Total
Beginning balance	$ 0.3	$ (9.3)	$ 43.5	$34.5
Other comprehensive income (loss) before reclassifications [b]	0.7	-	3.4	4.1
Amounts reclassified from accumulated other comprehensive income	(0.6)	0.6	-	-
Net current period other comprehensive income	0.1	0.6	3.4	4.1

Ending balance	$ 0.4	$ (8.7)	$ 46.9	$ 38.6

Six Months Ended June 30, 2013 [(a)]	Gains and (Losses) on Cash Flow Hedges	Defined Benefit Pension	Foreign Currency	Total
Beginning balance	$ (0.7)	$ (9.6)	$ 67.9	$ 57.6
Other comprehensive income (loss) before reclassifications [(b)]	(0.2)	-	(28.6)	(28.8)
Amounts reclassified from accumulated other comprehensive income	0.4	0.6	-	1.0
Net current period other comprehensive income (loss)	0.2	0.6	(28.6)	(27.8)
Ending balance	$ (0.5)	$ (9.0)	$ 39.3	$ 29.8