

Currier Dennis T.
Form 4
March 14, 2011

FORM 4

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

OMB APPROVAL

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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

(Print or Type Responses)

1. Name and Address of Reporting Person *
Currier Dennis T.

2. Issuer Name and Ticker or Trading Symbol
METROPCS COMMUNICATIONS INC [PCS]

5. Relationship of Reporting Person(s) to Issuer
(Check all applicable)
 Director 10% Owner
 Officer (give title below) Other (specify below)
VP, Human Resources

(Last) (First) (Middle)
2250 LAKESIDE BLVD.
(Street)

3. Date of Earliest Transaction (Month/Day/Year)
03/12/2011

RICHARDSON, TX 75082
(City) (State) (Zip)

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

6. Individual or Joint/Group Filing(Check Applicable Line)
 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 Ownership (Instr. 4)
				(A) or (D)	Price		
Common Stock	03/12/2011		F	111 (1) D	\$ 14.89		D

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)

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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. Price of Derivative Security (Instr. 5)	9. Nu Deriv Secur Bene Own Follo Repo Trans (Instr
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Reporting Owners

Reporting Owner Name / Address	Relationships			
	Director	10% Owner	Officer	Other
Currier Dennis T. 2250 LAKESIDE BLVD. RICHARDSON, TX 75082			VP, Human Resources	

Signatures

/s/ Linda M. Brotkin, as Attorney in Fact for Dennis T. Currier 03/14/2011

**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) Shares withheld by Issuer to satisfy minimum statutory tax withholding requirements on the vesting of restricted stock granted on May 12, 2009.

Note: File three copies of this Form, one of which must be manually signed. If space is insufficient, *see* Instruction 6 for procedure. Potential persons who are to respond to the collection of information contained in this form are not required to respond unless the form displays a currently valid OMB number. **idiaries, the Company intends to indefinitely reinvest \$272,846,000 of these earnings of its international subsidiaries in order to support the current and future capital needs of their operations in the foreign jurisdictions, including the repayment of the Company's foreign debt. The related foreign withholding taxes, which would be required if the Company were to remit these foreign earnings to the United States, would be approximately \$4,949,000.**

The Company operates within multiple tax jurisdictions and could be subject to audit in those jurisdictions. Such audits can involve complex income tax issues, which may require an extended period of time to resolve and may cover multiple years. In management's opinion, adequate provisions for income taxes have been made for all years subject to audit.

As of year-end 2018, the Company had \$12,364,000 of unrecognized tax benefits which, if recognized, would reduce the effective tax rate. A reconciliation of the beginning and ending amount of unrecognized tax benefits at year-end 2018 and year-end 2017 is as follows:

(In thousands)	December 29, 2018	December 30, 2017
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Unrecognized Tax Benefits, Beginning of Year	\$ 7,843	\$ 5,467
Gross Increases—Tax Positions in Prior Periods	1,019	4
Gross Decreases—Tax Positions in Prior Periods	(390) (22)
Gross Increases—Current-period Tax Positions	7,344	2,229
Settlements	(131) —
Lapses of Statutes of Limitations	(3,190) (11)
Currency Translation	(131) 176
Unrecognized Tax Benefits, End of Year	\$ 12,364	\$ 7,843

The Company recognizes accrued interest and penalties related to unrecognized tax benefits in the provision for income taxes. The Company has accrued \$2,087,000 at year-end 2018 and \$1,523,000 at year-end 2017 for the potential payment of interest and penalties. The interest and penalties included in the accompanying consolidated statement of income was an expense of \$544,000 in 2018 and \$199,000 in 2017.

The Company is currently under audit in certain tax jurisdictions. It is reasonably possible that over the next fiscal year the amount of liability for unrecognized tax benefits may be reduced by up to \$841,000 primarily from the expiration of tax statutes of limitations.

The Company remains subject to U.S. Federal income tax examinations for the tax years 2015 through 2018, and to non-U.S. income tax examinations for the tax years 2004 through 2018. In addition, the Company remains subject to state and local income tax examinations in the United States for the tax years 2004 through 2018.

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6. Long-Term Obligations

Long-term obligations are as follows:

(In thousands)	December 29, December 30,	
	2018	2017
Revolving Credit Facility, due 2023	\$ 141,106	\$ 237,011
Commercial Real Estate Loan, due 2019 to 2028	20,475	—
Senior Promissory Notes, due 2023 to 2028	10,000	—
Obligations Under Capital Lease, due 2019 to 2022	4,144	4,633
Other Borrowings, due 2019 to 2023	244	436
Unamortized Debt Issuance Costs	(148)) —
Total	175,821	242,080
Less: Current Maturities of Long-Term Obligations	(1,668)) (696)
Long-Term Obligations	\$ 174,153	\$ 241,384

See Note 10 for the fair value information related to the Company's long-term obligations.

Revolving Credit Facility

In December 2018, the Company entered into a second amendment (Second Amendment) to its existing amended and restated five-year, unsecured multi-currency revolving credit facility (Credit Agreement), dated as of March 1, 2017. Pursuant to the Second Amendment, the Credit Agreement was amended to, among other changes, increase its borrowing capacity from \$300,000,000 to \$400,000,000, increase its uncommitted unsecured incremental borrowing facility from \$100,000,000 to \$150,000,000 and extend its maturity date from March 1, 2022 to December 14, 2023. Interest on borrowings outstanding accrues and is payable quarterly in arrears calculated at one of the following rates selected by the Company: (i) the Base Rate, calculated as the highest of (a) the federal funds rate plus 0.50%, (b) the prime rate as published by Citizens Bank, and (c) the thirty-day London Inter-Bank Offered Rate (LIBOR) rate, as defined, plus 0.50%; or (ii) the LIBOR rate (with a zero percent floor), as defined, plus an applicable margin of 1% to 2.25%. The applicable margin is determined based upon the ratio of the Company's total debt, net of unrestricted cash up to \$30,000,000 and certain debt obligations, to earnings before interest, taxes, depreciation, and amortization (EBITDA) as defined in the Credit Agreement.

The obligations of the Company under the Credit Agreement may be accelerated upon the occurrence of an event of default, which includes customary events of defaults under such financing arrangements. In addition, as amended by the Second Amendment, the Credit Agreement contains negative covenants applicable to the Company and its subsidiaries, including financial covenants requiring the Company to maintain a maximum consolidated leverage ratio of 3.75 to 1.00, or for the quarter during which a material acquisition occurs and for the three fiscal quarters thereafter, 4.00 to 1.00, and limitations on making certain restricted payments (including dividends and stock repurchases). Loans under the Credit Agreement are guaranteed by certain domestic subsidiaries of the Company. In addition, one of the Company's foreign subsidiaries entered into a separate guarantee agreement limited to certain obligations of two foreign subsidiary borrowers.

At year-end 2018, the outstanding balance under the Credit Agreement was \$141,106,000, and included \$41,612,000 of Canadian dollar-denominated borrowings and \$19,494,000 of euro-denominated borrowings. The Company had \$258,864,000 of borrowing capacity available under the Credit Agreement at year-end 2018, which was calculated by translating its foreign-denominated borrowings using borrowing date foreign exchange rates. The weighted average interest rate for the outstanding balance under the Credit Agreement was 3.47% as of year-end 2018. See Note 15, Subsequent Events, for the additional borrowings under the Credit Agreement related to the Company's acquisition that occurred on January 2, 2019.

Explanation of Responses:

During 2018, the Company incurred \$741,000 of debt issuance costs related to the Second Amendment of the Credit Agreement. Unamortized debt issuance costs related to the Credit Agreement, included in other assets in the accompanying consolidated balance sheet, were \$1,735,000 at year-end 2018 and \$1,285,000 at year-end 2017 and are being amortized to interest expense using the straight-line method.

Commercial Real Estate Loan

In July 2018, the Company and certain domestic subsidiaries borrowed \$21,000,000 under a promissory note (Real Estate Loan) which is repayable in quarterly principal installments of \$262,500 over a ten-year period with the remaining principal balance of \$10,500,000 due upon maturity. Interest accrues and is payable quarterly in arrears at a fixed rate of 4.45%

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6. Long-Term Obligations (continued)

per annum. The Company is not permitted to prepay any amount in the first twelve months of the term of the Real Estate Loan. Any voluntary prepayments are subject to a 2% prepayment fee if paid in the second twelve months of the term of the Real Estate Loan and are subject to a 1% prepayment fee if paid in the third twelve months of the term of the Real Estate Loan. Thereafter, no prepayment fee will be applied to voluntary prepayment by the Company. The Real Estate Loan is secured by real estate and related personal property of the Company and certain of its domestic subsidiaries, pursuant to the mortgage and security agreements dated July 6, 2018 (Mortgage and Security Agreements). The obligations of the Company under the Real Estate Loan may be accelerated upon the occurrence of an event of default under the Real Estate Loan and the Mortgage and Security Agreements, which includes customary events of default for financings of this type. In addition, a default under the Credit Agreement or any successor credit facility would be an event of default under the Real Estate Loan. The Company used the proceeds from the Real Estate Loan to repay a portion of its U.S. dollar-denominated debt under the Credit Agreement.

The Company incurred \$158,000 of debt issuance costs related to the Real Estate Loan. The effective interest rate for the Real Estate Loan, including amortization of debt issuance costs, was 4.60% as of December 29, 2018.

Senior Promissory Notes

In December 2018, the Company entered into an uncommitted, unsecured Multi-Currency Note Purchase and Private Shelf Agreement (Note Purchase Agreement). Simultaneous with the execution of the Note Purchase Agreement, the Company issued senior promissory notes (Initial Notes) in an aggregate principal amount of \$10,000,000, with a per annum interest rate of 4.90% payable semiannually, and a maturity date of December 14, 2028. The Company is required to prepay a portion of the principal of the Initial Notes beginning on December 14, 2023 and each year thereafter, and may optionally prepay the principal on the Initial Notes, together with any prepayment premium, at any time (in a minimum amount of \$1,000,000, or the foreign currency equivalent thereof, if applicable) in accordance with the Note Purchase Agreement. The obligations of Initial Notes may be accelerated upon an event of default as defined in the Note Purchase Agreement, which includes customary events of defaults under such financing arrangements.

In accordance with the Note Purchase Agreement, the Company may also issue additional senior promissory notes (together with the Initial Notes, the Senior Promissory Notes) up to an additional \$115,000,000 until the earlier of December 14, 2021 or the thirtieth day after written notice to terminate the issuance and sale of additional notes pursuant to the Note Purchase Agreement. The Senior Promissory Notes will be pari passu with the Company's indebtedness under the Credit Agreement, and any other senior debt of the Company, subject to certain specified exceptions, and will participate in a sharing agreement with respect to the obligations of the Company and its subsidiaries under the Credit Agreement. The Senior Promissory Notes are guaranteed by certain of the Company's domestic subsidiaries.

The Company incurred \$193,000 of debt issuance costs related to the Note Purchase Agreement.

The following schedule presents the annual repayment requirements for the Company's Credit Agreement, Real Estate Loan and Initial Notes as of year-end 2018.

(In thousands)

2019	\$ 1,050
2020	1,050
2021	1,050
2022	1,050
2023	143,823
2024 and Thereafter	23,558
	\$ 171,581

Explanation of Responses:

Debt Compliance

At year-end 2018, the Company was in compliance with the covenants related to its debt obligations.

Obligations Under Capital Lease

The Company's obligations under capital leases include a sale-leaseback financing arrangement for a manufacturing facility in Germany. Under this arrangement, the quarterly lease payment includes principal, interest, and a payment to the landlord toward a loan receivable. The interest rate on the outstanding obligation is 1.79%. The secured loan receivable, which is included in other assets in the accompanying consolidated balance sheet, was \$692,000 at year-end 2018. The lease arrangement provides for a fixed price purchase option, net of the projected loan receivable, of \$1,524,000 at the end of the

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6. Long-Term Obligations (continued)

lease term in 2022. If the Company does not exercise the purchase option for the facility, the Company will receive cash from the landlord to settle the loan receivable. As of year-end 2018, \$4,082,000 was outstanding under this capital lease obligation and \$62,000 was outstanding under other capital lease obligations.

The following schedule presents future minimum lease payments under the Company's capital lease obligations and the present value of the minimum lease payments as of year-end 2018.

(In thousands)

2019	\$571
2020	578
2021	542
2022	1,099
Total Minimum Lease Payments	\$2,790
Less: Imputed Interest	(170)
Present Value of Minimum Lease Payments	\$2,620

7. Commitments and Contingencies

Operating Leases

The Company occupies office and operating facilities under various operating leases. The accompanying consolidated statement of income includes expenses from operating leases of \$5,575,000 in 2018, \$4,955,000 in 2017, and \$4,298,000 in 2016. The future minimum payments due under noncancelable operating leases at year-end 2018 are \$4,507,000 in 2019; \$3,275,000 in 2020; \$2,230,000 in 2021; \$1,579,000 in 2022; \$987,000 in 2023 and \$1,713,000 thereafter. Total future minimum lease payments are \$14,291,000.

Letters of Credit and Bank Guarantees

Outstanding letters of credit and bank guarantees issued on behalf of the Company, principally relating to performance obligations and customer deposit guarantees, totaled \$18,320,000 at year-end 2018. Certain of the Company's contracts, particularly for stock-preparation and systems orders, require the Company to provide a standby letter of credit or bank guarantee to a customer as beneficiary, limited in amount to a negotiated percentage of the total contract value, in order to guarantee warranty and performance obligations of the Company under the contract. Typically, these standby letters of credit and bank guarantees expire without being drawn by the beneficiary.

Right of Recourse

In the ordinary course of business, the Company's subsidiaries in China may receive banker's acceptance drafts from customers as payment for their trade accounts receivable. The drafts are noninterest-bearing obligations of the issuing bank and mature within six months of the origination date. The Company's subsidiaries in China may use these banker's acceptance drafts prior to the scheduled maturity date to settle outstanding accounts payable with vendors. Banker's acceptance drafts transferred to vendors are subject to customary right of recourse provisions prior to their scheduled maturity dates. The Company had \$12,406,000 at year-end 2018 and \$10,035,000 at year-end 2017 of banker's acceptance drafts subject to recourse, which were transferred to vendors and had not reached their scheduled maturity dates. Historically, the banker's acceptance drafts have settled upon maturity without any claim of recourse against the Company.

Contingencies

Explanation of Responses:

In the ordinary course of business, the Company is, at times, required to issue limited performance guarantees, some of which do not require the issuance of letters of credit to customers in support of these guarantees, relating to its equipment and systems. The Company generally limits its liability under these guarantees to amounts typically capped at 10% or less of the value of the contract. The Company believes that it has adequate reserves for any potential liability in connection with such guarantees.

Litigation

From time to time, the Company is subject to various claims and legal proceedings covering a range of matters that arise in the ordinary course of business. Such litigation may include, but is not limited to, claims and counterclaims by and against the Company for breach of contract or warranty, canceled contracts, product liability, or bankruptcy-related claims. For

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7. Commitments and Contingencies (continued)

legal proceedings in which a loss is probable and estimable, the Company accrues a loss based on the low end of the range of estimated loss when there is no better estimate within the range. If the Company were found to be liable for any of the claims or counterclaims against it, the Company would incur a charge against earnings for amounts in excess of legal accruals.

8. Restructuring Costs and Other Income

Restructuring Costs

In 2017, the Company constructed a 160,000 square foot manufacturing facility in the United States that integrated its U.S. and Swedish papermaking stock-preparation product lines into a single manufacturing facility to achieve economies of scale and greater efficiencies. As a result of the consolidation and integration of these facilities, the Company developed a restructuring plan totaling \$1,920,000, primarily related to costs for the relocation of machinery and equipment and administrative offices, severance, and abandonment of leased facilities in the Papermaking Systems segment. As a result of this plan, the Company recorded restructuring charges of \$203,000 in 2017 associated with severance costs for the reduction of four employees in the United States and six employees in Sweden. In 2018, the Company recorded additional restructuring costs of \$1,717,000 related to this plan, including \$1,318,000 primarily for the relocation of machinery and equipment and administrative offices, \$454,000 associated with employee retention costs and abandonment of excess facility and other closure costs, and a reversal of \$55,000 of severance costs no longer required. The Company does not expect to incur additional charges related to this restructuring plan. A summary of the changes in accrued restructuring costs included in other accrued expenses in the accompanying consolidated balance sheet are as follows:

(In thousands)	Severance	Relocation	Other (a)	Total
2017 Restructuring Plan				
Provision	\$ 203	\$ —	\$ —	\$203
Balance at December 30, 2017	203	—	—	203
(Reversal) Provision	(55)	1,318	454	1,717
Usage	(77)	(1,315)	(448)	(1,840)
Currency translation	(8)	(3)	(6)	(17)
Balance at December 29, 2018	\$ 63	\$ —	\$ —	\$63

(a) Includes employee retention costs that are accrued ratably over the period through which employees must work to qualify for a payment and facility closure and clean-up costs.

Other Income

In 2016, other income consisted of a pre-tax gain of \$317,000 from the sale of real estate in Sweden for cash proceeds of \$368,000.

9. Derivatives

Interest Rate Swap Agreements

In May 2018, the Company entered into an interest rate swap agreement (2018 Swap Agreement) which has a \$15,000,000 notional value and expires on June 30, 2023. In 2015, the Company also entered into an interest rate

Explanation of Responses:

swap agreement (2015 Swap Agreement) which has a \$10,000,000 notional value and expires on March 27, 2020. The swap agreements hedge the Company's exposure to movements in the three-month LIBOR rate on U.S. dollar-denominated debt. On a quarterly basis, the Company receives a three-month LIBOR rate and pays a fixed rate of interest of 3.15% plus an applicable margin as defined in the Credit Agreement on the 2018 Swap Agreement and 1.50% plus an applicable margin as defined in the Credit Agreement on the 2015 Swap Agreement. The 2018 Swap Agreement is subject to a zero percent floor on the three-month LIBOR rate. The interest rate swap agreements are designated as cash flow hedges and, accordingly, unrecognized gains and losses are recorded to AOCI, net of tax. The Company has structured the interest rate swap agreements to be 100% effective and, as a result, there is no current impact to earnings resulting from hedge ineffectiveness. Management believes that any credit risk associated with the interest

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9. Derivatives (continued)

rate swap agreements is remote based on the Company's financial position and the creditworthiness of the financial institution that issued those agreements.

The counterparty to the interest rate swap agreements could demand an early termination of those agreements if the Company were to be in default under the Credit Agreement, or any agreement that amends or replaces the Credit Agreement in which the counterparty is a member, and if the Company were to be unable to cure the default (see [Note 6](#)). The fair values of the interest rate swap agreements represent the estimated amounts that the Company would receive from or pay to the counterparty in the event of an early termination.

Forward Currency-Exchange Contracts

The Company uses forward currency-exchange contracts primarily to hedge exposures resulting from fluctuations in currency exchange rates. Such exposures result primarily from portions of the Company's operations and assets and liabilities that are denominated in currencies other than the functional currencies of the businesses conducting the operations or holding the assets and liabilities. The Company typically manages its level of exposure to the risk of currency-exchange fluctuations by hedging a portion of its anticipated currency exposures over the ensuing 12-month period, using forward currency-exchange contracts that have maturities of twelve months or less.

Forward currency-exchange contracts that hedge forecasted accounts receivable or accounts payable are designated as cash flow hedges and unrecognized gains and losses are recorded to AOCI, net of tax. For forward currency-exchange contracts that are designated as fair value hedges, the gain or loss on the derivative, as well as the offsetting loss or gain on the hedged item are recognized currently in earnings. The fair values of forward currency-exchange contracts that are not designated as hedges are recorded currently in earnings. The Company recognized within SG&A expenses in the accompanying consolidated statement of income losses of \$27,000 in 2018, \$1,367,000 in 2017 and \$797,000 in 2016, associated with forward currency-exchange contracts that were not designated as hedges. Management believes that any credit risk associated with forward currency-exchange contracts is remote based on the Company's financial position and the creditworthiness of the financial institutions issuing the contracts.

The following table summarizes the fair value of the Company's derivative instruments in the accompanying consolidated balance sheet:

(In thousands)	Balance Sheet Location	December 29, 2018		December 30, 2017	
		Asset (Liability) (a)	Notional Amount (b)	Asset (Liability) (a)	Notional Amount
Derivatives Designated as Hedging Instruments:					
Derivatives in an Asset Position:					
2015 Swap Agreement	Other Long-Term Assets	\$ 148	\$ 10,000	\$ 126	\$ 10,000
Forward currency-exchange contract	Other Long Term Assets	\$ 11	\$ 842	\$ —	\$ —
Derivatives in a Liability Position:					
Forward currency-exchange contract	Other Current Liabilities	\$(50)	\$ 2,946	\$ —	\$ —
2018 Swap Agreement	Other Long-Term Liabilities	\$(352)	\$ 15,000	\$ —	\$ —

Derivatives Not Designated as Hedging Instruments:

Derivatives in an Asset Position:

Explanation of Responses:

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Forward currency-exchange contracts	Other Current Assets	\$9	\$1,192	\$17	\$1,244
Derivatives in a Liability Position:					
Forward currency-exchange contracts	Other Current Liabilities	\$(31)	\$1,384	\$(16)	\$2,049

(a) See Note 10 for the fair value measurements relating to these financial instruments.

(b) The total 2018 notional amounts are indicative of the level of the Company's recurring derivative activity.

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9. Derivatives (continued)

The following table summarizes the activity in AOCI associated with the Company's derivative instruments designated as cash flow hedges as of and for the year ended December 29, 2018:

(In thousands)	Interest Rate Swap Agreements	Forward Currency- Exchange Contracts	Total
Unrealized Gain, Net of Tax, at December 30, 2017	\$ 79	\$ —	\$79
Loss (gain) reclassified to earnings (a)	8	(16)	(8)
Loss recognized in AOCI	(257)	(11)	(268)
Unrealized Loss, Net of Tax, at December 29, 2018	\$ (170)	\$ (27)	\$(197)

(a) See Note 13 for the income statement classification.

At year-end 2018, the Company expects to reclassify \$8,000 from AOCI to earnings over the next twelve months based on the estimated cash flows of the interest rate swap agreements and the maturity dates of the forward currency-exchange contracts.

10. Fair Value Measurements and Fair Value of Financial Instruments

Fair value measurement is defined as the price that would be received to sell an asset or paid to transfer a liability in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants at the measurement date. A fair value hierarchy is established, which prioritizes the inputs used in measuring fair value into three broad levels as follows:

Level 1—Quoted prices in active markets for identical assets or liabilities.

Level 2—Inputs, other than quoted prices in active markets, that are observable either directly or indirectly.

Level 3—Unobservable inputs based on the Company's own assumptions.

The following table presents the fair value hierarchy for those assets and liabilities measured at fair value on a recurring basis:

(In thousands)	Fair Value as of December 29, 2018			Total
	Level 1	Level 2	Level 3	
Assets:				
Money market funds and time deposits	\$6,902	\$—	\$	-\$6,902
Banker's acceptance drafts (a)	\$—	\$7,976	\$	-\$7,976
2015 Swap Agreement	\$—	\$148	\$	-\$148
Forward currency-exchange contracts	\$—	\$20	\$	-\$20
Liabilities:				
2018 Swap Agreement	\$—	\$352	\$	-\$352
Forward currency-exchange contracts	\$—	\$81	\$	-\$81
	Fair Value as of December 30, 2017			

Explanation of Responses:

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(In thousands)	Level 1	Level 2	Level 3	Total
Assets:				
Money market funds and time deposits	\$17,728	\$—	\$	—\$17,728
Banker's acceptance drafts (a)	\$—	\$15,960	\$	—\$15,960
2015 Swap Agreement	\$—	\$126	\$	—\$126
Forward currency-exchange contracts	\$—	\$17	\$	—\$17
Liabilities:				
Forward currency-exchange contracts	\$—	\$16	\$	—\$16

(a) Included in accounts receivable in the accompanying consolidated balance sheet.

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10. Fair Value Measurements and Fair Value of Financial Instruments (continued)

The Company uses the market approach technique to value its financial assets and liabilities, and there were no changes in valuation techniques during 2018. The Company's financial assets and liabilities carried at fair value are cash equivalents, banker's acceptance drafts, derivative instruments used to hedge the Company's foreign currency and interest rate risks, variable rate debt, and capital lease obligations. The Company's cash equivalents are comprised of money market funds and bank deposits which are highly liquid and readily tradable. These cash equivalents are valued using inputs observable in active markets for identical securities. The carrying value of banker's acceptance drafts approximates their fair value due to the short-term nature of the negotiable instrument. The fair values of the Company's forward currency-exchange contracts are based on quoted forward foreign exchange rates at the reporting date. The fair values of the Company's interest rate swap agreements is based on LIBOR yield curves at the reporting date. The forward currency-exchange contracts and interest rate swap agreements are hedges of either recorded assets or liabilities or anticipated transactions. Changes in values of the underlying hedged assets and liabilities or anticipated transactions are not reflected in the table above.

The carrying value and fair value of the Company's debt obligations are as follows:

(In thousands)	December 29, 2018		December 30, 2017	
	Carrying Value	Fair Value	Carrying Value	Fair Value
Debt Obligations:				
Revolving credit facility	\$ 141,106	\$ 141,106	\$ 237,011	\$ 237,011
Commercial real estate loan	20,475	20,575	—	—
Senior promissory notes	10,000	10,120	—	—
Capital lease obligations	4,144	4,144	4,633	4,633
Other borrowings	244	244	436	436
	\$ 175,969	\$ 176,189	\$ 242,080	\$ 242,080

The carrying value of the Company's revolving credit facility approximates the fair value as the obligation bears variable rates of interest, which adjust quarterly based on prevailing market rates. The fair values of the commercial real estate loan and senior promissory notes were calculated based on quoted market rates, plus an applicable margin available to the Company at the end of the quarter, which represents a Level 2 measurement. The carrying values of the Company's capital lease obligations and other borrowings approximate fair value as the stipulated interest rates are comparable to prevailing market rates for those obligations.

11. Business Segment and Geographical Information

The Company has combined its operating entities into two reportable operating segments, Papermaking Systems and Wood Processing Systems, and a separate product line, Fiber-based Products. In classifying operational entities into a particular segment, the Company has aggregated businesses with similar economic characteristics, products and services, production processes, customers, and methods of distribution.

The Papermaking Systems segment develops, manufactures, and markets a range of equipment and products for the global papermaking, paper recycling, recycling and waste management, and other process industries. The Company's principal products include custom-engineered stock-preparation systems and equipment for the preparation of wastepaper for conversion into recycled paper and balers and related equipment used in the processing of recyclable and waste materials; fluid-handling systems and equipment used in industrial piping systems to compensate for movement and to efficiently transfer fluid, power, and data; doctoring systems and equipment and related consumables important to the efficient operation of paper machines and other industrial processes; and filtration and

cleaning systems essential for draining, purifying, and recycling process water and cleaning fabrics, belts, and rolls in various process industries.

The Wood Processing Systems segment develops, manufactures, and markets stranders, debarkers, chippers, and logging machinery used in the harvesting and production of lumber and OSB. Through this segment, the Company also provides refurbishment and repair of pulping equipment for the pulp and paper industry.

The Fiber-based Products business manufactures and sells biodegradable, absorbent granules derived from papermaking by-products for use primarily as carriers for agricultural, home lawn and garden, and professional lawn, turf and ornamental applications, as well as for oil and grease absorption.

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11. Business Segment and Geographical Information (continued)

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016
Business Segment Information			
Revenues by Product Line:			
Papermaking Systems:			
Stock-Preparation	\$ 221,933	\$ 193,838	\$ 171,378
Fluid-Handling	131,830	104,136	89,145
Doctoring, Cleaning, & Filtration	116,136	109,631	105,938
Papermaking Systems	\$ 469,899	\$ 407,605	\$ 366,461
Wood Processing Systems	151,366	95,053	36,850
Fiber-based Products	12,521	12,375	10,815
	\$ 633,786	\$ 515,033	\$ 414,126
Income from			
Continuing			
Operations Before			
Provision for			
Income Taxes:			
Papermaking Systems (a)	\$ 83,454	\$ 73,069	\$ 58,025
Wood Processing Systems (b)	31,237	10,005	8,327
Corporate and Fiber-based Products (c)	(26,093)	(21,449)	(19,710)
Total operating income	88,598	61,625	46,642
Interest expense, net (d)	(6,653)	(3,100)	(1,024)
Other expense, net (d, e)	(2,417)	(872)	(1,069)
	\$ 79,528	\$ 57,653	\$ 44,549
Total Assets:			
Papermaking Systems	\$ 462,297	\$ 494,919	\$ 407,538
Wood Processing Systems	247,553	257,467	52,407
Other (f)	15,899	8,708	10,746
	\$ 725,749	\$ 761,094	\$ 470,691
Depreciation and Amortization:			
Papermaking Systems	\$ 12,561	\$ 11,239	\$ 11,513
Wood Processing Systems	10,317	7,515	2,188

Explanation of Responses:

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Other	690	621	625
	\$ 23,568	\$ 19,375	\$ 14,326
Capital Expenditures:			
Papermaking Systems	\$ 12,717	\$ 14,359	\$ 5,504
Wood Processing Systems	3,272	2,333	29
Other	570	589	271
	\$ 16,559	\$ 17,281	\$ 5,804
Geographical Information			
Revenues (g):			
United States	\$ 234,487	\$ 182,788	\$ 165,335
China	89,645	63,910	43,299
Canada	61,096	47,611	28,888
Germany	26,577	32,026	18,095
Finland	10,934	8,607	3,885
Other	211,047	180,091	154,624
	\$ 633,786	\$ 515,033	\$ 414,126
Long-lived Assets (h):			
United States	\$ 35,446	\$ 32,852	\$ 18,482
China	11,069	11,685	10,714
Canada	8,193	9,449	1,125
Finland	6,998	5,841	—
Germany	6,223	6,452	5,792
Other	12,228	13,444	11,591
	\$ 80,157	\$ 79,723	\$ 47,704

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11. Business Segment and Geographical Information (continued)

- Includes \$787,000 in 2017 and \$3,491,000 in 2016 of acquisition-related expenses. Acquisition-related expenses include acquisition transaction costs and amortization of acquired profit in inventory and backlog. Includes restructuring costs of \$1,717,000 in 2018 and \$203,000 in 2017, and other income of \$317,000 in 2016 (see Note 8).
- (a) Includes \$252,000 in 2018 and \$11,163,000 in 2017 of acquisition-related expenses.
- (b) Corporate primarily includes general and administrative expenses, including \$1,321,000 in 2018 of acquisition-related expenses.
- (c) The Company does not allocate interest and other expense, net to its segments.
- (d) Includes a curtailment loss of \$1,425,000 in 2018 (see Note 3, Employee Benefit Plans, under Pension and Other Post-Retirement Benefits Plans).
- (e) Primarily includes Corporate and Fiber-based Products' cash and cash equivalents, tax assets, and property, plant, and equipment.
- (f) Revenues are attributed to countries based on customer location.
- (g) Represents property, plant, and equipment, net.

12. Earnings per Share

Basic and diluted EPS were calculated as follows:

(In thousands, except per share amounts)	December 29, 2018	December 30, 2017	December 31, 2016
Amounts Attributable to Kadant			
Income from Continuing Operations	\$ 60,413	\$ 31,092	\$ 32,074
Income from Discontinued Operation	—	—	3
Net Income Attributable to Kadant	\$ 60,413	\$ 31,092	\$ 32,077
Basic Weighted Average Shares	11,086	10,991	10,869
Effect of Stock Options, Restricted Stock Units and Employee Stock Purchase Plan Shares	314	321	280
Diluted Weighted Average Shares	11,400	11,312	11,149
Basic EPS			
Continuing Operations	\$ 5.45	\$ 2.83	\$ 2.95
Discontinued Operation	\$ —	\$ —	\$ —
Earnings per Basic Share	\$ 5.45	\$ 2.83	\$ 2.95
Diluted EPS			
Continuing Operations	\$ 5.30	\$ 2.75	\$ 2.88
Discontinued Operation	\$ —	\$ —	\$ —
Earnings per Diluted Share	\$ 5.30	\$ 2.75	\$ 2.88

The dilutive effect of the outstanding and unvested RSUs totaling 18,700 shares in 2018, 15,600 shares in 2017, and 36,700 shares in 2016 of the Company's common stock was not included in the computation of diluted EPS, as the effect would have been antidilutive or, for unvested performance-based RSUs, the performance conditions had not been met as of the end of the reporting periods during the year.

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13. Accumulated Other Comprehensive Items

Comprehensive income combines net income and other comprehensive items, which represent certain amounts that are reported as components of stockholders' equity in the accompanying consolidated balance sheet.

Changes in each component of AOCI, net of tax, are as follows:

(In thousands)	Foreign Currency Translation Adjustment	Unrecognized Net Prior Service Income on Retirement Benefit Plans	Actuarial Loss on Retirement Benefit Plans	Deferred Gain (Loss) on Cash Flow Hedges	Total
Balance at December 30, 2017	\$ (17,501)	\$ (319)	\$ (8,974)	\$ 79	\$(26,715)
Other comprehensive (loss) income before reclassifications	(17,303)	(810)	4,020	(268)	(14,361)
Reclassifications from AOCI	—	1,149	559	(8)	1,700
Net current period other comprehensive (loss) income	(17,303)	339	4,579	(276)	(12,661)
Balance at December 29, 2018	\$ (34,804)	\$ 20	\$ (4,395)	\$ (197)	\$(39,376)

Amounts reclassified out of AOCI are as follows:

(In thousands)	December 29, 2018	December 30, 2017	December 31, 2016	Statement of Income Line Item
Retirement Benefit Plans (a)				
Recognized net actuarial loss	\$ (740)	\$ (563)	\$ (701)	Other expense, net
Amortization of prior service cost	(92)	(147)	(147)	Other expense, net
Curtailment loss	(1,425)	—	—	Other expense, net
Total expense before income taxes	(2,257)	(710)	(848)	
Income tax benefit	549	246	295	Provision for income taxes
	(1,708)	(464)	(553)	
Cash Flow Hedges (b)				
Interest rate swap agreements	(11)	(30)	(174)	Interest expense
Forward currency-exchange contracts	—	—	(14)	Revenues
Forward currency-exchange contracts	22	(97)	(186)	Cost of revenues
Total income (expense) before income taxes	11	(127)	(374)	
Income tax (provision) benefit	(3)	43	(37)	Provision for income taxes
	8	(84)	(411)	
Total Reclassifications	\$ (1,700)	\$ (548)	\$ (964)	

(a) Included in the computation of net periodic benefit cost. See [Note 3](#) for additional information.

(b) See [Note 9](#) for additional information.

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14. Unaudited Quarterly Information

2018 (In thousands, except per share amounts)	First	Second	Third	Fourth
Revenues	\$149,193	\$154,913	\$165,745	\$163,935
Gross Profit	\$66,079	\$68,164	\$73,093	\$70,945
Net Income Attributable to Kadant	\$10,858	\$12,349	\$18,784	\$18,422
Basic Earnings per Share:				
Net Income Attributable to Kadant	\$0.98	\$1.11	\$1.69	\$1.66
Diluted Earnings per Share:				
Net Income Attributable to Kadant	\$0.96	\$1.08	\$1.64	\$1.61
Cash Dividends Declared per Common Share	\$0.22	\$0.22	\$0.22	\$0.22
2017 (In thousands, except per share amounts)	First	Second	Third	Fourth
Revenues	\$102,857	\$110,242	\$152,794	\$149,140
Gross Profit	49,017	52,852	64,655	64,623
Net Income Attributable to Kadant	\$8,951	\$8,096	\$13,285	\$760
Basic Earnings per Share:				
Net Income Attributable to Kadant	\$0.82	\$0.74	\$1.21	\$0.07
Diluted Earnings per Share:				
Net Income Attributable to Kadant	\$0.80	\$0.72	\$1.17	\$0.07
Cash Dividends Declared per Common Share	\$0.21	\$0.21	\$0.21	\$0.21

15. Subsequent Events

Acquisition

On January 2, 2019, the Company acquired Syntron Material Handling Group, LLC and certain of its affiliates (SMH) pursuant to an equity purchase agreement, dated December 9, 2018, for approximately \$179,000,000, subject to certain customary adjustments. The Company funded the acquisition through borrowings under its Credit Agreement and recognized acquisition costs of \$1,321,000 within SG&A expenses in the accompanying consolidated statement of income in 2018.

SMH is a leading provider of material handling equipment and systems to various process industries, including mining, aggregates, food processing, packaging, and pulp and paper and manufactures conveying equipment, with revenue of \$89,365,000 for the twelve months ended October 31, 2018 and approximately 250 employees worldwide. This acquisition extends the Company's breadth of premier offerings to process industries, and also gives the Company access to new industries that offer potential avenues for growth. The Company expects several synergies in connection with this acquisition, including expansion of product sales into new markets by leveraging SMH's existing presence, strengthening of SMH's relationships in the pulp and paper industry, and sourcing efficiencies. The excess of the purchase price for the acquisition of SMH over the net assets acquired will be recorded as goodwill. The Company is currently evaluating its segment classification of the SMH business.

The Company has not yet completed its preliminary assessment of the fair value of the assets acquired and liabilities assumed in the SMH acquisition, including the valuation of intangible assets and goodwill, due to the proximity of the acquisition to the issuance of these consolidated financial statements. Accordingly and as permitted by ASC 805, Business Combinations, we are unable to provide further disclosures, including the allocation of the purchase price and pro forma financial information, for this acquisition at this time.

In connection with the acquisition of SMH, the Company assumed multiple leased properties and is currently evaluating the effect these leases will have on its consolidated financial statements upon the adoption of ASU No. 2016-02, Leases (Topic 842) as described in Note 1, under Recent Accounting Pronouncements Not Yet Adopted.

Borrowings Under the Credit Agreement

On December 31, 2018, the Company borrowed an aggregate amount of \$180,000,000, primarily used to finance the acquisition of SMH, under its existing revolving credit facility pursuant to the terms of the Credit Agreement. See Note 6, Long-Term Obligations, for further details.

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