

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549
Form 10-Q

(Mark One)

☒ **Quarterly Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the quarterly period ended June 30, 2015

or

☐ **Transition Report Pursuant to Section 13 or 15(d) of the Securities Exchange Act of 1934**

For the transition period from _____ to _____

Commission File Number: 001-34146

CLEARWATER PAPER CORPORATION

(Exact name of registrant as specified in its charter)

Delaware

(State or other jurisdiction of
incorporation or organization)

20-3594554

(I.R.S. Employer
Identification No.)

**601 West Riverside, Suite 1100
Spokane, Washington**

(Address of principal executive offices)

99201

(Zip Code)

(509) 344-5900

(Registrant's 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 ☒ No ☐

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (section 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 ☒ No ☐

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer, or a smaller reporting company. See the definitions of "large accelerated filer," "accelerated filer" and "smaller reporting company" in Rule 12b-2 of the Exchange Act.

Large accelerated filer ☒

Accelerated filer ☐

Non-accelerated filer ☐ (Do not check if a smaller reporting company)

Smaller reporting company ☐

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

The number of shares of common stock of the registrant outstanding as of July 31, 2015 was 19,056,095.

CLEARWATER PAPER CORPORATION

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Part I**ITEM 1.****Consolidated Financial Statements**

Clearwater Paper Corporation

Consolidated Statements of Operations

Unaudited (Dollars in thousands - except per-share amounts)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net sales	\$ 444,558	\$ 498,759	\$ 878,584	\$ 983,679
Costs and expenses:				
Cost of sales	(384,347)	(434,111)	(774,179)	(860,740)
Selling, general and administrative expenses	(28,138)	(31,565)	(57,095)	(65,079)
Impairment of assets	—	—	—	(4,259)
Total operating costs and expenses	(412,485)	(465,676)	(831,274)	(930,078)
Income from operations	32,073	33,083	47,310	53,601
Interest expense, net	(7,774)	(10,688)	(15,556)	(21,422)
Earnings before income taxes	24,299	22,395	31,754	32,179
Income tax provision	(8,702)	(9,942)	(10,400)	(13,500)
Net earnings	\$ 15,597	\$ 12,453	\$ 21,354	\$ 18,679
Net earnings per common share:				
Basic	\$ 0.82	\$ 0.61	\$ 1.11	\$ 0.91
Diluted	0.81	0.61	1.10	0.90

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

Clearwater Paper Corporation
Consolidated Statements of Comprehensive Income
Unaudited (Dollars in thousands)

	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net earnings	\$ 15,597	\$ 12,453	\$ 21,354	\$ 18,679
Other comprehensive income:				
Defined benefit pension and other postretirement employee benefits:				
Amortization of actuarial loss included in net periodic cost, net of tax of \$1,261, \$934, \$2,467 and \$1,899	1,965	1,479	3,842	3,008
Amortization of prior service credit included in net periodic cost, net of tax of \$(204), \$(353), \$(411) and \$(382)	(321)	(559)	(641)	(604)
Other comprehensive income, net of tax	1,644	920	3,201	2,404
Comprehensive income	\$ 17,241	\$ 13,373	\$ 24,555	\$ 21,083

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

Clearwater Paper Corporation
Consolidated Balance Sheets
Unaudited (Dollars in thousands – except per-share amounts)

	June 30, 2015	December 31, 2014
ASSETS		
Current assets:		
Cash	\$ 11,465	\$ 27,331
Restricted cash	2,270	1,500
Short-term investments	60,000	50,000
Receivables, net	141,090	133,914
Taxes receivable	—	1,255
Inventories	248,280	286,626
Deferred tax assets	20,839	21,760
Prepaid expenses	7,869	4,191
Total current assets	491,813	526,577
Property, plant and equipment, net	823,672	810,987
Goodwill	209,087	209,087
Intangible assets, net	22,473	24,956
Pension assets	8,098	4,738
Other assets, net	7,394	9,583
TOTAL ASSETS	\$ 1,562,537	\$ 1,585,928
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Accounts payable and accrued liabilities	\$ 214,701	\$ 215,826
Current liability for pensions and other postretirement employee benefits	7,915	7,915
Total current liabilities	222,616	223,741
Long-term debt	575,000	575,000
Liability for pensions and other postretirement employee benefits	114,835	118,464
Other long-term obligations	50,779	56,856
Accrued taxes	1,717	2,696
Deferred tax liabilities	110,289	111,634
Stockholders' equity:		
Preferred stock, par value \$0.0001 per share, 5,000,000 authorized shares, no shares issued	—	—
Common stock, par value \$0.0001 per share, 100,000,000 authorized shares-24,153,978 and 24,056,057 shares issued	2	2
Additional paid-in capital	336,431	334,074
Retained earnings	485,678	464,324
Treasury stock, at cost, common shares-5,097,883 and 4,498,388 shares repurchased	(267,148)	(230,000)
Accumulated other comprehensive loss, net of tax	(67,662)	(70,863)
Total stockholders' equity	487,301	497,537
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,562,537	\$ 1,585,928

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

Clearwater Paper Corporation
Consolidated Statements of Cash Flows
Unaudited (Dollars in thousands)

	Six Months Ended June 30,	
	2015	2014
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	\$ 21,354	\$ 18,679
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	41,640	44,246
Equity-based compensation expense	2,019	6,910
Impairment of assets	—	4,259
Deferred tax (benefit) provision	(2,480)	9,857
Employee benefit plans	1,438	979
Deferred issuance costs and discounts on long-term debt	446	949
Disposal of plant and equipment, net	272	422
Non-cash adjustments to unrecognized taxes	(979)	—
Changes in working capital, net	29,309	14,818
Changes in taxes receivable, net	1,255	3,663
Excess tax benefits from equity-based payment arrangements	(1,459)	—
Funding of qualified pension plans	(3,179)	(8,889)
Other, net	(1,726)	(980)
Net cash flows from operating activities	87,910	94,913
CASH FLOWS FROM INVESTING ACTIVITIES		
Changes in short-term investments, net	(10,000)	11,000
Additions to plant and equipment	(55,538)	(32,612)
Proceeds from sale of assets	507	619
Net cash flows from investing activities	(65,031)	(20,993)
CASH FLOWS FROM FINANCING ACTIVITIES		
Purchase of treasury stock	(37,148)	(74,322)
Payment of tax withholdings on equity-based payment arrangements	(3,048)	(792)
Excess tax benefits from equity-based payment arrangements	1,459	—
Other, net	(8)	—
Net cash flows from financing activities	(38,745)	(75,114)
Decrease in cash	(15,866)	(1,194)
Cash at beginning of period	27,331	23,675
Cash at end of period	\$ 11,465	\$ 22,481
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest, net of amounts capitalized	\$ 14,280	\$ 19,547
Cash paid for income taxes	8,030	4,211
Cash received from income tax refunds	2,029	4,170
SUPPLEMENTAL DISCLOSURES OF NON-CASH INVESTING ACTIVITIES		
Changes in accrued plant and equipment	\$ (5,187)	\$ (912)

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

NOTE 1 Nature of Operations and Basis of Presentation

GENERAL

Clearwater Paper manufactures quality consumer tissue, away-from-home tissue, parent roll tissue, bleached paperboard and pulp at manufacturing facilities across the nation. The company is a premier supplier of private label tissue to major retailers and wholesale distributors, including grocery, drug, mass merchants and discount stores. In addition, the company produces bleached paperboard used by quality-conscious printers and packaging converters.

On December 30, 2014, we sold our specialty business and mills to a private buyer for \$108 million in cash, net of sale related expenses and adjustments. The specialty business and mills' production consisted predominantly of machine-glazed tissue and also included parent rolls and other specialty tissue products such as absorbent materials and dark-hued napkins. The sale included five of our former subsidiaries with facilities located at East Hartford, Connecticut; Menominee, Michigan; Gouverneur, New York; St. Catharines, Ontario; and Wiggins, Mississippi. Included in the sale related expenses and adjustments was the impact of certain indemnity and working capital escrow clauses in the sales agreement. These escrowed amounts totaled \$3.8 million of restricted cash on our December 31, 2014 Consolidated Balance Sheet. During the second quarter of 2015, the working capital escrow account established in connection with the sale of the specialty business and mills was settled, resulting in the release of \$1.5 million from the restricted cash escrow account and the recognition of a corresponding gain recorded in "Selling, general and administrative expenses" within our Consolidated Statement of Operations.

On February 17, 2014, we announced the permanent and immediate closure of our Long Island, New York, tissue converting and distribution facility. As of June 30, 2015, we have incurred \$20.1 million of costs associated with the closure, of which \$0.7 million and \$1.3 million, respectively, were incurred during the three and six month periods ended June 30, 2015.

FINANCIAL STATEMENT PREPARATION AND PRESENTATION

The accompanying Consolidated Balance Sheets at June 30, 2015 and December 31, 2014, the related Consolidated Statements of Operations and Comprehensive Income for the three and six months ended June 30, 2015 and 2014, and the Consolidated Statements of Cash Flows for the six months ended June 30, 2015 and 2014, have been prepared in conformity with accounting principles generally accepted in the United States of America, or GAAP. We believe that all adjustments necessary for a fair statement of the results of the interim periods presented have been included. The results of operations for any interim period are not necessarily indicative of the results of operations to be expected for the full year.

This Quarterly Report on Form 10-Q should be read in conjunction with our Annual Report on Form 10-K for the year ended December 31, 2014, as filed with the Securities and Exchange Commission, or SEC, on February 26, 2015.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

SIGNIFICANT ESTIMATES

The preparation of financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of net sales and expenses during the reporting periods. Significant areas requiring the use of estimates and measurement of uncertainty include determination of net realizable value for deferred tax assets, uncertain tax positions, assessment of impairment of long-lived assets, goodwill and intangibles, assessment of environmental matters, equity-based compensation and pension and postretirement obligation assumptions. Actual results could differ from those estimates and assumptions.

SHORT-TERM INVESTMENTS AND RESTRICTED CASH

Our short-term investments are invested primarily in demand deposits, which have very short maturity periods, and therefore earn an interest rate commensurate with low-risk instruments. We do not attempt to hedge our exposure to interest rate risk for our short-term investments. Our restricted cash in which the underlying instrument has a term of greater than twelve months from the balance sheet date is classified as non-current and is included in "Other assets, net" on our Consolidated Balance Sheet. As of June 30, 2015, we had \$2.3 million classified as current on our Consolidated Balance Sheet. As of December 31, 2014, we had \$1.5 million of restricted cash classified as current and \$2.3 million of restricted cash classified as non-current and included in "Other assets, net" on our Consolidated Balance Sheets.

TRADE ACCOUNTS RECEIVABLE

Trade accounts receivable are stated at the amount we expect to collect. Trade accounts receivable do not bear interest. The allowance for doubtful accounts is our best estimate of the losses we expect will result from the inability of our customers to make required payments. We generally determine the allowance based on a combination of actual historical write-off experience and an analysis of specific customer accounts. As of both June 30, 2015 and December 31, 2014, we had allowances for doubtful accounts of \$1.4 million.

PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment are stated at cost, including any interest costs capitalized, less accumulated depreciation. Depreciation of buildings, equipment and other depreciable assets is determined using the straight-line method. Assets we acquire through business combinations have estimated lives that are typically shorter than the assets we construct or buy new. Accumulated depreciation totaled \$1,485.3 million and \$1,450.1 million at June 30, 2015 and December 31, 2014, respectively.

Consistent with authoritative guidance, we assess the carrying amount of long-lived assets with definite lives that are held-for-use and evaluate them for recoverability whenever events or changes in circumstances indicate that we may be unable to recover the carrying amount of the assets. During the first quarter of 2014, we permanently closed our Long Island tissue converting and distribution facility. As a result of this closure, we considered an outside third party's appraisal in assessing the recoverability of the facility's long-lived plant and equipment based on available market data for comparable assets sold through private party transactions. Based on this assessment, we determined the carrying amounts of certain long-lived plant and equipment related to the Long Island facility exceeded their fair value. As a result, we recorded a \$3.0 million non-cash impairment charge to our accompanying Consolidated Statement of Operations for the six months ended June 30, 2014. There were no other such events or changes in circumstances that impacted our remaining long-lived assets.

STOCKHOLDERS' EQUITY

On December 15, 2014, we announced that our Board of Directors had approved a new stock repurchase program authorizing the repurchase of up to \$100 million of our common stock. The repurchase program authorizes purchases of our common stock from time to time through open market purchases, negotiated transactions or other means, including accelerated stock repurchases and 10b5-1 trading plans in accordance with applicable securities laws and other restrictions. We have no obligation to repurchase stock under this program and may suspend or terminate the program at any time. We have repurchased 599,495 shares of our outstanding common stock at an average price of \$61.97 per share under this program. As of June 30, 2015, we had up to \$62.9 million of authorization remaining pursuant to this stock repurchase program.

On February 5, 2014, we announced that our Board of Directors had approved a stock repurchase program authorizing the repurchase of up to \$100 million of our common stock. We completed that program during the third quarter of 2014. In total, we repurchased 1,574,748 shares of our outstanding common stock at an average price of \$63.50 per share under that program.

DERIVATIVES

We had no activity during the six months ended June 30, 2015 and 2014 that required hedge or derivative accounting treatment. However, to help mitigate our exposure to market risk for changes in utility commodity pricing, we use firm price contracts to supply a portion of the natural gas requirements for our manufacturing facilities. As of June 30, 2015, these contracts covered approximately 58% of our expected average monthly natural gas requirements for the remainder of 2015. Historically, these contracts have qualified for treatment as "normal purchases or normal sales" under authoritative guidance and thus required no mark-to-market adjustment.

EMPLOYEES

Unions represent hourly employees at six of our manufacturing sites. There are no collective bargaining agreements due to expire in 2015. The hourly union labor contracts that had expired as set forth on page 6 of our Annual Report on Form 10-K for the year ended December 31, 2014 were ratified during the first quarter of 2015.

NOTE 2 Recently Adopted and New Accounting Standards

In July 2015, the Financial Accounting Standards Board, or FASB, issued Accounting Standard Update, or ASU, 2015-11, *Simplifying the Measurement of Inventory*. This standard is part of the FASB's simplification initiative and applies to entities that measure inventory using a method other than last-in, first-out (LIFO) or the retail inventory method (e.g., first-in, first-out (FIFO), average cost). Under this ASU, entities that utilize FIFO and average cost must switch from the lower of cost or market to the lower of cost and net realizable value. This ASU requires prospective adoption for inventory measurements for fiscal years beginning after December 15, 2016, and interim periods within those years for public business entities. Early adoption is permitted. We are currently evaluating the impact this guidance will have on our consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, *Revenue from Contracts with Customers*. The core principle of the new standard is for companies to recognize revenue in a manner that depicts the transfer of goods or services to customers in amounts that reflect the consideration, or payment, to which the company expects to be entitled in exchange for those goods or services. The standard will also result in enhanced disclosures about revenue, provide guidance for transactions that were not previously addressed comprehensively, such as service revenue and contract modifications, and clarify guidance for multiple-element arrangements. This standard was originally issued as effective for fiscal years and interim periods within those years beginning after December 15, 2016, with early adoption prohibited. However, in July 2015, the FASB approved deferring the effective date by one year to December 15, 2017 for annual reporting periods beginning after that date. In its approval, the FASB also permitted the early adoption of the standard, but not before the original effective date of fiscal years beginning after December 15, 2016. The standard may be applied under either a retrospective or cumulative effect adoption method. We plan on adopting the standard under the deferred effective date and are currently evaluating the impact this guidance will have on our consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, *Simplifying the Presentation of Debt Issuance Costs*. This standard amends existing guidance to require the presentation of debt issuance costs in the balance sheet as a deduction from the carrying amount of the related debt liability instead of a deferred asset. It is effective for annual reporting periods beginning after December 15, 2015, with early adoption permitted. The adoption of this guidance is not expected to have a significant effect on our consolidated financial statements.

We reviewed all other new accounting pronouncements issued in the period and concluded that they are not applicable to our business.

NOTE 3 Inventories

Inventories at the balance sheet dates consist of:

(In thousands)	June 30, 2015	December 31, 2014
Pulp, paperboard and tissue products	\$ 161,304	\$ 188,760
Materials and supplies	74,439	74,916
Logs, pulpwood, chips and sawdust	12,537	22,950
	\$ 248,280	\$ 286,626

NOTE 4 Intangible Assets

Intangible assets at the balance sheet dates are comprised of the following:

June 30, 2015				
(Dollars in thousands, lives in years)	Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.0	\$ 41,001	\$ (20,500)	\$ 20,501
Trade names and trademarks	10.0	3,286	(1,479)	1,807
Non-compete agreements	5.0	574	(409)	165
		\$ 44,861	\$ (22,388)	\$ 22,473

December 31, 2014				
(Dollars in thousands, lives in years)	Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.0	\$ 41,001	\$ (18,223)	\$ 22,778
Trade names and trademarks	10.0	3,286	(1,314)	1,972
Non-compete agreements	5.0	1,189	(983)	206
		\$ 45,476	\$ (20,520)	\$ 24,956

As a result of the closure of our Long Island tissue converting and distribution facility, we performed an assessment of the recoverability of our intangible assets by utilizing the income approach, which discounts projected future cash flows based on management's expectations of the current and future operating environment. It was determined that the carrying amounts of certain trade names and trademarks related to the Long Island facility were exceeding their fair value. As a result, in the first quarter of 2014 we recorded a \$1.3 million non-cash impairment charge in our accompanying Consolidated Statement of Operations. There were no other such events or changes in circumstances that impacted our remaining definite-lived intangible assets.

NOTE 5 Income Taxes

Consistent with authoritative guidance, our estimated annual effective tax rate is used to allocate our expected annual income tax provision to interim periods. The rate is the ratio of our estimated annual income tax provision to estimated pre-tax ordinary income and excludes "discrete items," which are significant, unusual or infrequent items reported separately, net of their related tax effect. The estimated annual effective tax rate is applied to the current interim period's ordinary income to determine the income tax provision allocated to the interim period. The income tax effects of discrete items are then determined separately and recognized in the interim period in which the income or expense items arise.

For the three and six months ended June 30, 2015 and 2014, the effective tax rates attributable to continuing operations were as follows:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Statutory federal income tax rate	35.0 %	35.0 %	35.0 %	35.0 %
State taxes, net of credits	2.2	0.9	2.2	0.9
Change in valuation allowances	0.9	1.6	0.9	2.5
Federal manufacturing deduction	(3.1)	(1.7)	(3.1)	(1.7)
Change in uncertain tax positions	—	—	(3.1)	—
Interest accrued on uncertain tax positions	—	0.1	0.1	0.1
Federal credits and audit adjustments	(0.4)	(0.1)	(0.4)	(1.4)
State rate adjustments	—	4.6	—	3.2
Return to provision adjustments	—	4.1	(0.1)	3.1
Other	1.2	(0.1)	1.3	0.3
Effective tax rate	35.8 %	44.4 %	32.8 %	42.0 %

Our estimated annual effective tax rate for the second quarter of 2015 and 2014 is approximately 35%.

During the quarter ended June 30, 2014, we recognized the effects of enacted New York state law changes. As part of the analysis, we identified that, in prior years, we had not applied the proper apportionment factor when certain New York state net operating loss carryforwards were generated, which resulted in a \$2.9 million overstatement that was corrected in the period and is included as a discrete item within state rate adjustments due to immateriality. Additionally, return to provision adjustments, including amended returns, generated expense of 7.4%, which was offset by other state return to provision adjustments benefit of 3.3%.

NOTE 6 Accounts Payable and Accrued Liabilities

Accounts payable and accrued liabilities at the balance sheet dates consist of:

(In thousands)	June 30, 2015	December 31, 2014
Trade accounts payable	\$ 122,918	\$ 122,856
Accrued wages, salaries and employee benefits	37,842	41,880
Accrued interest	11,932	12,173
Accrued discounts and allowances	11,510	10,026
Accrued utilities	6,417	6,959
Accrued taxes other than income taxes payable	5,950	5,622
Other	18,132	16,310
	\$ 214,701	\$ 215,826

NOTE 7 Debt

SENIOR NOTES

On July 29, 2014, we issued \$300 million aggregate principal amount of senior notes, which we refer to as the 2014 Notes. The 2014 Notes mature on February 1, 2025, have an interest rate of 5.375% and were issued at their face value.

The 2014 Notes are guaranteed by all of our direct and indirect subsidiaries. The 2014 Notes will also be guaranteed by each of our future direct and indirect subsidiaries that do not constitute an immaterial subsidiary under the indenture governing the 2014 Notes. The 2014 Notes are equal in right of payment with all other existing and future unsecured senior indebtedness and are senior in right of payment to any future subordinated indebtedness. The 2014 Notes are effectively subordinated to all of our existing and future secured indebtedness, including borrowings under our secured revolving credit facility, which is secured by certain of our accounts receivable, inventory and cash. The terms of the 2014 Notes limit our ability and the ability of any restricted subsidiaries to incur certain liens, engage in sale and leaseback transactions and consolidate, merge with, or convey, transfer or lease substantially all of our or their assets to another person.

On January 23, 2013, we issued \$275 million aggregate principal amount of senior notes, which we refer to as the 2013 Notes. The 2013 Notes mature on February 1, 2023, have an interest rate of 4.5% and were issued at their face value.

The 2013 Notes are guaranteed by all of our direct and indirect subsidiaries, and will also be guaranteed by each of our future direct and indirect subsidiaries that we do not designate as an unrestricted subsidiary under the indenture governing these notes. The 2013 Notes are equal in right of payment with all other existing and future unsecured senior indebtedness and are senior in right of payment to any future subordinated indebtedness. In addition, they are effectively subordinated to all of our existing and future secured indebtedness, including borrowings under our secured revolving credit facility, which is secured by certain of our accounts receivable, inventory and cash. The terms of the notes limit our ability and the ability of any restricted subsidiaries to borrow money; pay dividends; redeem or repurchase capital stock; make investments; sell assets; create restrictions on the payment of dividends or other amounts to us from any restricted subsidiaries; enter into transactions with affiliates; enter into sale and lease back transactions; create liens; and consolidate, merge or sell all or substantially all of our or their assets.

REVOLVING CREDIT FACILITY

On November 26, 2008, we entered into a \$125 million senior secured revolving credit facility with certain financial institutions. The amount available to us under the revolving credit facility is based on the lesser of 85% of our eligible accounts receivable plus approximately 65% of our eligible inventory, or \$125 million. The revolving credit facility has been subsequently amended and expires on September 30, 2016.

As of June 30, 2015, there were no borrowings outstanding under the credit facility, but \$6.2 million of the credit facility was being used to support outstanding standby letters of credit. Loans under the credit facility bear interest (i) for LIBOR loans, LIBOR plus between 1.75% and 2.25% and (ii) for base rate loans, a per annum rate equal to the greater of (a) the prime rate for such day; (b) the federal funds effective rate for such day, plus 0.50%; or (c) LIBOR for a 30-day interest period as determined on such day, plus between 1.25% and 1.75%. The percentage margin on all loans is based on our fixed charge coverage ratio for the most recent four quarters. As of June 30, 2015, we would have been permitted to draw an additional \$118.8 million under the credit facility at LIBOR plus 1.75%, or base rate plus 1.25%.

A minimum fixed charge coverage ratio is the only financial covenant requirement under our credit facility and is triggered when there are any commitments or obligations outstanding and availability falls below 12.5% or an event of default exists, at which time the minimum fixed charge coverage ratio must be at least 1.0-to-1.0. As of June 30, 2015, the fixed charge coverage ratio for the most recent four quarters was 1.1-to-1.0.

Our obligations under the revolving credit facility are secured by certain of our accounts receivable, inventory and cash. The terms of the credit facility contain various provisions that limit our discretion in the operations of our business by restricting our ability to, among other things, pay dividends; redeem or repurchase capital stock; create, incur or guarantee certain debt; incur liens on certain properties; make capital expenditures; enter into certain affiliate transactions; enter into certain hedging arrangements; and consolidate with or merge with another entity. The revolving credit facility contains usual and customary affirmative and negative covenants and usual and customary events of default.

NOTE 8 Other Long-Term Obligations

Other long-term obligations at the balance sheet dates consist of:

(In thousands)	June 30, 2015	December 31, 2014
Long-term lease obligations, net of current portion	\$ 24,437	\$ 24,805
Deferred compensation	12,888	14,609
Deferred proceeds	10,883	12,360
Other	2,571	5,082
	\$ 50,779	\$ 56,856

NOTE 9 Accumulated Other Comprehensive Loss

Accumulated other comprehensive loss, net of tax, is comprised of the following:

(In thousands)	Foreign Currency Translation Adjustments ¹	Pension and Other Post Retirement Employee Benefit Plan Adjustments	Total
Balance at December 31, 2014	\$ —	\$ (70,863)	\$ (70,863)
Other comprehensive income, net of tax ²	—	3,201	3,201
Balance at June 30, 2015	\$ —	\$ (67,662)	\$ (67,662)

(In thousands)	Foreign Currency Translation Adjustments ¹	Pension and Other Post Retirement Employee Benefit Plan Adjustments	Total
Balance at December 31, 2013	\$ (874)	\$ (57,219)	\$ (58,093)
Other comprehensive income, net of tax ²	—	2,404	2,404
Balance at June 30, 2014	\$ (874)	\$ (54,815)	\$ (55,689)

¹ This balance consists of unrealized foreign currency translation adjustments related to the operations of our Canadian subsidiary before its functional currency was changed from Canadian dollars to U.S. dollars in 2012. As a result of the divestiture of the specialty business and mills, this balance was written off in the fourth quarter of 2014.

² For the six months ended June 30, 2015 and 2014, net periodic costs associated with our pension and other postretirement employee benefit, or OPEB, plans included in other comprehensive income and reclassified from accumulated other comprehensive loss included \$6.3 million and \$4.9 million, respectively, of actuarial loss amortization, as well as \$1.1 million and \$1.0 million, respectively, of prior service credit amortization, all net of tax totaling \$2.1 million and \$1.5 million, respectively. These accumulated other comprehensive loss components are included in the computation of net periodic pension and OPEB costs in Note 10, "Pension and Other Postretirement Employee Benefit Plans."

NOTE 10 Pension and Other Postretirement Employee Benefit Plans

The following table details the components of net periodic cost of our company-sponsored pension and OPEB plans for the periods presented:

(In thousands)	Three Months Ended June 30,			
	2015	2014	2015	2014
	Pension Benefit Plans		Other Postretirement Employee Benefit Plans	
Service cost	\$ 307	\$ 340	\$ 33	\$ 109
Interest cost	3,475	3,724	892	980
Expected return on plan assets	(5,074)	(5,083)	—	—
Amortization of prior service cost (credit)	18	51	(543)	(963)
Amortization of actuarial loss (gain)	3,226	2,555	—	(142)
Net periodic cost (benefit)	\$ 1,952	\$ 1,587	\$ 382	\$ (16)

(In thousands)	Six Months Ended June 30,			
	2015	2014	2015	2014
	Pension Benefit Plans		Other Postretirement Employee Benefit Plans	
Service cost	\$ 623	\$ 695	\$ 181	\$ 226
Interest cost	6,965	7,412	1,940	2,282
Expected return on plan assets	(10,058)	(10,098)	—	—
Amortization of prior service cost (credit)	36	103	(1,088)	(1,089)
Amortization of actuarial loss (gain)	6,309	5,049	—	(142)
Net periodic cost	\$ 3,875	\$ 3,161	\$ 1,033	\$ 1,277

During the six months ended June 30, 2015, we contributed \$3.2 million to our qualified pension plans. We do not expect to make additional contributions in 2015.

During the six months ended June 30, 2015, we made contributions of \$0.2 million to our company-sponsored non-qualified pension plan, and we estimate contributions will total \$0.4 million in 2015. We do not anticipate funding our OPEB plans in 2015 except to pay benefit costs as incurred during the year by plan participants.

During the three and six months ended June 30, 2015, \$1.6 million and \$3.4 million, respectively, of net periodic pension and OPEB costs were charged to "Cost of sales," and \$0.7 million and \$1.5 million, respectively, were charged to "Selling, general and administrative expenses" in the accompanying Consolidated Statements of Operations. During the three and six months ended June 30, 2014, \$1.0 million and \$3.3 million, respectively, of net periodic pension and OPEB costs were charged to "Cost of sales," and \$0.6 million and \$1.1 million, respectively, were charged to "Selling, general and administrative expenses" in the accompanying Consolidated Statements of Operations.

NOTE 11 Earnings per Common Share

Basic earnings per share are based on the weighted average number of shares of common stock outstanding. Diluted earnings per share are based upon the weighted average number of shares of common stock outstanding plus all potentially dilutive securities that were assumed to be converted into common shares at the beginning of the period under the treasury stock method.

The following table reconciles the number of common shares used in calculating the basic and diluted net earnings per share:

	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Basic average common shares outstanding ¹	19,081,848	20,256,137	19,205,254	20,614,305
Incremental shares due to:				
Restricted stock units	93,459	78,508	74,324	73,692
Performance shares	118,868	182,026	104,330	181,612
Stock options	79	—	459	—
Diluted average common shares outstanding	19,294,254	20,516,671	19,384,367	20,869,609
Basic net earnings per common share	\$ 0.82	\$ 0.61	\$ 1.11	\$ 0.91
Diluted net earnings per common share	0.81	0.61	1.10	0.90
Anti-dilutive shares excluded from calculation	265,149	210,771	326,085	248,429

¹ Basic average common shares outstanding include restricted stock awards that are fully vested, but are deferred for future issuance.

NOTE 12 Equity-Based Compensation

We recognize equity-based compensation expense for all equity-based payment awards made to employees and directors, including restricted stock units, or RSUs, performance shares and stock options, based on estimated fair values.

EMPLOYEE AWARDS

Employee equity-based compensation expense was recognized as follows:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Restricted stock units	\$ 552	\$ 587	\$ 963	\$ 1,032
Performance shares	1,164	1,474	2,043	2,555
Stock options	592	407	941	543
Total employee equity-based compensation	\$ 2,308	\$ 2,468	\$ 3,947	\$ 4,130

As provided for in the Clearwater Paper Corporation 2008 Stock Incentive Plan, the performance measure used to determine the number of performance shares ultimately issued is a comparison of the percentile ranking of our total stockholder return compared to the total stockholder return of a selected peer group. The number of shares actually issued, as a percentage of the amount subject to the performance share award, could range from 0%-200%. On December 31, 2014, the service and performance period for 137,775 outstanding performance shares granted in 2012 ended. Those performance shares were settled and distributed in the first quarter of 2015. The number of shares actually settled, as a percentage of the outstanding amount, was 106.9%. After adjusting for the related minimum tax withholdings, a net 97,921 shares were issued in the first quarter of 2015. The related minimum tax withholdings payment made in the first quarter of 2015 in connection with issued shares was \$3.0 million. No restricted stock units vested and settled during the first half of 2015.

The following table summarizes the number of share-based awards granted under the Clearwater Paper Corporation 2008 Stock Incentive Plan during the six months ended June 30, 2015 and the grant-date fair value of the awards:

	Six Months Ended June 30, 2015	
	Number of Shares Subject to Award	Average Fair Value of Award Per Share
Restricted stock units	23,148	\$ 62.02
Performance shares	47,513	62.05
Stock options	142,542	20.82

DIRECTOR AWARDS

Annually, each outside member of our Board of Directors receives deferred equity-based awards that are measured in units of our common stock and ultimately settled in cash at the time of payment. Accordingly, the compensation expense associated with these awards is subject to fluctuations each quarter based on mark-to-market adjustments at each reporting period in line with changes in the market price of our common stock. As a result of the mark-to-market adjustment, we recorded benefits from director equity-based compensation of \$1.5 million and less than \$0.1 million for the three months ended June 30, 2015 and 2014, respectively. For the six months ended June 30, 2015, we recorded a benefit relating to our director equity-based compensation of \$1.9 million, compared to compensation expense of \$2.8 million for the same period in 2014.

As of June 30, 2015, the liability amount associated with director equity-based compensation included in "Other long-term obligations" on the accompanying Consolidated Balance Sheet was \$11.6 million. At December 31, 2014, liability amounts associated with director equity-based compensation included in "Other long-term obligations" and "Accounts payable and accrued liabilities" totaled \$13.5 million and \$1.4 million, respectively.

NOTE 13 Fair Value Measurements

The estimated fair values of our financial instruments at the dates presented below are as follows:

(In thousands)	June 30, 2015		December 31, 2014	
	Carrying Amount	Fair Value	Carrying Amount	Fair Value
Cash, restricted cash and short-term investments (Level 1)	\$ 73,735	\$ 73,735	\$ 81,101	\$ 81,101
Long-term debt (Level 1)	575,000	558,875	575,000	558,000

Accounting guidance establishes a framework for measuring the fair value of financial instruments, providing a hierarchy that prioritizes the inputs to valuation techniques used to measure fair value. The hierarchy gives the highest priority to unadjusted quoted prices in active markets for identical assets or liabilities, or "Level 1" measurements, followed by quoted prices of similar assets or observable market data, or "Level 2" measurements, and the lowest priority to unobservable inputs, or "Level 3" measurements.

The asset's or liability's fair value measurement level within the fair value hierarchy is based on the lowest level of any input that is significant to the fair value measurement. Valuation techniques used should seek to maximize the use of observable inputs and minimize the use of unobservable inputs.

NOTE 14 Segment Information

The table below presents information about our reportable segments:

(In thousands)	Three Months Ended June 30,		Six Months Ended June 30,	
	2015	2014	2015	2014
Segment net sales:				
Consumer Products	\$ 239,391	\$ 299,130	\$ 474,567	\$ 585,638
Pulp and Paperboard	205,167	199,629	404,017	398,041
Total segment net sales	\$ 444,558	\$ 498,759	\$ 878,584	\$ 983,679
Operating income (loss):				
Consumer Products	\$ 17,032	\$ 12,705	\$ 29,427	\$ 12,182
Pulp and Paperboard	27,754	33,635	43,948	70,411
	44,786	46,340	73,375	82,593
Corporate	(12,713)	(13,257)	(26,065)	(28,992)
Income from operations	\$ 32,073	\$ 33,083	\$ 47,310	\$ 53,601
Depreciation and amortization:				
Consumer Products	\$ 13,438	\$ 15,071	\$ 26,415	\$ 30,561
Pulp and Paperboard	6,737	6,019	14,048	12,289
Corporate	457	925	1,177	1,396
Total depreciation and amortization	\$ 20,632	\$ 22,015	\$ 41,640	\$ 44,246

NOTE 15 Supplemental Guarantor Financial Information

All of our direct and indirect subsidiaries guarantee the 2014 Notes and the 2013 Notes on a joint and several basis. There are no significant restrictions on the ability of the guarantor subsidiaries to make distributions to Clearwater Paper, the issuer of the 2014 Notes and 2013 Notes. The following tables present the results of operations, financial position and cash flows of Clearwater Paper and its subsidiaries, the guarantor and non-guarantor entities, and the eliminations necessary to arrive at the information for Clearwater Paper on a consolidated basis.

Clearwater Paper Corporation
Consolidating Statement of Operations and Comprehensive Income (Loss)
Three Months Ended June 30, 2015

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Total
Net sales	\$ 401,444	\$ 70,271	\$ —	\$ (27,157)	\$ 444,558
Cost and expenses:					
Cost of sales	(342,714)	(68,790)	—	27,157	(384,347)
Selling, general and administrative expenses	(25,431)	(2,707)	—	—	(28,138)
Total operating costs and expenses	(368,145)	(71,497)	—	27,157	(412,485)
Income (loss) from operations	33,299	(1,226)	—	—	32,073
Interest expense, net	(7,715)	(59)	—	—	(7,774)
Earnings (loss) before income taxes	25,584	(1,285)	—	—	24,299
Income tax provision	(9,681)	(841)	—	1,820	(8,702)
Equity in loss of subsidiary	(2,126)	—	—	2,126	—
Net earnings (loss)	\$ 13,777	\$ (2,126)	\$ —	\$ 3,946	\$ 15,597
Other comprehensive income, net of tax	1,644	—	—	—	1,644
Comprehensive income (loss)	\$ 15,421	\$ (2,126)	\$ —	\$ 3,946	\$ 17,241

Clearwater Paper Corporation
Consolidating Statement of Operations and Comprehensive Income (Loss)
Six Months Ended June 30, 2015

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ 796,831	\$ 143,599	\$ —	\$ (61,846)	\$ 878,584
Cost and expenses:					
Cost of sales	(693,760)	(142,265)	—	61,846	(774,179)
Selling, general and administrative expenses	(50,219)	(6,876)	—	—	(57,095)
Total operating costs and expenses	(743,979)	(149,141)	—	61,846	(831,274)
Income (loss) from operations	52,852	(5,542)	—	—	47,310
Interest expense, net	(15,482)	(74)	—	—	(15,556)
Earnings (loss) before income taxes	37,370	(5,616)	—	—	31,754
Income tax provision	(12,909)	(1,183)	—	3,692	(10,400)
Equity in loss of subsidiary	(6,799)	—	—	6,799	—
Net earnings (loss)	\$ 17,662	\$ (6,799)	\$ —	\$ 10,491	\$ 21,354
Other comprehensive income, net of tax	3,201	—	—	—	3,201
Comprehensive income (loss)	\$ 20,863	\$ (6,799)	\$ —	\$ 10,491	\$ 24,555

Clearwater Paper Corporation
Consolidating Statement of Operations and Comprehensive Income (Loss)
Three Months Ended June 30, 2014

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Total
Net sales	\$ 401,866	\$ 133,972	\$ 14,180	\$ (51,259)	\$ 498,759
Cost and expenses:					
Cost of sales	(341,902)	(131,114)	(12,354)	51,259	(434,111)
Selling, general and administrative expenses	(25,907)	(5,320)	(338)	—	(31,565)
Total operating costs and expenses	(367,809)	(136,434)	(12,692)	51,259	(465,676)
Income (loss) from operations	34,057	(2,462)	1,488	—	33,083
Interest expense, net	(10,681)	(7)	—	—	(10,688)
Earnings (loss) before income taxes	23,376	(2,469)	1,488	—	22,395
Income tax provision	(7,272)	(5,675)	(390)	3,395	(9,942)
Equity in (loss) income of subsidiary	(7,046)	1,098	—	5,948	—
Net earnings (loss)	\$ 9,058	\$ (7,046)	\$ 1,098	\$ 9,343	\$ 12,453
Other comprehensive income, net of tax	920	—	—	—	920
Comprehensive income (loss)	\$ 9,978	\$ (7,046)	\$ 1,098	\$ 9,343	\$ 13,373

Clearwater Paper Corporation
Consolidating Statement of Operations and Comprehensive Income (Loss)
Six Months Ended June 30, 2014

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Total
Net sales	\$ 786,487	\$ 272,645	\$ 27,064	\$ (102,517)	\$ 983,679
Cost and expenses:					
Cost of sales	(660,294)	(277,203)	(25,760)	102,517	(860,740)
Selling, general and administrative expenses	(53,566)	(10,837)	(676)	—	(65,079)
Impairment of assets	—	(4,259)	—	—	(4,259)
Total operating costs and expenses	(713,860)	(292,299)	(26,436)	102,517	(930,078)
Income (loss) from operations	72,627	(19,654)	628	—	53,601
Interest expense, net	(21,404)	(18)	—	—	(21,422)
Earnings (loss) before income taxes	51,223	(19,672)	628	—	32,179
Income tax (provision) benefit	(20,749)	3,697	(184)	3,736	(13,500)
Equity in (loss) earnings of subsidiary	(15,531)	444	—	15,087	—
Net earnings (loss)	\$ 14,943	\$ (15,531)	\$ 444	\$ 18,823	\$ 18,679
Other comprehensive income, net of tax	2,404	—	—	—	2,404
Comprehensive income (loss)	\$ 17,347	\$ (15,531)	\$ 444	\$ 18,823	\$ 21,083

Clearwater Paper Corporation
Consolidating Balance Sheet
At June 30, 2015

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Total
ASSETS					
Current assets:					
Cash	\$ 11,465	\$ —	\$ —	\$ —	\$ 11,465
Restricted cash	2,270	—	—	—	2,270
Short-term investments	60,000	—	—	—	60,000
Receivables, net	124,051	17,444	—	(405)	141,090
Inventories	212,773	35,507	—	—	248,280
Deferred tax assets	18,273	2,720	—	(154)	20,839
Prepaid expenses	7,397	472	—	—	7,869
Total current assets	436,229	56,143	—	(559)	491,813
Property, plant and equipment, net	675,758	147,914	—	—	823,672
Goodwill	209,087	—	—	—	209,087
Intangible assets, net	4,702	17,771	—	—	22,473
Intercompany receivable (payable)	31,877	(32,031)	—	154	—
Investment in subsidiary	130,483	—	—	(130,483)	—
Pension assets	8,098	—	—	—	8,098
Other assets, net	6,352	1,042	—	—	7,394
TOTAL ASSETS	\$ 1,502,586	\$ 190,839	\$ —	\$ (130,888)	\$ 1,562,537
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 191,723	\$ 23,383	\$ —	\$ (405)	\$ 214,701
Current liability for pensions and other postretirement employee benefits	7,915	—	—	—	7,915
Total current liabilities	199,638	23,383	—	(405)	222,616
Long-term debt	575,000	—	—	—	575,000
Liability for pensions and other postretirement employee benefits	114,835	—	—	—	114,835
Other long-term obligations	50,078	701	—	—	50,779
Accrued taxes	925	792	—	—	1,717
Deferred tax liabilities	74,809	35,480	—	—	110,289
Accumulated other comprehensive loss, net of tax	(67,662)	—	—	—	(67,662)
Stockholders' equity excluding accumulated other comprehensive loss	554,963	130,483	—	(130,483)	554,963
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,502,586	\$ 190,839	\$ —	\$ (130,888)	\$ 1,562,537

Clearwater Paper Corporation
Consolidating Balance Sheet
At December 31, 2014

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Total
ASSETS					
Current assets:					
Cash	\$ 27,331	\$ —	\$ —	\$ —	\$ 27,331
Restricted cash	1,500	—	—	—	1,500
Short-term investments	50,000	—	—	—	50,000
Receivables, net	117,970	16,557	—	(613)	133,914
Taxes receivable	6,760	(15,758)	—	10,253	1,255
Inventories	246,210	40,416	—	—	286,626
Deferred tax assets	14,733	5,206	—	1,821	21,760
Prepaid expenses	3,734	457	—	—	4,191
Total current assets	468,238	46,878	—	11,461	526,577
Property, plant and equipment, net	657,369	153,618	—	—	810,987
Goodwill	209,087	—	—	—	209,087
Intangible assets, net	5,224	19,732	—	—	24,956
Intercompany receivable (payable)	33,703	(21,629)	—	(12,074)	—
Investment in subsidiary	137,282	—	—	(137,282)	—
Pension assets	4,738	—	—	—	4,738
Other assets, net	8,496	1,087	—	—	9,583
TOTAL ASSETS	\$ 1,524,137	\$ 199,686	\$ —	\$ (137,895)	\$ 1,585,928
LIABILITIES AND STOCKHOLDERS' EQUITY					
Current liabilities:					
Accounts payable and accrued liabilities	\$ 193,326	\$ 23,113	\$ —	\$ (613)	\$ 215,826
Current liability for pensions and other postretirement employee benefits	7,915	—	—	—	7,915
Total current liabilities	201,241	23,113	—	(613)	223,741
Long-term debt	575,000	—	—	—	575,000
Liability for pensions and other postretirement employee benefits	118,464	—	—	—	118,464
Other long-term obligations	56,029	827	—	—	56,856
Accrued taxes	1,902	794	—	—	2,696
Deferred tax liabilities	73,964	37,670	—	—	111,634
Accumulated other comprehensive loss, net of tax	(70,863)	—	—	—	(70,863)
Stockholders' equity excluding accumulated other comprehensive loss	568,400	137,282	—	(137,282)	568,400
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	\$ 1,524,137	\$ 199,686	\$ —	\$ (137,895)	\$ 1,585,928

Clearwater Paper Corporation
Consolidating Statement of Cash Flows
Six Months Ended June 30, 2015

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings (loss)	\$ 17,662	\$ (6,799)	\$ —	\$ 10,491	\$ 21,354
Adjustments to reconcile net earnings (loss) to net cash flows from operating activities:					
Depreciation and amortization	31,792	9,848	—	—	41,640
Equity-based compensation expense	2,019	—	—	—	2,019
Deferred tax (benefit) provision	(4,751)	296	—	1,975	(2,480)
Employee benefit plans	1,438	—	—	—	1,438
Deferred issuance costs and discounts on long-term debt	446	—	—	—	446
Disposal of plant and equipment, net	303	(31)	—	—	272
Non-cash adjustments to unrecognized taxes	(977)	(2)	—	—	(979)
Changes in working capital, net	23,859	5,450	—	—	29,309
Changes in taxes receivable, net	6,760	(15,758)	—	10,253	1,255
Excess tax benefits from equity-based payment arrangements	(1,459)	—	—	—	(1,459)
Funding of qualified pension plans	(3,179)	—	—	—	(3,179)
Other, net	(703)	(1,023)	—	—	(1,726)
Net cash flows from operating activities	73,210	(8,019)	—	22,719	87,910
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in short-term investments, net	(10,000)	—	—	—	(10,000)
Additions to plant and equipment	(52,526)	(3,012)	—	—	(55,538)
Proceeds from the sale of assets	—	507	—	—	507
Net cash flows from investing activities	(62,526)	(2,505)	—	—	(65,031)
CASH FLOWS FROM FINANCING ACTIVITIES					
Purchase of treasury stock	(37,148)	—	—	—	(37,148)
Investment from parent	12,195	10,524	—	(22,719)	—
Payment of tax withholdings on equity- based payment arrangements	(3,048)	—	—	—	(3,048)
Excess tax benefits from equity-based payment arrangements	1,459	—	—	—	1,459
Other, net	(8)	—	—	—	(8)
Net cash flows from financing activities	(26,550)	10,524	—	(22,719)	(38,745)
Decrease in cash	(15,866)	—	—	—	(15,866)
Cash at beginning of period	27,331	—	—	—	27,331
Cash at end of period	\$ 11,465	\$ —	\$ —	\$ —	\$ 11,465

Clearwater Paper Corporation
Consolidating Statement of Cash Flows
Six Months Ended June 30, 2014

(In thousands)	Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiary	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES					
Net earnings (loss)	\$ 14,943	\$ (15,531)	\$ 444	\$ 18,823	\$ 18,679
Adjustments to reconcile net earnings (loss) to net cash flows from operating activities:					
Depreciation and amortization	28,559	14,515	1,172	—	44,246
Equity-based compensation expense	6,910	—	—	—	6,910
Impairment of assets	—	4,259	—	—	4,259
Deferred tax provision (benefit)	29,648	(8,390)	15	(11,416)	9,857
Employee benefit plans	979	—	—	—	979
Deferred issuance costs and discounts on long-term debt	949	—	—	—	949
Disposal of plant and equipment, net	204	218	—	—	422
Changes in working capital, net	10,145	7,089	(2,416)	—	14,818
Changes in taxes receivable, net	(2,946)	(12,628)	55	19,182	3,663
Funding of qualified pension plans	(8,889)	—	—	—	(8,889)
Other, net	(831)	(151)	2	—	(980)
Net cash flows from operating activities	79,671	(10,619)	(728)	26,589	94,913
CASH FLOWS FROM INVESTING ACTIVITIES					
Changes in short-term investments, net	11,000	—	—	—	11,000
Additions to plant and equipment	(24,994)	(7,500)	(118)	—	(32,612)
Proceeds from sale of assets	38	581	—	—	619
Net cash flows from investing activities	(13,956)	(6,919)	(118)	—	(20,993)
CASH FLOWS FROM FINANCING ACTIVITIES					
Purchase of treasury stock	(74,322)	—	—	—	(74,322)
Investment from (to) parent	9,969	17,538	(918)	(26,589)	—
Payment of tax withholdings on equity-based payment arrangements	(792)	—	—	—	(792)
Net cash flows from financing activities	(65,145)	17,538	(918)	(26,589)	(75,114)
Increase (decrease) in cash	570	—	(1,764)	—	(1,194)
Cash at beginning of period	18,273	—	5,402	—	23,675
Cash at end of period	\$ 18,843	\$ —	\$ 3,638	\$ —	\$ 22,481

ITEM 2.

Management's Discussion and Analysis of Financial Condition and Results of Operations

FORWARD-LOOKING STATEMENTS

Our disclosure and analysis in this report contains, in addition to historical information, certain forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995, including statements regarding benefit plan funding, the costs savings benefits associated with the closure of our Long Island, New York facility, tax rates, cash flows, energy costs, and interest expenses. Words such as “anticipate,” “expect,” “intend,” “plan,” “target,” “project,” “believe,” “schedule,” “estimate,” “may,” and similar expressions are intended to identify such forward-looking statements. These forward-looking statements are based on management's current expectations, estimates, assumptions and projections that are subject to change. Our actual results of operations may differ materially from those expressed or implied by the forward-looking statements contained in this report. Important factors that could cause or contribute to such differences include those risks discussed in the section entitled “Risk Factors” in our 2014 Form 10-K, as well as the following:

- competitive pricing pressures for our products, including as a result of increased capacity as additional manufacturing facilities are operated by our competitors;
- customer acceptance, timing and quantity of purchases of our new through-air-dried, or TAD, products or other tissue products;
- announced price increases for our products may not be accepted in whole or part;
- the loss of or changes in prices in regards to a significant customer;
- manufacturing or operating disruptions, including increased energy and chemical consumption, equipment malfunction and damage to our manufacturing facilities caused by fire or weather-related events and IT system failures;
- changes in the cost and availability of wood fiber and wood pulp;
- changes in transportation costs and disruptions in transportation services;
- labor disruptions;
- changes in costs for and availability of packaging supplies, chemicals, energy and maintenance and repairs;
- changes in customer product preferences and competitors' product offerings;
- changes in expenses and required contributions associated with our pension plans;
- environmental liabilities or expenditures;
- changes in the U.S. and international economies and in general economic conditions in the regions and industries in which we operate;
- increased supply and pricing pressures resulting from increasing Asian paper production capabilities;
- cyclical industry conditions;
- reliance on a limited number of third-party suppliers for raw materials;
- inability to successfully implement our expansion strategies;
- inability to fund our debt obligations;
- restrictions on our business from debt covenants and terms; and
- changes in laws, regulations or industry standards affecting our business.

Forward-looking statements contained in this report present management's views only as of the date of this report. Except as required under applicable law, we do not intend to issue updates concerning any future revisions of management's views to reflect events or circumstances occurring after the date of this report.

OVERVIEW

Background

Clearwater Paper manufactures quality consumer tissue, away-from-home tissue, parent roll tissue, bleached paperboard and pulp at manufacturing facilities across the nation. The company is a premier supplier of private label tissue to major retailers and wholesale distributors, including grocery, drug, mass merchants and discount stores. In addition, the company produces bleached paperboard used by quality-conscious printers and packaging converters. Clearwater Paper's employees build shareholder value by developing strong customer partnerships through quality and service.

Recent Developments

Mill Divestitures and Facility Closures

On December 30, 2014, we sold our specialty business and mills to a private buyer for \$108 million in cash, net of sale related expenses and adjustments. The specialty business and mills' production consisted predominantly of machine-glazed tissue and also included parent rolls and other specialty tissue products such as absorbent materials and dark-hued napkins. The sale included five of our former subsidiaries with facilities located at East Hartford, Connecticut; Menominee, Michigan; Gouverneur, New York; St. Catharines, Ontario; and Wiggins, Mississippi. Included in the sale related expenses and adjustments was the impact of certain indemnity and working capital escrow clauses in the sales agreement. These escrowed amounts totaled \$3.8 million of restricted cash on our December 31, 2014 Consolidated Balance Sheet. During the second quarter of 2015, the working capital escrow account established in connection with the sale of the specialty business and mills was settled, resulting in the release of \$1.5 million from the restricted cash escrow account and the recognition of a corresponding gain recorded in "Selling, general and administrative expenses" within our Consolidated Statement of Operations.

On February 17, 2014, we announced the permanent and immediate closure of our Long Island, New York, tissue converting and distribution facility. As of June 30, 2015, we have incurred \$20.1 million of costs associated with the closure, of which \$0.7 million and \$1.3 million, respectively, were incurred during the three and six month periods ended June 30, 2015. We expect costs associated with this closure to be approximately \$2 million in 2015. The cost savings benefits resulting from the Long Island facility consolidation and optimization are expected to be approximately \$12 million on an annual basis.

Capital Allocation

On December 15, 2014, we announced that our Board of Directors had approved a new stock repurchase program authorizing the repurchase of up to \$100 million of our common stock. The repurchase program authorizes purchases of our common stock from time to time through open market purchases, negotiated transactions or other means, including accelerated stock repurchases and 10b5-1 trading plans in accordance with applicable securities laws and other restrictions. We have repurchased 599,495 shares of our outstanding common stock at an average price of \$61.97 per share under this program. As of June 30, 2015, we had up to \$62.9 million of authorization remaining pursuant to this stock repurchase program.

On July 29, 2014, we issued \$300 million of aggregate principal amount senior notes, which we refer to as the 2014 Notes. The 2014 Notes mature on February 1, 2025, have an interest rate of 5.375% and were issued at their face value. All of the net proceeds from the issuance, as well as company funds and short-term borrowings from our senior secured revolving credit facility, were used to redeem all of our \$375 million aggregate principal amount of 7.125% senior notes due 2018, which we refer to as the 2010 Notes.

On February 5, 2014, we announced that our Board of Directors had approved a stock repurchase program authorizing the repurchase of up to \$100 million of our common stock. We completed that program during the third quarter of 2014. In total, we repurchased 1,574,748 shares of our outstanding common stock at an average price of \$63.50 per share under that program.

Components and Trends in our Business

Net sales

Net sales predominantly consist of sales of consumer tissue and paperboard products, net of discounts, returns and allowances and any sales taxes collected. Prices for our consumer tissue products tend to be primarily driven by the value of our products to our customers, and are generally priced relative to the prices of branded tissue products. Demand and pricing for our pulp and paperboard products are largely determined by general global market conditions and the demand for high quality paperboard.

Operating costs

(Dollars in thousands)	Three Months Ended June 30,			
	2015		2014	
	Cost	Percentage of Cost of Sales	Cost	Percentage of Cost of Sales
Purchased pulp	\$ 45,223	11.8%	\$ 76,138	17.5%
Transportation ¹	44,776	11.6	46,500	10.7
Chemicals	43,528	11.3	50,377	11.6
Chips, sawdust and logs	35,481	9.2	35,300	8.1
Energy	26,188	6.8	34,066	7.8
Maintenance and repairs ²	24,124	6.3	22,017	5.1
Packaging supplies	23,432	6.1	24,707	5.7
Depreciation	18,731	4.9	19,388	4.6
	\$ 261,483	68.0%	\$ 308,493	71.1%

(Dollars in thousands)	Six Months Ended June 30,			
	2015		2014	
	Cost	Percentage of Cost of Sales	Cost	Percentage of Cost of Sales
Purchased pulp	\$ 92,951	12.0%	\$ 149,210	17.3%
Transportation ¹	88,578	11.4	92,436	10.7
Chemicals	86,687	11.2	99,439	11.6
Chips, sawdust and logs	70,757	9.1	70,853	8.2
Energy	54,676	7.1	71,134	8.3
Maintenance and repairs ²	53,580	6.9	41,126	4.8
Packaging supplies	47,601	6.2	49,975	5.8
Depreciation	37,700	4.9	39,383	4.6
	\$ 532,530	68.8%	\$ 613,556	71.3%

¹ Includes internal and external transportation costs.

² Excluding related labor costs.

Purchased pulp. We purchase a significant amount of the pulp needed to manufacture our consumer products, and to a lesser extent our paperboard, from external suppliers. For the three and six months ended June 30, 2015, total purchased pulp costs decreased by \$30.9 million and \$56.3 million, respectively, compared to the same periods in 2014, as a direct result of the sale of our former specialty business and mills in December 2014. Excluding pulp costs associated with the specialty business and mills, purchased pulp costs were lower during the quarter ended June 30, 2015, but were relatively flat for the six months ended June 30, 2015. The decrease during the quarter was a result of favorable external pulp pricing, as well as a higher utilization of internally sourced pulp when compared to the second quarter of 2014. These reductions offset the increased purchased pulp requirements during the first quarter of 2015 due to a scheduled major maintenance outage taken at our Idaho pulp and paperboard facility.

Transportation. Fuel prices, mileage driven and line-haul rates largely impact transportation costs for the delivery of raw materials to our manufacturing facilities, internal inventory transfers and the delivery of our finished products to customers. Changing fuel prices particularly affect our margins for consumer products because we supply customers throughout the U.S. and transport unconverted parent rolls from our tissue mills to our tissue converting facilities. Our transportation costs for the three and six months ended June 30, 2015, decreased \$1.7 million and \$3.9 million, respectively, when compared to the same periods in 2014, primarily due to the sale of our specialty business and mills, as discussed above. Excluding transportation costs associated with the specialty business and mills, transportation costs during the second quarter of 2015 increased \$0.7 million compared to the second quarter of 2014, mostly due to higher line-haul rates and ongoing increases in carrier costs primarily attributable to tighter carrier supply. For the six months ended June 30, 2015, excluding the specialty business and mills, transportation costs decreased

slightly as the above increases during the second quarter were more than offset by lower transportation costs during the first quarter of 2015 due to improved inventory levels and network optimization resulting in fewer internal transfers and miles per shipment. The comparable period in 2014 also had higher fuel prices and extreme cold weather conditions in the Midwest and Northeast that negatively affected carrier costs in the first quarter of 2014 by limiting vendor availability.

Chemicals. We consume a substantial amount of chemicals in the production of pulp and paperboard, as well as in the production of TAD tissue. The chemicals we generally use include polyethylene, caustic, starch, sodium chlorate, latex and paper processing chemicals. A portion of the chemicals used in our manufacturing processes, particularly in the paperboard extrusion process, are petroleum based and are impacted by petroleum prices.

Our chemical costs decreased \$6.8 million and \$12.8 million, respectively, during the three and six months ended June 30, 2015, primarily due to lower usage resulting from the sale of our specialty business and mills. Excluding chemical costs associated with the specialty mills, chemical costs for the three and six months ended June 30, 2015 decreased \$3.1 million and \$5.4 million, respectively, compared to the same periods in 2014 primarily due to decreased pricing for polyethylene and lower consumption due to the scheduled major maintenance downtime at our pulp and paperboard facilities during the first half of 2015. In addition, the comparable 2014 periods had higher chemical costs due to operational issues at our Arkansas pulp and paperboard facility that caused both the pulp mill and paper machine to consume elevated levels of chemicals.

Chips, sawdust and logs. We purchase chips, sawdust and logs to manufacture pulp. We source residual wood fibers under both long-term and short-term supply agreements, as well as in the spot market. Overall costs for chips, sawdust and logs for the three and six months ended June 30, 2015, were relatively flat when compared to the same periods in 2014. As a result of our scheduled major maintenance downtime at our Idaho and Arkansas facilities during the first and second quarters of 2015, we consumed less wood residuals and had lower production. These decreases were partially offset by increased pricing at our Arkansas pulp and paperboard facility during the first half of 2015.

Energy. We use energy in the form of electricity, hog fuel, steam and natural gas to operate our mills. Energy prices may fluctuate widely from period-to-period due primarily to volatility in weather and electricity and natural gas rates. We generally strive to reduce our exposure to volatile energy prices through conservation. In addition, a cogeneration facility that produces steam and electricity at our Lewiston, Idaho manufacturing site help to lower our energy costs. TAD tissue production involves increased natural gas usage compared to conventional tissue manufacturing and, as a result, our natural gas requirements have increased in connection with the increase of production from our North Carolina TAD paper machine.

Energy costs for the three and six months ended June 30, 2015, were \$7.9 million and \$16.5 million lower, respectively, than the same periods in 2014 due largely to the lower usage resulting from the sale of our specialty business and mills. Excluding energy costs associated with the specialty mills, energy costs decreased \$1.6 million and \$2.3 million, respectively, during the three and six months ended June 30, 2015. The decrease resulted from lower natural gas pricing and usage at many of our facilities due primarily to the absence of the extremely cold weather conditions in the Midwest and Northeast that occurred during the first quarter of 2014.

To help mitigate our exposure to changes in natural gas prices, we use firm-price contracts to supply a portion of our natural gas requirements. As of June 30, 2015, these contracts covered approximately 58% of our expected average monthly natural gas requirements for the remainder of 2015. Our energy costs in future periods will depend principally on our ability to produce a substantial portion of our electricity needs internally, on changes in market prices for natural gas and on our ability to reduce our energy usage through conservation.

Maintenance and repairs. We regularly incur significant costs to maintain our manufacturing equipment. We perform routine maintenance on our machines and periodically replace a variety of parts such as motors, pumps, pipes and electrical parts.

Major equipment maintenance and repairs in our Pulp and Paperboard segment also require maintenance shutdowns approximately every 18 months to 24 months at both our Idaho and Arkansas facilities, which increase costs and may reduce net sales in the quarters in which the major maintenance shutdowns occur. During the first quarter of 2015, we had eleven days of paper machine downtime at our Idaho facility at a cost of approximately \$15 million. During the second quarter of 2015, we had four days of paper machine downtime at our Arkansas facility at a cost of approximately \$7 million. We did not have any major maintenance outages during the first half of 2014.

In addition to ongoing maintenance and repair costs, we make capital expenditures to increase our operating capacity and efficiency, improve safety at our facilities and comply with environmental laws. During the three and six months ended June 30, 2015, we spent \$29.6 million and \$50.4 million, respectively, on capital expenditures, which includes \$12.3 million and \$17.9 million, respectively, of strategic capital spending on projects designed to reduce future manufacturing costs and provide a positive return on investment. During the three and six months ended June 30, 2014, we spent \$16.9 million and \$31.7 million, respectively, on capital expenditures.

Packaging supplies. As a significant producer of private label consumer tissue products, we package to order for retail chains, wholesalers and cooperative buying organizations. Under our agreements with those customers, we are responsible for the expenses related to the unique packaging of our products for direct retail sale to their consumers. For the three and six months ended June 30, 2015, packaging costs decreased \$1.3 million and \$2.4 million, respectively, compared to the same periods in 2014 due largely to lower production resulting from the sale of our specialty business and mills. Excluding packaging costs associated with the specialty mills, packaging costs were relatively flat, decreasing only slightly due to lower case production sales.

Depreciation. We record substantially all of our depreciation expense associated with our plant and equipment in "Cost of sales" on our Consolidated Statements of Operations. Depreciation expense for the three and six months ended June 30, 2015, decreased \$0.7 million and \$1.7 million, respectively, compared to the same periods in 2014, primarily as a result of the sale of our specialty business and mills, as well as the closure of our Long Island facility, partially offset by increased depreciation related to capital spending during recent periods.

Other. Other costs not included in the above table primarily consist of wage and benefit expenses and miscellaneous operating costs. Although period cut-offs and inventory levels can impact cost of sales amounts, we would expect this impact to be relatively steady as a percentage of costs on a period-over-period basis. We experienced lower wage and benefit expenses during the three and six months ended June 30, 2015, compared to the same periods in 2014, due to the sale of our specialty business and mills and the closure of our Long Island facility, which were partially offset by \$1.7 million of costs associated with a new collective bargaining agreement at our consumer products and pulp and paperboard facilities in Lewiston, Idaho.

Selling, general and administrative expenses

Selling, general and administrative expenses primarily consist of compensation and associated expenses for sales and administrative personnel, as well as commission expenses related to sales of our products. Our selling, general and administrative expenses for the second quarter of 2015 and 2014 were \$28.1 million and \$31.6 million, respectively. The lower expense was primarily a result of a \$1.5 million mark-to-market benefit during the second quarter of 2015, compared to a minimal mark-to-market adjustment in the second quarter of 2014, related to our directors' common stock units, which will ultimately be settled in cash. In addition, during the second quarter of 2015 we recognized a \$1.5 million gain related to the release of restricted cash balances pertaining to the settlement of a working capital escrow account established in connection with the 2014 sale of our specialty business and mills. Selling, general and administrative expenses also declined due to reduced headcount and administrative costs related to our Long Island facility closure and the sale of the specialty business and mills.

Interest expense

Interest expense for the first half of 2015 includes interest on our \$275 million aggregate principal amount of 4.5% senior notes due 2023 issued in January 2013, which we refer to as the 2013 Notes, and interest on our 2014 Notes. Interest expense for the first half of 2014 includes interest on our former 2010 Notes and interest on the 2013 Notes. Interest expense also includes amortization of deferred issuance costs associated with all of our notes and our revolving credit facility. As a result of the issuance of the 2014 Notes at an interest rate lower than that of our former 2010 Notes, which were redeemed in the third quarter of 2014 using all of the proceeds from the 2014 Notes and short-term borrowings from our credit facility, interest expense in the first half of 2015 was lower than the first half of 2014.

Income taxes

Consistent with authoritative guidance, our estimated annual effective tax rate is used to allocate expected annual income tax expense to interim periods. The rate is the ratio of estimated annual income tax expense to estimated pre-tax ordinary income, and excludes "discrete items", which are significant, unusual or infrequent items reported separately net of their related tax effect. The estimated annual effective tax rate is applied to the current interim period's ordinary income to determine the income tax expense allocated to the interim period. The income tax effects of discrete items are then determined separately and recognized in the interim period in which the income or expense items arise.

During the quarter ended June 30, 2014, we recognized the effects of enacted New York state law changes. As part of the analysis, we identified that, in prior years, we had not applied the proper apportionment factor when certain New York state net operating loss carryforwards were generated, which resulted in a \$2.9 million overstatement that was corrected in that period and is included as a discrete item within state rate adjustments due to immateriality. Additionally, return to provision adjustments, including amended returns, generated expense of 7.4%, which was offset by other state return to provision adjustments benefit of 3.3%.

RESULTS OF OPERATIONS

Three Months Ended June 30, 2015 Compared to Three Months Ended June 30, 2014

The following table sets forth data included in our Consolidated Statements of Operations as a percentage of net sales.

(Dollars in thousands)	Three Months Ended June 30,			
	2015		2014	
Net sales	\$	444,558	100.0%	\$ 498,759 100.0%
Costs and expenses:				
Cost of sales		(384,347)	86.5	(434,111) 87.0
Selling, general and administrative expenses		(28,138)	6.3	(31,565) 6.3
Total operating costs and expenses		(412,485)	92.8	(465,676) 93.4
Income from operations		32,073	7.2	33,083 6.6
Interest expense, net		(7,774)	1.7	(10,688) 2.1
Earnings before income taxes		24,299	5.5	22,395 4.5
Income tax provision		(8,702)	2.0	(9,942) 2.0
Net earnings	\$	15,597	3.5%	\$ 12,453 2.5%

Net sales—Second quarter 2015 net sales decreased by \$54.2 million, or 10.9%, compared to the second quarter of 2014, primarily due to a decline in non-retail shipments as a result of the sale of our specialty business and mills in December 2014. This decrease was partially offset by higher average tissue net selling prices during the second quarter of 2015, which were driven by a favorable product mix shift towards higher retail tissue sales from lower margin non-retail sales, as well as increased paperboard shipments. These items are further discussed below under “Discussion of Business Segments.”

Cost of sales—Cost of sales was 86.5% of net sales for the second quarter of 2015 and 87.0% of net sales for the same period in 2014. Our overall cost of sales were 11.5% lower than the second quarter of 2014, primarily due to the absence in the second quarter of 2015 of costs previously associated with our former specialty business and mills, \$2.2 million of costs in the second quarter of 2014 related to the closure of our Thomaston, Georgia and Long Island facilities, compared to \$0.7 million of closure costs in the second quarter of 2015 related to the Long Island facility, and costs in 2014 associated with operational issues at our Arkansas pulp and paperboard facility. These favorable comparisons were partially offset by approximately \$7 million of planned major maintenance costs incurred at our Arkansas pulp and paperboard facility during the second quarter of 2015.

Selling, general and administrative expenses—Selling, general and administrative expenses for the second quarter of 2015 decreased \$3.4 million compared to the same quarter in 2014 primarily due to a \$1.5 million mark-to-market benefit during the second quarter of 2015, compared to a minimal mark-to-market adjustment in the second quarter of 2014, related to our directors' common stock units, as well as a \$1.5 million gain during the second quarter of 2015 related to the release of restricted cash balances pertaining to the settlement of a working capital escrow account established in connection with the 2014 sale of our specialty business and mills. Selling, general and administrative expenses also declined due to reduced headcount and administrative costs related to our Long Island facility closure and the sale of the specialty business and mills.

Interest expense—Interest expense for the second quarter of 2015 decreased by \$2.9 million compared to the second quarter of 2014. The decrease was largely attributable to reduced interest rates on our debt as a result of the third quarter 2014 redemption of the 2010 Notes and the issuance of the lower interest bearing 2014 Notes.

Income tax provision—We recorded an income tax provision of \$8.7 million in the three months ended June 30, 2015, compared to \$9.9 million in the same three month period of 2014. The rate determined under generally accepted accounting principles, or GAAP, for the three months ended June 30, 2015 was approximately 36% compared to a rate of approximately 44% for the same period of 2014. The decrease in the rate was the result of the net impact of reporting discrete items, primarily relating to state jurisdictions.

During the second quarters of 2015 and 2014, there were a number of items that were included in the calculation of our income tax provision that we do not believe were indicative of our core operating performance. Excluding these items, the adjusted tax rate for the three months ended June 30, 2015 would have been approximately 36% compared to an adjusted rate of approximately 38% for the three months ended June 30, 2014. The following table details these items:

(In thousands)	Three Months Ended	
	June 30,	
	2015	2014
Income tax provision	\$ (8,702)	\$ (9,942)
Special items, tax impact:		
Directors' equity-based compensation benefit	459	13
Costs associated with Long Island facility closure	(231)	(650)
Adjustments associated with sale of specialty mills	419	—
Costs associated with Thomaston facility closure	—	(132)
Discrete tax items related to New York	—	1,388
Adjusted income tax provision	\$ (8,055)	\$ (9,323)

Discussion of Business Segments

Consumer Products

(Dollars in thousands - except per ton amounts)	Three Months Ended June 30,	
	2015	2014
Net sales	\$ 239,391	\$ 299,130
Operating income	17,032	12,705
Percent of net sales	7.1%	4.2%
Shipments (short tons)		
Non-retail	24,744	59,832
Retail	71,476	75,009
Total tissue tons	96,220	134,841
Converted products cases (in thousands)	13,125	14,101
Sales price (per short ton)		
Non-retail	\$ 1,430	\$ 1,492
Retail	2,846	2,795
Total tissue	\$ 2,482	\$ 2,217

Our Consumer Products segment's net sales for the second quarter of 2015 decreased \$59.7 million compared to the second quarter of 2014 due to a decline in non-retail shipments resulting from the sale of our specialty business and mills. This decrease was partially offset by a 12.0% increase in average tissue net selling prices during the second quarter of 2015, which resulted from a favorable product mix shift to increased retail tissue sales, from lower margin specialty products previously sold by our former specialty business and mills.

Segment operating income for the second quarter of 2015 increased by \$4.3 million compared to the second quarter of 2014. The increase was primarily due to a decline in purchased pulp costs resulting from favorable pulp pricing, as well as a higher utilization of internally sourced pulp during the second quarter at our Consumer Products segment. Operating income was also improved due to lower energy costs related to lower natural gas pricing and decreased depreciation due to the sale of our specialty business and mills. In addition, operating income was higher in the second quarter of 2015 compared to the same period in 2014 because the second quarter of 2014 included \$2.2 million of costs related to the closure of our Thomaston, Georgia and Long Island facilities, as compared to \$0.7 million of costs related to the closure of our Long Island facilities during the second quarter of 2015.

Pulp and Paperboard

(Dollars in thousands - except per ton amounts)	Three Months Ended June 30,	
	2015	2014
Net sales	\$ 205,167	\$ 199,629
Operating income	27,754	33,635
Percent of net sales	13.5%	16.8%
Paperboard shipments (short tons)	204,983	195,924
Paperboard sales price (per short ton)	\$ 997	\$ 1,017

Net sales for the Pulp and Paperboard segment increased by \$5.5 million during the second quarter of 2015, compared to the second quarter of 2014. The increase was primarily due to a 4.6% increase in paperboard shipments, which more than offset a 2.0% decrease in net selling prices resulting from a sales mix that included a higher proportion of lower margin products.

Operating income for the segment decreased \$5.9 million during the second quarter of 2015, compared to the second quarter of 2014, primarily due to approximately \$7 million of planned major maintenance costs incurred at our Arkansas facility during the second quarter of 2015, as well as quality related rebates. The impact of the scheduled major maintenance outage was partially offset by lower chemical consumption as 2014 costs increased due to operational issues at our Arkansas facility, as well as decreased energy costs due to lower natural gas pricing.

RESULTS OF OPERATIONS

Six Months Ended June 30, 2015 Compared to Six Months Ended June 30, 2014

The following table sets forth data included in our Consolidated Statements of Operations as a percentage of net sales.

(Dollars in thousands)	Six Months Ended June 30,			
	2015		2014	
Net sales	\$	878,584	100.0%	\$ 983,679 100.0%
Costs and expenses:				
Cost of sales		(774,179)	88.1	(860,740) 87.5
Selling, general and administrative expenses		(57,095)	6.5	(65,079) 6.6
Impairment of assets		—	—	(4,259) 0.4
Total operating costs and expenses		(831,274)	94.6	(930,078) 94.6
Income from operations		47,310	5.4	53,601 5.4
Interest expense, net		(15,556)	1.8	(21,422) 2.2
Earnings before income taxes		31,754	3.6	32,179 3.3
Income tax provision		(10,400)	1.2	(13,500) 1.4
Net earnings	\$	21,354	2.4	\$ 18,679 1.9

Net sales—First half 2015 net sales decreased by \$105.1 million, or 10.7%, compared to the first half of 2014 primarily due to a decline in non-retail shipments as a result of the sale of our specialty business and mills in December 2014, as well as a slight decrease in retail tissue shipments. This decrease was partially offset by a 12.8% increase in average tissue net selling prices during the first half of 2015, which was driven by increased sales of higher priced TAD tissue products. The decline in net sales was also partially offset by increased pricing for paperboard, with paperboard shipments essentially flat compared to the first half of 2014. These items are further discussed below under “Discussion of Business Segments.”

Cost of sales—Cost of sales was 88.1% of net sales for the first half of 2015 and 87.5% of net sales for the same period in 2014. However, our overall cost of sales were 10.1% lower than the first half of 2014, primarily due to the absence of operating costs associated with our former specialty business and mills and incremental costs incurred in the first half of 2014 associated with both the extreme cold weather conditions in the Midwest and Northeast and 2014 operational issues at our Arkansas pulp and paperboard facility, as well as \$11.4 million of costs in the first half of 2014 related to the closure of our Thomaston, Georgia and Long Island facilities, compared to \$1.3 million of costs in the first half of 2015 related to the Long Island facility. These favorable comparisons were partially offset by approximately \$22 million of planned major maintenance costs incurred at our Idaho and Arkansas pulp and paperboard facilities during the first half of 2015 and \$1.7 million of costs in the first half of 2015 associated with a new collective bargaining agreement at our consumer products and pulp and paperboard facilities in Idaho.

Selling, general and administrative expenses—Selling, general and administrative expenses for the first half of 2015 decreased \$8.0 million compared to the same period in 2014 primarily due to a \$1.9 million mark-to-market benefit during the first half of 2015, compared to \$2.8 million of mark-to-market expense in the first half of 2014, related to our directors' common stock units, as well as the recognition of a \$1.5 million gain during the second quarter of 2015 related to the release of restricted cash balances pertaining to the settlement of a working capital escrow account established in connection with the 2014 sale of our specialty business and mills. Selling, general and administrative expenses also declined due to reduced headcount and administrative costs related to our Long Island facility closure and the sale of the specialty business and mills.

Impairment of assets—During the first quarter of 2014, as a result of the permanent closure of our Long Island facility, we assessed both our intangible and long-lived assets for recoverability. As a result of this assessment, we recorded non-cash impairment losses to our accompanying Consolidated Statement of Operations for intangible and long-lived assets in the amounts of \$1.3 million and \$3.0 million, respectively.

Interest expense—Interest expense for the first half of 2015 decreased by \$5.9 million compared to the first half of 2014. The decrease was largely attributable to reduced interest rates on our debt as a result of the third quarter 2014 redemption of the 2010 Notes and the issuance of the lower interest bearing 2014 Notes.

Income tax provision—We recorded an income tax provision of \$10.4 million in the six months ended June 30, 2015, compared to \$13.5 million in the same period of 2014. The rate determined under GAAP for the six months ended June 30, 2015 was approximately 33% compared to a rate of approximately 42% for the same period of 2014. The net decrease to our effective tax rate in the six months ended June 30, 2015, was primarily the result of state discrete items.

During the first half of 2015 and 2014, there were a number of items that were included in the calculation of our income tax provision that we do not believe were indicative of our core operating performance. Excluding these items, the adjusted tax rate for the six months ended June 30, 2015 would have been approximately 33% compared to an adjusted rate of approximately 37% for the six months ended June 30, 2014. The following table details these items:

(In thousands)	Six Months Ended June 30,	
	2015	2014
Income tax provision	\$ (10,400)	\$ (13,500)
Special items, tax impact:		
Directors' equity-based compensation benefit (expense)	604	(1,002)
Costs associated with Long Island facility closure	(402)	(3,688)
Adjustments associated with sale of specialty mills	459	—
Costs associated with labor agreement	(533)	—
Costs associated with Thomaston facility closure	—	(402)
Discrete tax items related to New York	—	1,388
Adjusted income tax provision	\$ (10,272)	\$ (17,204)

Discussion of Business Segments

Consumer Products

(Dollars in thousands - except per ton amounts)	Six Months Ended June 30,	
	2015	2014
Net sales	\$ 474,567	\$ 585,638
Operating income	29,427	12,182
Percent of net sales	6.2%	2.1%
Shipments (short tons)		
Non-retail	45,851	116,671
Retail	142,578	145,928
Total tissue tons	188,429	262,599
Converted products cases (in thousands)	26,150	27,538
Sales price (per short ton)		
Non-retail	\$ 1,451	\$ 1,491
Retail	2,855	2,817
Total tissue	\$ 2,513	\$ 2,228

Our Consumer Products segment net sales for the first half of 2015 decreased \$111.1 million compared to the first half of 2014 due to a decline in non-retail shipments resulting from the sale of our specialty business and mills. This decrease was partially offset by a 12.8% increase in average tissue net selling prices during the first half of 2015, which resulted from a favorable product mix shift to increased TAD sales from lower priced specialty products previously sold by our former specialty business and mills.

Segment operating income for the second quarter of 2015 increased by \$17.2 million compared to the first half of 2014, primarily due to \$11.4 million of facility closure costs related to our Thomaston and Long Island facilities incurred during the first half of 2014, as compared to \$1.3 million of Long Island facility closure costs incurred during the first half of 2015. Segment operating income also increased as a result of lower energy costs, which were higher during the first half of 2014 due to the extremely cold weather conditions in the Midwest and Northeast. These favorable comparisons were partially offset by \$0.8 million of costs in the first half of 2015 associated with a new collective bargaining agreement at our Idaho facility.

Pulp and Paperboard

(Dollars in thousands - except per ton amounts)	Six Months Ended June 30,	
	2015	2014
Net sales	\$ 404,017	\$ 398,041
Operating income	43,948	70,411
Percent of net sales	10.9%	17.7%
Paperboard shipments (short tons)	396,618	396,589
Paperboard sales price (per short ton)	\$ 1,014	\$ 1,002

Net sales for the Pulp and Paperboard segment increased by \$6.0 million during the first half of 2015, compared to the first half of 2014. The increase was primarily due to a 1.2% increase in paperboard net selling prices resulting from improved sales mix, with paperboard shipments during the first half of 2015 relatively flat.

Operating income for the segment decreased \$26.5 million during the first half of 2015, compared to the first half of 2014, primarily due to approximately \$22 million of planned major maintenance costs incurred at our Idaho and Arkansas facilities during the first half of 2015 and \$0.9 million of costs associated with the new collective bargaining agreement at our Idaho facility. The impact of the scheduled major maintenance outages were partially offset by lower chemical consumption related to the resolution of operational issues at our Arkansas facility during 2014, as well as lower energy costs due to lower natural gas pricing throughout the segment.

EARNINGS BEFORE INTEREST, TAX, DEPRECIATION AND AMORTIZATION (EBITDA) AND ADJUSTED EBITDA

We use earnings before interest, taxes, depreciation and amortization, or EBITDA, and EBITDA adjusted for certain items, or Adjusted EBITDA, as supplemental performance measures that are not required by, or presented in accordance with GAAP. EBITDA and Adjusted EBITDA should not be considered as alternatives to net earnings, operating income or any other performance measure derived in accordance with GAAP, or as alternatives to cash flows from operating activities or a measure of our liquidity or profitability. In addition, our calculation of EBITDA and Adjusted EBITDA may or may not be comparable to similarly titled measures used by other companies.

We present EBITDA, Adjusted EBITDA and Adjusted income tax provision because we believe they assist investors and analysts in comparing our performance across reporting periods on a consistent basis by excluding items that we do not believe are indicative of our core operating performance. In addition, we use EBITDA and Adjusted EBITDA: (i) as factors in evaluating management's performance when determining incentive compensation, (ii) to evaluate the effectiveness of our business strategies and (iii) because our credit agreement and the indentures governing the 2013 Notes and 2014 Notes use measures similar to EBITDA to measure our compliance with certain covenants.

The following table provides our EBITDA and Adjusted EBITDA for the periods presented, as well as a reconciliation to net earnings.

(In thousands)	Three Months Ended		Six Months Ended	
	June 30,		June 30,	
	2015	2014	2015	2014
Net earnings	\$ 15,597	\$ 12,453	\$ 21,354	\$ 18,679
Interest expense, net	7,774	10,688	15,556	21,422
Income tax provision	8,702	9,942	10,400	13,500
Depreciation and amortization expense	20,632	22,015	41,640	44,246
EBITDA	\$ 52,705	\$ 55,098	\$ 88,950	\$ 97,847
Directors' equity-based compensation (benefit) expense	(1,457)	(36)	(1,927)	2,781
Costs associated with Long Island facility closure	735	1,843	1,289	10,275
Adjustments associated with sale of specialty mills	(1,331)	—	(1,462)	—
Costs associated with labor agreement	—	—	1,730	—
Costs associated with Thomaston facility closure	—	374	—	1,124
Adjusted EBITDA	\$ 50,652	\$ 57,279	\$ 88,580	\$ 112,027

LIQUIDITY AND CAPITAL RESOURCES

The following table presents information regarding our cash flows for the six months ended June 30, 2015 and 2014:

(In thousands)	2015	2014
Net cash flows from operating activities	\$ 87,910	\$ 94,913
Net cash flows from investing activities	(65,031)	(20,993)
Net cash flows from financing activities	(38,745)	(75,114)

Cash Flows Summary

Net cash flows from operating activities for the first half of 2015 decreased by \$7.0 million compared to the first half of 2014. The decrease in operating cash flows was largely due to lower earnings, after adjusting for noncash related items, which decreased \$22.6 million compared to the first half of 2014. This decrease in earnings was primarily due to a \$2.5 million deferred tax benefit during the first half of 2015 compared to a \$9.9 million deferred tax provision during the first half of 2014. The decrease was partially offset by a \$14.5 million increase in cash flows generated from working capital. The cash flows generated from working capital were primarily driven by a decrease in inventories, partially offset by higher accounts receivable and prepaids. In addition, cash flows from operating activities also improved due to a \$5.7 million decrease in contributions to our qualified pension plans in the first half of 2015 compared to the first half of 2014.

Net cash flows from investing activities decreased by \$44.0 million as a result of a \$22.9 million increase in capital spending for plant and equipment, compared to the first half of 2014. The increase in capital spending is due in part to our focus on strategic capital projects throughout 2015. In addition, net investing cash flows were also impacted by the conversion of \$10.0 million of cash into short-term investments during the first half of 2015, compared to the conversion of \$11.0 million of short-term investments into cash during the first half of 2014.

Net cash flows used for financing activities were \$38.7 million for the first half of 2015, and were largely driven by \$37.1 million in repurchases of our outstanding common stock pursuant to our most recent \$100 million stock repurchase program. Net cash flows used for financing activities for the first quarter of 2014 of \$75.1 million primarily consisted of \$74.3 million of stock repurchases pursuant to a previous stock repurchase program.

Capital Resources

Due to the competitive and cyclical nature of the markets in which we operate, there is uncertainty regarding the amount of cash flows we will generate during the next twelve months. However, we believe that our cash flows from operations, our cash on hand and short-term investments, as well as borrowing capacity under our senior secured revolving credit facility will be adequate to fund our debt service requirements and provide cash required to support our ongoing operations, capital expenditures, stock repurchase program and working capital needs for the next twelve months.

We may choose to refinance all or a portion of our indebtedness on or before maturity. We cannot be certain that we will be able to refinance any of our indebtedness on commercially reasonable terms or at all.

Debt Arrangements

Our annual debt service obligation, consisting of cash payments for interest on the 2013 Notes and the 2014 Notes, is estimated to be \$28.6 million for 2015.

The terms of the 2013 Notes limit our ability and the ability of any restricted subsidiaries to borrow money; pay dividends; redeem or repurchase capital stock; make investments; sell assets; create restrictions on the payment of dividends or other amounts to us from any restricted subsidiaries; enter into transactions with affiliates; enter into sale and lease back transactions; create liens; and consolidate, merge or sell all or substantially all of our assets. The terms of the 2014 Notes limit our ability and the ability of any restricted subsidiaries to incur certain liens, engage in sale and leaseback transactions and consolidate, merge with, or convey, transfer or lease substantially all of our or their assets to another person.

Credit Arrangements

As of June 30, 2015, there were no borrowings outstanding under the credit facility, but \$6.2 million of the credit facility was being used to support outstanding standby letters of credit. Loans under the credit facility bear interest (i) for LIBOR loans, LIBOR plus between 1.75% and 2.25% and (ii) for base rate loans, a per annum rate equal to the greater of (a) the prime rate for such day; (b) the federal funds effective rate for such day, plus 0.50%; or (c) LIBOR for a 30-day interest period as determined on such day, plus between 1.25% and 1.75%. The percentage margin on all loans is based on our fixed charge coverage ratio for the most recent four quarters. As of June 30, 2015, we would have been permitted to draw an additional \$118.8 million under the credit facility at LIBOR plus 1.75%, or base rate plus 1.25%.

CONTRACTUAL OBLIGATIONS

As of June 30, 2015, there were no significant changes to the contractual obligations table disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

OFF-BALANCE SHEET ARRANGEMENTS

We currently are not a party to off-balance sheet arrangements that would require disclosure under this section.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The preparation of financial statements in accordance with GAAP requires our management to select and apply accounting policies that best provide the framework to report our results of operations and financial position. The selection and application of those policies requires management to make difficult, subjective and complex judgments concerning reported amounts of revenue and expenses during the reporting period and the reported amounts of assets and liabilities at the date of the financial statements. As a result, it is possible that materially different amounts would be reported under different conditions or using different assumptions.

As of June 30, 2015, there have been no significant changes with regard to the critical accounting policies disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014.

See Note 2 "Recently Adopted and New Accounting Standards" to the Consolidated Financial Statements included in Item 1 of this Quarterly Report on Form 10-Q for additional information regarding recently adopted and new accounting pronouncements.

ITEM 3.

Quantitative and Qualitative Disclosures About Market Risk

Interest Rate Risk

Our exposure to market risks on financial instruments includes interest rate risk on our secured revolving credit facility. As of June 30, 2015, there were no borrowings outstanding under the credit facility. The interest rates applied to borrowings under the credit facility are adjusted often and therefore react quickly to any movement in the general trend of market interest rates. For example, a one percentage point increase or decrease in interest rates, based on assumed outstanding credit facility borrowings of \$10.0 million, would have an approximate \$0.1 million annual effect on interest expense. We currently do not attempt to mitigate the effects of short-term interest rate fluctuations on our credit facility borrowings through the use of derivative financial instruments.

Commodity Risk

We are exposed to market risk for changes in natural gas commodity pricing, which we partially mitigate through the use of firm price contracts for a portion of our natural gas requirements for our manufacturing facilities. As of June 30, 2015, these contracts covered approximately 58% of our expected average monthly natural gas requirements for the remainder of 2015.

Foreign Currency Risk

We have minimal foreign currency exchange risk. Virtually all of our international sales are denominated in U.S. dollars.

ITEM 4.

Controls and Procedures

We maintain “disclosure controls and procedures,” as such term is defined in Rule 13a-15(e) under the Securities and Exchange Act of 1934, or the Exchange Act, that are designed to ensure that information required to be disclosed by us in reports that we file or submit under the Exchange Act is recorded, processed, summarized, and reported within the time periods specified in SEC rules and forms, and that such information is accumulated and communicated to our management, including our Chief Executive Officer, or CEO, and Chief Financial Officer, or CFO, as appropriate, to allow timely decisions regarding required disclosure. In designing and evaluating our disclosure controls and procedures, management recognized that disclosure controls and procedures, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the disclosure controls and procedures are met. Additionally, in designing disclosure controls and procedures, our management necessarily was required to apply its judgment in evaluating the cost-benefit relationship of possible disclosure controls and procedures. The design of disclosure controls and procedures is also based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions.

Subject to the limitations noted above, our management, with the participation of our CEO and CFO, has evaluated the effectiveness of the design and operation of our disclosure controls and procedures as of the end of the second quarter of 2015. Based on that evaluation, the CEO and CFO have concluded that, as of June 30, 2015, our disclosure controls and procedures were effective to meet the objective for which they were designed and operated at the reasonable assurance level.

Changes in Internal Controls

There was no change in our internal control over financial reporting during our most recent fiscal quarter that has materially affected, or is reasonably likely to materially affect, our internal control over financial reporting.

Part II

ITEM 1.

Legal Proceedings

On August 13, 2012, we were notified that the U.S. Environmental Protection Agency, or EPA, submitted a civil referral to the U.S. Department of Justice, or DOJ, alleging violations of the Clean Air Act stemming from an EPA investigation that included an inspection of our Lewiston, Idaho pulp facility in July 2009 and a subsequent information request dated February 24, 2011. We reached an agreement with the DOJ and EPA in connection with this matter pursuant to which we expect to pay a fine in the amount of \$0.3 million in the third quarter of 2015, for which we have already established a reserve.

In addition to the matters discussed above, we may from time to time be involved in claims, proceedings and litigation arising from our business and property ownership. We believe, based on currently available information, that the results of such proceedings, in the aggregate, will not have a material adverse effect on our financial condition.

ITEM 1A.

Risk Factors

There are no material changes from the risk factors previously disclosed in our Annual Report on Form 10-K for the year ended December 31, 2014. See Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2014, entitled "Risk Factors."

ITEM 6.

Exhibits

The exhibit index is located on page [38](#) of this Form 10-Q.

SIGNATURES

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

CLEARWATER PAPER CORPORATION
(Registrant)

Date: August 5, 2015

By /s/ JOHN D. HERTZ

John D. Hertz
Senior Vice President, Finance and
Chief Financial Officer
(Duly Authorized Officer; Principal
Financial Officer and Principal
Accounting Officer)

CLEARWATER PAPER CORPORATION

EXHIBIT INDEX

EXHIBIT NUMBER	DESCRIPTION
10.1 ¹	Clearwater Paper Corporation 2008 Stock Incentive Plan - Amendment to Restricted Stock Unit Agreement dated as of January 1, 2015 with Linda K. Massman.
10.2 ¹	Separation and General Release Agreement entered into by Clearwater Paper Corporation and Thomas A. Colgrove, dated July 17, 2015.
(31)	Rule 13a-14(a)/15d-14(a) Certifications.
(32)*	Furnished statements of the Chief Executive Officer and Chief Financial Officer under 18 U.S.C Section 1350.
101.INS	XBRL Instance Document.
101.SCH	XBRL Taxonomy Extension Schema.
101.CAL	XBRL Taxonomy Extension Calculation Linkbase.
101.DEF	XBRL Taxonomy Extension Definition Linkbase.
101.LAB	XBRL Taxonomy Extension Label Linkbase.
101.PRE	XBRL Taxonomy Extension Presentation Linkbase.
*	In accordance with Item 601(b)(32)(ii) of Regulation S-K and SEC Release No. 34-47986, the certifications furnished in Exhibit 32 hereto are deemed to accompany this Form 10-Q and will not be deemed "filed" for purposes of Section 18 of the Exchange Act. Such certifications will not be deemed to be incorporated by reference into any filing under the Securities Act or the Exchange Act.
¹	Management contract or compensatory plan, contract or arrangement.

**AMENDMENT TO
RESTRICTED STOCK UNIT AGREEMENT**

This Amendment to Restricted Stock Unit Agreement ("Amendment") is entered into by Clearwater Paper Corporation (the "Corporation") and Linda K. Massman ("Ms. Massman").

RECITALS

A. In connection with the grant of Restricted Stock Units by the Corporation to Ms. Massman upon her assuming the position of Chief Executive Officer of the Corporation, the Corporation and Ms. Massman entered into a Restricted Stock Unit Agreement, dated as of January 1, 2013 (the "Agreement").

B. The parties now wish to enter into this Amendment to modify certain of the provisions of the Agreement upon the terms and conditions set forth below.

NOW, THEREFORE, for valuable consideration, the parties agree as follows:

1. Deletion of Section 12. Section 12 of the Agreement is hereby deleted in its entirety.
2. No Further Modification. All other provisions of the Agreement will be unaffected by this Amendment and shall remain in full force and effect. The defined terms used in the Agreement have the same meanings when used in this Amendment unless otherwise indicated.

IN WITNESS WHEREOF, each party has or has caused this Amendment to be executed as of the respective date set forth below.

CORPORATION:

Clearwater Paper Corporation,
a Delaware corporation

By:	<u>/s/ Kari Moyes</u>
Name:	<u>Kari Moyes</u>
Title:	<u>SVP, Human Resources</u>
Date:	<u>1/28/2015</u>

LINDA K. MASSMAN:

<u>/s/ Linda Massman</u>
Linda K. Massman

Date:	<u>1/28/2015</u>
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SEPARATION AND GENERAL RELEASE AGREEMENT

THIS SEPARATION AND GENERAL RELEASE AGREEMENT ("Agreement") is entered into as of the first date on the signature page hereof, by and between Thomas Colgrove ("Employee") and Clearwater Paper Corporation ("Clearwater Paper" or the "Company") (Employee and Clearwater Paper are sometimes referred to herein jointly as the "Parties" and individually as a "Party"), subject to the following terms and conditions:

RECITALS OF UNDERSTANDING

- A. Employee is employed as a Senior Vice President of the Company .
- B. Employee's last day of employment with the Company and any of its subsidiaries and affiliates (the "Company Group") will be on December 31, 2015 ("Employee's Last Day").
- C. The Parties desire to fully and finally resolve all claims, known or unknown, between them.
- D. Employee acknowledges that he must execute and deliver the Agreement (and not revoke the Agreement pursuant to Section 11 hereof) and deliver it to Clearwater Paper in order to receive the payments and other benefits described herein.
- E. Employee acknowledges that he would not be entitled to the payments and other benefits described in Section 2(a) below if, among other things, Employee does not execute and deliver this Agreement (and not revoke it), and further acknowledges that such payments and benefits are over and above any other payments and benefits that Employee would be entitled to receive from the Company without entering into this Agreement.

NOW THEREFORE, in consideration of the covenants, releases and mutual promises contained in this Agreement and for other good and valuable consideration, the receipt and sufficiency of which are hereby acknowledged, the Parties, intending to be legally bound, agree as follows:

1. Transition Period

- (a) From April 1, 2015 through Employee's Last Day (referenced herein as the "Transition Period"), Employee will continue to serve as a Senior Vice President of the Company and will be provided with his full base salary and benefits. Employee shall continue to assist the Company in facilitating a successful transition of his former position as the Company's President, Consumer Products Division and shall perform such other duties and services as requested by the Chief Executive Officer of the Company.
- (b) Upon the expiration of the Transition Period, Employee agrees that he will resign from all positions and offices with the Company as of Employee's Last Day. Employee's employment and directorships with the Company Group shall terminate in all capacities immediately upon his resignation on Employee's Last Day.

2. Severance Payments and Benefits

(a) As a material inducement for Employee entering into this Agreement, and in full consideration of his continued compliance with the terms, promises, waivers and releases contained in this Agreement, subject to Employee continuing to be actively employed with the Company through Employee's Last Day, the Company will provide Employee with the following payments and benefits conditioned upon Employee not revoking this Agreement pursuant to Section 11 hereof:

- (i) A severance payment in the amount of seven months of Employee's base salary, payable over the period commencing on January 1, 2016 and ending on July 31, 2016 (the "Severance Pay Period"). Such payments shall be made in accordance with the Company's standard payroll procedures. The first installment shall be payable on the first payroll date following the sixtieth (60th) day after the Employee's Last Day (with the first payment to include amounts accrued between the Employee's Last Day and the first payment date).
 - (ii) A single sum payment in the amount of \$441,000 payable on August 15, 2016.
 - (iii) Employee's separation of employment under this Agreement shall be treated as a normal retirement under the Company 2008 Stock Incentive Plan (the "LTIP") and any applicable award documents with respect all equity awards granted to Employee under the LTIP that are outstanding as of the Employee's Last Day.
 - (iv) As of Employee's Last Day, Employee's eligibility under all of the Company Group's benefit plans and programs shall cease immediately. Thereafter, Employee may elect medical benefit continuation coverage pursuant to the Consolidated Omnibus Budget Reconciliation Act of 1985 ("COBRA"). During the Severance Pay Period, if Employee elects COBRA continuation coverage, the Company will reimburse Employee an amount equal to the amount it pays towards the premium cost of the same group health plan coverage for its active senior executives; provided, however, that the reimbursements shall cease immediately if Employee fails to timely pay the entire cost of COBRA continuation coverage. Such reimbursements shall continue until the earlier of (x) the expiration of the Severance Pay Period or (y) the date Employee commences employment with a new employer. After the expiration of the Severance Pay Period, Employee may elect further COBRA continuation coverage, if any still is available, at his sole cost.
 - (v) Except as specified herein, Employee understands that he will be entitled to receive no further compensation from the Company Group or to participate in any past, current or future Company Group compensation or benefit programs or arrangements, including, without limitation, the Company Executive Severance Plan (the "Severance Plan"). Employee acknowledges and agrees that he has waived his right to any additional severance payments or benefits that he may have otherwise been entitled to receive under the Severance Plan in exchange for the payments and benefits provided to him under this Agreement.
- (b) The Company shall pay Employee all of his accrued but unused vacation days within thirty (30) days following Employee's Last Day.
- (c) Notwithstanding any provision in this Agreement to the contrary, in the event that Employee becomes entitled to a "Severance Payment" and benefits under the Company's Executive Change of Control Plan on or before Employee's Last Day, then this Agreement (including Section 2(a)) shall cease to apply and, in lieu thereof, Employee shall be entitled to the payments and benefits provided pursuant to the Company Executive Change of Control Plan.

3. Covenants

(a) Governing Law. For purposes of this Section 3 addressing Restrictive Covenants, this Agreement shall be construed according to the laws of the State of Georgia, including specifically The Georgia Restrictive Covenants Act, O.C.G.A. § 13-8-50 et seq., and any such action may be brought in the appropriate courts within the State of Georgia.

(b) Restricted Period. As used in this Section, the term “Restricted Period” shall mean the length of the Transition Period and for 18 months after Employee’s Last Day.

(c) Nondisclosure Agreement. Employee agrees that, both during and after Employee’s employment, Employee will refrain from any unauthorized use or disclosure of any Confidential Information belonging to the Company Group; provided, however, that after the Restricted Period ends, the restrictions set forth in this Section thereafter shall apply only to information or materials that constitute or embody a trade secret.

(d) Confidential Information. Employee agrees that, as used in this Agreement, the term “Confidential Information” means any information (whether in written, electronic, network, cloud storage, or other form) relating to the Company Group’s business (including, but not limited to, information relating to the Company Group’s designs, business plans or strategies, business opportunities, finances, gross or net profit margins, product development, manufacturing techniques, customer or vendor information, employment policies, practices or protocols, and any information relating to other employees) which: (i) is or has been disclosed to Employee (or of which Employee became aware) as a consequence of or through Employee’s relationship with the Company Group, (ii) has value to the Company Group or would be of value (actual or potential) to anyone outside the Company Group, and (iii) is not generally known, or readily available by lawful means, to the public or anyone outside the Company Group. Confidential information shall not include any information that has been voluntarily disclosed to the public by the Company Group (except where such public disclosure has been made by Employee without authorization) or that has been independently developed or disclosed by others, or that has entered the public domain through lawful means or that Employee knew of or about before joining the Company Group.

(e) Non-Competition Agreement. During the Restricted Period, Employee agrees that he will not, on behalf of a Prohibited Competitor, directly or indirectly, for himself or on behalf of or in concert with any others, engage in any operations, sales or management activities, which are like or similar to those activities performed by Employee while working for the Company Group. This non-competition clause is limited to any such post-employment activities in which Employee engages in North America, whether as an owner, investor, officer, director, board member, consultant, employee, agent or a representative of a Prohibited Competitor. For all purposes relating to this Agreement, the term “Prohibited Competitor” means Cascades, Inc., First Quality Enterprises, Inc., J.D. Irving Limited, Kruger, Inc., Royal Paper Corporation, Global Tissue Group, Inc., Soundview Paper Company, Atlas Paper Company, Kimberly-Clark Corporation, Georgia-Pacific, or any parent, subsidiary, or affiliated or related entities of the foregoing companies, that engage in business activities competitive with the private label tissue business of the Company Group.

(f) Non-Solicitation of Customers Agreement. During the Restricted Period, Employee agrees that he will not, directly or indirectly, for himself or on behalf of or in concert with any other entity or business, (1) solicit or divert on behalf of, or appropriate to, any Prohibited Competitor, or (2) attempt to solicit or divert on behalf of, or appropriate to, any Prohibited Competitor, any private label tissue business, from any customer or actively sought prospective customer of the Company Group. This restriction is limited to those customers with whom Employee has had material contact, whose dealings with the Company Group were supervised by

Employee, or about whom Employee received confidential information in the course of his employment with the Company Group. For purposes of this Agreement, the term “actively sought prospective customer” shall mean any business or entity with whom Employee had material contact for the purpose of providing a bid or quote for services while employed by Company Group.

(g) Non-Recruitment Agreement. During the Restricted Period, Employee agrees that he will not, directly or indirectly, for himself or on behalf of or in concert with any others, recruit for employment, offer, or cause to be offered employment, either on a full time, part-time, contractor or consulting basis, any person who was employed by the Company Group on Employee’s Last Day; this covenant applies only to those Company Group employees with whom Employee had regular contact during the course of employment by the Company Group.

(h) Consideration. Employee agrees that ten percent (10%) of the payments referenced in Section 2(a) above is allocated to be and is considered by Employee as adequate and sufficient consideration for Employee’s promises and covenants listed in this Section 3.

(i) Postemployment Services. During the Severance Pay Period, in consideration of the payments and benefits provided under this Agreement, Employee agrees to make himself available for up to fifteen 15 hours per month to assist the Company with the transition of projects or assignments related to his former employment. Employee shall provide such services at such time and place and in such manner as may be reasonably requested from time to time by the Company, taking into consideration Employee’s other business and personal commitments. Employee shall not be treated as an employee of the Company Group at any time after Employee’s Last Day, for any purposes, including, without limitation, for purposes of any past, present or future employee benefit plan, program or arrangement of any member of the Company Group.

(j) Injunctive Relief. Employee agrees that the foregoing restrictions listed in this Section 3 are reasonable, will not preclude Employee from finding gainful employment, and are necessary to protect the goodwill, Confidential Information, and other protectable business interests of the Company Group. Employee acknowledges that a material breach by Employee of any provision of this Section 3 will cause the Company Group irreparable injury that cannot be adequately remedied by monetary damages. Employee agrees that in such case, the Company Group shall be entitled, in addition to any other right or remedy, to a temporary, preliminary and permanent injunction without the necessity of posting bond or proving the inadequacy of monetary damages.

(k) Other Relief. In the event that Employee breaches any of his obligations under this Section 3, the Company may, at its option, (i) stop making payments that would otherwise have been due under this Agreement; (ii) demand the repayment and reimbursement of any severance payments or other consideration that have been made or provided to Employee previously under this Agreement; (iii) seek any and all remedies available for Employee’s breach of contract, including without limitation monetary damages, costs and reasonable attorneys’ fees.

4. Complete and Full General Release of All Claims

In consideration for the benefits set out herein, Employee, for Employee and his heirs, successors and assigns, hereby unconditionally and forever releases and discharges the Company, its parent, subsidiaries, and affiliated companies, the Company Group, their respective predecessors, successors, assigns, affiliates, parents, and subsidiaries, and their respective past and present directors, officers, managers, employees, agents, insurers and representatives (the “Released Parties”), from any and all claims, whether known or not, including but not limited to, claims, rights, or amounts for attorneys’ fees, wages, debts or damages of any kind arising

out of, but not limited to, Employee's hiring by, employment with, treatment by or separation of employment with the Company. This Agreement and General Release applies to all claims and causes of action including, but not limited to, claims arising under the Title VII of the Civil Rights Act of 1964, 42 U.S.C. § 1981, the Employee Retirement Income Security Act, the Americans With Disabilities Act of 1990, the Age Discrimination in Employment Act of 1967, the Older Workers' Benefits Protection Act, the Family and Medical Leave Act of 1993, and any other federal, state or local law or regulation of whatever kind, or any theory of contract or tort based on events occurring prior to the execution of this Agreement. This release also includes any claims alleging employment discrimination, harassment, hostile environment, retaliation, whistleblower protection, wrongful discharge, fraudulent hiring, negligent hiring or retention, failure to grant leave, failure to reinstate, and/or any other claims Employee may have against the Company for any wages, benefits, payments, bonuses, commissions, vacation pay, leave pay, workforce reduction payments, workers' compensation, costs or expenses, emotional distress, pain and suffering, or other alleged damages arising out of employment with or termination of employment from the Company.

Notwithstanding the foregoing, this paragraph expressly does not include a release of any claims that cannot be released hereunder by law. Notwithstanding anything to the contrary herein, by signing this Agreement, Employee shall not have relinquished his rights to (i) benefits in accordance with the provisions of any current Company retirement plans subject to the Employee Retirement Income Security Act of 1974, as amended, (ii) enforce all rights and benefits which are referenced in this Agreement and continue following the execution of this Agreement, (iii) enforcement of his rights to indemnification, contribution, or exculpation under any insurance policy or the provisions of any governing documents of the Company.

Employee further acknowledges that Employee has received from the Company all wages and compensation which Employee is owed by the Company or to which Employee is entitled by law as of all dates preceding execution of this Agreement. Employee does not claim that he performed any work for Company for which he was not compensated. Employee further acknowledges that Employee has reported any and all work-related injuries or illnesses that Employee has incurred or suffered prior to the execution of this Agreement.

Employee affirms, covenants, and warrants he is not a Medicare beneficiary and is not currently receiving, has not received in the past, will not have received at the time of any payment pursuant to this Agreement, is not entitled to, is not eligible for, and has not applied for or sought Social Security or Medicare benefits. In the event any statement in the preceding sentence is incorrect (for example, but not limited to, if Employee is a Medicare beneficiary, etc.), the remaining sentences of this paragraph apply. Employee affirms, covenants, and warrants he has made no claim against, nor is he aware of any facts supporting any claim against, the Released Parties, under which the Released Parties could be liable for medical expenses incurred by the Employee before or after the execution of this Agreement. Furthermore, Employee is aware of no medical expenses which Medicare has paid and for which Released Parties are or could be liable. Employee agrees and affirms that, to the best of his knowledge, no liens of any governmental entities, including those for Medicare conditional payments, exist. Employee will indemnify, defend, and hold Released Parties harmless from Medicare claims, liens, damages, conditional payments, and rights to payment, if any, including attorneys' fees, and Employee further agrees to waive any and all future private causes of action for damages pursuant to 42 U.S.C. § 1395y(b)(3)(A) et seq.

5. Family and Medical Leave Act

Employee represents and acknowledges that, during Employee's employment with the Company Group, and as of all dates preceding execution of this Agreement, Employee has never been denied leave pursuant to the federal Family and Medical Leave Act ("FMLA"), nor has the Company Group discriminated or retaliated against Employee in any manner, including requests Employee may have made related to the FMLA or with regard to benefits to which Employee may have been entitled under the FMLA.

6. No Other Filings; Forfeiture

Employee represents that he has not filed and will not file any charges, claims, complaints or other accusatory pleadings against the Company or any of the Released Parties based upon or arising out of any aspect of Employee's employment relationship with the Company Group, or the separation of that employment, which may have accrued as of the date of the execution of this Agreement. Nothing in this Agreement, however, will prevent Employee from filing and pursuing proceedings before the U.S. Equal Employment Opportunity Commission ("EEOC"). Employee nevertheless agrees that he waives the right to recover any monetary award, should Employee, any government agency or other entity file a suit, charge, claim or action against the Released Parties with respect to the employment with the Company Group or the separation of that employment.

Further, nothing in this Agreement will prevent Employee from initiating communications directly with, or responding to any inquiry from, or providing testimony before, any self-regulatory organization or state or federal regulatory authority, regarding this release or its underlying facts or circumstances. Any cooperation provision in the Agreement does not require you to contact the Company regarding the subject matter of any such communications before engaging in such communications.

Employee represents that he has not and will not solicit, counsel, advise, suggest, assist (unless required by law), or encourage any claims, demands, rights, or causes of action of any kind by any other persons against the Company, nor will he contact any government officials or agencies to encourage any investigations of or any actions against the Company.

In the event Employee violates any of the covenants made or other provisions contained in this Agreement, including by filing a charge, claim, or lawsuit based on any legal claims that he has agreed to release, or in the event that he materially violates any of the Company Group's existing rules, policies, orders or instructions during the Transition Period, Employee will forfeit any rights to any and all severance payments and/or other consideration provided under this Agreement, and the Company will have a right to reimbursement for any severance payments and/or other consideration previously paid.

7. Non-Admission of Liability

It is understood and agreed that this Agreement has been reached purely on a compromise basis and is not to be construed as an admission by either Employee or Company Group of any violation of any federal, state or local law, ordinance, or administrative regulation, or any action in contract or tort which either party could have brought in a subsequent lawsuit. Nothing should be construed as an admission by Company Group that it has acted wrongfully toward Employee in any way. Company Group expressly denies any liability to Employee for any alleged wrongful acts by the Company Group or by any of its employees, representatives or agents.

8. Return of Materials and Property

Employee agrees to return all equipment and property owned by the Company Group in Employee's possession, custody or control and all materials, memoranda, notes, records, lists, or any other documents or tangible medium containing Confidential Information or proprietary information pertaining to the Company Group's business or its suppliers or customers upon the expiration of the Severance Pay Period, or upon such earlier date if requested by the Company.

9. Benefit Plans

Employee may continue to participate in the health and welfare benefit plans in which Employee is a participant through Employee's Last Day, provided that, with respect to medical and dental insurance coverage offered under a group health plan maintained by the Company Group, the Company will provide Employee the opportunity to continue such coverage, as it was or is in effect on the date it would otherwise end, in accordance with COBRA requirements.

Notwithstanding any other provision of this Agreement, but subject to any restrictions imposed by applicable law, the Company Group reserves the unilateral right at any time to modify or terminate any benefit plan, bonus program, stock option plan, or fringe benefit program under which Employee participates or may participate (so long as such modification or termination affects the plans' participants or potential participants generally and not just Employee), and, in the event of such action, the amount of Employee's benefits, awards, or grants under such plans or programs shall be determined according to the terms of such plans or programs and not the terms of this Agreement.

10. Cooperation

Employee agrees that he will reasonably cooperate with the Company Group and its agents, representatives and attorneys relating to any issues or matters that arose during Employee's employment with the Company Group, including in connection with any personnel matters, business relationships, legal, financial, accounting or auditing issues, contract matters, investigations, regulatory matters, or other administrative or judicial proceedings.

11. Revocation

Employee acknowledges that for a period of seven (7) days following the execution of this Agreement, Employee may revoke the Agreement and that the Agreement will not become effective or enforceable until the seven-day revocation period has expired. Revocation may only be effected by delivering a written notice of revocation to:

Kari Moyes
Clearwater Paper Corporation
601 W. Riverside Avenue
Suite 1100
Spokane, WA 99201

To be effective, the revocation must be received no later than the seventh (7th) day after Employee signs this Agreement. Employee acknowledges that if he revokes this Agreement, it shall not be effective or enforceable, and Employee shall not be entitled to any of the payments or other benefits stated herein.

12. Choice of Law and Venue

Other than as set forth above in Section 3 regarding the Restrictive Covenants, this Agreement is to be construed according to the laws of the State of Washington, and of the United States of America, without reference to its choice of law provisions. The Parties agree that any litigation to enforce this Agreement may be brought exclusively in the Superior Court of Spokane County, Washington or the United States District Court for the Eastern District of Washington.

13. Severability

The parties have attempted to create an Agreement that is lawful and enforceable in all respects. In the event that any provision of this Agreement is found or deemed to be illegal or otherwise invalid and unenforceable, whether in whole or in part, the Parties agree that such invalidity shall not affect the enforceability of the other terms of this Agreement. No waiver of any breach of any term or provision of this Agreement shall be construed to be, or shall be, a waiver of any other breach of this Agreement. No waiver of the terms of this Agreement shall be binding unless in writing and signed by the party waiving the breach.

14. Construction

Each party has reviewed, and had an opportunity to have counsel review this Agreement, and each had an opportunity to revise this Agreement; accordingly, the normal rule of construction providing for any ambiguities to be resolved against the drafting party shall not apply to any interpretation of this Agreement. Instead, the language of all parts of this Agreement shall be construed as a whole and according to its fair meaning, not strictly for or against either party. Nothing in this Agreement is intended to or constitutes a guarantee of employment for a fixed or specific term, and the Company reserves the right to adopt, amend, discontinue, or otherwise alter its compensation, benefit, and human resources practices, policies, and programs at its discretion.

15. Tax Compliance

The Company may withhold from any payment that is required to be made under this Agreement amounts sufficient to satisfy applicable withholding requirements under any federal, state, or local law and all payments hereunder shall be subject to applicable deductions. The terms of this Agreement shall be construed and administered and consideration owed under this Agreement shall be paid in such a manner as to satisfy the short-term deferral and/or the separation pay plan exceptions to the application of Section 409A of the Internal Revenue Code of 1986, as amended (the "Code"). To the extent the Agreement becomes subject to Code Section 409A and applicable guidance issued thereunder, the Agreement shall provide the coverage or benefit necessary to comply with Code Section 409A and/or guidance, which includes satisfaction of the rules regarding specified employees (as defined in Treas. Reg. Section 1.409A-1(i)) in Treas. Reg. Section 1.409A-3(i)(2), to the extent such requirements apply. For purposes of Code Section 409A, each installment payment made under this Agreement shall be designated as a "separate payment" within the meaning of Code Section 409A.

If and to the extent that any payments under this Agreement do not qualify for an exemption from Code Section 409A, this Agreement shall be administered to comply with the applicable requirements of Code Section 409A with respect to such amounts.

16. Recoupment

Notwithstanding any other provisions in this Agreement to the contrary, you acknowledge and agree that you will be subject to recoupment policies adopted by the Company pursuant to the requirements of Dodd-Frank Wall Street Reform and Consumer Protection Act or other applicable law or the listing requirements of any national securities exchange on which the common stock of the Company is listed.

17. Complete Agreement

It is understood and agreed that this Agreement sets forth the entire agreement between Employee and the Company and supersedes any previous agreement, whether oral or written, between Employee and the Company. It is further understood and agreed that this Agreement supersedes any prior discussions, statements, or representations (whether written or oral) by or between the Parties and their respective agents or representatives. This Agreement may be amended or modified only by written instrument duly executed by each of the Parties.

18. Counterparts

This Agreement may be signed in multiple counterparts, all of which taken shall together constitute one and the same legal instrument.

19. Acknowledgments

(a) Employee represents and acknowledges that Employee has been instructed in writing that he may consult with an attorney regarding this Agreement if Employee so desires.

(b) Employee further acknowledges that he has been provided with a period of at least twenty-one (21) days within which to consider the Agreement, and that if Employee has executed this Agreement in less than twenty-one (21) days, it is because he has freely chosen to do so after carefully considering the terms of the Agreement and consulting with legal counsel, if desired. It is agreed that any changes to this Agreement, whether material or not, do not restart the twenty-one (21) day consideration period.

(c) Employee represents and acknowledges that Employee has read this Agreement in its entirety, fully understands its content and effect, and without duress or coercion, knowingly and voluntarily agrees to its terms and conditions. Employee also acknowledges and represents that the consideration provided in exchange for this Agreement as described above is of value to Employee and is not anything to which Employee is already entitled.

EMPLOYEE'S AGREEMENT TO THE TERMS OF THE TRANSITION PERIOD

EXECUTED AND AGREED TO BY:

EMPLOYEE

/s/ Thomas A. Colgrove
Signature

Thomas A. Colgrove
Name (please print)

July 15, 2015
Date

**CLEARWATER PAPER
CORPORATION**

/s/ Linda K. Massman
Signature

Linda K. Massman
Name (please print)

CEO & President
Title (please print)

7/17/2015
Date

{Additional Signature page follows}

EMPLOYEE'S AGREEMENT TO RESIGN ON EMPLOYEE'S LAST DAY

EXECUTED AND AGREED TO BY:

EMPLOYEE

Signature

Name (please print)

Date

**CLEARWATER PAPER
CORPORATION**

Signature

Name (please print)

Title (please print)

Date

21679588.1

Employee's Initials: ____

CERTIFICATION

I, Linda K. Massman, certify that:

1. I have reviewed this report on Form 10-Q of Clearwater Paper Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2015

/s/ LINDA K. MASSMAN

Linda K. Massman
President and Chief Executive Officer

CERTIFICATION

I, John D. Hertz, certify that:

1. I have reviewed this report on Form 10-Q of Clearwater Paper Corporation;
2. Based on my knowledge, this report does not contain any untrue statement of a material fact or omit to state a material fact necessary to make the statements made, in light of the circumstances under which such statements were made, not misleading with respect to the period covered by this report;
3. Based on my knowledge, the financial statements, and other financial information included in this report, fairly present in all material respects the financial condition, results of operations and cash flows of the registrant as of, and for, the periods presented in this report;
4. The registrant's other certifying officer(s) and I are responsible for establishing and maintaining disclosure controls and procedures (as defined in Exchange Act Rules 13a-15(e) and 15d-15(e)) and internal control over financial reporting (as defined in Exchange Act Rules 13a-15(f) and 15d-15(f)) for the registrant and have:
 - (a) Designed such disclosure controls and procedures, or caused such disclosure controls and procedures to be designed under our supervision, to ensure that material information relating to the registrant, including its consolidated subsidiaries, is made known to us by others within those entities, particularly during the period in which this report is being prepared;
 - (b) Designed such internal control over financial reporting, or caused such internal control over financial reporting to be designed under our supervision, to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with generally accepted accounting principles;
 - (c) Evaluated the effectiveness of the registrant's disclosure controls and procedures and presented in this report our conclusions about the effectiveness of the disclosure controls and procedures, as of the end of the period covered by this report based on such evaluation; and
 - (d) Disclosed in this report any change in the registrant's internal control over financial reporting that occurred during the registrant's most recent fiscal quarter (the registrant's fourth fiscal quarter in the case of an annual report) that has materially affected, or is reasonably likely to materially affect, the registrant's internal control over financial reporting; and
5. The registrant's other certifying officer(s) and I have disclosed, based on our most recent evaluation of internal control over financial reporting, to the registrant's auditors and the audit committee of the registrant's board of directors (or persons performing the equivalent functions):
 - (a) All significant deficiencies and material weaknesses in the design or operation of internal control over financial reporting which are reasonably likely to adversely affect the registrant's ability to record, process, summarize and report financial information; and
 - (b) Any fraud, whether or not material, that involves management or other employees who have a significant role in the registrant's internal control over financial reporting.

Date: August 5, 2015

/S/ JOHN D. HERTZ

John D. Hertz

Senior Vice President, Finance and Chief Financial Officer

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, Linda K. Massman, President and Chief Executive Officer of Clearwater Paper Corporation (the "Company"), certify, pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Annual Report of the Company on Form 10-Q for the period ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ LINDA K. MASSMAN

Linda K. Massman

President and Chief Executive Officer

August 5, 2015

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.

**CERTIFICATION PURSUANT TO
18 U.S.C. SECTION 1350,
AS ADOPTED PURSUANT TO
SECTION 906 OF THE SARBANES-OXLEY ACT OF 2002**

I, John D. Hertz, Senior Vice President, Finance and Chief Financial Officer of Clearwater Paper Corporation (the "Company"), certify, pursuant to 18 U.S.C. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

- (1) the Annual Report of the Company on Form 10-Q for the period ended June 30, 2015, as filed with the Securities and Exchange Commission on the date hereof (the "Report"), fully complies with the requirements of section 13(a) or 15(d) of the Securities Exchange Act of 1934, and
- (2) the information contained in the Report fairly presents, in all material respects, the financial condition and results of operations of the Company.

/S/ JOHN D. HERTZ

John D. Hertz

Senior Vice President, Finance and Chief Financial Officer

August 5, 2015

A signed original of this written statement required by Section 906 has been provided to the Company and will be retained by the Company and furnished to the Securities and Exchange Commission or its staff upon request.