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 March 31, 2019

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	**20-3594554**
(State or other jurisdiction of incorporation or organization)	**(I.R.S. Employer Identification No.)**
601 West Riverside, Suite 1100 Spokane, Washington	**99201**
(Address of principal executive offices)	**(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 every Interactive Data File required to be submitted 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 such files). Yes ☒ No ☐

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

Large accelerated filer	☐	Accelerated filer	☒
Non-accelerated filer	☐	Smaller reporting company	☐
		Emerging growth company	☐

If an emerging growth company, indicate by check mark if the registrant has elected not to use the extended transition period for complying with any new or revised financial accounting standards provided pursuant to Section 13(a) of the Exchange Act. ☐

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

Securities registered pursuant to Section 12(b) of the Act:

Title of each class	Trading Symbol(s)	Name of each exchange on which registered
Common Stock, par value $0.0001 per share	CLW	New York Stock Exchange

The number of shares of common stock of the registrant outstanding as of May 6, 2019 was 16,515,156.

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 March 31,			
		2019		2018
Net sales	**$**	**428,779**	$	436,952
Costs and expenses:				
Cost of sales		**(384,246)**		(392,433)
Selling, general and administrative expenses		**(30,171)**		(32,980)
Total operating costs and expenses		**(414,417)**		(425,413)
Income from operations		**14,362**		11,539
Interest expense, net		**(8,486)**		(8,020)
Non-operating pension and other postretirement benefit costs		**(1,314)**		(1,279)
Earnings before income taxes		**4,562**		2,240
Income tax (provision) benefit		**(725)**		360
Net earnings	**$**	**3,837**	$	2,600
Net earnings per common share:				
Basic	**$**	**0.23**	$	0.16
Diluted		**0.23**		0.16

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 March 31,	
	2019	2018
Net earnings	**$ 3,837**	$ 2,600
Other comprehensive income:		
Defined benefit pension and other postretirement employee benefits:		
Amortization of actuarial loss included in net periodic cost, net of tax of $442 and $617	**1,239**	1,728
Amortization of prior service credit included in net periodic cost, net of tax of $- and $(110)	**—**	(309)
Other comprehensive income, net of tax	**1,239**	1,419
Comprehensive income	**$ 5,076**	$ 4,019

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)

	March 31, 2019	December 31, 2018
ASSETS		
Current assets:		
Cash and cash equivalents	**$ 12,160**	$ 22,484
Restricted cash	**1,440**	—
Receivables, net	**168,093**	145,519
Taxes receivable	**6,981**	6,301
Inventories	**285,909**	266,244
Other current assets	**12,237**	3,399
Total current assets	**486,820**	443,947
Property, plant and equipment, net	**1,292,002**	1,269,271
Operating lease right-of-use assets	**77,479**	—
Goodwill	**35,074**	35,074
Intangible assets, net	**22,295**	24,080
Other assets, net	**14,608**	15,746
TOTAL ASSETS	**$ 1,928,278**	$ 1,788,118
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Short-term debt	**$ 212,216**	$ 120,833
Accounts payable and accrued liabilities	**295,574**	321,032
Current liability for pensions and other postretirement employee benefits	**7,430**	7,430
Total current liabilities	**515,220**	449,295
Long-term debt	**671,484**	671,292
Operating lease liabilities	**72,647**	—
Liability for pensions and other postretirement employee benefits	**76,507**	78,191
Other long-term obligations	**33,859**	38,977
Accrued taxes	**3,111**	2,785
Deferred tax liabilities	**123,206**	121,182
TOTAL LIABILITIES	**1,496,034**	1,361,722
Stockholders' equity:		
Preferred stock, par value $0.0001 per share, 5,000,000 authorized shares, no shares issued	**—**	—
Common stock, par value $0.0001 per share, 100,000,000 authorized shares -16,515,156 and 16,482,345 shares issued	**2**	2
Additional paid-in capital	**7,175**	6,403
Retained earnings	**491,176**	487,339
Accumulated other comprehensive loss, net of tax	**(66,109)**	(67,348)
TOTAL STOCKHOLDERS' EQUITY	**432,244**	426,396
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	**$ 1,928,278**	$ 1,788,118

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)

	Three Months Ended March 31, 2019	Three Months Ended March 31, 2018
CASH FLOWS FROM OPERATING ACTIVITIES		
Net earnings	**$ 3,837**	$ 2,600
Adjustments to reconcile net earnings to net cash flows from operating activities:		
Depreciation and amortization	**25,836**	25,167
Equity-based compensation expense	**828**	781
Deferred taxes	**914**	(240)
Other non-cash activity, net	**(564)**	648
Changes in working capital, net	**(62,131)**	1,244
Changes in taxes receivable, net	**(680)**	1,463
Other, net	**2,561**	(803)
Net cash flows from operating activities	**(29,399)**	30,860
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to property, plant and equipment	**(71,588)**	(48,430)
Other, net	**—**	768
Net cash flows from investing activities	**(71,588)**	(47,662)
CASH FLOWS FROM FINANCING ACTIVITIES		
Borrowings on short-term debt	**290,362**	87,325
Repayments of borrowings on short-term debt	**(198,979)**	(73,825)
Other, net	**(716)**	(365)
Net cash flows from financing activities	**90,667**	13,135
Decrease in cash, cash equivalents, and restricted cash	**(10,320)**	(3,667)
Cash, cash equivalents, and restricted cash at beginning of period	**24,947**	16,738
Cash, cash equivalents, and restricted cash at end of period	**$ 14,627**	$ 13,071

	2019	2018
SUPPLEMENTAL DISCLOSURES OF CASH FLOW INFORMATION		
Cash paid for interest, net of amounts capitalized	**$ 15,147**	$ 13,927
Cash paid for income taxes	**19**	142
Cash received from income tax refunds	**190**	1,873
(Decrease) increase in accrued property, plant and equipment	**(28,443)**	1,317
Other non-cash additions to property, plant and equipment	**493**	—

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

CLEARWATER PAPER CORPORATION
Consolidated Statements of Stockholders' Equity
Unaudited (In thousands)

	Common Stock										
	Shares		Amount		Additional Paid-In Capital		Retained Earnings		Accumulated Other Comprehensive Loss		Total Stockholders' Equity
Balance at December 31, 2017	16,448	$	2	$	1,161	$	618,254	$	(43,983)	$	575,434
Net earnings	—		—		—		2,600		—		2,600
Performance share, restricted stock unit, and stock option awards	13		—		1,267		—		—		1,267
Reclassification of the income tax effects of the Tax Cuts and Jobs Act	—		—		—		12,852		(12,852)		—
Pension and other postretirement employee benefit plans, net of tax of $507	—		—		—		—		1,419		1,419
Balance at March 31, 2018	16,461	$	2	$	2,428	$	633,706	$	(55,416)	$	580,720
Balance at December 31, 2018	16,482	$	2	$	6,403	$	487,339	$	(67,348)	$	426,396
Net earnings	**—**		**—**		**—**		**3,837**		**—**		**3,837**
Performance share, restricted stock unit, and stock option awards	**33**		**—**		**772**		**—**		**—**		**772**
Pension and other postretirement employee benefit plans, net of tax of $442	**—**		**—**		**—**		**—**		**1,239**		**1,239**
Balance at March 31, 2019	**16,515**	**$**	**2**	**$**	**7,175**	**$**	**491,176**	**$**	**(66,109)**	**$**	**432,244**

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, and offers services that include custom sheeting, slitting and cutting. Clearwater Paper's employees build shareholder value by developing strong customer relationships through quality and service.

In the second half of 2017, we began a review of our selling, general and administrative cost structure as part of our effort to maintain our longer-term competitiveness. As a result of this review, in the fourth quarter of 2017 we began executing on a plan that reduced selling, general and administrative expenses beginning in 2018. For the three months ended March 31, 2018, we incurred $5.1 million of expenses associated with these efforts, which consisted primarily of severance and professional services expenses. We did not incur expenses associated with these efforts in the first quarter of 2019 as the plan implementation was substantially complete in 2018.

FINANCIAL STATEMENT PREPARATION AND PRESENTATION

The accompanying Consolidated Balance Sheets at March 31, 2019 and December 31, 2018, and the related Consolidated Statements of Operations, Comprehensive Income, Cash Flows and Stockholders' Equity for the three months ended March 31, 2019 and 2018, 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 presentation 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, 2018, as filed with the Securities and Exchange Commission, or SEC, on March 18, 2019.

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 that may require the use of estimates and measurement of uncertainty include determination of net realizable value for deferred tax assets, uncertain income tax positions, assessment of impairment of long-lived assets and goodwill, assessment of environmental matters, equity-based compensation and pension and postretirement obligation assumptions. Actual results could differ from those estimates and assumptions.

CASH, CASH EQUIVALENTS, AND RESTRICTED CASH

We consider all highly liquid instruments with maturities of three months or less at date of purchase to be cash equivalents. Cash that is held by a third party and has restrictions on its availability to us is classified as restricted cash. The following table provides a reconciliation of cash, cash equivalents and restricted cash reported on the Consolidated Balance Sheets that sum to the total of those same amounts shown in our Consolidated Statements of Cash Flows.

(In thousands)	March 31, 2019	March 31, 2018
Cash and cash equivalents	**$ 12,160**	$ 12,064
Restricted cash	**1,440**	—
Restricted cash included in other assets, net	**1,027**	1,007
Total cash, cash equivalents, and restricted cash shown in the Consolidated Statements of Cash Flows	**$ 14,627**	$ 13,071

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 $1,715.2 million and $1,691.7 million at March 31, 2019 and December 31, 2018, respectively.

For the three months ended March 31, 2019, we capitalized $3.2 million of interest expense associated with the construction of a paper machine at our Shelby, North Carolina consumer products facility and $0.2 million of interest expense associated with the construction of a continuous pulp digester at our Lewiston, Idaho pulp and paperboard facility. For the three months ended March 31, 2018, we capitalized $1.0 million of interest expense associated with the Shelby paper machine and $0.3 million of interest expense associated with the continuous pulp digester project.

We review 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.

LEASES

All significant lease arrangements are generally recognized at lease commencement. Operating lease right-of-use, or ROU, assets and lease liabilities are recognized at commencement. An ROU asset and corresponding lease liability are not recorded for leases with an initial term of 12 months or less (short term leases) and we recognize lease expense for these leases as incurred over the lease term.

ROU assets represent our right to use an underlying asset during the reasonably certain lease term and lease liabilities represent our obligation to make lease payments arising from the lease. Our lease terms may include options to extend or terminate the lease when it is reasonably certain that we will exercise that option. Operating lease ROU assets and liabilities are recognized at commencement date based on the present value of lease payments over the lease term. We primarily use our incremental borrowing rate, which is updated quarterly, based on the information available at commencement date, in determining the present value of lease payments. The operating lease ROU asset also includes any lease payments related to initial direct cost and prepayments and excludes lease incentives. Refer to Note 4, "Leases," for additional information.

REVENUE RECOGNITION

We enter into contracts that can include various combinations of tissue and paperboard products, which are generally distinct and accounted for as separate performance obligations.

Revenue is recognized at a point in time upon transfer of control of promised products or services to customers in an amount that reflects the consideration we expect to receive in exchange for those products or services. Transfer of control typically occurs when the title and risk of loss passes to the customer. Shipping terms generally indicate when title and the risk of loss have passed. Revenue is recognized at shipment for sales when shipping terms are free on board, or FOB, shipping point. For sales where shipping terms are FOB destination, revenue is recognized when the goods are received by the customer. Revenue from both domestic and foreign sales of our products can involve shipping terms of either FOB shipping point or FOB destination or other shipping terms, depending upon the sales agreement with the customer. We have elected to treat shipping and handling costs for FOB shipping point contracts as a fulfillment cost, not as a separate performance obligation. No revenue is recognized over time. We typically expense incremental direct costs of obtaining a contract (sales commissions) when incurred because the amortization period is generally 12 months or less. We have also elected to use the practical expedient to not disclose unsatisfied or partially satisfied performance obligations as we have no unsatisfied contracts where the remaining portions are expected to be satisfied in a period greater than one year.

We provide for trade promotions, customer cash discounts, customer returns and other deductions as reductions to net sales, which are accounted for as variable consideration when estimating the amount of revenue to recognize. Returns and credits are estimated at contract inception and updated at the end of each reporting period as additional information becomes available. Revenue net of returns and credits is only recognized to the extent that it is probable that a significant reversal of any incremental revenue will not occur. Significant judgment is required to determine the most probable amount of variable consideration to apply as a reduction to net sales. Revenue is recognized net of any taxes collected from customers, which are subsequently remitted to governmental authorities.

Payment terms and conditions vary by contract. Terms generally include a requirement of payment within 30 days, and do not include a significant financing component.

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 March 31, 2019 and December 31, 2018, we had allowances for doubtful accounts of $1.7 million and $1.5 million, respectively.

Refer to Note 14, "Segment Information," for further information, including the disaggregation of revenue by segment, primary geographical market, and major product type.

ACCOUNT PURCHASE AGREEMENT

In June 2018, we entered into an agreement (the “Account Purchase Agreement”) to offer to sell, on a revolving and discounted basis, certain trade accounts receivable balances to an unrelated third-party financial institution. If the financial institution purchases receivables thereunder, in its sole discretion, such transfers are accounted for as sales of receivables resulting in the receivables being de-recognized from our Consolidated Balance Sheet. The Account Purchase Agreement provides for the continuing sale of certain receivables on a revolving basis until June 2020 and automatically renews for successive one year terms, unless either party elects to terminate the Account Purchase Agreement in accordance with its terms. The maximum amount of receivables that may be sold at any time, prior to the settlement thereof, is $30.0 million.

For the three months ended March 31, 2019, $29.6 million of receivables were sold under the Account Purchase Agreement. As of March 31, 2019, $16.6 million of accounts receivable sold under the Asset Purchase Agreement were outstanding. The proceeds from these sales of receivables are included within the "Changes in working capital, net" line item in the operating activities section of the Consolidated Statements of Cash Flows. For the three months ended March 31, 2019, we recorded factoring expense on sales of receivables of less than $0.1 million, which is included in the "Selling, general and administrative expenses" line in the Consolidated Statement of Operations.

We have no retained interest in the receivables sold under the Account Purchase Agreement, however, we do have servicing responsibilities for the sold receivables. The fair value of the servicing arrangement was not material to the financial statements. As of March 31, 2019 and December 31, 2018, we had collected $12.7 million and $4.9 million of cash, respectively, from customers that had not yet been remitted to the third-party financial institution.

SUPPLY-CHAIN FINANCING

We have entered into supply-chain financing programs with financial intermediaries, which provide certain of our vendors the option to be paid by the financial intermediaries on our trade payables earlier than the due date on the applicable invoice. When a vendor receives an early payment on a trade payable it invoiced us for from a financial intermediary, we pay that financial intermediary the face amount of the invoice on the regularly scheduled due date. If we reimburse these vendors for certain fees they may incur in connection with receiving an early payment on an invoice, the amount of such invoice that would have otherwise been included in our trade payables is included in our short term debt. As of March 31, 2019 and December 31, 2018, $10.2 million and $20.8 million, respectively, was included in “Short-term debt” on our Consolidated Balance Sheets related to invoices for which we had reimbursed our vendors’ fees.

DERIVATIVES

We had no activity during the three months ended March 31, 2019 and 2018 that required hedge or derivative accounting treatment. 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 March 31, 2019, these contracts covered approximately 25% of our expected average monthly natural gas requirements for the remainder of 2019. Historically, these contracts have qualified for treatment as “normal purchases or normal sales” under authoritative guidance and thus required no mark-to-market adjustment.

NOTE 2 Recently Adopted and New Accounting Standards

Recently Adopted

On January 1, 2019, we adopted ASU 2016-02, *Leases (Topic 842)*, and subsequent ASUs related to Topic 842. The new guidance increases transparency and comparability among organizations by recognizing lease assets and lease liabilities on the balance sheet and disclosing key information about leasing arrangements. The adoption of Topic 842 had a material impact on our Consolidated Balance Sheet due to the recognition of right-of-use assets of $82.5 million and lease liabilities of $87.7 million, respectively, as of January 1, 2019. The difference between these lease assets and lease liabilities represents existing deferred rent balances that were reclassified on the balance sheet. The adoption of Topic 842 did not have a material impact on our Consolidated Statement of Operations or our Consolidated Statement of Cash Flows. We will continue to report periods prior to January 1, 2019 under prior guidance as outlined in Accounting Standards Codification Topic 840, "*Leases.*" Refer to Note 4, "Leases," for further discussion.

New Accounting Standards

In August 2018, the FASB issued ASU 2018-15, *Intangibles - Goodwill and Other - Internal-Use Software (Subtopic 350-40)*. This ASU requires capitalization of certain implementation costs incurred in a cloud computing arrangement that is a service contract. Amendments in this ASU are effective for fiscal years beginning after December 15, 2019 and for interim periods therein, with early adoption permitted. We do not believe this ASU will have a material impact on our consolidated financial statements.

In August 2018, the FASB issued ASU 2018-14, *Compensation - Retirement Benefits - Defined Benefit Plans - General (Subtopic 715-20)*, which modifies the disclosure requirements for defined benefit and other postretirement plans. This ASU eliminates certain disclosures associated with accumulated other comprehensive income, plan assets, related parties, and the effects of interest rate basis point changes on assumed health care costs, with other disclosures being added to address significant gains and losses related to changes in benefit obligations. This ASU also clarifies disclosure requirements for projected benefit and accumulated benefit obligations. The amendments in this ASU are effective for fiscal years ending after December 15, 2020, with early adoption permitted and adoption on a retrospective basis for all periods presented required. We are currently assessing the timing of our adoption of this ASU and do not believe it will have a material impact on our consolidated financial statements beyond updating footnote disclosures.

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)	March 31, 2019	December 31, 2018
Pulp, paperboard and tissue products	**$ 176,788**	$ 159,499
Materials and supplies	**90,470**	86,892
Logs, pulpwood, chips and sawdust	**18,651**	19,853
	$ 285,909	$ 266,244

NOTE 4 Leases

Our adoption of ASU 2016-02, *Leases (Topic 842)*, and subsequent ASUs related to Topic 842, requires us to recognize substantially all leases on the balance sheet as an ROU asset and a corresponding lease liability. The new guidance also requires additional disclosures as detailed below. We adopted this standard on the effective date of January 1, 2019 and used this effective date as the date of initial application. Under this application method, we were not required to restate prior period financial information or provide Topic 842 disclosures for prior periods. We elected the 'package of practical expedients,' which permitted us to not reassess our prior conclusions related to lease identification, lease classification, and initial direct costs, and we did not elect the use of hindsight.

We have operating leases for manufacturing, office, warehouse and distribution space, paperboard sheeting and chipping facilities, equipment, and vehicles. We also have finance leases related to our North Carolina converting and manufacturing facilities, as well as for certain office and other equipment. We determine if a contract is a lease at the inception of the arrangement. We review all options to extend, terminate, or purchase the ROU assets, and when reasonably certain to exercise, we include the option in the determination of the lease term and lease liability. Our leases have remaining lease terms from 1 year to 12 years, and some of our leases include one or more options to renew.

Lease ROU assets and liabilities are recognized at commencement date of the lease, based on the present value of lease payments over the lease term. The lease ROU asset also includes any lease payments made and excludes any lease incentives. When readily determinable, we use the implicit rate in determining the present value of lease payments. When leases do not provide an implicit rate, we use our incremental borrowing rate based on the information available at the lease commencement date, including the lease term.

Short-term leases with an initial term of 12 months or less are not recorded on the Consolidated Balance Sheet. Lease expense for short-term leases is recognized on a straight-line basis over the lease term. As of March 31, 2019, we did not have any short-term leases. Certain of our leases contain lease and non-lease components that are treated as a single lease component. Our variable lease costs include these non-lease components, which primarily consist of expenses for common area maintenance, taxes, and insurance. For the three months ended March 31, 2019, sublease income was immaterial to the financial statements.

The tables below present financial information associated with our leases. This information is only presented as of, and for the three months ended, March 31, 2019. As noted above, we adopted Topic 842 using a transition method that does not require application to periods prior to adoption.

LEASE EXPENSE

(In thousands)	**Three Months Ended March 31, 2019**
Operating lease costs	$ 3,480
Finance lease costs:	
Amortization of right-of-use assets	415
Interest on lease liabilities	472
Total finance lease costs	887
Variable lease costs	219
Total lease costs	$ 4,586

SUPPLEMENTAL CASH FLOW INFORMATION

(In thousands)	**Three Months Ended March 31, 2019**
Cash paid for amounts included in the measurement of lease liabilities:	
Operating cash flows from operating leases	$ 4,097
Operating cash flows from finance leases	472
Financing cash flows from finance leases	289
Right-of-use assets obtained in exchange for new lease liabilities:	
Operating leases	$ 75
Finance leases	493

SUPPLEMENTAL BALANCE SHEET INFORMATION

(In thousands)	Classification		March 31, 2019
Lease ROU Assets			
Operating lease assets	Operating lease right-of-use assets	$	77,479
Finance lease assets	Property, plant and equipment, net		16,695
Total lease ROU assets		$	94,174
Lease Liabilities			
Current operating lease liabilities	Accounts payable and accrued liabilities	$	12,097
Current finance lease liabilities	Accounts payable and accrued liabilities		1,365
Total current lease liabilities			13,462
Non-current operating lease liabilities	Operating lease liabilities		72,647
Non-current finance lease liabilities	Other long-term obligations		21,692
Total non-current lease liabilities			94,339
Total lease liabilities		$	107,801

LEASE TERM AND DISCOUNT RATE

	March 31, 2019
Weighted average remaining lease term (years)	
Operating leases	7.4
Finance leases	11.3
Weighted average discount rate	
Operating leases	4.9%
Finance leases	8.3%

MATURITY OF LEASE LIABILITIES

As of March 31, 2019, our maturities of lease liabilities were as follows:

(In thousands)	Operating	Finance
2019 (excluding the three months ended March 31, 2019)	$ 11,883	$ 2,437
2020	15,929	3,175
2021	15,215	3,220
2022	14,348	3,128
2023	9,590	2,897
Thereafter	34,633	21,468
Total lease payments	101,598	$ 36,325
Less interest portion	(16,854)	(13,268)
Total	84,744	$ 23,057

As of December 31, 2018, as previously disclosed in our 2018 Annual Report on Form 10-K and under the previous lease accounting standard, we had future minimum lease payments as follows:

(In thousands)	Operating	Capital
2019	$ 12,038	$ 3,093
2020	11,421	3,062
2021	10,424	3,112
2022	9,489	3,019
2023	7,163	2,789
Thereafter	24,276	21,710
Total future minimum lease payments	$ 74,811	$ 36,785
Less interest portion		(13,887)
Present value of future minimum lease payments		$ 22,898

NOTE 5 Intangible Assets

Intangible assets at the balance sheet dates comprise the following:

	March 31, 2019			
(Dollars in thousands, lives in years)	Weighted Average Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.4	$ 56,453	$ (36,978)	**$ 19,475**
Trade names and trademarks	7.4	6,786	(4,286)	**2,500**
Other intangibles	6.0	572	(252)	**320**
		$ 63,811	$ (41,516)	**$ 22,295**

	December 31, 2018			
(Dollars in thousands, lives in years)	Weighted Average Useful Life	Historical Cost	Accumulated Amortization	Net Balance
Customer relationships	9.4	$ 56,453	$ (35,469)	$ 20,984
Trade names and trademarks	7.4	6,786	(4,029)	2,757
Other intangibles	6.0	572	(233)	339
		$ 63,811	$ (39,731)	$ 24,080

For the three months ended March 31, 2019 and 2018, intangible assets amortization expense was $1.8 million and $2.0 million, respectively.

NOTE 6 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.

Our estimated annual effective tax rate applied to the first quarter of 2019 is approximately 6%, compared with approximately 25% for the comparable interim period in 2018. The decrease in the rate is due to an increase in the benefit from tax credits in the current year.

NOTE 7 Accounts Payable and Accrued Liabilities

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

(In thousands)	March 31, 2019	December 31, 2018
Trade accounts payable	**$ 198,289**	$ 228,059
Accrued wages, salaries and employee benefits	**29,549**	41,426
Lease liabilities	**13,462**	—
Accrued account purchase agreement liabilities	**12,664**	4,885
Accrued utilities	**8,561**	6,934
Accrued taxes other than income taxes payable	**7,789**	6,243
Accrued discounts and allowances	**7,230**	8,143
Accrued interest	**7,175**	14,672
Other	**10,855**	10,670
	$ 295,574	$ 321,032

NOTE 8 Debt

REVOLVING CREDIT FACILITIES

As of March 31, 2019, there was an aggregate of $302.0 million in borrowings outstanding under the credit facilities and $7.5 million of the credit facilities was being used to support outstanding standby letters of credit. As of December 31, 2018, there was an aggregate of $200.0 million in borrowings outstanding under the credit facilities. Our borrowings outstanding under the revolving credit facilities as of March 31, 2019 consisted of $202.0 million of short-term base and LIBOR rate loans classified as current liabilities that are included in "Short-term debt" in our Consolidated Balance Sheet and $100.0 million of fixed rate, three-year borrowings classified as a non-current liability that are included in "Long-term debt" in our Consolidated Balance Sheet. As of March 31, 2019, we would have been permitted to draw an additional $90.5 million under the credit facilities.

NOTE 9 Other Long-Term Obligations

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

(In thousands)	March 31, 2019	December 31, 2018
Finance lease obligations, net of current portion	**$ 21,692**	$ 21,589
Deferred proceeds	**4,350**	4,511
Deferred compensation	**3,912**	2,585
Other	**3,905**	10,292
	$ 33,859	$ 38,977

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 other postretirement employee benefit, or OPEB, plans for the periods presented:

(In thousands)	Three Months Ended March 31, 2019	2018	2019	2018
	Pension Benefit Plans		Other Postretirement Employee Benefit Plans	
Service cost	**$ 550**	$ 434	**$ 25**	$ 48
Interest cost	**3,121**	3,000	**647**	607
Expected return on plan assets	**(4,135)**	(4,254)	**—**	—
Amortization of prior service cost (credit)	**—**	—	**—**	(419)
Amortization of actuarial loss (gain)	**1,909**	2,570	**(228)**	(225)
Net periodic cost	**$ 1,445**	$ 1,750	**$ 444**	$ 11

During the three months ended March 31, 2019 and 2018, we made no contributions to our qualified pension plans. We do not expect, nor are we required, to make contributions in 2019.

During the three months ended March 31, 2019, we made contributions of $0.1 million to our company-sponsored non-qualified pension plan. We estimate contributions will total $0.4 million in 2019. We do not anticipate funding our OPEB plans in 2019 except to pay benefit costs as incurred during the year by plan participants.

During the three months ended March 31, 2019 and 2018, pension and OPEB changes in accumulated other comprehensive loss, net of tax, in our Consolidated Balance Sheets totaled $1.2 million and $1.4 million, respectively. Refer to the Consolidated Statements of Stockholders' Equity for additional information.

NOTE 11 Earnings per 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 March 31, 2019	2018
Basic weighted-average common shares outstanding[1]	**16,516,335**	16,476,011
Incremental shares due to:		
Restricted stock units	**33,651**	27,261
Performance shares	**13,300**	65,469
Stock options	**—**	8,670
Diluted weighted-average common shares outstanding	**16,563,286**	16,577,411
Basic net earnings per common share	**$ 0.23**	$ 0.16
Diluted net earnings per common share	**0.23**	0.16
Anti-dilutive shares excluded from calculation	**882,475**	558,319

[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:

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Restricted stock units	**$ 502**	$ 422
Performance shares	**334**	533
Stock options	**342**	535
Total employee equity-based compensation expense	**$ 1,178**	$ 1,490

As provided in the Clearwater Paper Corporation 2017 Stock Incentive Plan, the performance measure used to determine the number of performance shares ultimately issuable for performance shares granted in 2019 is a free cash flow performance measure for 70% of the performance share awards. For the remaining 30% of the grants, a return on invested capital measure is used. The combined performance of these measures is then subject to an adjustment (increase or decrease) of up to 25% based on our total shareholder return, or TSR, compared to the TSR performance of a selected index.

The number of performance shares actually issued, as a percentage of the amount subject to the performance share award, could range from 0%-200%.

During the first three months of 2019, 47,264 RSUs were settled and distributed. After adjusting for minimum tax withholdings, a net 32,811 shares were issued. In connection with the issued RSUs, the minimum tax withholding payments made during the three months ended March 31, 2019 totaled $0.4 million.

During the three months ended March 31, 2019, we had 18,180 stock option awards expire with a weighted-average exercise price of $53.71. At March 31, 2019, we had 572,481 stock option awards that were exercisable with a weighted-average exercise price of $51.17.

The following table summarizes the number of share-based awards granted under the Clearwater Paper Corporation 2017 Stock Incentive Plan during the three months ended March 31, 2019 and the grant-date fair value of the awards:

	Three Months Ended March 31, 2019	
	Number of Shares Subject to Award	**Average Fair Value of Award Per Share**
Restricted stock units	127,135	$ 27.13
Performance shares	140,536	27.11

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 director equity-based compensation benefit of $0.4 million and $0.7 million for the three months ended March 31, 2019 and 2018, respectively.

As of March 31, 2019, the liability amounts associated with director equity-based compensation included in "Other long-term obligations" on the accompanying Consolidated Balance Sheet were $1.8 million. At December 31, 2018, the liability amounts associated with director equity-based compensation included in "Other long-term obligations" and "Accounts payable and accrued liabilities" totaled $0.8 million and $1.3 million, respectively.

NOTE 13 Fair Value Measurements

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

	March 31, 2019		December 31, 2018	
(In thousands)	**Carrying Amount**	**Fair Value**	**Carrying Amount**	**Fair Value**
Cash, cash equivalents, and restricted cash (Level 1)	**$ 14,627**	**$ 14,627**	$ 24,947	$ 24,947
Borrowings under revolving credit facilities (Level 2)	**202,000**	**201,943**	100,000	99,909
Other short-term debt (Level 1)	**10,216**	**10,216**	20,833	20,833
Long-term debt (Level 2)	**675,000**	**644,798**	675,000	612,546

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 considering the assets' underlying maturities, 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.

Cash, cash equivalents, and restricted cash, borrowings under the revolving credit facilities, other short-term debt and long-term debt are the only items measured at fair value on a recurring basis.

We do not have any financial assets measured at fair value on a nonrecurring basis.

NOTE 14 Segment Information

Our reportable segments are described below.

Consumer Products

Our Consumer Products segment manufactures and sells a complete line of at-home tissue products, or retail products, and away-from-home tissue products, or non-retail products, and parent rolls. Retail products include bath, paper towels, facial and napkin product categories. Non-retail products include conventional one and two-ply bath tissue, two-ply paper towels, hard wound towels and dispenser napkins sold to customers with commercial and industrial tissue needs. Each category is further distinguished according to quality segments: ultra, premium, value and economy.

Pulp and Paperboard

Our Pulp and Paperboard segment manufactures and markets solid bleached sulfate paperboard for the high-end segment of the packaging industry as well as offers custom sheeting, slitting and cutting of paperboard. Our overall production consists primarily of folding carton, liquid packaging, cup and plate products and commercial printing grades. The majority of our Pulp and Paperboard customers are packaging converters, folding carton converters, merchants and commercial printers.

The table below presents information about our reportable segments:

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Segment net sales:		
Consumer Products	**$ 223,336**	$ 238,842
Pulp and Paperboard	**205,443**	198,110
Total segment net sales	**$ 428,779**	$ 436,952
Earnings (loss) before income taxes:		
Consumer Products[1]	**$ 1,271**	$ 1,629
Pulp and Paperboard[1]	**29,388**	26,154
	30,659	27,783
Corporate[1]	**(16,297)**	(16,244)
Income from operations	**14,362**	11,539
Interest expense, net	**(8,486)**	(8,020)
Non-operating pension and other postretirement benefit (costs) income	**(1,314)**	(1,279)
Earnings before income taxes	**$ 4,562**	$ 2,240
Depreciation and amortization:		
Consumer Products	**$ 14,771**	$ 14,297
Pulp and Paperboard	**9,485**	9,429
Corporate	**1,580**	1,441
Total depreciation and amortization	**$ 25,836**	$ 25,167

1 Income from operations for the Consumer Products, Pulp and Paperboard and Corporate segments for the three months ended March 31, 2018 include $1.4 million, $0.3 million and $3.4 million, respectively, of expenses associated with our selling, general and administrative cost control measures.

For the three months ended March 31, 2019, no customer accounted for more than 10% of our total company net sales. For the three months ended March 31, 2018, one customer, the Kroger Company, accounted for approximately 16.3% of our total company net sales.

Net sales, classified by the major geographic areas in which our customers are located and by major products, were as follows:

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Primary geographical markets:		
United States	**$ 414,769**	$ 420,820
Other countries	**14,010**	16,132
Total net sales	**$ 428,779**	$ 436,952
Major products:		
Retail tissue	**$ 204,585**	$ 219,842
Paperboard	**203,025**	198,110
Non-retail tissue	**18,469**	16,959
Other	**2,700**	2,041
Total net sales	**$ 428,779**	$ 436,952

NOTE 15 Supplemental Guarantor Financial Information

All of our subsidiaries that are 100% directly or indirectly owned by Clearwater Paper, guarantee our $275 million aggregate principal amount of 4.5% senior notes issued in January 2013 and due 2023, which we refer to as the 2013 Notes, on a full and unconditional, and 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 2013 Notes. The following tables present the results of operations, financial position and cash flows of Clearwater Paper and its subsidiaries, the guarantor subsidiaries, 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
Three Months Ended March 31, 2019

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 412,395	$ 67,540	$ (51,156)	**$ 428,779**
Costs and expenses:				
Cost of sales	(367,800)	(59,518)	43,072	**(384,246)**
Selling, general and administrative expenses	(26,245)	(3,926)	—	**(30,171)**
Total operating costs and expenses	(394,045)	(63,444)	43,072	**(414,417)**
Income from operations	18,350	4,096	(8,084)	**14,362**
Interest expense, net	(8,385)	(101)	—	**(8,486)**
Non-operating pension and other postretirement benefit costs	(1,314)	—	—	**(1,314)**
Earnings before income taxes	8,651	3,995	(8,084)	**4,562**
Income tax provision	(1,806)	(852)	1,933	**(725)**
Equity in income of subsidiary	3,143	—	(3,143)	**—**
Net earnings	$ 9,988	$ 3,143	$ (9,294)	**$ 3,837**
Other comprehensive income, net of tax	1,239	—	—	**1,239**
Comprehensive income	$ 11,227	$ 3,143	$ (9,294)	**$ 5,076**

Clearwater Paper Corporation
Consolidating Statement of Operations and Comprehensive Income
Three Months Ended March 31, 2018

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
Net sales	$ 455,177	$ 46,213	$ (64,438)	$ 436,952
Costs and expenses:				
Cost of sales	(412,957)	(40,360)	60,884	(392,433)
Selling, general and administrative expenses	(27,632)	(5,348)	—	(32,980)
Total operating costs and expenses	(440,589)	(45,708)	60,884	(425,413)
Income from operations	14,588	505	(3,554)	11,539
Interest expense, net	(7,929)	(91)	—	(8,020)
Non-operating pension and other postretirement benefit costs	(1,279)	—	—	(1,279)
Earnings before income taxes	5,380	414	(3,554)	2,240
Income tax (provision) benefit	(382)	(13)	755	360
Equity in earnings of subsidiary	401	—	(401)	—
Net earnings	$ 5,399	$ 401	$ (3,200)	$ 2,600
Other comprehensive income, net of tax	1,419	—	—	1,419
Comprehensive income	$ 6,818	$ 401	$ (3,200)	$ 4,019

Clearwater Paper Corporation
Consolidating Balance Sheet
At March 31, 2019

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 12,160	$ —	$ —	**$ 12,160**
Restricted cash	1,440	—	—	**1,440**
Receivables, net	148,494	19,599	—	**168,093**
Taxes receivable	6,965	4	12	**6,981**
Inventories	241,746	47,136	(2,973)	**285,909**
Other current assets	11,988	249	—	**12,237**
Total current assets	422,793	66,988	(2,961)	**486,820**
Property, plant and equipment, net	1,217,402	74,600	—	**1,292,002**
Operating lease right-of-use assets	72,161	5,318	—	**77,479**
Goodwill	35,074	—	—	**35,074**
Intangible assets, net	784	21,511	—	**22,295**
Intercompany (payable) receivable	(56,409)	53,436	2,973	**—**
Investment in subsidiary	178,444	—	(178,444)	**—**
Other assets, net	13,473	3,793	(2,658)	**14,608**
TOTAL ASSETS	$ 1,883,722	$ 225,646	$ (181,090)	**$ 1,928,278**
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term debt	$ 212,216	$ —	$ —	**$ 212,216**
Accounts payable and accrued liabilities	271,005	24,557	12	**295,574**
Current liability for pensions and other postretirement employee benefits	7,430	—	—	**7,430**
Total current liabilities	490,651	24,557	12	**515,220**
Long-term debt	671,484	—	—	**671,484**
Operating lease liabilities	68,742	3,905	—	**72,647**
Liability for pensions and other postretirement employee benefits	76,507	—	—	**76,507**
Other long-term obligations	33,859	—	—	**33,859**
Accrued taxes	2,238	873	—	**3,111**
Deferred tax liabilities	107,997	17,867	(2,658)	**123,206**
TOTAL LIABILITIES	1,451,478	47,202	(2,646)	**1,496,034**
Stockholders' equity excluding accumulated other comprehensive loss	498,353	178,444	(178,444)	**498,353**
Accumulated other comprehensive loss, net of tax	(66,109)	—	—	**(66,109)**
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,883,722	$ 225,646	$ (181,090)	**$ 1,928,278**

Clearwater Paper Corporation
Consolidating Balance Sheet
At December 31, 2018

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
ASSETS				
Current assets:				
Cash and cash equivalents	$ 22,484	$ —	$ —	$ 22,484
Receivables, net	127,952	17,567	—	145,519
Taxes receivable	16,634	41	(10,374)	6,301
Inventories	222,960	48,361	(5,077)	266,244
Other current assets	3,346	53	—	3,399
Total current assets	393,376	66,022	(15,451)	443,947
Property, plant and equipment, net	1,192,716	76,555	—	1,269,271
Goodwill	35,074	—	—	35,074
Intangible assets, net	1,045	23,035	—	24,080
Intercompany (payable) receivable	(62,846)	57,769	5,077	—
Investment in subsidiary	175,301	—	(175,301)	—
Other assets, net	14,839	2,618	(1,711)	15,746
TOTAL ASSETS	$ 1,749,505	$ 225,999	$ (187,386)	$ 1,788,118
LIABILITIES AND STOCKHOLDERS' EQUITY				
Current liabilities:				
Short-term debt	$ 120,833	$ —	$ —	$ 120,833
Accounts payable and accrued liabilities	299,715	31,691	(10,374)	321,032
Current liability for pensions and other postretirement employee benefits	7,430	—	—	7,430
Total current liabilities	427,978	31,691	(10,374)	449,295
Long-term debt	671,292	—	—	671,292
Liability for pensions and other postretirement employee benefits	78,191	—	—	78,191
Other long-term obligations	38,977	—	—	38,977
Accrued taxes	1,918	867	—	2,785
Deferred tax liabilities	104,753	18,140	(1,711)	121,182
TOTAL LIABILITIES	1,323,109	50,698	(12,085)	1,361,722
Stockholders' equity excluding accumulated other comprehensive loss	493,744	175,301	(175,301)	493,744
Accumulated other comprehensive loss, net of tax	(67,348)	—	—	(67,348)
TOTAL LIABILITIES AND STOCKHOLDERS' EQUITY	$ 1,749,505	$ 225,999	$ (187,386)	$ 1,788,118

Clearwater Paper Corporation
Consolidating Statement of Cash Flows
Three Months Ended March 31, 2019

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	$ 9,988	$ 3,143	$ (9,294)	**$ 3,837**
Adjustments to reconcile net earnings to net cash flows from operating activities:				
Depreciation and amortization	22,763	3,073	—	**25,836**
Equity-based compensation expense	828	—	—	**828**
Deferred taxes	2,251	(1,337)	—	**914**
Other non-cash activity, net	(569)	5		**(564)**
Changes in working capital, net	(73,447)	930	10,386	**(62,131)**
Changes in taxes receivable, net	9,669	37	(10,386)	**(680)**
Other, net	2,666	(105)	—	**2,561**
Net cash flows from operating activities	(25,851)	5,746	(9,294)	**(29,399)**
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	(71,309)	(279)	—	**(71,588)**
Net cash flows from investing activities	(71,309)	(279)	—	**(71,588)**
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings on short-term debt	290,362	—	—	**290,362**
Repayments of borrowings on short-term debt	(198,979)	—	—	**(198,979)**
Investment (to) from parent	(3,827)	(5,467)	9,294	**—**
Other, net	(716)	—	—	**(716)**
Net cash flows from financing activities	86,840	(5,467)	9,294	**90,667**
Decrease in cash, cash equivalents, and restricted cash	(10,320)	—	—	**(10,320)**
Cash, cash equivalents, and restricted cash at beginning of period	24,947	—	—	**24,947**
Cash, cash equivalents, and restricted cash at end of period	$ 14,627	$ —	$ —	**$ 14,627**

Clearwater Paper Corporation
Consolidating Statement of Cash Flows
Three Months Ended March 31, 2018

(In thousands)	Issuer	Guarantor Subsidiaries	Eliminations	Total
CASH FLOWS FROM OPERATING ACTIVITIES				
Net earnings	$ 5,399	$ 401	$ (3,200)	$ 2,600
Adjustments to reconcile net earnings to net cash flows from operating activities:				
Depreciation and amortization	19,958	5,209	—	25,167
Equity-based compensation expense	781	—	—	781
Deferred taxes	(119)	(121)	—	(240)
Other non-cash activity, net	655	(7)	—	648
Changes in working capital, net	4,661	(3,109)	(308)	1,244
Changes in taxes receivable, net	1,462	1	—	1,463
Other, net	(902)	99	—	(803)
Net cash flows from operating activities	31,895	2,473	(3,508)	30,860
CASH FLOWS FROM INVESTING ACTIVITIES				
Additions to property, plant and equipment	(47,670)	(760)	—	(48,430)
Other, net	761	7		768
Net cash flows from investing activities	(46,909)	(753)	—	(47,662)
CASH FLOWS FROM FINANCING ACTIVITIES				
Borrowings on short-term debt	87,325	—	—	87,325
Repayments of borrowings on short-term debt	(73,825)	—	—	(73,825)
Investment from (to) parent	(1,788)	(1,720)	3,508	—
Other, net	(365)	—	—	(365)
Net cash flows from financing activities	11,347	(1,720)	3,508	13,135
Decrease in cash, cash equivalents, and restricted cash	(3,667)	—	—	(3,667)
Cash, cash equivalents, and restricted cash at beginning of period	16,738	—	—	16,738
Cash, cash equivalents, and restricted cash at end of period	$ 13,071	$ —	$ —	$ 13,071

ITEM 2.

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

FORWARD-LOOKING STATEMENTS

Our disclosure, discussion 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 production quality and quantity, costs and timing associated with the expansion of our Shelby, North Carolina facility; our strengths and related benefits; our strategy; pulp production and the continuous digester at our Idaho facility; competitive market conditions, raw materials and input usage and costs, including energy costs and usage; selling, general and administrative cost reduction benefits; strategic projects and related costs and benefits; energy conservation; cash flows; capital expenditures; return on investment from capital projects; tax rates; potential impact following the establishment of applicable accounting standards; operating costs; selling, general and administrative expenses; timing of and costs related to major maintenance and repairs; liquidity; benefit plan funding levels; capitalized interest; 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 2018 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;
- the loss of, changes in prices in regard to, or reduction in, orders from a significant customer;
- changes in customer product preferences and competitors' product offerings;
- our ability to complete construction of our new tissue manufacturing operations in Shelby, North Carolina on time and within current cost expectations;
- customer acceptance and timing and quantity of purchases of our tissue products, including the existence of sufficient demand for and the quality of tissue produced by our expanded Shelby, North Carolina operations when they are completed;
- consolidation and vertical integration of converting operations in the paperboard industry;
- our ability to successfully implement our operational efficiencies and cost savings strategies, along with related capital projects, and achieve the expected operational or financial results of those projects, including from the continuous digester at our Lewiston, Idaho facility;
- 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 the U.S. and international economies and in general economic conditions in the regions and industries in which we operate;
- manufacturing or operating disruptions, including IT system and IT system implementation failures, equipment malfunctions and damage to our manufacturing facilities;
- changes in costs for and availability of packaging supplies, chemicals, energy and maintenance and repairs;
- larger competitors having operational and other advantages;
- cyclical industry conditions;
- changes in expenses, required contributions and potential withdrawal costs associated with our pension plans;
- environmental liabilities or expenditures;
- cyber-security risks;
- reliance on a limited number of third-party suppliers for raw materials;
- our ability to attract, motivate, train and retain qualified and key personnel;
- material weaknesses in our internal control over financial reporting;
- our substantial indebtedness and ability to service 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

We manufacture quality consumer tissue, away-from-home tissue, parent roll tissue, bleached paperboard and pulp at manufacturing facilities across the nation. We are a premier supplier of private label tissue to major retailers and wholesale distributors, including grocery, drug, mass merchant and discount stores. In addition, we produce bleached paperboard used by quality-conscious printers and packaging converters. Our employees build shareholder value by developing strong customer relationships through quality and service.

Recent Events

Shelby Expansion Project

We are nearing completion of building a new tissue machine and related converting equipment at a site adjacent to our existing facility in Shelby, North Carolina. The new tissue machine will produce a variety of high-quality private label ultra and premium bath, paper towel and napkin products. At full production capacity, the new tissue machine is expected to produce approximately 70,000 tons of tissue products annually. The estimated cost for the project includes approximately $360 million for the tissue machine, converting equipment and buildings, and approximately $60 million for warehouse expansion that will consolidate all southeastern warehousing in Shelby.

We project that the construction of the new facility will be completed in the second quarter of 2019 and will be fully operational in 2020. During the three months ended March 31, 2019, we incurred costs of $35.2 million on construction related activities and the new tissue machine in Shelby. We also capitalized $3.2 million of interest during the three months ended March 31, 2019 related to the Shelby expansion. In addition, in association with the startup of the new tissue machine, we expect to incur approximately $2.5 million of startup-related costs during the second quarter of 2019.

Components and Trends in our Business

Net sales

Prices for our consumer tissue products are affected by competitive conditions and the prices of branded tissue products. Our Consumer Products segment competes based on product quality, customer service and price. We deliver customer-focused business solutions by assisting in managing product assortment, category management, and pricing and promotion optimization.

In recent years, the industry has seen an increase in ultra and premium tissue products as industry participants have added or improved through-air-dried, or TAD, or equivalent production capacity as well as added conventional tissue capacity. Demand and pricing for consumer tissue products is currently being affected by this increased capacity, as well as changing dynamics in the at-home tissue segment as a result of changing consumer purchasing habits, consolidations and new entrants in the consumer retail channel, and new and evolving sales and distribution channels. These changing conditions contributed to a very competitive environment for consumer tissue over the past several years, which has continued into 2019. Reflecting these competitive conditions, in the third quarter of 2017, our largest tissue customer made the decision to go from a single source model to a multi-source model for its private label tissue supply beginning in the first quarter of 2018. This significantly affected sales volumes for our conventional tissue in 2018 and into 2019.

Our pulp and paperboard business is affected by macro-economic conditions around the world and has historically experienced cyclical market conditions. As a result, historical prices for our products and sales volumes have been volatile. Product pricing is significantly affected by the relationship between supply and demand for our products. Product supply in the industry is influenced primarily by fluctuations in available manufacturing production, which tends to increase during periods when prices remain strong. In addition, currency exchange rates affect U.S. supplies of paperboard, as non-U.S. manufacturers are more attracted to the U.S. market when the dollar is relatively strong.

The markets for our products are highly competitive. Our business is capital intensive, which leads to high fixed costs and large capital outlays and generally results in continued production as long as prices are sufficient to cover variable costs. These conditions have contributed to substantial price competition, particularly during periods of reduced demand. Some of our competitors have lower production costs, greater buying power and are integrated, and, as a result, may be less adversely affected than we are by price decreases.

Net sales consist of sales of consumer tissue, paperboard, and to a lesser extent pulp, net of discounts, returns and allowances and any sales taxes collected.

Operating Costs

Prices for our principal operating cost items are variable and directly affect our results of operations. In a strong economy, we normally would expect our operating costs to increase. Competitive market conditions, however, can limit our ability to pass cost increases through to our customers. The following table shows our principal operating cost items and associated percentage of net sales for the periods presented:

Cost of sales

	Three Months Ended March 31,				
(Dollars in thousands)	**2019**		**2018**		
	Cost	**Percentage of Sales**	**Cost[3]**	**Percentage of Sales**	**Cost Variance**
Wages and benefits	**$ 65,552**	**15.3%**	$ 70,452	16.1%	**$ (4,900)**
Purchased pulp	**50,680**	**11.8**	48,254	11.0	**2,426**
Transportation[1]	**49,059**	**11.4**	54,806	12.5	**(5,747)**
Chemicals	**39,351**	**9.2**	42,674	9.8	**(3,323)**
Chips, sawdust and logs	**38,087**	**8.9**	38,427	8.8	**(340)**
Packaging and operating supplies	**35,993**	**8.4**	37,970	8.7	**(1,977)**
Energy	**29,566**	**6.9**	21,882	5.0	**7,684**
Depreciation	**22,435**	**5.2**	21,722	5.0	**713**
Maintenance and repairs[2]	**15,392**	**3.6**	18,650	4.3	**(3,258)**
	346,115	**80.7**	354,837	81.2	**(8,722)**
Other operating costs	**38,131**	**8.9**	37,596	8.6	**535**
Total cost of sales	**$ 384,246**	**89.6%**	$ 392,433	89.8%	**$ (8,187)**

1 Includes internal and external transportation costs.
2 Excludes related labor costs.
3 Certain 2018 operating costs were reclassified to conform to the 2019 presentation.

Wages and benefits. Costs related to our employees primarily consist of wages and related benefit costs and payroll taxes. For the three months ended March 31, 2019, wage and benefit costs decreased compared to the same period in 2018, primarily due to reduced headcount driven by the sale of our Ladysmith, Wisconsin facility in August 2018 and the reduction of hourly workers at our Lewiston facility in 2018.

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. Purchased pulp costs increased in the three months ended March 31, 2019, compared to the same period in 2018, mainly due to higher overall prices.

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. Transportation costs decreased in the three month period ended March 31, 2019, compared to the same period in 2018, due largely to improvements in our Consumer Products segment's operating model resulting in lower miles shipped overall, a decrease in tons shipped in our Consumer Products segment and lower paperboard shipments in our Pulp and Paperboard segment, partially offset by higher line-haul rates.

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.

Chemical costs decreased in the three months ended March 31, 2019, compared to the same period in 2018, due to decreased paperboard production and, to a lesser extent, favorable pricing on polyethylene and caustic.

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. Chips, sawdust and log costs were flat for the three months ended March 31, 2019, compared to the same period in 2018, as higher pricing was offset by lower paperboard production.

Packaging and operating 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. Packaging costs decreased for the three months ended March 31, 2019, compared to the same period in 2018, due to favorable pricing.

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 primarily due to volatility in temperatures and electricity and natural gas rates. We generally strive to reduce our exposure to volatile energy prices through conservation. In addition, a co-generation facility that produces steam and electricity at our Lewiston, Idaho manufacturing site helps to lower our energy costs. Energy costs for the three months ended March 31, 2019 increased compared to the same period in 2018, primarily due to a shortage of natural gas supply in the Pacific Northwest due to a pipeline disruption resulting in higher natural gas pricing at our Lewiston, Idaho facility, as well as increased natural gas usage at our Idaho pulp and paperboard facility as a result of a recovery boiler outage and colder weather in the first quarter of 2019.

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 March 31, 2019, these contracts covered approximately 25% of our expected average monthly natural gas requirements for the remainder of 2019.

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 months ended March 31, 2019 increased compared to the same period in 2018 as a result of higher capital spending, primary related to our Shelby, North Carolina expansion.

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 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 three months ended March 31, 2019, maintenance and repair spending was lower than the same period in 2018 due to the absence in the 2019 period of planned maintenance that took place at our Arkansas Pulp and Paperboard facility in the first quarter of 2018. We expect to incur approximately $5 million in unplanned maintenance related primarily to our recovery boiler at our Idaho facility during the second quarter of 2019. We expect our 2019 planned major maintenance costs to be approximately $17 million at our Idaho facility during the third quarter of 2019, and approximately $8 million at our Arkansas facility during the fourth quarter of 2019.

Other operating costs. Other costs primarily consist of miscellaneous operating costs, which were relatively flat for the three months ended March 31, 2019, compared to the same period in 2018, due mainly to reduced outside warehouse costs for both segments being offset by increased equipment rentals and certain other costs at our pulp and paperboard segment.

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.

Interest expense

Interest expense for the three months ended March 31, 2019 and 2018 includes interest on our $275 million aggregate principal amount of 4.5% senior notes issued in January 2013 and due 2023, which we refer to as the 2013 Notes, and interest on our $300 million aggregate principal amount of 5.375% senior notes issued in 2014 and due 2025, which we refer to as the 2014 Notes. Interest expense also includes interest on the amount drawn under our revolving credit facilities and amortization of deferred issuance costs associated with all of our notes and revolving credit facilities. These interest expense amounts are partially offset by capitalized interest associated with major capital project spending.

Income taxes

Income taxes are based on reported earnings and tax rates in the jurisdictions in which our operations occur and offices are located, adjusted for available credits, changes in valuation allowances and differences between reported earnings and taxable income using current tax laws and rates. We generally expect our effective income tax rate, excluding discrete items, to remain fairly constant, although it could fluctuate due to changes in tax law.

RESULTS OF OPERATIONS

Three Months Ended March 31, 2019 Compared to Three Months Ended March 31, 2018

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

	Three Months Ended March 31,			
(Dollars in thousands)	**2019**		**2018**	
Net sales	**$ 428,779**	**100.0%**	$ 436,952	100.0%
Costs and expenses:				
Cost of sales	**(384,246)**	**89.6**	(392,433)	89.8
Selling, general and administrative expenses	**(30,171)**	**7.0**	(32,980)	7.5
Total operating costs and expenses	**(414,417)**	**96.7**	(425,413)	97.4
Income from operations	**14,362**	**3.3**	11,539	2.6
Interest expense, net	**(8,486)**	**2.0**	(8,020)	1.8
Non-operating pension and other postretirement benefit costs	**(1,314)**	**0.3**	(1,279)	0.3
Earnings before income taxes	**4,562**	**1.1**	2,240	0.5
Income tax (provision) benefit	**(725)**	**0.2**	360	0.1
Net earnings	**$ 3,837**	**0.9%**	$ 2,600	0.6%

Net sales—First quarter 2019 net sales decreased compared to the first quarter of 2018, as higher tissue and paperboard average net selling prices were more than offset by decreased tissue and paperboard sales volumes. The decreased tissue sales volumes were impacted by the sale of our Ladysmith, Wisconsin facility in August 2018. These items are further discussed below under "Discussion of Business Segments."

Cost of sales—Cost of sales was 89.6% of net sales for the first quarter of 2019 and 89.8% of net sales for the same period in 2018. Our overall cost of sales was $8.2 million lower than the first quarter of 2018, primarily due to lower transportation, wage and benefit, chemical and maintenance costs, partially offset by higher energy and purchased pulp costs.

Selling, general and administrative expenses—Selling, general and administrative expenses for the first quarter of 2019 decreased $2.8 million compared to the first quarter of 2018. The lower expense was due in part to the absence of $5.1 million of reorganization related expenses that were incurred in the first quarter of 2018, partially offset by increased legal and professional services fees in the first quarter of 2019.

Interest expense—Interest expense for the first quarter of 2019 was slightly higher than the first quarter of 2018, as higher interest expense associated with a larger average balance on our revolving credit facilities was largely offset by increased capitalized interest in the first quarter of 2019.

Income tax provision—We recorded an income tax provision of $0.7 million for the three months ended March 31, 2019, compared to a benefit of $0.4 million in the same period of 2018. The rate determined under generally accepted accounting principles, or GAAP, for the three months ended March 31, 2019 was approximately 16% compared to a beneficial rate of approximately 16% for the same period of 2018. The net change to our rate was primarily the result of an increase in the benefit from credits offset by certain discrete items.

Discussion of Business Segments

Consumer Products

(Dollars in thousands - except per ton amounts)	Three Months Ended March 31, 2019	2018
Net sales	**$ 223,336**	$ 238,842
Operating income	**1,271**	1,629
Percent of net sales	**0.6%**	0.7%
Shipments (short tons)		
Retail	**73,356**	80,971
Non-retail	**10,266**	11,236
Total tissue tons	**83,622**	92,207
Converted products cases (in thousands)	**12,320**	13,262
Sales price (per short ton)		
Retail	**$ 2,789**	$ 2,715
Non-retail	**1,799**	1,509
Total tissue	**$ 2,667**	$ 2,568

Net sales for the Consumer Products segment during the first quarter of 2019 decreased by $15.5 million compared to the first quarter of 2018 due to a reduction in sales volume in both parent roll and retail sales, primarily due to volume lost from a significant customer in 2018 and the impact from the sale of our Ladysmith facility in August 2018, partially offset by a favorable mix shift to increased ultra towel and bath sales.

The segment had operating income of $1.3 million for the first quarter of 2019, compared to $1.6 million in the first quarter of 2018. The slight decrease was primarily attributable to the decreased sales, which was partially offset by lower transportation and warehousing costs and the absence of reorganization related expenses in the first quarter of 2019 that existed in the first quarter of 2018.

Pulp and Paperboard

(Dollars in thousands - except per ton amounts)	Three Months Ended March 31, 2019	2018
Net sales	**$ 205,443**	$ 198,110
Operating income	**29,388**	26,154
Percent of net sales	**14.3%**	13.2%
Paperboard shipments (short tons)	**202,834**	206,309
Paperboard sales price (per short ton)	**$ 1,001**	$ 960

Net sales for the Pulp and Paperboard segment increased by $7.3 million during the first quarter of 2019, compared to the first quarter of 2018. The increase was due primarily to higher average net selling prices resulting from a favorable mix shift, partially offset by lower sales volume. Lower sales volumes during the first quarter of 2019 were primarily due to customers purchasing product in the prior quarter before a previously announced price increase went into effect.

Operating income for the segment increased by $3.2 million during the first quarter of 2019, compared to the first quarter of 2018, primarily due to increased sales and lower wage and benefit, maintenance and chemical costs, partially offset by higher energy, pulp and transportation costs.

NON-GAAP MEASURES

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 and Adjusted EBITDA 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 indenture governing the 2013 Notes use metrics 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.

	Three Months Ended March 31,	
(In thousands)	**2019**	**2018**
Net earnings	**$ 3,837**	$ 2,600
Interest expense, net	**8,486**	8,020
Income tax provision (benefit)	**725**	(360)
Depreciation and amortization expense	**25,836**	25,167
EBITDA	**$ 38,884**	$ 35,427
Directors' equity-based compensation benefit	**(350)**	(709)
Reorganization related expenses associated with SG&A cost control measures	**—**	5,104
Non-operating pension and other postretirement benefit costs[1]	**1,314**	1,279
Adjusted EBITDA	**$ 39,848**	$ 41,101

[1] In 2018, we adopted Accounting Standards Update 2017-07, *Compensation - Retirement Benefits: Improving the Presentation of Net Periodic Pension Cost and Net Periodic Postretirement Benefit Cost*, which requires all net periodic pension and postretirement costs other than service cost to be presented on a line outside of operating income. Beginning in the first quarter of 2019, we are excluding these non-operating costs from the calculation of Adjusted EBITDA. The corresponding prior period amounts have been reclassified to conform with the current period presentation.

LIQUIDITY AND CAPITAL RESOURCES

The following table presents information regarding our cash flows for the nine months ended March 31, 2019 and 2018:

(In thousands)	**2019**	**2018**
Net cash flows from operating activities	**$ (29,399)**	$ 30,860
Net cash flows from investing activities	**(71,588)**	(47,662)
Net cash flows from financing activities	**90,667**	13,135

Cash Flows Summary

Net cash flows from operating activities for the three months ended March 31, 2019 decreased by $60.3 million compared to the same period in 2018. The decrease in operating cash flows was driven by a decrease of $63.4 million from changes in working capital primarily due to increases in accounts receivable and inventory and a decrease in accounts payable and accrued liabilities.

Net cash flows used for investing activities for the three months ended March 31, 2019 increased by $23.9 million compared to the prior year period primarily due to an increase in cash paid for plant and equipment, which was primarily related to our Shelby expansion project.

Net cash flows provided by financing activities were $90.7 million for the three months ended March 31, 2019, and were driven by net borrowings of $91.4 million on our short-term debt. Net cash flows provided by financing activities were $13.1 million for the same period of 2018, due to net borrowings of $13.5 million on our short-term debt.

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 our borrowing capacity under our senior secured revolving credit facilities will be adequate to fund our debt service requirements and provide cash required to support our ongoing operations, capital expenditures, 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.

Capital Expenditures

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. For the three months ended March 31, 2019, excluding capitalized interest of $3.4 million, we incurred $39.8 million on capital expenditures, which included $36.4 million of capital spending on strategic projects and other projects designed to reduce future manufacturing costs and provide a positive return on investment. Including $28.4 million of capital expenditures that were incurred in 2018 and paid in the first quarter of 2019, as well as the capitalized interest of $3.4 million, cash paid for capital expenditures in the first quarter of 2019 totaled $71.6 million. During the three months ended March 31, 2018, we incurred $48.4 million on capital expenditures, excluding capitalized interest of $1.3 million, which included $44.8 million of capital spending on strategic projects and other projects expected to reduce future manufacturing costs and provide a positive return on investment.

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 $28.5 million for 2019. 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

Our revolving credit facilities contain various loan covenants that restrict our ability and that of our subsidiaries to take certain actions, including, incurrence of indebtedness, creation of liens, mergers or consolidations, dispositions of assets, repurchase or redemption of capital stock, making certain investments, entering into certain transactions with affiliates or changing the nature of their business. In addition, the revolving credit facilities contain financial covenants that require us to maintain a consolidated secured leverage ratio in an amount not to exceed 2.00 to 1.00 in 2019, and 1.50 to 1.00 thereafter, a consolidated interest coverage ratio in an amount not less than 1.25 to 1.00, and a consolidated asset coverage ratio of not less than 1.00 to 1.00.

As of both March 31, 2019 and December 31, 2018, we were in compliance with our debt covenants. Based on our current financial projections and also taking into account certain actions that are available to us to enhance our compliance with these covenants, we expect to remain in compliance with them. However, if our financial position, results of operations or market conditions deteriorate, we may not be able to remain in compliance. There can be no assurance that we will be able to remain in compliance with these covenants. If we are unable to do so, it would be necessary to seek amendments to the affected covenants from our lenders, which, if obtained, could require payment of additional fees, increased interest rates or other conditions or restrictions.

See Note 8, "Debt," to the condensed notes to the consolidated financial statements included in this report for additional discussion of our revolving credit facilities.

CONTRACTUAL OBLIGATIONS

As of March 31, 2019, 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, 2018.

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 March 31, 2019, 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, 2018.

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 facilities. As of March 31, 2019, there were $302.0 million in borrowings outstanding under our revolving credit facilities. The interest rates applied to borrowings under the credit facilities 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 facilities' borrowings of $302.0 million, would have an approximate $3.0 million annual effect on interest expense. We currently do not attempt to alleviate 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 March 31, 2019, these contracts covered approximately 25% of our expected average monthly natural gas requirements for the remainder of 2019.

Foreign Currency Risk

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

ITEM 4.

Controls and Procedures

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.

Material Weaknesses In Internal Control Over Financial Reporting

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 first quarter of 2019. Based on that evaluation, the CEO and CFO have concluded that, as of March 31, 2019, our disclosure controls and procedures were not effective to meet the objective for which they were designed as a result of the material weaknesses in our internal control over financial reporting previously disclosed under Item 9A of our Annual Report on Form 10-K for the year ended December 31, 2018, or Annual Report.

Remediation Efforts

The material weaknesses in our internal control over financial reporting, which are described more fully in our Annual Report, continued to exist as of March 31, 2019. We are actively engaged in implementing the remediation efforts described in the Annual Report which are designed to address these material weaknesses, and subsequent to the filing of our Annual Report we are in the process of hiring additional accounting personnel, implementing enhanced controls governing our risk management committee, our disclosure committee and our sub-certifications, and designing additional controls over the documentation and application of technical accounting guidance with particular emphasis on events outside the ordinary course of business, including changes to payment arrangements with vendors. While progress has been made, additional time is needed to fully implement and demonstrate the effectiveness of the remediation efforts. We are committed to operating effective controls, and management continues to regularly assess the progress and sufficiency of the ongoing initiatives and make adjustments as and when necessary.

Notwithstanding the identified material weaknesses, management has concluded that the consolidated financial statements included in this quarterly report on Form 10-Q fairly present in all material respects our financial position, results of operations and cash flows at and for the periods presented in accordance with U.S. generally accepted accounting principles.

Changes in Internal Controls

Other than the remediation efforts related to the material weaknesses described in our Annual Report, 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

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, 2018. See Part I, Item 1A of our Annual Report on Form 10-K for the year ended December 31, 2018, entitled “Risk Factors.”

ITEM 6.

Exhibits

EXHIBIT NUMBER	DESCRIPTION
10(i)*	Employment Agreement between Linda K. Massman and the Company dated effective January 1, 2019.
10(ii)*	Offer Letter, dated March 18, 2019, with Robert G. Hrivnak.
(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.

* Management contract or compensatory plan, contract or arrangement.

** 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.

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)

May 8, 2019

By /s/ ROBERT G. HRIVNAK
Robert G. Hrivnak
Senior Vice President, Finance and
Chief Financial Officer
(Duly Authorized Officer; Principal
Financial Officer)

May 8, 2019

By /s/ ROBERT N. DAMMARELL
Robert N. Dammarell
Vice President, Corporate Controller
(Duly Authorized Officer; Principal
Accounting Officer)

February 9, 2019

Ms. Linda K. Massman

Dear Linda:

The purpose of this letter agreement (this "***Agreement***") is to confirm important terms and conditions pertaining to your employment as President and Chief Executive Officer of Clearwater Paper Corporation (the "***Company***").

1. <u>Term of Agreement</u>: This Agreement shall be effective as of January 1, 2019 (the "***Effective Date***"), and, unless terminated earlier in accordance with its terms, shall remain in effect for three (3) years following the Effective Date (the "***Agreement Term***").

2. <u>Position</u>: You will be employed with the Company as its President and Chief Executive Officer. In addition, effective the Effective Date, you will be appointed to the Company's Board of Directors (the "***Board***") and, in the future upon the expiration of each term as a Board member, the Board shall use its best efforts to secure your re-election to the Board.

3. <u>Base Salary</u>: Your base salary as of the Effective Date is $925,000 on an annualized basis, payable in accordance with the Company's regular payroll practices, as established from time to time. Beginning in February 2019 and continuing thereafter during the Agreement Term, your salary shall be reviewed on at least an annual basis by, and may be increased but not decreased at the discretion of the appropriate committee of the Board. Except as otherwise provided in this Section 3, the review of your base salary will occur at the same time as the review for other senior executives of the Company.

4. <u>Annual Incentive Award Opportunity</u>: You will be eligible to participate in the Company's annual bonus plan for similarly situated executives. As of the Effective Date, your target annual bonus is 100% of your base salary. All awards shall be governed by the terms of, and subject to any conditions established by, the Company's then-current annual bonus plan.

5. <u>Long-Term Incentive Awards</u>: You will be eligible to participate in the Company's Long-Term Incentive Plan ("***LTIP***"), subject to the terms and conditions of the then current LTIP and on a basis at least as favorable as generally applicable to the other senior executives of the Company. As of the Effective Date (and for subsequent years), the target value of your LTIP award shall be no less than $2,000,000, though ultimately subject to Board discretion acting in good faith with consideration to full facts and circumstances.

6. <u>Employee Benefits</u>:

(a) Subject to Section 7, you will be eligible to participate in Company's employee welfare, benefit, and retirement plans and programs, including retirement and supplemental retirement plans, on the same basis as generally applicable to the other senior executives of the

Company. Further, you will be eligible for all fringe benefits and perquisites generally available to the other senior executives of the Company on at least as favorable a basis as such other senior executives, and you will be reimbursed for reasonable business expenses per Company policy.

(b) The Company will pay, or reimburse you for, the reasonable professional fees and related expenses you incur for legal advice in connection with the preparation and execution of this Agreement.

7. Termination of Employment: This Agreement and your employment with the Company may be terminated at any time during its term by either you or the Company, provided, however, that the parties' rights and obligations upon such termination during the Agreement Term shall be governed by the following provisions of this Agreement and applicable provisions of any other documents referenced in Section 9 below. If your employment terminates during the Agreement Term for any reason you shall promptly offer to resign from the Board. The Nominating and Governance Committee shall consider the appropriateness of continued Board service and will recommend to the Board whether the resignation should be accepted. In addition, termination of your employment for any reason shall constitute your resignation as an officer of the Company, its subsidiaries, and its affiliates. Upon termination for any reason, you shall be paid for all earned but unpaid base salary through the Date of Termination, any bonus earned under the terms of the governing plan but remaining unpaid for any previously completed performance cycle, and any earned but unused vacation and will be provided any employee benefits earned but not yet provided under the terms of any applicable plan or program (the "***Accrued Obligations***"). You may be eligible for severance as provided below, but there will be no duplication of benefits and severance provided hereunder is in lieu of any severance pay or benefits for which you might otherwise have been eligible under any plan, program, or practice of the Company, including the Severance Program for Executive Employees, as amended from time to time, or any successor program (the "***Severance Program***").

(a) *Termination by the Company Without Cause or Your Resignation for Good Reason Prior to, or more than 24 months after, a Change in Control*: If, during the Agreement Term and either prior to (and not in connection with) or more than twenty-four (24) months after a "Change in Control" your employment is involuntarily terminated by the Company without "Cause" (and for reasons other than your death or "Disability") or you resign for "Good Reason," all as defined below, you shall be eligible for the following severance benefits subject to and contingent upon your timely execution, without subsequent revocation, of a release of claims in a form reasonably satisfactory to the Company (not requiring you to waive your rights pursuant to Section 20 below and not imposing any restrictive covenant on your conduct post-termination that you had not agreed to prior to your termination in this Agreement or otherwise), as described in more detail in Section 7(j) (the "***Release***"):

(i) a prorated bonus under the applicable annual bonus plan for the year in which your termination occurs, which will be paid at the same time payments are made to other participants and calculated by taking the product of (x) your annual bonus that would have been payable with respect to the fiscal year in which the Date of Termination occurs (determined in accordance with the terms of the governing plan based on actual corporate performance and provided that such annual bonus shall not be adjusted downward for individual performance) and (y) a fraction, the numerator of which is the number of days in the fiscal year through the Date of Termination and the denominator of which is 365; provided, however, that if the period during which you can consider and revoke your Release begins in one calendar year and ends in the subsequent calendar year, then payment under this Section 7(a)(i) shall be made on the latest of (A) the date on which payments are made to other participants, (B) January 15 of such subsequent calendar year and (C) the seventh (7th) day following the date when your Release becomes effective;

(ii) a lump sum payment in the amount equal, before applicable taxes and deductions, to one and a half times your base salary in effect as of the Date of Termination (or, in the case of resignation for Good Reason, within the meaning of Section 7(i)(ii), immediately prior to the reduction thereof giving rise to the Good Reason), which payment shall be made as soon as practicable (and within seven (7) days) following the date your Release becomes effective, but no later than sixty-one (61) days following your Date of Termination; provided, however, that if the period during which you can consider and revoke your Release begins in one calendar year and ends in the subsequent calendar year, then payment under this Section 7(a)(ii) shall be made on the later of (A) January 15 of such subsequent calendar year and (B) the seventh (7th) day following the date when your Release becomes effective; and

(iii) for 18 months after your Date of Termination, the Company shall continue benefits to you and/or your eligible dependents at least equal to those which would have been provided to them in accordance with the Company's health plans if your employment had not been terminated or, if more favorable to you, as in effect generally at any time thereafter with respect to other senior executives of the Company and their eligible dependents;[1] provided, however, that you must pay the entire cost of such benefits and the Company will reimburse you an amount equal to the amount it pays toward the cost of such coverage for active senior executives of the Company (this benefit will cease to be provided if you fail to timely pay the entire cost of such benefits); if you become employed with another employer and are eligible to receive medical benefits under another employer-provided plan, the health benefit coverage described herein shall cease; and the Company may unilaterally amend this Section 7(a)(iii) or eliminate the benefit provided hereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or its subsidiaries or affiliates, including, without limitation, under Section 4980D of the Internal Revenue Code of 1986, as amended (the "***Code***").

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[1]Notwithstanding anything in this Agreement to the contrary, if, under applicable law, the continued group health plan coverage provided for herein is not feasible, you will be paid the cash equivalent of the cost of such coverage, plus an amount to cover any taxes you incur as a result of such payments and the taxes thereon. Your eligibility to purchase continued health insurance coverage under COBRA shall run concurrently with the period for which the Company is providing coverage under this subsection.

(b) *Termination by the Company Without Cause or Your Resignation for Good Reason Following a Change in Control* : If, during the Agreement Term, and in connection with or on or within twenty-four (24) months of a Change in Control occurring during the Agreement Term (and without regard to any expiration of the Agreement Term during such 24-month period), your employment is involuntarily terminated by the Company without Cause (and for reasons other than your death or Disability) or you resign for Good Reason, you shall be eligible for the following severance benefits subject to and contingent upon your timely execution, without subsequent revocation, of the Release:

(i) a lump sum payment in the amount equal, before taxes and deductions, to the product of (x) the target amount of your annual bonus that would have been payable with respect to the fiscal year in which the Date of Termination occurs and (y) a fraction, the numerator of which is the number of days in the fiscal year through the Date of Termination and the denominator of which is 365, which payment shall be made as soon as practicable (and within seven (7) days) following the date your Release becomes effective, but no later than sixty-one (61) days following your Date of Termination; provided, however, that if the period during which you can consider and revoke your Release begins in one calendar year and ends in the subsequent calendar year, then payment shall be made on the later of (A) January 15 of such subsequent calendar year and (B) the seventh (7th) day following the date when your Release becomes effective;

(ii) a lump sum payment in the amount equal, before applicable taxes and deductions, to two and one-half (2.5) times the sum of (A) your base salary plus (B) the target amount of your annual bonus, in effect as of the Date of Termination (or, in the case of resignation for Good Reason, within the meaning of Section 7(i)(ii), immediately prior to the reduction thereof giving rise to the Good Reason), which payment shall be made as soon as practicable (and within seven (7) days) following the date your Release becomes effective, but no later than sixty-one (61) days following your Date of Termination; provided, however, that if the period during which you can consider and revoke your Release begins in one calendar year and ends in the subsequent calendar year, then payment under this Section 7(b)(ii) shall be made on the later of (A) January 15 of such subsequent calendar year and (B) the seventh (7th) day following the date when your Release becomes effective; and

(iii) for two and one-half (2.5) years after your Date of Termination, the Company shall continue benefits to you and/or your eligible dependents at least equal to those which would have been provided to them in accordance with the Company's health plans if your employment had not been terminated or, if more favorable to you, as in effect generally at any time thereafter with respect to other senior executives of the Company and their eligible dependents;[2] provided, however, that you must pay the entire cost of such benefits and the Company will reimburse you an amount equal to the amount it pays toward the cost of such coverage for active senior executives of the Company (this benefit will cease to be provided if you fail to timely pay the entire cost of such benefits); if you become employed with another employer and are eligible to receive medical benefits under another employer-provided plan, the health benefit coverage described herein shall cease; and the Company may unilaterally amend this Section 7(b)(iii) or eliminate the benefit provided hereunder to the extent it deems necessary to avoid the imposition of excise taxes, penalties or similar charges on the Company or any of its subsidiaries or affiliates, including, without limitation, under Code Section 4980D.

(c) *Termination by the Company For Cause or Your Resignation Without Good Reason* : If, during the Agreement Term, your employment is involuntarily terminated by the Company for Cause or you resign without Good Reason (and not as a result of death or Disability), this Agreement shall terminate without further obligations to you, other than payment of the Accrued Obligations and as provided at Section 20 below.

(d) *Termination Due to Death or Disability*.

(i) Your employment status shall terminate automatically upon your death during the Agreement Term. Further, if you incur a Disability (as defined below) during the Agreement Term, the Company may give you written notice of its intention to terminate your employment. In such event, your employment with the Company shall terminate effective on the 30th day after your receipt of such written notice (the "***Disability Effective Date***"), provided that, within the 30 days after such receipt, you shall not have returned to full-time performance of your duties. For purposes of this Agreement, "***Disability***" shall have the meaning set forth in Code Section 409A(a)(2)(C).

(ii) If your employment is terminated by reason of your death or Disability during the Agreement Term, this Agreement shall terminate without further obligations to you or your estate, beneficiaries or legal representatives under this Agreement, other than for

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[2] Notwithstanding anything in this Agreement to the contrary, if, under applicable law, the continued group health plan coverage provided for herein is not feasible, you will be paid the cash equivalent of the cost of such coverage, plus an amount to cover any taxes you incur as a result of such payments and the taxes thereon. Your eligibility to purchase continued health insurance coverage under COBRA shall run concurrently with the period for which the Company is providing coverage under this subsection.

payment of the Accrued Obligations and a prorated bonus under the applicable annual bonus plan for the year in which your termination occurs, which will be paid at the same time payments are made to other participants and calculated by taking the product of (x) your annual bonus that would have been payable with respect to the fiscal year in which the Date of Termination occurs (determined at the end of such year based on actual performance results through the end of such year and provided that such annual bonus shall not be adjusted downward for individual performance) and (y) a fraction, the numerator of which is the number of days in the current fiscal year through the Date of Termination and the denominator of which is 365.

(e) *Notice of Termination*. Any termination by the Company for Cause, or by you for Good Reason, shall be communicated by Notice of Termination to the other party hereto given in accordance with this Agreement. For purposes of this Agreement, a "***Notice of Termination***" means a written notice which (i) indicates the specific termination provision in this Agreement relied upon, (ii) to the extent applicable, sets forth in reasonable detail the facts and circumstances claimed to provide a basis for termination of your employment under the provision so indicated and (iii) specifies the termination date. The failure by you or the Company to set forth in the Notice of Termination any fact or circumstance which contributes to a showing of Good Reason or Cause shall not waive any right of you or the Company, respectively, hereunder or preclude you or the Company, respectively, from asserting such fact or circumstance in enforcing your or the Company's rights hereunder.

(f) *Definition of Cause*: For purposes of this Agreement, "***Cause***" shall mean: the occurrence of any one or more of the following:

(i) your conviction of any felony or any crime involving fraud, dishonesty or moral turpitude;

(ii) your participation in a fraud or act of dishonesty against the Company, its subsidiaries or affiliates or any successor to the Company that results in material harm to the business of the Company, its subsidiaries or affiliates or any successor to the Company;

(iii) your willful, material violation of any contract between you and the Company, its subsidiaries or affiliates or any successor to the Company, or any statutory duty you owe the Company, its subsidiaries or affiliates or any successor to the Company, in either case that you do not correct within thirty (30) days after written notice thereof has been provided to you (and for which purpose no act or omission to act shall be "willful" if conducted in good faith and with a reasonable belief that such act or omission was in the best interests of the Company, its subsidiaries or affiliates or any successor to the Company);

(iv) the commission of an act by you (either alone or with other acts) of harassment or discrimination on the basis of gender, race, age, religion, sexual orientation or other protected category; or

(v) the commission by you of an alcohol or drug offense in violation of the Company's Substance Abuse Policy for salaried employees.

Your termination shall not be deemed to be for Cause unless and until there shall have been delivered to you a copy of a resolution duly adopted in good faith by the affirmative vote of not less than a majority of the entire membership of the Board (excluding you, if you are a member of the Board), stating that you have engaged in the conduct described above constituting "Cause", and specifying the particulars thereof in detail. Such finding shall be effective to terminate your employment for Cause only if you were provided reasonable notice of the proposed action and were given an opportunity, together with counsel, to be heard by the Board.

(g) *Definition of Change in Control*: For the purposes of this Agreement, "***Change in Control***" shall mean the occurrence of any of the following events:

(i) Upon consummation of a merger or consolidation of the Company (a "***Business Combination***") unless, following such Business Combination,

(A) all or substantially all of the individuals and entities who were the beneficial owners, respectively, of the outstanding common stock of the Company (the "***Outstanding Coming Stock***") and the outstanding voting securities of the Company entitled to vote generally in the election of members of the Board (the "***Outstanding Voting Securities***") immediately prior to such Business Combination beneficially own, directly or indirectly, more than 50% of, respectively, the then outstanding shares of common stock (or common equity) and the combined voting power of the then outstanding voting securities entitled to vote generally in the election of directors of the corporation or other entity resulting from such Business Combination (including a corporation or other entity which as a result of such transaction owns the Company either directly or through one or more subsidiaries),

(B) no individual, entity or group (within the meaning of Section 13(d)(3) or 14(d)(2) of the Securities Exchange Act of 1934 (a "***Person***") (excluding any corporation or other entity resulting from such Business Combination or any employee benefit plan (or related trust) sponsored or maintained by the Company or a subsidiary or such other corporation or other entity resulting from such Business Combination) beneficially owns, directly or indirectly, 30% or more of, respectively, the then outstanding shares of common stock (or common equity) of the corporation or other entity resulting from such Business Combination or the combined voting power of the then outstanding voting securities of such corporation or other entity except to the extent that such ownership is based on the beneficial ownership, directly or indirectly, of Outstanding Common Stock or Outstanding Voting Securities immediately prior to the Business Combination, and

(C) at least a majority of the members of the board of directors (or similar governing body) of the corporation or other entity resulting from such Business Combination were members of the Board of Directors at the time of the execution of the initial agreement, or of the action of the Board of Directors, providing for such Business Combination; or

(ii) Upon the consummation of the sale, lease or exchange of all or substantially all of the assets of the Company; or

(iii) On the date that individuals who constitute the "***Incumbent Board***" (the individuals who constituted the Board as of the Effective Date cease for any reason to constitute at least a majority of the Board; provided, however, that any individual who becomes a member of the Board on or subsequent to the day immediately following the Effective Date whose election, or nomination for election by the Company's stockholders, was approved by a vote of at least a majority of the members of the Board then comprising the Incumbent Board shall be considered as though such individual were a member of the Incumbent Board, but excluding, for purposes of this proviso, any such individual whose appointment to the Board occurs as a result of an actual or threatened election contest with respect to the election or removal of a member or members of the Board, an actual or threatened solicitation of proxies or consents or any other actual or threatened action by, or on behalf of any Person other than the Incumbent Board; or

(iv) Upon the acquisition on or after the Effective Date by any Person of beneficial ownership (within the meaning of Rule 13d-3 promulgated under the Securities Exchange Act of 1934) of 30% or more of either:

(A) the then Outstanding Common Stock, or

(B) the combined voting power of the Outstanding Voting Securities; provided, however, that the following acquisitions shall not be deemed to be covered by this subparagraph (iv):

(x) any acquisition of Outstanding Common Stock or Outstanding Voting Securities by or at the direction of the Company or any Subsidiary,

(y) any acquisition of Outstanding Common Stock or Outstanding Voting Securities by any employee benefit plan (or related trust) sponsored or maintained by the Company or any Subsidiary, or

(z) any acquisition of Outstanding Common Stock or Outstanding Voting Securities by any Person pursuant to a transaction which complies with clauses (A), (B) and (C) of subsection (i) of this definition; or

(v) (v) Upon the approval by the stockholders of the Company of a complete liquidation or dissolution of the Company.

(h) *Definition of Date of Termination*: For purposes of this Agreement, "***Date of Termination***" means (i) if your employment is terminated by the Company for Cause, the Date of Termination shall be the later of (A) the date of receipt of the Notice of Termination or (B) the date specified in the Notice of Termination, provided such date is within thirty (30) days after receipt of the Notice of Termination, (ii) subject to Section 7(i), if your employment is terminated by you for Good Reason, the Date of Termination shall be the later of (A) the date of receipt of the Notice of Termination or (B) the date specified in the Notice of Termination, provided such date is within sixty (60) days after the end of the "Cure Period," as defined below, (iii) if your employment is terminated by the Company other than for Cause or Disability, the Date of Termination shall be the later of (A) the date on which you receive the Company's Notice of Termination or (B) the date specified in the Notice of Termination, provided such date is within sixty (60) days after receipt of the Notice of Termination, (iv) if your employment is terminated by reason of death or Disability, the Date of Termination shall be the date of your death of or the

Disability Effective Date, as the case may be, and (v) if your employment is terminated by you without Good Reason, the Date of Termination shall be no fewer than sixty (60) days following the Company's receipt of the Notice of Termination (during which notice period you shall continue to diligently work full time on behalf of the Company, provided that the Board may, in its sole discretion, place you on administrative leave but shall continue your employment with all compensation, benefits and service credit towards benefit accrual and vesting provided under this Agreement).

(i) *Definition of Good Reason*. For purposes of this Agreement, "***Good Reason***" shall mean the occurrence of any one or more of the following events without your written consent:

(i) the Company's assignment to you of any duties inconsistent in any material negative respect with your position (including status, offices, titles and reporting requirements), authority, duties or responsibilities as in effect on the date you commence your role as Chief Executive Officer, or any other action by the Company which results in a material diminution in such authority, duties or responsibilities or as a result of which you no longer have a position substantially equivalent to (or better than) your position on the date you commence your role as Chief Executive Officer;

(ii) a 10% reduction by the Company, other than in connection with an across-the-board reduction applicable to other senior executives of the Company, in your base salary, your target bonus opportunity and/or your target long-term incentive opportunity, all as in effect on the Effective Date (and as may have been increased after the Effective Date);

(iii) a requirement by the Company that you be based at any office or location more than fifty (50) miles from the Company's principal office on the Effective Date in Spokane; or

(iv) the material breach by the Company of this Agreement.

Good Reason shall not include death or Disability; provided that your mental or physical incapacity following the occurrence of an event described in clauses (i)-(iv) above shall not affect your ability to terminate for Good Reason. You shall not be deemed to have resigned for Good Reason unless (A) you notify the Company in writing of the event which you believe constitutes Good Reason within ninety (90) days of the occurrence thereof (which notice specifically identifies such event and the details regarding its occurrence and existence), (B) the Company fails to cure such event within thirty (30) days after the date on which it receives such notice (the "***Cure Period***"), and (C) you terminate your employment with the Company (and its subsidiaries and affiliates) within sixty (60) days after the end of the Cure Period. The notice required under the immediately preceding sentence may be included in your Notice of Termination, as prescribed below, provided that your Date of Termination, as set forth in such Notice of Termination, is not less than thirty-one (31) days and not more than ninety (90) days after the date on which the Company receives such Notice of Termination.

(j) *Release*. Your right to the benefits described in this Section 7, other than the Accrued Obligations, is subject to and contingent upon your timely execution, without subsequent revocation, of a Release. To be timely, your Release must become effective (i.e., you must sign it and any revocation period must expire) within sixty (60) days, or such shorter period specified in the Release, after your Date of Termination. If your Release does not become effective within such time period, then you shall not be entitled to any of the benefits described in this Section 7, other than the Accrued Obligations.

8. Excise Taxes:

(a) Notwithstanding any other provision of this Agreement, in the event that you become entitled to receive or receive any payments, options, awards or benefits (including, without limitation, the monetary value of any non-cash benefits and the accelerated vesting of stock awards) under this Agreement, the Severance Program or under any other plan, agreement or arrangement with the Company, any person whose actions result in a "Change of Control" (as that term is defined in the Severance Program) or any person affiliated with the Company or such person (collectively, the "***Payments***"), that may separately or in the aggregate constitute "parachute payments" within the meaning of Code Section 280G and the Treasury regulations promulgated thereunder ("***Section 280G***") and it is determined that, but for this Section 9(a), any of the Payments will be subject to any excise tax pursuant to Code Section 4999 or any similar or successor provision (the "***Excise Tax***"), the Company shall pay to you either (i) the full amount of the Payments or (ii) an amount equal to the Payments reduced by the minimum amount necessary to prevent any portion of the Payments from being an "excess parachute payment" (within the meaning of Section 280G) (the "***Capped Payments***"), whichever of the foregoing amounts results in the receipt by you, on an after-tax basis (with consideration of all taxes incurred in connection with the Payments, including the Excise Tax), of the greatest amount of Payments notwithstanding that all or some portion of the Payments may be subject to the Excise Tax. For purposes of determining whether you would receive a greater after-tax benefit from the Capped Payments than from receipt of the full amount of the Payments and for purposes of Section 8(c) (if applicable), you shall be deemed to pay federal, state and local taxes at the highest marginal rate of taxation for the applicable calendar year.

(b) All computations and determinations called for by Sections 8(a) and 8(c) shall be made and reported in writing to the Company and you by a third-party service provider selected by the Company (the "***Tax Advisor***"), and all such computations and determinations shall be conclusive and binding on the Company and you. For purposes of such calculations and determinations, the Tax Advisor may rely on reasonable, good faith interpretations concerning the application of Code Sections 280G and 4999. The Company and you shall furnish to the Tax Advisor such information and documents as the Tax Advisor may reasonably request in order to make their required calculations and determinations. The Company shall bear all fees and expenses charged by the Tax Advisor in connection with its services.

(c) In the event that Section 8(a) applies and a reduction is required to be applied to the Payments thereunder, the Payments shall be reduced by the Company in a manner and order of priority that provides you with the largest net after-tax value; provided that payments of equal after-tax present value shall be reduced in the reverse order of payment. Notwithstanding anything to the contrary herein, any such reduction shall be structured in a manner intended to comply with Code Section 409A.

9. <u>Covenants</u>:

You also acknowledge that your obligations under the Inventions, Trade Secrets and Confidentiality Agreement previously executed by you, which is incorporated into this Agreement by reference, will survive the termination of your employment for any reason. You also acknowledge and agree that you will have access to confidential and proprietary information of the Company and third parties in the course of performing your responsibilities for the Company, that such access is necessary to your ability to perform those responsibilities, that such Company confidential and proprietary information is a valuable asset of the Company, and that the Company has developed and will develop goodwill that is a valuable asset of the Company. In view of the foregoing and in consideration of the compensation and benefits as provided under this Agreement, you further agree that:

(a) during the time you are employed and for a period of one (1) year following your termination from employment with the Company for reasons described in Section 7(a) and for a period of two (2) years following your termination from employment with the Company for any other reason, you will not, without the prior written consent of the Company, directly or indirectly, engage in, whether as an owner, consultant, employee, or otherwise, activities competitive with that of the Company in any state, province or like geography where the Company does business;

(b) during the time you are employed and for a period of one (1) year following your termination from employment with the Company for reasons described in Section 7(a) and for a period of two (2) years following your termination from employment with the Company for any other reason, you will not, without the prior written consent of the Company, directly or indirectly, solicit for employment, offer, or cause to be offered employment, either on a full time, part-time or consulting basis, to any person who was employed by the Company or its affiliates on the date your employment terminated and with whom you had regular contact during the course of your employment by the Company; and

(c) during the time you are employed and for a period of one (1) year following your termination from employment with the Company for reasons described in Section 8(a) and for a period of two (2) years following your termination from employment with the Company for any other reason, you will not, without the prior written consent of the Company, directly or indirectly, (A) solicit, divert, appropriate to or accept on behalf of any competitor of the Company, or (B) attempt to solicit, divert, appropriate to or accept on behalf of any competitor of the Company, any business from any customer or actively sought prospective customer of the Company with whom you have dealt, whose dealings with the Company have been supervised by you or about whom you have acquired confidential information in the course of your employment.

You agree that the foregoing restrictions are reasonable, will not preclude you from finding gainful employment, and are necessary to protect the goodwill, confidential information, and other protectable business interests of the Company. You further agree that the Company would suffer irreparable harm should you violate these restrictions and agree that injunctive relief, in addition to any other damages or relief available to the Company, is appropriate and necessary to protect the Company's interests.

10. Representation and Warranties: You represent and warrant that you are not a party to, or otherwise subject to, any covenant not to compete, or other agreement that would restrict or limit your ability to perform your responsibilities under this Agreement, with any person or entity and that your performance of your obligations under this Agreement will not violate the terms and conditions of any contract or obligation, written or oral, between you and any other person or entity.

11. Recoupment: Notwithstanding any other provisions in this Agreement to the contrary, you acknowledge 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 law or the listing requirements of any national securities exchange on which the common stock of the Company is listed.

12. Assignment and Successors: This Agreement is personal to you and, without the prior written consent of the Company, shall not be assignable by you. The Company may assign this Agreement (a) to any corporation resulting from any merger, consolidation or other reorganization to which the Company is a party; (b) any corporation, partnership, association or other person to which the Company may transfer all or substantially all of the assets and business of the Company existing at such time; or (c) any subsidiary, parent or other affiliate of the Company. This Agreement shall inure to the benefit of and be enforceable by the Company and its successors and assigns.

13. Withholding: 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.

14. Controlling Law: Except where otherwise provided for herein, this Agreement shall be governed in all respects by the laws of the State of Washington, excluding any conflict-of-law rule that might refer the construction of the Agreement to the laws of another state or country. You consent to the exclusive jurisdiction of the state and federal courts located in Spokane County, Washington, for any action relating to this Agreement. You will not bring any action relating to this Agreement in any other court.

15. Notices: Any notices under this Agreement that are required to be given to the Company shall be addressed to the Corporate Secretary of the Company, and any notices required to be given to you shall be sent to your address as shown in the Company's records, which you are responsible for keeping up-to-date.

16. Separability and Construction: If any provision of this Agreement is determined to be invalid, unenforceable, or unlawful by a court of competent jurisdiction, the other provisions of this Agreement shall remain in full force and effect, and the provisions that are determined to be invalid, unenforceable, or unlawful will either be limited or reformed so that they will remain in effect to the fullest extent allowed by law.

17. Waiver of Breach: Except as otherwise specifically provided for herein, no failure by any party to give notice of any breach of, or to require compliance with, any condition or provision of this Agreement shall be deemed a waiver or relinquishment of that party's rights, and no waiver or relinquishment of rights by any party at any one or more times will be deemed to be a waiver or relinquishment of such right or power at any other time or times.

18. Entire Agreement/Modification in Writing: This Agreement together with the Inventions, Trade Secrets and Confidentiality Agreement, plan documents, grant notices, and governing policies of the Company (each as it may be amended from time to time) constitute the entire understanding relating to the matters addressed herein and supersede any other prior agreement, whether written or oral. No addition to, or modification of, this Agreement shall be effective unless in writing and signed by both you and an authorized representative of the Company.

19. Section 409A: The parties intend that this Agreement and the payments and benefits provided hereunder, including, without limitation, those provided pursuant to Section 7 hereof, be exempt from the requirements of Code Section 409A to the maximum extent possible, whether pursuant to the short-term deferral exception described in Treas. Reg. Section 1.409A-1(b)(4), the involuntary separation pay plan exception described in Treas. Reg. Section 1.409A-1(b)(9)(iii), or otherwise. To the extent Code Section 409A is applicable to this Agreement, the parties intend that this Agreement and any payments and benefits thereunder comply with the deferral, payout and other limitations and restrictions imposed under Code Section 409A. Notwithstanding anything herein to the contrary, this Agreement shall be interpreted, operated and administered in a manner consistent with such intentions; provided, however that in no event shall the Company or its agents, parents, subsidiaries, affiliates or successors be liable for any additional tax, interest or penalty that may be imposed on you pursuant to Code Section 409A or for any damages incurred by you as a result of this Agreement (or the payments or benefits hereunder) failing to comply with, or be exempt from, Code Section 409A. Without limiting the generality of the foregoing, and notwithstanding any other provision of this Agreement to the contrary:

(a) To the extent Code Section 409A is applicable to this Agreement, a termination of employment shall not be deemed to have occurred for purposes of any provision of this Agreement providing for the payment of amounts or benefits upon or following a termination of employment unless such termination is also a "separation from service," as defined in Treas. Reg. Section 1.409A-1(h), after giving effect to the presumptions contained therein (and without regard to the optional alternative definitions available therein), and, for purposes of any such provision of this Agreement, references to "terminate," "termination," "termination of employment," "resignation" and like terms shall mean "separation from service";

(b) If at the time your employment hereunder terminates, you are a "specified employee," as defined in Treasury Regulation Section 1.409A-1(i) and determined using the identification methodology selected by the Company from time to time, or if none, the default methodology, then to the extent necessary to avoid subjecting you to an additional tax or interest under Code Section 409A, any and all amounts payable under this Agreement on account of such termination of employment that would (but for this provision) be payable within six (6) months following the date of termination, shall instead be paid in a lump sum on the first day of the seventh month following the date on which your employment terminates or, if earlier, upon your death, except (i) to the extent of amounts that do not constitute a deferral of compensation within the meaning of Treas. Reg. Section 1.409A-1(b) (including without limitation by reason of the safe harbor set forth in Treas. Reg. Section 1.409A-1(b)(9)(iii), as determined by the Company in its reasonable good faith discretion), (ii) benefits which qualify as excepted welfare benefits pursuant to Treas. Reg. Section 1.409A-1(a)(5), and (iii) other amounts or benefits that are not subject to the requirements of Code Section 409A;

(c) Each payment made under this Agreement shall be treated as a separate payment and the right to a series of installment payments under this Agreement shall be treated as a right to a series of separate payments; and

(d) With regard to any provision in this Agreement, including, without limitation, Section 7, that provides for reimbursement of expenses or in-kind benefits, except for any expense, reimbursement or in-kind benefit provided pursuant to this Agreement that does not constitute a "deferral of compensation," within the meaning of Treasury Regulation Section 1.409A-1(b), (A) the amount of expenses eligible for reimbursement, or in-kind benefits provided, during any calendar year shall not affect the expenses eligible for reimbursement, or in-kind benefits to be provided, in any other calendar year, (B) such payments shall be made on or before the last day of the calendar year following the calendar year in which the expense was incurred, and (C) the right to reimbursement or in-kind benefits shall not be subject to liquidation or exchange for another benefit.

20. <u>Indemnification; Insurance</u>: The Company shall at all times indemnify you and hold you harmless to the fullest extent permitted by the certificate of incorporation and by-laws of the Company and applicable law. You shall be an insured, during your employment and service as a member of the Board and at all times thereafter during which you may be subject to any liability for which you may be indemnified above, under any contract of officers and directors liability insurance of the Company that insures members of the Board.

21. <u>Construction</u>: Each party and his, her, or its counsel have reviewed this Agreement and have been provided the opportunity to revise this Agreement, and, accordingly, the normal rule of construction providing for any ambiguities to be resolved against the drafting party shall not be employed in the 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.

22. <u>Survival</u>: The provisions of Sections 7-11 and 13-20 of this Agreement shall survive the termination of this Agreement and any termination of your employment hereunder.

[Remainder of page intentionally left blank.]

Linda, I hope this Agreement provides you with the level of security and incentive that will allow you to continue to contribute substantially to the success of the Company. Please sign below and return an executed original to me to indicate your acceptance of these terms. Again, we are pleased to have you as a continuing member of the team.

Sincerely,

/s/ Kevin J Hunt

Kevin J. Hunt
Chair of the Compensation Committee
of the Board of Directors

I, Linda K. Massman, have read, understand, accept and agree to the terms of the letter/agreement.

/s/ Linda Massman

Linda K. Massman

Date 4/23/2019

Exhibit (10ii)

Clearwater Paper Corporation
601 West Riverside Suite 1100
Spokane, WA 99201

March 18, 2019

Robert Hrivnak
1017 N Lancashire Lane
Liberty Lake, WA 99019
Dear Robert,

On behalf of Clearwater Paper, I am pleased to confirm the terms of the offer for the position of Senior Vice President, Finance and Chief Finance Officer. This position will report directly to me and will be located in Spokane, WA with a mutually agreed upon start date.

This offer is contingent upon the approval and authorization of our Board of Directors of your hiring and the approval and authorization of the the Compensation Committee of the Board of the material compensation terms contained in this letter. Additional contingents include successful completion of pre-employment drug screening, background check, reference validation; as well as signed enterprise policy acknowledgement statements.

The annual base salary for this position is $425,000.00, pro-rated for this year, for which you will be paid on a bi-weekly basis. Your target Annual Incentive Plan (AIP) is 65% of your base salary earnings for each plan year (calendar). An Employee who is actively employed by Clearwater Paper during an Award Year as an Executive Officer shall commence participation at the beginning of the Award Year, or at such later time during the Award Year as the position is assumed. Awards are not guaranteed, but rather based on the performance of the corporation.

Additionally, you will be eligible for a long-term incentive award for the 2019-2021 performance period under the company's 2017 Stock Incentive Plan. The current annual award value for your position is 100% of your base salary.

You will receive a sign-on bonus in the amount of $100,00.00 payable as a lump sum and subject to applicable taxes, paid after 30 days of employment. In the event you terminate your employment with Clearwater Paper prior to 24 months from the start date, you agree to reimburse the company the bonus amount based on a 24-month pro-ration.

You will be eligible for our permissive vacation plan. In addition to vacation, you are eligible for (9) nine designated holidays and (5) five floating holidays.

You will be eligible for participation in Clearwater Paper's health and welfare benefits as well as the 401K plan on the 1st day following 30 days of employment. More information on these programs will be provided to you later.

You will be eligible to participate in the company's Change of Control Plan and the Executive Severance Play, pending approval by the Executive Compensation Committee and the Board of Directors.

I hope you will favorably consider our offer of employment as we are truly excited by your becoming a member of our corporate executive management team. Please indicate your acceptance of this offer by returning a signed and dated copy to me.

Bob, I realize that a career decision such as this has a major impact on you and your family. If there is anything that we can do to either before or after your start date of employment, please do not hesitate to call me.

Sincerely,

/s/ Linda Massman
Linda K. Massman
Chief Executive Officer, Clearwater Paper

Accepted:

/s/ Robert G. Hrivnak____ 3/21/2019
Robert Hrivnak Date

CC:
Kari Moyes, SVP, Human Resources
Shannon N. Mullins, Director Talent Acquisition & Development

Exhibit (31)

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: May 8, 2019

/s/ LINDA K. MASSMAN

Linda K. Massman

President and Chief Executive Officer

CERTIFICATION

I, Robert G. Hrivnak, 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: May 8, 2019

/s/ ROBERT G. HRIVNAK

Robert G. Hrivnak

Senior Vice President, Finance and Chief Financial Officer

Exhibit (32)

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. § 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002, that to my knowledge:

(1) the Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2019, 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

May 8, 2019

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, Robert G. Hrivnak, 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 Quarterly Report of the Company on Form 10-Q for the period ended March 31, 2019, 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/ ROBERT G. HRIVNAK

Robert G. Hrivnak
Senior Vice President, Finance and Chief Financial Officer
May 8, 2019

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.