Rock-Tenn CO
Form 10-K
November 23, 2011
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UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549

FORM 10-K

(Mark One)

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

For the fiscal year ended September 30, 2011

OR

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

For the transition period from to

Commission file number 1-12613

ROCK-TENN COMPANY
(Exact Name of Registrant as Specified in Its Charter)

Georgia	62-0342590
(State or Other Jurisdiction of Incorporation or Organization)	(I.R.S. Employer Identification No.)
504 Thrasher Street, Norcross, Georgia	30071
(Address of Principal Executive Offices)	(Zip Code)

Registrant's Telephone Number, Including Area Code: (770) 448-2193

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

Title of Each Class	Name of Exchange on Which Registered
Class A Common Stock, par value $0.01 per share	New York Stock Exchange

Securities registered pursuant to Section 12(g) of the Act: None

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Indicate by check mark if the registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes ý No ¨

Indicate by check mark if the registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes ¨ No ý

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 ý No ¨

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files).

Yes ý No ¨

Indicate by check mark if disclosure of delinquent filers pursuant to Item 405 of Regulation S-K is not contained herein, and will not be contained, to the best of registrant's knowledge, in definitive proxy or information statements incorporated by reference in Part III of this Form 10-K or any amendment to this Form 10-K. ¨

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

Large accelerated filer x	Accelerated filer o
Non-accelerated filer o Do not check if a smaller reporting company)	Smaller reporting company o

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes ¨ No ý

The aggregate market value of the common equity held by non-affiliates of the registrant as of March 31, 2011, the last day of the registrant's most recently completed second fiscal quarter (based on the last reported closing price of $69.35 per share of Class A Common Stock as reported on the New York Stock Exchange on such date), was approximately $2,589 million.

As of November 9, 2011, the registrant had 70,514,444 shares of Class A Common Stock outstanding.

DOCUMENTS INCORPORATED BY REFERENCE

Portions of the definitive Proxy Statement for the Annual Meeting of Shareholders to be held on January 27, 2012, are incorporated by reference in Parts II and III.

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PART I

Item 1. BUSINESS
Unless the context otherwise requires, "we", "us", "our", "RockTenn" and "the Company" refer to the business of Rock-Tenn Company, its wholly-owned subsidiaries and its partially-owned consolidated subsidiaries.

General

We are one of North America's leading integrated manufacturers of corrugated and consumer packaging and recycling solutions and are primarily a manufacturer of containerboard, recycled paperboard, bleached paperboard, packaging products and merchandising displays. We operate locations in the United States, Canada, Mexico, Chile, Argentina, Puerto Rico and China.

On May 27, 2011, we completed the acquisition of Smurfit-Stone Container Corporation (the "Smurfit-Stone Acquisition" or "Smurfit-Stone") through the merger of Smurfit-Stone into a wholly-owned limited liability company subsidiary of RockTenn. We have included in our financial statements the results of Smurfit-Stone's containerboard mill and corrugated converting operations in our Corrugated Packaging segment, Smurfit-Stone's recycling operations in our Recycling and Waste Solutions segment and Smurfit-Stone's display operations in our Consumer Packaging segment. We acquired Smurfit-Stone to expand our corrugated packaging business as we believe the containerboard and corrugated packaging industry is a very attractive business and U.S. virgin containerboard is a strategic global asset. The purchase price for the acquisition was $4,919.1 million, net of cash acquired of $473.5 million. We discuss this acquisition in more detail in "Note 6. Acquisitions" of the Notes to Consolidated Financial Statements included herein.

In the third quarter of fiscal 2011, following the Smurfit-Stone Acquisition, we announced a realignment of operating responsibilities. We report our results of operations in three segments: (1) Corrugated Packaging, consisting of our containerboard mills and our corrugated converting operations; (2) Consumer Packaging, consisting of our folding carton operations, our coated and uncoated paperboard mills, merchandising displays and interior partition operations; and (3) Recycling and Waste Solutions, which consists of our recycled fiber brokerage and collection operations. Our results have been reclassified for all periods presented to reflect this realignment. For segment financial information, see Item 8, "Financial Statements and Supplementary Data."

Products

Corrugated Packaging Segment

We are one of the largest producers of linerboard and corrugated medium ("containerboard") measured by tons produced and one of the largest producer of high graphics preprinted linerboard in North America. We operate an integrated system that manufactures containerboard, corrugated sheets, corrugated packaging and preprinted linerboard for sale to industrial and consumer products manufacturers and corrugated box manufacturers. We produce a full range of high-quality corrugated containers designed to protect, ship, store and display products made to our customers' merchandising and distribution specifications. We also convert corrugated sheets into corrugated products ranging from one-color protective cartons to graphically brilliant point-of-purchase packaging, displays. Our container plants serve local customers and large national accounts. Our corrugated packaging is used to provide protective packaging for shipment and distribution of food, paper, health and beauty and other household, consumer, commercial and industrial products and in the case of graphically enhanced corrugated packaging for retail sale, particularly in club store locations and to a lesser extent retail sale. We provide customers with innovative packaging solutions to advertise and sell their products. We also provide structural design and engineering services and custom, proprietary and standard automated packaging machines, offering customers turn-key installation, automation, line integration and packaging solutions. To make corrugated sheet stock, we feed linerboard and corrugated medium into a corrugator that flutes the medium to specified sizes, glues the linerboard and fluted medium together and slits and cuts the resulting corrugated paperboard into sheets to customer specifications. Our containerboard mills and corrugated container operations are integrated with the majority of our containerboard production used internally by our corrugated container operations. Sales of corrugated packaging products to external customers accounted for 49.7%, 25.4%, and 25.4% of our net sales in fiscal 2011, 2010, and 2009, respectively.

Consumer Packaging Segment

We operate an integrated system of coated recycled mills and a bleached paperboard mill that produce paperboard for our folding carton operations and third parties. We believe we are one of the largest manufacturers of folding cartons in North America measured by net sales. Our folding cartons are used to package food, paper, health and beauty and other household consumer, commercial and industrial products primarily for retail sale. We also manufacture express mail envelopes for the overnight courier industry. Folding cartons typically protect customers' products during shipment and distribution and employ graphics to promote them at retail. We manufacture folding cartons from recycled and virgin paperboard, laminated paperboard and various substrates with specialty characteristics such as grease masking and microwaveability. We print, coat, die-cut and glue the paperboard to customer specifications. We ship finished cartons to customers for assembling, filling and sealing. We employ a broad range of offset, flexographic, gravure, backside printing, and coating and finishing technologies. We support our customers with new package development, innovation and design services and package testing services.

We believe we operate one of the lowest cost coated recycled paperboard mill systems in North America and are one of the largest North American manufacturers of 100% coated recycled paperboard measured by tons produced. We manufacture bleached paperboard and market pulp. We believe our Demopolis, Alabama bleached paperboard and market pulp mill is one of the lowest cost solid bleached sulphate paperboard mills in North America because of cost advantages achieved through original design, process flow, relative age of its recovery boiler and hardwood pulp line replaced in the early 1990s and access to hardwood and softwood fiber. We internally consume or sell our coated recycled and bleached paperboard to manufacturers of folding cartons, and other paperboard products.

We manufacture temporary and permanent point-of-purchase displays. We believe that we are one of the largest manufacturers of temporary promotional point-of-purchase displays in North America measured by net sales. We design, manufacture and, in many cases, pack temporary displays for sale to consumer products companies. These displays are used as marketing tools to support new product introductions and specific product promotions in mass merchandising stores, supermarkets, convenience stores, home improvement stores and other retail locations. We also design, manufacture and, in some cases, pre-assemble permanent displays for the same categories of customers. We make temporary displays primarily from corrugated paperboard. Unlike temporary displays, permanent displays are restocked and, therefore, are constructed primarily from metal, plastic, wood and other durable materials. We provide contract packing services such as multi-product promotional packing and product manipulation such as multipacks and onpacks. We manufacture lithographic laminated packaging for sale to our customers that require packaging with high quality graphics and strength characteristics.

We operate an integrated system of specialty recycled paperboard mills which includes our Seven Hills Paperboard LLC ("Seven Hills") joint venture. Our specialty recycled paperboard mills, excluding Seven Hills, primarily produce paperboard for our solid fiber interior packaging converting operations and third parties, and our Seven Hills joint venture manufactures gypsum paperboard liner for sale to our joint venture partner. We sell our specialty recycled paperboard to manufacturers of solid fiber interior packaging, tubes and cores, and other paperboard products. Through our Seven Hills joint venture we manufacture gypsum paperboard liner for sale to our joint venture partner. We also convert specialty paperboard into book covers and other products. Our 65% owned subsidiary, RTS, designs and manufactures solid fiber and corrugated partitions and die-cut paperboard components. We believe we are the largest manufacturer of solid fiber partitions in North America measured by net sales. We manufacture and sell our solid fiber and corrugated partitions principally to glass container manufacturers and producers of beer, food, wine, spirits, cosmetics and pharmaceuticals and to the automotive industry. We manufacture solid fiber interior packaging primarily from recycled paperboard. Our solid fiber interior packaging is made from varying thicknesses of single ply and laminated paperboard to meet different structural requirements, including those required for high speed-casing, de-casing and filling lines. We employ primarily proprietary manufacturing equipment developed by our engineering services group. This equipment delivers high-speed production and rapid turnaround on large orders and specialized capabilities for short-run, custom applications.

Sales of consumer packaging products to external customers accounted for 43.3%, 70.6%, and 72.1% of our net sales in fiscal 2011, 2010, and 2009, respectively.

Recycling and Waste Solutions

We believe we are the largest paper recycler in North America. Our recycled fiber brokerage and collection operations provide a strategic advantage to our recycled mills. Our recycling operations procure recovered paper for our paper mills as well as for third parties from factories, warehouses, commercial printers, office complexes, retail stores, document storage facilities, paper converters and from other wastepaper collectors. We handle a wide variety of grades of recovered paper, including old corrugated containers, office paper, box clippings, newspaper and print shop scraps. We operate recycling facilities that collect, sort, grade and bale recovered paper and after sorting and baling, we transfer recovered paper to our paperboard mills for processing, or sell it, principally to U.S. manufacturers of paperboard, tissue, newsprint, roofing products and insulation. We also collect aluminum and plastics for resale to manufacturers of these products. Our waste reduction services extract additional recyclables from the waste stream by working with customers to reduce their waste expenses and increase efficiencies. In addition, we operate a nationwide fiber marketing and brokerage system that serves large regional and national accounts as well as our recycled paperboard mills and sells scrap materials for our converting businesses and paperboard mills. Brokerage contracts provide bulk purchasing, often resulting in lower prices and cleaner recovered paper. Many of our recycling facilities are located close to our recycled paperboard mills, ensuring availability of supply with reduced shipping costs. Sales to external customers accounted for

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7.0%, 4.0%, and 2.5% of our net sales in fiscal 2011, 2010, and 2009, respectively.

Raw Materials

The primary raw materials that our paperboard operations use are recycled fiber at our recycled paperboard and recycled containerboard mills and virgin fibers from hardwoods and softwoods at our virgin containerboard and bleached paperboard mills. Some of our virgin containerboard is manufactured with some recycled content. Recycled fiber prices and virgin fiber prices can fluctuate significantly. While virgin fiber prices have generally been more stable than recycled fiber prices, they also fluctuate, particularly during prolonged periods of heavy rain or during housing slowdowns.

Recycled and virgin paperboard and containerboard are the primary raw materials that our converting operations use. One of the two primary grades of virgin paperboard, coated unbleached kraft, used by our folding carton operations, has only two domestic suppliers. While we believe that we would be able to obtain adequate replacement supplies in the market should either of our current vendors discontinue supplying us coated unbleached kraft, the failure to obtain these supplies or the failure to obtain these supplies at reasonable market prices could have an adverse effect on our results of operations. We supply substantially all of our converting operations' needs for recycled paperboard and containerboard from our own mills and through the use of trade swaps with other manufacturers, which allows us to optimize our mill system and reduce freight costs. Our converting operations also consume approximately half of our bleached paperboard production, although we have the capacity to consume substantially all of our bleached paperboard by displacing outside purchases. Because there are other suppliers that produce the necessary grades of recycled and bleached paperboard and containerboard used in our converting operations, we believe that we would be able to obtain adequate replacement supplies in the market should we be unable to meet our requirements for recycled or bleached paperboard and containerboard through internal production or trade swaps with other manufacturers.

Energy

Energy is one of the most significant manufacturing costs of our mill operations. In our recycled paperboard mills, we use primarily natural gas and electricity, supplemented with fuel oil and coal to generate steam used in the paper making process and to operate our recycled paperboard machines. In our virgin fiber mills, we use wood by-products (biomass), coal, fuel oil and natural gas to generate steam used in the paper making process, to generate some or all of the electricity used on site and to operate our paperboard machines. We use primarily electricity to operate our converting equipment. We generally purchase these products from suppliers at market rates. Occasionally, we enter into agreements to purchase coal, fuel oil and natural gas. At two of our mills, we also purchase process steam under long-term contracts with adjacent coal fired power plants with steam pricing based to some extent on coal prices. The costs of natural gas, oil, coal and electricity at times have fluctuated significantly.

Transportation

Inbound and outbound freight is a significant expenditure for us. Factors that influence our freight expense are distance between our shipping and delivery locations, distance from customers and suppliers, mode of transportation (rail, truck, intermodal) and freight rates, which are influenced by supply and demand and fuel costs.

Sales and Marketing

Our top 10 external customers represented approximately 17% of consolidated net sales in fiscal 2011, none of which individually accounted for more than 10% of our consolidated net sales. We generally manufacture our products pursuant to customers’ orders. The loss of any of our larger customers could have a material adverse effect on the income attributable to the applicable segment and, depending on the significance of the product line, our results of operations. We believe that we have good relationships with our customers. In fiscal 2011, products sold to our top 10 customers by segment represented 19%, 27% and 42% of our external sales in our Corrugated Packaging segment, Consumer Packaging segment and Recycling and Waste Solutions segment, respectively.

During fiscal 2011, we sold approximately half of our coated recycled paperboard mills' production and bleached paperboard production to internal customers, primarily to manufacture folding cartons, and approximately two-thirds of our containerboard production, including trade swaps and buy/sell transactions, we sold to internal customers to manufacture corrugated products. Excluding our gypsum paperboard liner production, which our Seven Hills joint venture sells to our partner as discussed below, we sold approximately one-third of our specialty mills' production to internal customers, primarily to manufacture interior partitions. Our mills' sales volumes may therefore be directly impacted by changes in demand for our packaging products. Under the terms of our Seven Hills joint venture arrangement, our joint venture partner is required to purchase all of the qualifying gypsum paperboard liner produced by Seven Hills.

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We market our products primarily through our own sales force. We also market a number of our products through either independent sales representatives or independent distributors, or both. We generally pay our sales personnel a base salary plus commissions. We pay our independent sales representatives on a commission basis. We discuss foreign net sales to unaffiliated customers and other non-U.S. operations financial and other segment information in “Note 19. Segment Information” of the Notes to Consolidated Financial Statements.

Competition

The packaging products, paperboard and containerboard industries are highly competitive, and no single company dominates any of those industries. Our paperboard and containerboard operations compete with integrated and non-integrated national and regional companies operating in North America that manufacture various grades of paperboard and containerboard and, to a limited extent, manufacturers outside of North America. Our competitors include large and small, vertically integrated packaging products companies that manufacture paperboard or containerboard and numerous smaller non-integrated companies. In the folding carton and corrugated packaging markets, we compete with a significant number of national, regional and local packaging suppliers in North America. In the solid fiber interior packaging, promotional point-of-purchase display, and converted paperboard products markets, we compete with a smaller number of national, regional and local companies offering highly specialized products. Our recycled fiber brokerage and collection operations compete with various other companies for the procurement and supply of recovered paper.

Because all of our businesses operate in highly competitive industry segments, we regularly bid for sales opportunities to customers for new business or for renewal of existing business. The loss of business or the award of new business from our larger customers may have a significant impact on our results of operations.

The primary competitive factors in the packaging products and paperboard and containerboard industries are price, design, product innovation, quality and service, with varying emphasis on these factors depending on the product line and customer preferences. We believe that we compete effectively with respect to each of these factors and we evaluate our performance with annual customer service surveys. However, to the extent that any of our competitors becomes more successful with respect to any key competitive factor, our business could be materially adversely affected.

Our ability to pass through cost increases can be limited based on competitive market conditions for our products and by the actions of our competitors. In addition, we sell a significant portion of our paperboard and paperboard-based converted products pursuant to contracts that provide that prices are either fixed for specified terms or provide for price adjustments based on negotiated terms, including changes in specified paperboard index prices. The effect of these contractual provisions generally is to either limit the amount of the increase or decrease or delay the realization of announced price increases or decreases for our paperboard and paperboard-based converted products.

The packaging products, recycled paperboard and containerboard industries have undergone significant consolidation in recent years. Within the packaging products industry, larger corporate customers with an expanded geographic presence have tended in recent years to seek suppliers who can, because of their broad geographic presence, efficiently and economically supply all or a range of their customers’ packaging needs. In addition, during recent years, purchasers of paperboard, containerboard and packaging products have demanded higher quality products meeting stricter quality control requirements. These market trends could adversely affect our results of operations or, alternatively, favor our products depending on our competitive position in specific product lines.

Our paperboard packaging products compete with plastic and corrugated packaging and packaging made from other materials. Customer shifts away from paperboard and containerboard packaging to packaging from other materials could adversely affect our results of operations.

Governmental Regulation

Health and Safety Regulations

Our operations are subject to federal, state, local and foreign laws and regulations relating to workplace safety and worker health including the Occupational Safety and Health Act (“OSHA”) and related regulations. OSHA, among other things, establishes asbestos and noise standards and regulates the use of hazardous chemicals in the workplace. Although we do not use asbestos in manufacturing our products, some of our facilities contain asbestos. For those facilities where asbestos is present, we believe we have properly contained the asbestos and/or we have conducted training of our employees in an effort to ensure that no federal, state or local rules or regulations are violated in the maintenance of our facilities. We do not believe that future compliance with health and safety laws and regulations will have a material adverse effect on our results of operations, financial condition or cash

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flows.
Environmental Regulation

Environmental compliance requirements are a significant factor affecting our business. We are subject to various federal, state, local and foreign environmental laws and regulations. Environmental programs in the U.S. are primarily established, administered and enforced at the federal level by the United States Environmental Protection Agency ("EPA" or "Agency"). In addition, some jurisdictions in which we operate have adopted equivalent or more stringent environmental laws and regulations or have enacted their own parallel environmental programs, which are enforced through various state agencies. RockTenn employs processes in the manufacture of pulp, paperboard and other products which result in discharges, emissions and wastes that are subject to numerous federal, state, local and foreign environmental laws and regulations. We also operate, and expect to continue to operate, under environmental permits and similar authorizations from various governmental authorities.

In 2004, the EPA promulgated a Maximum Achievable Control Technology ("MACT") regulation that established air emissions standards, monitoring, record keeping and reporting requirements for industrial, commercial and institutional boilers. The rule was challenged by third parties in litigation, and in 2007, the United States Court of Appeals for the D. C. Circuit issued a decision vacating and remanding the rule to the EPA. Under court order, the EPA published a set of four interrelated rules on March 21, 2011, commonly referred to as the "Boiler MACT". These rules include air emission standards for boilers at large and small facilities, as well as criteria for determining whether secondary materials are wastes when burned in combustion units. Under another rule that was part of the March 21, 2011 interrelated rules published by the EPA, units burning "solid waste" as fuel are subject to stringent standards for waste incinerators. The EPA also published notice on March 21, 2011 that it would reconsider certain aspects of the Boiler MACT in order to address "difficult technical issues" raised during the public comment period. The Agency has stayed a portion of the final Boiler MACT during its reconsideration process. As part of a filing with the D. C. Circuit Court in June 2011, the EPA stated its intention to issue a final Boiler MACT by the end of April 2012. RockTenn's preliminary estimate of the cost of compliance with the current Boiler MACT rules is approximately $200 million; however, the EPA is likely to make changes to these rules that could materially impact the ultimate costs to us, as well as other operators in our industry. As a result, neither the amount that RockTenn will be required to spend for compliance with the final Boiler MACT nor the timing of those expenditures can be quantified with certainty until the EPA issues its revised, final rules.

Certain jurisdictions in which the Company has manufacturing facilities or other investments have taken actions to address climate change. In the U.S., the EPA has issued the Clean Air Act permitting regulations applicable to facilities that emit greenhouse gases ("GHGs"). These regulations became effective for certain GHG sources on January 2, 2011, with implementation for other sources to be phased in over the next several years. The EPA also has promulgated a rule requiring facilities that emit 25,000 metric tons or more of carbon dioxide (CO_2) equivalent per year to file an annual report of their emissions. Some U.S. states and Canadian provinces in which RockTenn has manufacturing operations are also taking measures to reduce GHG emissions. For example, on November 18, 2009, Quebec, which is participating in the Western Climate Initiative, adopted a target of reducing GHG emissions by 20% below 1990 levels by 2020. In July 2011, Quebec issued a draft regulation establishing a cap-and-trade program that will require reductions in GHG emissions from covered emitters beginning on January 1, 2013. We believe that RockTenn has one facility subject to the proposed Quebec cap-and-trade program; however, until the rules are finalized the impact of the regulation on our operations cannot be quantified. Enactment of GHG legislation or regulations, such as the Quebec cap-and-trade program, may require capital expenditures to modify our assets to meet GHG emission reduction requirements. Such requirements also may increase energy costs above the level of general inflation and result in direct compliance and other costs. We have systems in place for tracking the GHG emissions from our energy-intensive facilities, and we carefully monitor developments in climate change laws, regulations and policies to assess whether such developments would have a material adverse effect on our operations or financial condition.

In addition to Boiler MACT and greenhouse gas standards, the EPA has recently finalized a number of other environmental rules, including National Ambient Air Quality Standards for nitrogen oxide (NOx) and sulfur dioxide (SO_2), which may impact the pulp and paper industry. The EPA also is revising existing environmental standards and developing several new rules that may apply to the industry in the future. We cannot currently predict with certainty how any future changes in environmental laws, regulations and/or enforcement practices will affect our business; however, it is possible that our compliance, capital expenditure requirements and operating costs could increase materially.

We estimate that we will spend approximately $14 million for capital expenditures during fiscal 2012 in connection with matters relating to environmental compliance.

For additional information concerning these and other environmental matters, see “Note 18. Commitments and Contingencies” of the Notes to Consolidated Financial Statements.

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Patents and Other Intellectual Property

We hold a substantial number of patents and pending patent applications in the United States and certain foreign countries. Our patent portfolio consists primarily of utility and design patents relating to our products and manufacturing operations. Our brand name and logo, and certain of our products and services, are also protected by domestic and foreign trademark rights. Some of our more important marks are: AngelCote®, AngelBrite®, CartonMate®, Millennium®, MillMask®, BlueCuda®, EcoMAX®, MAXPDQ®, ShopperGauge®, AdvantaEdge®, Clik Top®, Formations®, Bio-Pak®, Bio-Plus®, Fold-Pak®, Smartserv®, CaseMate®, CitruSaver®, WineGuard® Pop-N-Shop®, RockSolid®, Packomatic®, Meta®, Meta Systems®, Meta Tray-8®, Meta Wrap-8®, Autobin®, Panafluff®, Panasoft®, and VPS.5®. Our patents and other intellectual property rights, particularly those relating to our corrugated container, folding carton, interior packaging and display operations, are important to our operations as a whole.

Employees

At September 30, 2011, we had approximately 26,600 employees. Of these employees, approximately 19,300 were hourly and approximately 7,300 were salaried. Approximately 13,000 of our hourly employees are covered by collective bargaining agreements, which most frequently have three or four year terms. Approximately 600 of our employees are working under an expired contract and approximately 3,200 of our employees are covered under collective bargaining agreements that expire within one year. We have experienced the following work stoppages over the last 10 years: a three-week work stoppage at our Aurora, Illinois, specialty recycled paperboard facility during fiscal 2004; a strike by the Machinists' Union at the North Sioux City, IA box plant from March 15, 2007 to May 27, 2007; a strike by the Graphic Communications Conference (Teamsters) Union from December 1, 2008 to February 20, 2009 at the St. Joseph, MO box plant; and a strike on October 20, 2010, followed by a Company initiated lock-out from October 27, 2010 to November 18, 2010 at the La Tuque, Canada paper mill. While we have experienced isolated work stoppages in the past, we have been able to resolve them and we believe that working relationships with our employees are generally good.

A labor agreement covering approximately 400 employees at our West Point, Virginia paper mill expired in 2009. Negotiations to reach a new agreement with the local union bargaining committee at the West Point mill were unsuccessful, and we declared an impasse and implemented a contract offer on March 16, 2011. The impasse and implementation were contested by the union and unfair labor practice charges were filed that have been dismissed in whole by the National Labor Relations Board. While the offer implementation could have resulted in a work stoppage, it did not, and working relationships with the union members have been cooperative and uneventful. We do not expect this situation to have a material adverse effect on our consolidated financial condition, results of operations or cash flows.

Notwithstanding the items noted above, we believe our employee relations are generally good. While the terms of our collective bargaining agreements may vary, we believe the material terms of the agreements are customary for the industry, the type of facility, the classification of the employees and the geographic location covered thereby.

Available Information

Our Internet address is www.rocktenn.com. Our Internet address is included herein as an inactive textual reference only. The information contained on our website is not incorporated by reference herein and should not be considered part of this report. We file annual, quarterly and current reports, proxy statements and other information with the Securities and Exchange Commission (“SEC”) and we make available free of charge most of our SEC filings through our Internet website as soon as reasonably practicable after filing with the SEC. You may access these SEC filings via the hyperlink that we provide on our website to a third-party SEC filings website. We also make available on our website the charters of our audit committee, our compensation committee, our nominating and corporate governance committee, and our finance committee, as well as the corporate governance guidelines adopted by our board of directors, our Code of Business Conduct for employees, our Code of Business Conduct and Ethics for directors and our Code of Ethical Conduct for CEO and senior financial officers. We will also provide copies of these documents, without charge, at the written request of any shareholder of record. Requests for copies should be mailed to: Rock-Tenn Company, 504 Thrasher Street, Norcross, Georgia 30071, Attention: Corporate Secretary.

Forward-Looking Information

Statements in this report that do not relate strictly to historical facts are forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements are based on our current expectations, beliefs, plans or forecasts and use words such as will, estimate, anticipate, project, intend, or expect, or refer to future time periods, and include statements made in this report regarding, among other things: the expiration of our Receivables Facility; the expected modification of our Credit Facility; our estimate for our capital expenditures in fiscal 2012; that capital expenditures will increase

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in fiscal 2012 due to the full year inclusion of Smurfit-Stone, increased capital expenditures for deferred maintenance on formerly Smurfit-Stone assets, as well as specific identified investment opportunities; our estimate that the fair value of our aggregate liability for outstanding indemnities, including those with respect to which there are no limitations, will be immaterial; the amounts of our anticipated contributions to our qualified defined pension plan and supplemental retirement plans, our expectation that we will continue to make contributions to our pension plans in the coming years in order to ensure that our funding levels remain adequate in light of projected liabilities and to meet the requirements of the Pension Protection Act of 2006 and other regulations; our anticipation that we will be able to fund our capital expenditures, interest payments, stock repurchases, dividends, pension payments, working capital needs, bond repurchases, and repayments of current portion of long-term debt for the foreseeable future from cash generated from operations, borrowings under our Credit Facility (as hereinafter defined) and Receivables Facility (as hereinafter defined), proceeds from the issuance of debt or equity securities or other additional long-term debt financing, including new or amended facilities; our expectations about conversions of corrugated medium and linerboard in our corrugated box converting operations and merchandising displays division into corrugated sheet stock and displays; our expectations about spending for energy sources in a fiscal year including amounts related to the Smurfit-Stone Acquisition; our expectations about how much of our total energy purchases will be natural gas and fuel oil; the effect of a hypothetical 10% increase on the prices of various commodities; that we expect our cash tax payments to be less than income tax expense in each of fiscal 2012, 2013 and 2014 due to the utilization of net operating losses from the Smurfit-Stone Acquisition, unused Cellulosic Biofuel Producers Credits we earned in fiscal 2009 and 2010 and Alternative Minimum Tax Credits and additional Cellulosic Biofuel Producers Credits from the Smurfit-Stone Acquisition; our estimates of approximate future reductions of U.S. federal cash taxes; and that it is possible that our expected cash tax payment may change due to changes in income; capital spending, changes in tax positions including those taken by Smurfit-Stone that are subject to audit or other factors; our results of operations, financial condition, cash flows, liquidity or capital resources, including expectations regarding sales growth, income tax rates, our production capacities, our ability to achieve operating efficiencies; the consummation of acquisitions and financial transactions, the effect of these transactions on our business and the valuation of assets acquired in these transactions; our competitive position and competitive conditions; our ability to obtain adequate replacement supplies of raw materials or energy; our relationships with our customers; our relationships with our employees; our expectation that the labor impasse at our West Point, Virgina paper mill; our plans and objectives for future operations and expansion; our compliance obligations with respect to health and safety laws and environmental laws, the cost of compliance, the timing of these costs, or the impact of any liability under such laws on our results of operations, financial condition or cash flows, and our right to indemnification with respect to any such cost or liability; the impact of any gain or loss of a customer’s business; the impact of announced price increases; the scope, costs, timing and impact of any restructuring of our operations and corporate and tax structure; the scope, and timing and outcome of any litigation or other dispute resolutions and the impact of any such litigation or other dispute resolutions on our results of operations, financial condition or cash flows; factors considered in connection with any impairment analysis, the outcome of any such analysis and the anticipated impact of any such analysis on our results of operations, financial condition or cash flows; pension and retirement plan obligations, contributions, the factors used to evaluate and estimate such obligations and expenses, the impact of amendments to our pension and retirement plans, the impact of governmental regulations on our results of operations, financial condition or cash flows; pension and retirement plan asset investment strategies; potential liability for outstanding guarantees and indemnities and the potential impact of such liabilities; the impact of any market risks, such as interest rate risk, pension plan risk, foreign currency risk, commodity price risks, energy price risk, rates of return, the risk of investments in derivative instruments, and the risk of counterparty nonperformance, and factors affecting those risks; the amount of contractual obligations based on variable price provisions and variable timing and the effect of contractual obligations on liquidity and cash flow in future periods; the implementation of accounting standards and the impact of these standards once implemented; factors used to calculate the fair value of financial instruments and other assets and liabilities; factors used to calculate the fair value of options, including expected term and stock price volatility; our assumptions and expectations regarding critical accounting policies and estimates; the adequacy of our system of internal controls over financial reporting; and the effectiveness of any actions we may take with respect to our system of internal controls over financial reporting.

With respect to these statements, we have made assumptions regarding, among other things, economic, competitive and market conditions; volumes and price levels of purchases by customers; competitive conditions in our businesses; possible adverse actions of our customers, our competitors and suppliers; labor costs; the amount and timing of capital expenditures, including installation costs, project development and implementation costs, severance and other shutdown costs; restructuring costs, including those associated with the Smurfit-Stone Acquisition; the sale or other utilization of real property from closed facilities; credit availability; volumes and price levels of purchases by customers; raw material and energy costs; and competitive conditions in our businesses.

You should not place undue reliance on any forward-looking statements as such statements involve risks, uncertainties, assumptions and other factors that could cause actual results to differ materially, including the following: our ability to achieve benefits from the Smurfit-Stone Acquisition or to integrate Smurfit-Stone; the level of demand for our products; our ability to successfully identify and make performance improvements; anticipated returns on our capital investments; investment performance, discount rates and return on pension plan assets; market risk from changes in, including but not limited to, interest rates and commodity prices; possible increases in energy, raw materials, shipping and capital equipment costs; any reduction in the supply of raw materials; fluctuations in selling prices and volumes; intense competition; the potential loss of certain customers; the timing and impact of alternative fuel mixture credits and cellulosic biofuel producer credits, the impact of operational restructuring activities, including the cost and timing of such activities, the size and cost of employment terminations, operational consolidation, capacity utilization, cost reductions and production efficiencies, estimated fair values of assets, and returns from planned asset transactions, and the impact of such factors on earnings; potential liability for outstanding guarantees and indemnities and the potential impact of such liabilities; the impact of economic conditions, including the nature of the current market environment, raw material and energy costs and market trends or factors that affect such trends, such as expected price increases, competitive pricing pressures and cost increases, as well as the impact and continuation of such factors; our results of operations, including operational inefficiencies, costs, sales growth or declines, the timing and impact of customer transitioning, the impact of announced price increases and the impact of the gain and loss of customers; pension plan contributions and expense, funding requirements and earnings; environmental law liability as well as the impact of related compliance efforts, including the cost of required improvements and the availability of certain indemnification claims; capital expenditures; the cost and other effects of complying with governmental laws and regulations and the timing of such costs; income tax rates, future tax expense and future cash tax payments; future debt repayment; our ability to fund capital expenditures, interest payments, stock repurchases, dividends, pension payments, working capital needs, bond repurchases and debt for the foreseeable future from available cash and the proceeds from borrowings and security issuances; our estimates and assumptions regarding our contractual obligations and the impact of our contractual obligations on our liquidity and cash flow; the impact of changes in assumptions and estimates underlying accounting policies; the expected impact of implementing new accounting standards; and the impact of changes in assumptions and estimates on which we based the design of our system of disclosure controls and procedures; adverse changes in general market and industry conditions and other risks, uncertainties and factors discussed in Item 1A "Risk Factors". The information contained herein speaks as of the date hereof and we do not have or undertake any obligation to update such information as future events unfold.

Item 1A. RISK FACTORS

We are subject to certain risks and events that, if one or more of them occur, could adversely affect our business, our results of operations, financial condition, cash flows and/or the trading price of our common stock. You should consider the following risk factors, in addition to the other information presented in this report, as well as the other reports and registration statements we file from time to time with the SEC, in evaluating us, our business and an investment in our securities. The risks below are not the only ones we face. Additional risks not currently known to us or that we currently deem immaterial could also adversely impact our business in the future.

• We May Face Increased Costs and Reduced Supply of Raw Materials

Historically, the costs of recovered paper and virgin paperboard, our principal externally sourced raw materials, have fluctuated significantly due to market and industry conditions. Increasing demand for products packaged in 100% recycled paper and the shift by manufacturers of virgin paperboard, tissue, newsprint and corrugated packaging to the production of products with some recycled paper content have and may continue to increase demand for recovered paper. Furthermore, there has been a substantial increase in demand for U.S. sourced recovered paper by Asian countries. These increasing demands may result in cost increases. While the cost of virgin fiber has historically been less volatile than recycled fiber, it also fluctuates, particularly during prolonged periods of heavy rain or during housing slowdowns. At times, the cost of natural gas, which we use in many of our manufacturing operations, including most of our paperboard mills, and other energy costs (including energy generated by burning natural gas, fuel oil and coal) have fluctuated significantly. There can be no assurance that we will be able to recoup any past or future increases in the cost of recovered paper, virgin fiber or other raw materials or of natural gas, fuel oil, coal or other energy through price increases for our products. Further, a reduction in availability of recovered paper, virgin paperboard, virgin fiber or other raw materials or energy sources due to increased demand or other factors could have an adverse effect on our results of operations and financial condition.

• We May Experience Pricing Variability

The paperboard, containerboard and converted products industries historically have experienced significant fluctuations in selling prices. If we are unable to maintain the selling prices of products within these industries, that inability may have a material adverse effect on our results of operations and financial condition. We are not able to predict with certainty market conditions or the selling prices for our products.

• Our Earnings are Highly Dependent on Volumes

Our operations generally have high fixed operating cost components and therefore our earnings are highly dependent on volumes, which tend to fluctuate. These fluctuations make it difficult to predict our results with any degree of certainty.

• We Face Intense Competition

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Our businesses are in industries that are highly competitive, and no single company dominates an industry. Our competitors include large and small, vertically integrated packaging products, paperboard and containerboard companies and numerous non-integrated smaller companies. We generally compete with companies operating in North America. Competition from foreign manufacturers in the future could negatively impact our sales volumes and pricing. Because all of our businesses operate in highly competitive industry segments, we regularly bid for sales opportunities to customers for new business or for renewal of existing business. The loss of business from our larger customers may have a significant impact on our results of operations. Further, competitive conditions may prevent us from fully recovering increased costs and may inhibit our ability to pass on cost increases to our customers. Our mills' sales volumes may be directly impacted by changes in demand for our packaging products. See Item 1. "Business — Competition" and "Business — Sales and Marketing."

• We Have Been Dependent on Certain Customers

Each of our segments has certain large customers, the loss of which could have a material adverse effect on the segment's sales and, depending on the significance of the loss, our results of operations, financial condition or cash flows.

• We May Incur Business Disruptions

We take measures to minimize the risks of disruption at our facilities. The occurrence of a natural disaster, such as a hurricane, tropical storm, earthquake, tornado, flood, fire, or other unanticipated problems such as labor difficulties, equipment failure or unscheduled maintenance could cause operational disruptions or short term rises in raw material or energy costs that could materially adversely affect our earnings to varying degrees dependent upon the facility and the duration of the disruption. Any losses due to these events may not be covered by our existing insurance policies or may be subject to certain deductibles.

• We May be Adversely Affected by Current Economic and Financial Market Conditions

Our businesses may be affected by a number of factors that are beyond our control such as general economic and business conditions, and conditions in the financial services markets including counterparty risk, insurance carrier risk and rising interest rates, inflation, deflation or fluctuations in the value of local currency versus the U.S. dollar. The current macro-economic challenges, including current conditions in financial and capital markets and relatively high levels of unemployment, may continue to put pressure on the economy. As a result, customers, vendors or counterparties may experience significant cash flow problems or cause consumers of our products to postpone or refrain from spending in response to adverse economic events or conditions. If customers are not successful in generating sufficient revenue or cash flows or are precluded from securing financing, they may not be able to pay or may delay payment of accounts receivable that are owed to us or we may experience lower sales volumes. We are not able to predict with certainty market conditions, and our business could be materially and adversely affected by these market conditions.

• We May be Unable to Complete and Finance Acquisitions

We have completed several acquisitions in recent years and may seek additional acquisition opportunities. There can be no assurance that we will successfully be able to identify suitable acquisition candidates, complete and finance acquisitions, integrate acquired operations into our existing operations or expand into new markets. There can also be no assurance that future acquisitions will not have an adverse effect upon our operating results. Acquired operations may not achieve levels of revenues, profitability or productivity comparable with those our existing operations achieve, or otherwise perform as expected. In addition, it is possible that, in connection with acquisitions, our capital expenditures could be higher than we anticipated and that we may not realize the expected benefits of such capital expenditures.

• We are Subject to Extensive Environmental and Other Governmental Regulation

We are subject to various federal, state, local and foreign environmental laws and regulations, including those regulating the discharge, storage, handling and disposal of a variety of substances, as well as other financial and non-financial regulations.

We regularly make capital expenditures to maintain compliance with applicable environmental laws and regulations. However, environmental laws and regulations are becoming increasingly stringent. Consequently, our compliance and remediation costs could increase materially. In addition, we cannot currently assess the impact that the future emissions standards, climate change initiatives, initiatives such as regulations on emissions from certain industrial boilers and enforcement practices will have on our operations or capital expenditure requirements. Further, we have been identified as a potentially responsible party at various third-party disposal sites pursuant to U.S. federal or state statutes. See “Note 18. Commitments and Contingencies” of the Notes to Consolidated Financial Statements. There can be no assurance that any liability we may incur in connection with these or other sites at which we may be identified in the future as a responsible party or in connection with other governmental requirements, including capital investments associated with regulatory compliance, will not be material to our results of operations, financial condition or cash flows.

• We May Incur Additional Restructuring Costs

We have restructured portions of our operations from time to time and it is possible that we may engage in additional restructuring initiatives including those associated with our recent Smurfit-Stone Acquisition. Because we are not able to predict with certainty market conditions, the loss of large customers, or the selling prices for our products, we also may not be able to predict with certainty when it will be appropriate to undertake restructurings. It is also possible, in connection with these restructuring efforts, that our costs could be higher than we anticipate and that we may not realize the expected benefits.

• We May Incur Increased Transportation Costs

We distribute our products primarily by truck and rail. Reduced availability of truck or rail carriers could negatively impact our ability to ship our products in a timely manner. There can be no assurance that we will be able to recoup any past or future increases in transportation rates or fuel surcharges through price increases for our products.

• Work Stoppage and Other Labor Relations Matters May Have an Adverse Effect on Our Financial Results

A significant number of our employees in North America are governed by collective bargaining agreements. Expired contracts are in the process of renegotiation. We may not be able to successfully negotiate new union contracts without work stoppages or labor difficulties or renegotiate without unfavorable terms. If we are unable to successfully renegotiate the terms of any of these agreements or an industry association is unable to successfully negotiate a national agreement when they expire, or if we experience any extended interruption of operations at any of our facilities as a result of strikes or other work stoppages, our results of operations and financial condition could be materially and adversely affected.

• We May Incur Increased Employee Benefit Costs and Our Under Funded Pension Plans Will Require Additional Cash Contributions

Our pension and health care benefits are dependent upon multiple factors resulting from actual plan experience and assumptions of future experience. Employee healthcare costs in recent years have continued to rise. The Patient Protection and Affordable Care Act has resulted in additional healthcare cost increases beginning in 2011, however, these costs have not been material. We will continue to closely monitor healthcare legislation and its impact on our plans and costs. Our pension plan assets are primarily made up of equity and fixed income investments. Fluctuations in market performance and changes in interest rates may result in increased or decreased pension costs in future periods. Changes in assumptions regarding expected long-term rate of return on plan assets, our discount rate or expected compensation levels could also increase or decrease pension costs. Future pension funding requirements, and the timing of funding payments, may also be subject to changes in legislation. During 2006, Congress passed the Pension Protection Act of 2006 (the “Pension Act”) with the stated purpose of improving the funding of U.S. private pension plans. The Pension Act imposes stricter funding requirements, introduces benefit limitations for certain under funded plans and requires under funded pension plans to improve their funding ratios within prescribed intervals based on the level of their under funding. The Pension Act applies to pension plan years beginning after December 31, 2007. We have made contributions to our pension plans and expect to make substantial contributions in the coming years in order to ensure that our funding levels remain adequate in light of projected liabilities and to meet the requirements of the Pension Act and other regulations. There can be no assurance that such changes, including the current turmoil in financial and capital markets, will not be material to our results of operations, financial condition or cash flows.

At September 30, 2011, our qualified defined benefit pension plans were under funded by approximately $1.4 billion. We will likely be required to make significant cash contributions to these plans under applicable U.S. and Canadian laws over the next several years in order to meet future funding requirements and satisfy current service obligations under the plans. These contributions will significantly impact future cash flows that might otherwise be available for repayment of debt, capital expenditures, and other corporate purposes. The actual required amounts and timing of future cash contributions will be highly sensitive to changes in the applicable discount rates and returns on plan assets, and could also be impacted by future changes in the laws and regulations applicable to plan funding. There can be no assurance that such changes, including the current turmoil in financial and capital markets, will not be material to our results of operations, financial condition or cash flows.

- We May be Unable to Realize the Expected Benefits of Acquiring Smurfit-Stone, and the Smurfit-Stone Acquisition May Adversely Affect RockTenn's Business, Financial Condition or Results of Operations

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The success of the Smurfit-Stone Acquisition will depend, in part, on our ability to realize the anticipated synergies and business opportunities and to maintain or improve the sales and operations from combining our existing business with that of Smurfit-Stone. It will also depend, in part, on our ability to integrate the acquired Smurfit-Stone operations into our existing operations and integrate Smurfit-Stone's employees with RockTenn's. There can be no assurance that we will realize these anticipated synergies and business opportunities or that we will successfully be able to integrate the acquired Smurfit-Stone operations. We may be unable to retain key Smurfit-Stone and RockTenn employees. While we believe that the integration of Smurfit-Stone's personnel, policies, processes, procedures, controls and systems into RockTenn's will be conducted in a well-planned and executed manner, there can be no assurance that the resulting internal control over financial reporting will continue to be effective. The integration of Smurfit-Stone's business may result in unforeseen expenses that could, particularly in the near term, exceed the savings that we expect to achieve. In addition, the terms of the acquisition debt financing we used to finance the Smurfit-Stone Acquisition, and our increased indebtedness following the Smurfit-Stone Acquisition, as well as the unfunded pension liabilities of the acquired operations, may have the effect, among other things, of reducing our flexibility to respond to changing business and economic conditions and will increase borrowing costs. Our ability to use the acquired Smurfit-Stone net operating loss carryforwards to offset future taxable income for U.S. federal income tax purposes may be limited, and the amount of the net operating losses and other tax positions taken by Smurfit-Stone are subject to audit. If tax positions taken by Smurfit-Stone were substantially modified, our results of operations, financial condition or cash flows could be materially and adversely affected. There can be no assurance that the Smurfit-Stone Acquisition will not have an adverse effect upon our operating results. The Smurfit-Stone operations may not sustain the levels of revenues, profitability or productivity comparable with those prior to the acquisition or otherwise perform as expected. In addition, it is possible that, in connection with the Smurfit-Stone Acquisition, our capital expenditures could be higher than we anticipated and that we may not realize the expected benefits of such capital expenditures. As a result of the Smurfit-Stone Acquisition, based on the preliminary purchase price allocation, we recorded goodwill of approximately $1.1 billion. Our business may be affected by a number of factors that are beyond our control such as general economic conditions or business risks associated with macro-economic challenges, including, without limitation, potential turmoil in financial, capital and equity markets and high levels of unemployment. Should these types of conditions and risks occur with sufficient severity, or if we were unable to successfully integrate the Smurfit-Stone operations, there can be no assurance that such changes would not materially impact the carrying value of our goodwill.

- Pending Litigation Against RockTenn, Smurfit-Stone and the Former Directors of Smurfit-Stone Could Result in a Monetary Award Against RockTenn and May Adversely Affect RockTenn's Business, Financial Condition or Results of Operations.

There is a class action lawsuit filed by former stockholders of Smurfit-Stone pending in the Delaware Court of Chancery, challenging the recently completed acquisition by RockTenn of Smurfit-Stone. On October 5, 2011, we reached an agreement to settle the class action with the plaintiffs. The proposed settlement is subject to a number of conditions, including final court approval following completion of a settlement hearing. We cannot currently estimate the losses, if any, that will result from claims made against RockTenn, Smurfit-Stone and the former directors of Smurfit-Stone arising out of this acquisition. No assurance can be given that the final resolution of these claims will not be material to RockTenn. For additional information on litigation challenging the Smurfit-Stone Acquisition, see “Item 3. Legal Proceedings”.

Item 1B. UNRESOLVED STAFF COMMENTS
Not applicable – there are no unresolved SEC staff comments.

Item 2. PROPERTIES

We operate locations in the United States (38 states), Canada, Mexico, Chile, Argentina, Puerto Rico and China. We own our principal executive offices in Norcross, Georgia. We believe that our existing production capacity is adequate to serve existing demand for our products and consider our plants and equipment to be in good condition.

Our operating facilities as of September 30, 2011 are summarized below:

	Number of Facilities		
Segment	Owned	Leased	Total
Corrugated Packaging	94	28	122
Consumer Packaging	45	29	74
Recycling and Waste Solutions	24	17	41
Corporate	1	3	4
Total	164	77	241

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We own all of our mills. The following table shows production capacity of paperboard and containerboard by mill at September 30, 2011 in thousands of tons.

Location of Mill	Linerboard	Medium	Coated Recycled Paperboard	Bleached Paperboard	Specialty Recycled Paperboard	Market Pulp	Total Capacity
Fernandina Beach, FL	930						930
West Point, VA	708	183					891
Stevenson, AL		885					885
Hodge, LA	694	145					839
Solvay, NY	540	260					800
Florence, SC	683						683
Panama City, FL	336					275	611
Seminole, FL	388	200					588
La Tuque, QC	345			131			476
Hopewell, VA	443						443
Demopolis, AL				345		100	445
Coshocton, OH		305					305
St. Paul, MN		200					200
Matane, QC		176					176
Uncasville, CT		165					165
St. Paul, MN			165				165
Battle Creek, MI			160				160
Chattanooga, TN					132		132
Dallas, TX			115				115
Sheldon Springs, VT (Missisquoi Mill)			110				110
Lynchburg, VA					103		103
Stroudsburg, PA			80				80
Eaton, IN					60		60
Cincinnati, OH					53		53
Aurora, IL					32		32
Total Mill Capacity	5,067	2,519	630	476	380	375	9,447

In the table above our linerboard includes white top linerboard, the production capacity at Lynchburg, VA is from a paperboard machine that manufactures gypsum paperboard liner and is owned by our Seven Hills joint venture. Our fiber sourcing for our mills is approximately 55% virgin and 45% recycled.

The following is a list of our significant facilities other than our mills:

Type of Facility	Locations
Merchandising Display Operations	Winston-Salem, NC (sales, design, manufacturing and contract packing)
Headquarters	Norcross, GA

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Item 3. LEGAL PROCEEDINGS

Litigation Relating to the Smurfit-Stone Acquisition

Three complaints on behalf of the same putative class of Smurfit-Stone stockholders were filed in the Delaware Court of Chancery challenging our acquisition of Smurfit-Stone: Marks v. Smurfit-Stone Container Corp., et al., Case No. 6164 (filed February 2, 2011); Spencer v. Moore, et al., Case No. 6299 (filed March 21, 2011); and Gould v. Smurfit-Stone Container Corp., et al., Case No. 6291 (filed March 17, 2011). On March 24, 2011, these cases were consolidated under Case No. 6164, plaintiffs Marks and Spencer were appointed lead plaintiffs, and the complaint in Spencer was designated as the operative complaint. In the Spencer complaint, plaintiffs name as defendants RockTenn, the former members of the Smurfit-Stone board of directors and Sam Acquisition, LLC (now known as RockTenn CP, LLC, our wholly-owned subsidiary that is the successor to Smurfit-Stone). The plaintiffs alleged, among other things, that the consideration we paid to acquire Smurfit-Stone was inadequate and unfair to Smurfit-Stone stockholders, that the February 24, 2011 preliminary joint proxy statement/prospectus contained misleading or inadequate disclosures regarding our acquisition of Smurfit-Stone, that the individual defendants breached their fiduciary duties in approving our acquisition of Smurfit-Stone and that those breaches were aided and abetted by us. On May 2, 2011, the court granted class certification, appointing the lead plaintiffs and their counsel to represent a class of all record and beneficial holders of Smurfit-Stone common stock as of January 23, 2011 or their successors in interest, but excluding the named defendants and any person, firm, trust, corporation or other entity related to or affiliated with any of the defendants. During argument in connection with the preliminary injunction sought by the plaintiffs, the plaintiffs acknowledged that their claims concerning the adequacy of the disclosures in the February 24, 2011 preliminary joint proxy statement/prospectus were moot in light of subsequent disclosures made by Smurfit-Stone and us. On May 20, 2011, the court denied the plaintiffs' request for a preliminary injunction preventing the completion of the acquisition, finding that the plaintiffs had failed to demonstrate a likelihood of success with respect to the merits of their claims, that the requisite showing of irreparable harm had not been made and that the balance of the equities counseled against granting the injunction. On July 7, 2011, we filed a counterclaim in this case seeking a declaration that the plaintiffs are not entitled to damages or the imposition of any other remedy with respect to an error in Smurfit-Stone's proxy statement relating to appraisal rights.

On October 5, 2011, we reached an agreement to settle the class action with the plaintiffs. Under the terms of the proposed settlement, the class will release all claims against us and the former directors of Smurfit-Stone that arise out of the class members' ownership of Smurfit-Stone shares between the dates on which the merger was agreed and consummated and that are based on the merger agreement or the acquisition, disclosures or statements concerning the merger agreement or the acquisition, or any of the matters alleged in the lawsuit. In exchange for these releases, we will grant the former Smurfit-Stone shareholders (other than those who have already asserted their appraisal rights) the right to bring and participate in a future “quasi-appraisal” proceeding in which the court will assess the value of a share of Smurfit-Stone common stock on a stand-alone basis as of the closing of the transaction. The ability of former Smurfit-Stone shareholders to bring and participate in the future quasi-appraisal proceeding will be subject to a number of conditions, including returning to us an amount of cash equal to $41.26 per Smurfit-Stone share if the former shareholder voted in favor of the merger (representing approximately 73% of Smurfit-Stone shares outstanding as of the record date) or $6.26 per Smurfit-Stone share if the former shareholder either voted against the merger (representing approximately 7% of the Smurfit-Stone shares outstanding as of the record date) or abstained or did not vote with respect to the merger. The proposed settlement is subject to a number of conditions, including final court approval following completion of a settlement hearing scheduled for December 8, 2011.

In addition, we have also settled an appraisal demand regarding substantially all the Smurfit-Stone shares for which appraisal rights were asserted. The shareholder that made this appraisal demand has received an amount of cash per Smurfit-Stone share for which its appraisal rights were asserted equal to the per-share value of the merger consideration on the date of the merger and will not participate in the future quasi-appraisal proceeding or object to the class settlement.

On February 17, 2011, a putative class action complaint asserting similar claims was filed against RockTenn, Smurfit-Stone, the former members of the Smurfit-Stone board of directors and Sam Acquisition, LLC in the United States District Court for the Northern District of Illinois under the caption of Dabrowski v. Smurfit-Stone Container Corp., et al., C.A. No. 1:11-cv-01136. On April 22, 2011, the plaintiff filed an amended complaint alleging, among other things, that the consideration we paid to acquire Smurfit-Stone was inadequate and unfair to Smurfit-Stone stockholders, that Smurfit-Stone and the individual defendants breached their fiduciary duties in approving our acquisition of Smurfit-Stone and that those breaches were aided and abetted by us. The plaintiff in Dabrowski also alleged that the March 31, 2011 amended joint proxy statement/prospectus contains misleading or inadequate disclosures constituting violations of Sections 14(a) and 20(a) of the Securities Exchange Act of 1934. The plaintiff in Dabrowski sought monetary and equitable relief. On August 4, 2011, the plaintiff voluntarily dismissed this matter without prejudice.

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Four complaints on behalf of the same putative class of Smurfit-Stone stockholders were filed in the Circuit Court for Cook County, Illinois challenging RockTenn's acquisition of Smurfit-Stone: Gold v. Smurfit-Stone Container Corp., et al., No. 11-CH-3371 (filed January 26, 2011); Roseman v. Smurfit-Stone Container Corp., et al., No. 11-CH-3519 (filed January 27, 2011); Findley v. Smurfit-Stone Container Corp., et al., No. 11-CH-3726 (filed January 28, 2011); and Czech v. Smurfit-Stone Container Corp., et al., No. 11-CH-4282 (filed February 4, 2011). On February 10, 2011, these cases were consolidated together, and on March 4, 2011, plaintiffs in the consolidated action filed an amended complaint. The amended complaint names as defendants RockTenn, Smurfit-Stone and the former members of the Smurfit-Stone board of directors. The amended complaint alleged, among other things, that the consideration we paid to acquire Smurfit-Stone was inadequate and unfair to Smurfit-Stone stockholders, that the February 24, 2011 preliminary joint proxy statement/prospectus contained misleading or inadequate disclosures, that the individual defendants breached their fiduciary duties in approving our acquisition of Smurfit-Stone and that those breaches were aided and abetted by RockTenn and Smurfit-Stone. The amended complaint sought equitable relief. On April 21, 2011, the court stayed this consolidated matter pending resolution of the Delaware plaintiffs' motion for preliminary injunction (discussed above) or until further order of the court. On July 20, 2011, this consolidated matter was dismissed without prejudice by agreement with plaintiffs.

We are continuing to vigorously defend against all claims made against us, Smurfit-Stone and the former directors of Smurfit-Stone arising out of this acquisition, and we intend to vigorously defend any quasi-appraisal claims that may be commenced. We cannot currently estimate the losses, if any, that will result from these claims. No assurance can be given that the final resolution of these claims will not be material to us.

We are a defendant in a number of other lawsuits and claims arising out of the conduct of its business. While the ultimate results of such suits or other proceedings against us cannot be predicted with certainty, management believes the resolution of these other matters will not have a material adverse effect on its consolidated financial condition, results of operations or cash flows.

Item 4. (REMOVED AND RESERVED)

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PART II: FINANCIAL INFORMATION

Item 5. MARKET FOR THE REGISTRANT'S COMMON EQUITY, RELATED STOCKHOLDER MATTERS AND ISSUER PURCHASES OF EQUITY SECURITIES

Common Stock

Our Class A common stock, par value $0.01 per share ("Common Stock"), trades on the New York Stock Exchange under the symbol RKT. As of October 31, 2011, there were approximately 3,378 shareholders of record of our Common Stock. The number of shareholders of record only includes a single shareholder, Cede & Co., for all of the shares held by our shareholders in individual brokerage accounts maintained at banks, brokers and institutions.

Price Range of Common Stock

	Fiscal 2011		Fiscal 2010	
	High	Low	High	Low
First Quarter	$59.02	$49.23	$53.20	$42.18
Second Quarter	$74.26	$54.56	$52.59	$37.25
Third Quarter	$78.64	$61.55	$55.90	$45.33
Fourth Quarter	$67.98	$45.54	$55.22	$46.61

Dividends

During fiscal 2011, we paid a quarterly dividend on our Common Stock of $0.20 per share ($0.80 per share annually). During fiscal 2010, we paid a quarterly dividend on our Common Stock of $0.15 per share ($0.60 per share annually).

For additional dividend information, please see Item 6. "Selected Financial Data."

Securities Authorized for Issuance Under Equity Compensation Plans

The section under the heading "Executive Compensation Tables" entitled "Equity Compensation Plan Information" in the Proxy Statement for the Annual Meeting of Shareholders to be held on January 27, 2012, which will be filed with the SEC on or before December 31, 2011, is incorporated herein by reference.

For additional information concerning our capitalization, see "Note 15. Shareholders' Equity" of the Notes to Consolidated Financial Statements.

Our board of directors has approved a stock repurchase plan that allows for the repurchase of shares of Common Stock over an indefinite period of time. Our stock repurchase plan as amended allows for the repurchase of a total of 6.0 million shares of Common Stock. Pursuant to our repurchase plan, during fiscal 2010, we repurchased 74,901 shares for an aggregate cost of $3.6 million. In fiscal 2011 and 2009, we did not repurchase any shares of Common Stock. As of September 30, 2011, we had approximately 1.8 million shares of Common Stock available for repurchase under the amended repurchase plan.

Item 6. SELECTED FINANCIAL DATA

The following selected consolidated financial data should be read in conjunction with our Consolidated Financial Statements and Notes thereto and Item 7. "Management's Discussion and Analysis of Financial Condition and Results of Operations" included herein. We derived the consolidated statements of income and consolidated statements of cash flows data for the years ended September 30, 2011, 2010, and 2009, and the consolidated balance sheet data as of September 30, 2011 and 2010 from the Consolidated Financial Statements included herein. We derived the consolidated statements of income and consolidated statements of cash flows data for the years ended September 30, 2008 and 2007, and the consolidated balance sheet data as of September 30, 2009, 2008, and 2007, from audited Consolidated Financial Statements not included in this report. The table that follows is consistent with those presentations with the exception of diluted earnings per share attributable to Rock-Tenn Company shareholders which was restated due to the adoption of certain provisions as set forth in the Financial Accounting Standards Board's Accounting Standards Codification ("ASC") 260 (as hereinafter defined) in fiscal 2010.

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On May 27, 2011, we completed the Smurfit-Stone Acquisition. The Smurfit-Stone Acquisition was the primary reason for the changes in the selected financial data in fiscal 2011. On March 5, 2008, we acquired the stock of Southern Container Corp. (the "Southern Container Acquisition" or "Southern Container"). The Southern Container Acquisition was the primary reason for the changes in the selected financial data beginning in fiscal 2008. Our results of operations shown below may not be indicative of future results.

	Year Ended September 30,				
	2011	2010	2009	2008	2007
	(In millions, except per share amounts)				
Net sales	$5,399.6	$3,001.4	$2,812.3	$2,838.9	$2,315.8
Alternative fuel mixture credit, net of expenses (a)	$—	$28.8	$54.1	$—	$—
Restructuring and other costs, net	$93.3	$7.4	$13.4	$15.6	$4.7
Cellulosic biofuel producer credit, net (b)	$—	$27.6	$—	$—	$—
Net income attributable to Rock-Tenn Company shareholders (c)	$141.1	$225.6	$222.3	$81.8	$81.7
Diluted earnings per share attributable to Rock-Tenn Company shareholders	$2.77	$5.70	$5.71	$2.12	$2.05
Diluted weighted average shares outstanding	50.5	39.1	38.5	37.9	39.0
Dividends paid per common share	$0.80	$0.60	$0.40	$0.40	$0.39
Book value per common share	$47.85	$25.99	$20.07	$16.75	$15.51
Total assets	$10,566.0	$2,914.9	$2,884.4	$3,013.1	$1,800.7
Current portion of debt	$143.3	$231.6	$56.3	$245.1	$46.0
Total long-term debt	$3,302.5	$897.3	$1,293.1	$1,453.8	$676.3
Total debt	$3,445.8	$1,128.9	$1,349.4	$1,698.9	$722.3
Total Rock-Tenn Company shareholders' equity	$3,371.6	$1,011.3	$776.8	$640.5	$589.0
Net cash provided by operating activities	$461.7	$377.3	$389.7	$240.9	$238.3
Capital expenditures	$199.4	$106.2	$75.9	$84.2	$78.0
Cash paid for purchase of businesses, net of cash acquired (d)	$1,300.1	$23.9	$(4.0)	$817.9	$32.1

(a) The alternative fuel mixture credit, net of expenses represents a reduction of cost of goods sold in our Consumer Packaging segment. This credit, which is not taxable for federal or state income tax purposes because we claimed the credit on our fiscal 2009 federal income tax return rather than as an excise tax refund, is discussed in "Note 5. Alternative Fuel Mixture Credit and Cellulosic Biofuel Producer Credit" of the Notes to Consolidated Financial Statements.

(b) The cellulosic biofuel producer credit, net represents a reduction of income tax expense. This credit is discussed in "Note 5. Alternative Fuel Mixture Credit and Cellulosic Biofuel Producer Credit" of the Notes to Consolidated Financial Statements.

(c) Net income attributable to Rock-Tenn Company shareholders in fiscal 2011 was reduced by $59.4 million pre-tax for acquisition inventory step-up expense and $39.5 million pre-tax for a loss on extinguishment of debt in connection with the $4.3 billion Smurfit-Stone Acquisition debt financing.

(d) Cash paid for the purchase of businesses includes amounts (received from) and paid into escrow, net of cash acquired.

Item 7. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

Overview

On May 27, 2011, we acquired Smurfit-Stone in order to expand our corrugated packaging business as we believe the containerboard and corrugated packaging industry is a very attractive business and U.S. virgin containerboard is a strategic global asset. The merger consideration was structured with 50% cash, 50% equity and the assumption of debt, although the final equity value increased at the time the deal closed due to appreciation in our stock price. The purchase price for the acquisition was

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$4,919.1 million, net of cash acquired of $473.5 million. The purchase price included cash consideration, net of cash acquired of $1,303.4 million, the issuance of approximately 31.0 million shares of RockTenn common stock valued at $2,378.8 million, including approximately 0.7 million shares reserved but unissued at September 30, 2011 for the resolution of Smurfit-Stone bankruptcy claims, and we assumed $1,180.5 million of debt and recorded $56.4 million for stock options to replace outstanding Smurfit-Stone stock options. The reserved shares will be distributed as claims are liquidated or resolved in accordance with the Smurfit-Stone Plan of Reorganization and Confirmation Order. The shares issued were valued at $76.735 per share which represents the average of the high and low stock price on the acquisition date. We financed the acquisition with approximately $4.3 billion of debt financing, consisting of a $1.475 billion 5-year revolving credit facility; a $1.475 billion 5-year term loan A facility; a $750 million 7-year term loan B facility and a $625 million 3-year accounts receivable securitization facility. The borrowings under the new debt facilities were used in part to finance the merger, to repay outstanding indebtedness of Smurfit-Stone, to refinance our existing credit facilities, to pay for fees and expenses incurred in connection with the acquisition of Smurfit-Stone and to provide liquidity for general corporate purposes of approximately $1 billion. For additional information see "Note 6. Acquisitions" and "Note 9. Debt" of the Notes to Consolidated Financial Statements.

Net sales of $5,399.6 million for fiscal 2011 increased $2,398.2 million, or 79.9% over fiscal 2010, primarily as a result of the May 27, 2011, Smurfit-Stone Acquisition and other volume and selling price increases in our business. Total segment income of $531.7 million in fiscal 2011 adjusted to eliminate $59.4 million of pre-tax acquisition inventory step-up expense increased to $591.1 million, or an increase of 42.7%, compared to adjusted segment income of $414.2 million in fiscal 2010 after adjusting total segment income of $443.0 million to exclude $28.8 million pre-tax of alternative fuel mixture credit. The increase in fiscal 2011 was primarily due to the Smurfit-Stone Acquisition. Segment income in fiscal 2011 was also impacted by higher fiber, chemical, freight and energy costs that were partially offset by lower virgin fiber costs.

Net income attributable to Rock-Tenn Company shareholders in fiscal 2011 was $141.1 million compared to $225.6 million in fiscal 2010 and earnings per diluted share was $2.77 and $5.70 in fiscal 2011 and fiscal 2010, respectively. Adjusted net income attributable to Rock-Tenn Company shareholders in fiscal 2011 increased $103.1 million over fiscal 2010 to $279.0 million and adjusted earnings per diluted share was $5.50 and $4.43, respectively. See our reconciliations of adjusted earnings per share and adjusted net income.

Adjusted earnings per diluted share are as follows:

	Years Ended September 30,		
	2011	2010	2009
Earnings per diluted share	$2.77	$5.70	$5.71
Restructuring and other costs and operating losses and transition costs due to plant closures	1.32	0.13	0.23
Acquisition inventory step-up	0.74	—	—
Loss on extinguishment of debt	0.50	0.05	0.07
Non-cash loss on Canadian intercompany note	0.17	—	—
Alternative fuel mixture credit, net	—	(0.74)	(1.42)
Cellulosic biofuel producer credit, net	—	(0.71)	—
Adjusted earnings per diluted share	$5.50	$4.43	$4.59

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Pre-tax restructuring and other costs and operating losses and transition costs due to plant closures, net of related noncontrolling interest, were $97.5 million for fiscal 2011 and consisted primarily of $60.6 million of integration and acquisition costs related primarily to the Smurfit-Stone Acquisition, $36.9 million of facility closure and related operating losses and transition costs, primarily related to former Smurfit-Stone corrugated container plants and kraft paper assets at our Hodge, Louisiana containerboard mill, plus a charge of $4.5 million for tax adjustments related primarily to non-deductible acquisition costs. In fiscal 2010 and 2009, pre-tax restructuring and other costs and operating losses and transition costs due to plant closures, net of related noncontrolling interest, were $7.9 and $14.2 million, respectively. The operating losses and transition costs due to plant closures, net of related noncontrolling interest component included in the preceding numbers was $4.6 million, $1.7 million and $1.8 million for fiscal 2011, 2010 and 2009, respectively. For additional information regarding our restructuring and other costs see "Note 7. Restructuring and Other Costs, Net" of the Notes to Consolidated Financial Statements included herein.

- Generally accepted accounting principles in the United States ("GAAP") requires that an acquirer value inventory acquired at fair value. This reduces the profit on future sales of that inventory to that portion attributable to the selling effort. This

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step-up in value reduced our income in fiscal 2011 by $59.4 million pre-tax as the acquired inventory was sold and an intercompany profit reserve was established on new inventory and charged to cost of goods sold.

- In fiscal 2011, we recognized a pre-tax loss on extinguishment of debt of $39.5 million for associated fees and expenses incurred in connection with the $4.3 billion of acquisition debt financing and the repayment and termination of certain pre-acquisition financing arrangements. In fiscal 2010 and 2009, we recognized pre-tax losses on extinguishment of debt of $2.8 million and $4.4 million, respectively.
- In fiscal 2011, we recorded pre-tax expense of $13.5 million for the non-cash foreign currency translation loss to our U.S. lender of a Canadian intercompany loan acquired in the Smurfit-Stone acquisition. The corresponding non-cash gain to our Canadian borrower on the intercompany loan was recorded as an increase in accumulated other comprehensive income. This loan was repaid during the fourth quarter of fiscal 2011 with borrowings available to our Canadian subsidiaries under our Credit Facility.
- As discussed in “Note 5. Alternative Fuel Mixture Credit and Cellulosic Biofuel Producer Credit” our results in fiscal 2010 and fiscal 2009 were increased by tax credits relating to liquid fuel derived from biomass (known as “black liquor”). In fiscal 2010 and fiscal 2009 we recognized $29.0 million and $55.4 million of alternative fuel mixture credit (“AFMC”), which is not taxable for federal or state income tax purposes based on the manner in which we utilized the credit, and reduced cost of goods sold in our Consumer Packaging segment by $28.8 million and $54.1 million, net of expenses, for each period respectively.
- In the fourth quarter of fiscal 2010 we elected to claim the cellulosic biofuel producer credit for black liquor produced in calendar year 2009 instead of the alternative fuel mixture credit. Accordingly, we recorded a cellulosic biofuel producer credit, net of interest and previously claimed alternative fuel mixture credit of $27.6 million as a reduction of income tax expense. The cellulosic credit is a taxable credit of $1.01 per gallon as compared to the $0.50 per gallon non-taxable alternative fuel mixture credit.

Segment and Market Information

In the third quarter of fiscal 2011 in connection with the Smurfit-Stone Acquisition, we realigned our operating segments. Our results have been reclassified for all periods presented to reflect this realignment of our business. We report our results in three segments: (1) Corrugated Packaging, (2) Consumer Packaging, and (3) Recycling and Waste Solutions. See “Note 19. Segment Information” of the Notes to Consolidated Financial Statements.

We do not allocate certain of our income and expenses to our segments and, thus, the information that management uses to make operating decisions and assess operating performance does not reflect such amounts. Subsequent to the acquisition we changed our method of allocating pension costs to our segments, such that only the service cost component of pension expense is charged to the segments. This change is reflected in the table below for all periods presented. Items not allocated are reported as non-allocated expenses or in other line items in the table below after total segment income. The following table shows certain operating data for our segments (in millions).

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	Years Ended September 30,		
	2011	2010	2009
Net sales (aggregate):			
Corrugated Packaging	$2,768.7	$800.6	$752.9
Consumer Packaging	2,359.8	2,132.9	2,037.2
Recycling and Waste Solutions	585.9	150.6	82.8
Total	$5,714.4	$3,084.1	$2,872.9
Less net sales (intersegment):			
Corrugated Packaging	$81.7	$37.3	$37.3
Consumer Packaging	23.5	13.0	10.7
Recycling and Waste Solutions	209.6	32.4	12.6
Total	$314.8	$82.7	$60.6
Net sales (unaffiliated customers):			
Corrugated Packaging	$2,687.0	$763.3	$715.6
Consumer Packaging	2,336.3	2,119.9	2,026.5
Recycling and Waste Solutions	376.3	118.2	70.2
Total	$5,399.6	$3,001.4	$2,812.3
Segment income:			
Corrugated Packaging	$241.7	$143.5	$181.3
Consumer Packaging	275.2	290.5	297.1
Recycling and Waste Solutions	14.8	9.0	1.8
Total segment income	531.7	443.0	480.2
Restructuring and other costs, net	(93.3)	(7.4)	(13.4)
Non-allocated expenses	(79.5)	(62.0)	(48.2)
Interest expense	(88.9)	(75.5)	(96.7)
Loss on extinguishment of debt	(39.5)	(2.8)	(4.4)
Interest income and other income (expense), net	(15.0)	0.1	—
Income before income taxes	215.5	295.4	317.5
Income tax expense	(69.5)	(64.7)	(91.6)
Consolidated net income	146.0	230.7	225.9
Less: Net income attributable to noncontrolling interests	(4.9)	(5.1)	(3.6)
Net income attributable to Rock-Tenn Company shareholders	$141.1	$225.6	$222.3

Results of Operations (Consolidated)

Net Sales (Unaffiliated Customers)

Net sales for fiscal 2011 were $5,399.6 million compared to $3,001.4 million in fiscal 2010 primarily due to the Smurfit-Stone Acquisition and generally higher selling prices and volumes. The Smurfit-Stone Acquisition contributed net sales of approximately $2,273.7 million in the four months following the acquisition.

Net sales for fiscal 2010 were $3,001.4 million compared to $2,812.3 million in fiscal 2009. The increase in net sales was primarily due to generally higher volumes and selling prices.

Cost of Goods Sold

Cost of goods sold increased to $4,407.7 million in fiscal 2011 compared to $2,281.3 million in fiscal 2010 primarily as a result of increased sales from the acquired Smurfit-Stone operations. Cost of goods sold as a percentage of net sales increased in fiscal 2011 compared to fiscal 2010 primarily as a result of the acquired lower margin Smurfit-Stone business, increased recycled

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fiber, chemical, energy and freight costs and $59.4 million of acquisition inventory step-up expense associated with the Smurfit-Stone Acquisition, which were partially offset by reduced virgin fiber costs. Cost of goods sold in the prior year was also reduced by $28.8 million of alternative fuel mixture credits, net of expenses. Recycled fiber, chemical and energy costs in our legacy mills increased $47 per ton, $6 per ton and $1 per ton, respectively. Freight expense, excluding the impact of the Smurfit-Stone Acquisition, increased $18.8 million due in part to higher volumes. Virgin fiber costs in our legacy bleached paperboard mill decreased $33 per ton and income related to foreign currency transactions increased $4.4 million.

Cost of goods sold increased to $2,281.3 million in fiscal 2010 compared to $2,049.6 million in fiscal 2009. Cost of goods sold as a percentage of net sales increased in fiscal 2010 compared to fiscal 2009 primarily as a result of a $25.3 million decrease in alternative fuel mixture credits and increased recycled fiber and virgin fiber costs in fiscal 2010 compared to fiscal 2009 which were partially offset by reduced energy and chemical costs. Recycled fiber costs and virgin fiber costs increased $57 per ton and $25 per ton, respectively. Chemical and energy costs at our mills decreased $3 per ton and $2 per ton, respectively. Additionally, freight expense increased $16.8 million due in part to higher volumes, pension expense increased $10.4 million, workers' compensation expense increased $1.1 million and expense related to foreign currency transactions increased $1.1 million.

We value the majority of our U.S. inventories at the lower of cost or market with cost determined on the last-in first-out ("LIFO") inventory valuation method, which we believe generally results in a better matching of current costs and revenues than under the first-in first-out ("FIFO") inventory valuation method. In periods of increasing costs, the LIFO method generally results in higher cost of goods sold than under the FIFO method. In periods of decreasing costs, the results are generally the opposite.

The following table illustrates the comparative effect of LIFO and FIFO accounting on our results of operations. This supplemental FIFO earnings information reflects the after-tax effect of eliminating the LIFO adjustment each year.

	Fiscal 2011		Fiscal 2010		Fiscal 2009	
	LIFO	FIFO	LIFO	FIFO	LIFO	FIFO
			(In millions)			
Cost of goods sold	$4,407.7	$4,398.3	$2,281.3	$2,267.8	$2,049.6	$2,057.8
Net income attributable to Rock-Tenn Company shareholders	$141.1	$147.1	$225.6	$234.2	$222.3	$217.2

Net income attributable to Rock-Tenn Company shareholders in fiscal 2011 and 2010 is lower under the LIFO method because we experienced periods of rising costs, and net income attributable to Rock-Tenn Company shareholders in fiscal 2009 is higher under the LIFO method because we experienced a period of declining costs.

Selling, General and Administrative Expenses

Selling, general and administrative ("SG&A") expenses increased $201.3 million to $541.2 million in fiscal 2011 compared to $339.9 million in fiscal 2010. The SG&A increases were primarily due to the Smurfit-Stone Acquisition and declined as a percentage of net sales in fiscal 2011 compared to fiscal 2010 primarily due to synergies we realized as part of the Smurfit-Stone Acquisition and higher volumes and selling prices. Excluding SG&A associated with the acquired Smurfit-Stone locations of approximately $178.2 million, SG&A increased primarily due to increased compensation costs aggregating $12.7 million, increased professional fees and consulting expense for various initiatives of $6.1 million, partially offset by decreased commissions expense of $4.2 million.

Selling, general and administrative expenses increased $9.1 million to $339.9 million in fiscal 2010 compared to $330.8 million in fiscal 2009. The SG&A increases were due largely to increased compensation costs aggregating $5.7 million, increased professional fees and consulting expense for various initiatives of $3.8 million, increased pension costs of $3.5 million, increased interest rate swap expense of $1.7 million and increased commissions expense of $2.0 million primarily due to higher volumes which were partially offset by reduced depreciation and amortization of $4.7 million and reduced bad debt expense of $2.8 million.

Restructuring and Other Costs, Net

We recorded aggregate pre-tax restructuring and other costs of $93.3 million, $7.4 million, and $13.4 million for fiscal 2011, 2010, and 2009, respectively. The increase in charges in fiscal 2011 are primarily associated with the acquisition and integration of Smurfit-Stone as well as plant closure activities consisting primarily of locations acquired in the Smurfit-Stone Acquisition. The expense recognized each year is not comparable since the timing and scope of the individual actions associated with a restructuring vary. In most instances when we close a facility we transfer a substantial portion of the facility's assets and production

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to other facilities. We recognize, if necessary, impairment charges, to reduce the carrying value of equipment or other property to their estimated fair value or fair value less cost to sell, and record charges for severance and other employee related costs. Any subsequent change in fair value, less cost to sell prior to disposition, is recognized when identified; however, no gain is recognized in excess of the cumulative loss previously recorded. At the time of each announced closure, we generally expect to record future charges for equipment relocation, facility carrying costs, costs to terminate a lease or a contract before the end of its term and other employee related costs. We generally expect the integration of the closed facility's assets and production with other facilities to enable the receiving facilities to better leverage their fixed costs while eliminating fixed costs from the closed facility. We discuss these charges in more detail in "Note 7. Restructuring and Other Costs, Net" of the Notes to Consolidated Financial Statements included herein. We have restructured portions of our operations from time to time and it is possible that we may engage in additional restructuring opportunities in the future.

Acquisitions

On May 27, 2011, we completed our acquisition of Smurfit-Stone through the merger of Smurfit-Stone with and into a wholly-owned limited liability company subsidiary of RockTenn. We have included in our financial statements the results of Smurfit-Stone's containerboard mill and corrugated converting operations in our Corrugated Packaging segment, Smurfit-Stone's recycling operations in our Recycling and Waste Solutions segment and Smurfit-Stone's display operations in our Consumer Packaging segment.

On August 27, 2010, we acquired the stock of Innerpac Holding Company ("Innerpac" and "Innerpac Acquisition") for $23.9 million, net of cash acquired of $0.1 million. We acquired the Innerpac business to expand our presence in the corrugated and specialty partition markets. The acquisition also increases our vertical integration.

We discuss these acquisitions in more detail in "Note 6. Acquisitions" and "Note 9. Debt" of the Notes to Consolidated Financial Statements included herein.

Equity in Income of Unconsolidated Entities

Equity in income of unconsolidated entities included in segment income in fiscal 2011 was $1.5 million compared to $0.8 million in fiscal 2010. The increase was primarily due to earnings from unconsolidated entities acquired in the Smurfit-Stone Acquisition. Equity in income of unconsolidated entities included in segment income in fiscal 2010 was $0.8 million compared to $0.1 million in fiscal 2009. The increase was due to improved performance at most of our unconsolidated entities.

Interest Expense

Interest expense for fiscal 2011 increased to $88.9 million from $75.5 million in fiscal 2011 and included amortization of deferred financing costs of $7.7 million compared to $6.1 million for the same period in the prior year. The increase in our average outstanding borrowings increased interest expense by approximately $30.0 million, and lower average interest rates, net of swaps, decreased interest expense by approximately $18.2 million, and deferred financing cost increased $1.6 million.

Interest expense for fiscal 2010 decreased to $75.5 million from $96.7 million in fiscal 2009 and included non-cash deferred financing cost amortization of $6.1 million and $6.9 million, respectively. The decrease in our average outstanding borrowings decreased interest expense by approximately $18.7 million and lower interest rates, net of interest rate swaps, decreased interest expense by approximately $1.7 million and deferred financing cost amortization decreased by $0.8 million.

Loss on Extinguishment of Debt

Loss on extinguishment of debt for the fiscal 2011 of $39.5 million represents certain fees and expenses incurred in connection with the $4.3 billion of acquisition debt financing for the Smurfit-Stone Acquisition and the repayment and termination of certain pre-acquisition financing arrangements. The extinguishment represented approximately half of the fees and expenses we paid in connection with the new facilities. The remainder will be amortized to interest expense over the life of the debt instruments. Loss on extinguishment of debt for fiscal 2010 was $2.8 million and primarily includes $0.5 million of gain recognized in the first quarter of fiscal 2010 in connection with the repurchase of $19.5 million of our March 2013 Notes (as hereinafter defined) at an average price of approximately 98% of par offset by a $3.3 million charge in connection with the write-off of unamortized deferred financing costs and original issuance discount in connection with the repayment of $120.0 million of the outstanding term loan B balance using proceeds from our revolving credit facility. Loss on extinguishment of debt for fiscal 2009 was $4.4 million and primarily included $1.9 million of expense recognized in connection with the tender offer for up to $100 million of our August 2011 Notes (as hereinafter defined) and $2.4 million of expense incurred to retire at 102% of par the Solvay industrial development revenue bonds, which we assumed as part of the Southern Container Acquisition. The $2.4 million was funded by the former

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Southern Container stockholders.

Interest Income and Other Income (Expense), net

Interest income and other income (expense), net, in fiscal 2011 was an expense of $15.0 million compared to income of $0.1 million in fiscal 2010. Fiscal 2011 primarily includes a $13.5 million loss related to a Canadian dollar denominated intercompany note that existed at the time of the Smurfit-Stone Acquisition. The intercompany note was repaid in September 2011 with borrowings available to our Canadian subsidiaries under our Credit Facility.

Provision for Income Taxes

For fiscal 2011, we recorded a provision for income taxes of $69.5 million, at an effective rate of 32.3% of pre-tax income, as compared to a provision of $64.7 million for fiscal 2010, at an effective rate of 21.9% of pre-tax income. The effective tax rate for fiscal 2011 was favorably impacted by the retroactive enactment of the federal research and development credit and the finalization of certain estimates in connection with the filing of our fiscal 2010 tax return as well as Canadian earnings taxed at a lower statutory rate than the U.S. federal rate. These favorable items were partially offset by state income taxes and nondeductible deal fees and expenses incurred in connection with the Smurfit-Stone Acquisition. We expect our effective tax rate to be approximately 37% in fiscal 2012.

For fiscal 2010, we recorded a provision for income taxes of $64.7 million, at an effective rate of 21.9% of pre-tax income, as compared to a provision of $91.6 million for fiscal 2009, at an effective rate of 28.9% of pre-tax income. The effective tax rate for fiscal 2010 was primarily impacted by the recognition of $27.6 million of incremental tax benefit recorded as a reduction of income tax expense due to our election to take the cellulosic biofuel producer credit instead of the alternative fuel mixture credit. The effective tax rate for fiscal 2009 was primarily impacted by the exclusion of the alternative fuel mixture credit from taxable income, a $1.7 million tax benefit related to research tax credits and a $3.7 million tax benefit related to other federal and state tax credits.

We discuss the alternative fuel mixture credit, the cellulosic biofuel producer credit and the provision for income taxes in more detail in “Note 5. Alternative Fuel Mixture Credit and Cellulosic Biofuel Producer Credit” and “Note 13. Income Taxes” of the Notes to the Consolidated Financial Statements included herein.

Net Income Attributable to Noncontrolling Interests

The reduction for net income attributable to noncontrolling interests for fiscal 2011 was $4.9 million compared to $5.1 million in fiscal 2010. The reduction for net income attributable to noncontrolling interests for fiscal 2010 increased to $5.1 million from $3.6 million in fiscal 2009 due primarily to increased earnings at our solid fiber interior packaging subsidiary and graphic packaging subsidiary.

Results of Operations (Segment Data)

As discussed in "Note 19. Segment Information" to the Consolidated Financial Statements, we realigned our operating segments in the third quarter of 2011 following the Smurfit-Stone Acquisition. Please see Note 19 for more details on this realignment.

Containerboard and Paperboard Tons Shipped. Produced and Average Net Selling Price Per Ton

Recycled Paperboard Tons Shipped, Produced and Average Price Per Ton include gypsum paperboard liner tons shipped by Seven Hills and Average Price Per Ton is computed as net sales of containerboard, paperboard and market pulp divided by tons shipped. The increase beginning in the third quarter of fiscal 2011 in shipped and produced tons reflect primarily the May 27, 2011 Smurfit-Stone Acquisition. Containerboard tons includes kraft paper and recycled paperboard includes coated and specialty recycled paperboard.

Tons Shipped

	Containerboard Tons Shipped [a]	Recycled Paperboard Tons Shipped	Bleached Paperboard Tons Shipped	Market Pulp Tons Shipped	Average Net Selling Price (Per Ton)[a]
	(In thousands, except Average Net Selling Price Per Ton)				
First Quarter	221.9	204.9	86.3	20.7	$592
Second Quarter	188.6	212.0	78.3	19.5	578
Third Quarter	203.0	219.8	79.4	24.2	557
Fourth Quarter	235.2	224.3	88.9	26.5	548
Fiscal 2009	848.7	861.0	332.9	90.9	$568
First Quarter	231.1	223.1	85.0	25.4	$544
Second Quarter	234.8	228.1	85.8	25.0	563
Third Quarter	245.0	232.2	89.0	24.1	595
Fourth Quarter	244.7	235.6	86.1	25.9	610
Fiscal 2010	955.6	919.0	345.9	100.4	$578
First Quarter	247.4	224.5	84.4	22.1	$617
Second Quarter	243.9	239.3	85.1	24.0	622
Third Quarter	850.7	238.2	90.3	49.6	596
Fourth Quarter	1,914.4	241.0	117.8	96.3	585
Fiscal 2011	3,256.4	943.0	377.6	192.0	$596

Tons Produced

	Containerboard Tons Produced [a]	Recycled Paperboard Tons Produced	Bleached Paperboard Tons Produced	Market Pulp Tons Produced
	(In thousands)			
First Quarter	227.5	204.3	86.6	22.8
Second Quarter	188.5	212.1	82.9	23.8
Third Quarter	201.4	217.8	76.3	22.6
Fourth Quarter	230.1	219.9	89.5	25.7
Fiscal 2009	847.5	854.1	335.3	94.9
First Quarter	234.2	223.6	85.1	25.6
Second Quarter	231.6	227.8	83.5	23.8
Third Quarter	243.4	234.2	87.4	24.1
Fourth Quarter	246.1	235.1	84.1	26.1
Fiscal 2010	955.3	920.7	340.1	99.6
First Quarter	246.2	226.7	87.4	23.4
Second Quarter	245.5	235.2	86.6	26.2
Third Quarter	858.5	239.4	87.3	47.1
Fourth Quarter	1,923.2	242.0	123.7	101.1

Fiscal 2011	3,273.4	943.3	385.0	197.8

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Corrugated Packaging Segment (Aggregate Before Intersegment Eliminations)

	Net Sales (Aggregate)	Segment Income	Return on Sales	
	(In millions, except percentages)			
First Quarter	$203.2	$51.1	25.1	%
Second Quarter	176.5	42.3	24.0	
Third Quarter	186.5	50.2	26.9	
Fourth Quarter	186.7	37.7	20.2	
Fiscal 2009	$752.9	$181.3	24.1	%
First Quarter	$180.1	$35.8	19.9	%
Second Quarter	191.0	21.9	11.5	
Third Quarter	210.5	36.7	17.4	
Fourth Quarter	219.0	49.1	22.4	
Fiscal 2010	$800.6	$143.5	17.9	%
First Quarter	$198.3	$37.4	18.9	%
Second Quarter	209.4	30.1	14.4	
Third Quarter	734.5	24.6	3.3	
Fourth Quarter	1,626.5	149.6	9.2	
Fiscal 2011	$2,768.7	$241.7	8.7	%

Net Sales (Aggregate) — Corrugated Packaging Segment

Net sales before intersegment eliminations for the Corrugated Packaging segment increased $1,968.1 million in fiscal 2011 compared to fiscal 2010 primarily due to the Smurfit-Stone Acquisition and higher containerboard and corrugated packaging selling prices and volumes.

The 6.3% increase in Corrugated Packaging segment net sales before intersegment eliminations for fiscal 2010 compared to fiscal 2009 was due to higher volumes and containerboard selling prices which were partially offset by lower corrugated packaging selling prices. Containerboard tons shipped increased 12.6%.

Segment Income — Corrugated Packaging Segment

Segment income attributable to the Corrugated Packaging segment, adjusted to eliminate $59.4 million of pre-tax acquisition inventory step-up expense, increased $157.6 million to $301.1 million in fiscal 2011 compared to $143.5 million in fiscal 2010 primarily due to the Smurfit-Stone Acquisition and the higher volumes and selling prices discussed above, as well as a $4.1 million increase in foreign currency transaction income. The increase in segment income from the acquisition was partially offset by increased costs of containerboard and finished boxes primarily associated with increases in fiber, energy, freight and chemicals costs in our legacy operations. At our containerboard mills, recycled fiber costs increased approximately $50.6 million or $51 per ton and the increase in energy, freight and chemical costs aggregated $7.6 million or $8 per ton in each case compared to fiscal 2010. In our legacy corrugated converting operations freight expense increased $5.8 million in part due to higher volumes.

Segment income attributable to the Corrugated Packaging segment for fiscal 2010 decreased $39.2 million compared to the prior year period due primarily to higher recycled fiber and chemical costs and decreased corrugated packaging selling prices, which were partially offset by higher volumes and higher containerboard selling prices. At our containerboard mills, recycled fiber and chemical costs increased approximately $63.7 million, or $67 per ton, and approximately $4.1 million, or $4 per ton, respectively, over the prior year period. Additionally, freight expense increased $6.5 million due in part to higher volumes and compensation expense increased $1.3 million. Bad debt expense decreased approximately $1.0 million over the prior year period partially offsetting the increases.

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Consumer Packaging Segment (Aggregate Before Intersegment Eliminations)

	Net Sales (Aggregate)	Segment Income	Return on Sales	
	(In millions, except percentages)			
First Quarter	$494.8	$42.8	8.6	%
Second Quarter	498.9	58.1	11.6	
Third Quarter	511.4	102.7	20.1	
Fourth Quarter	532.1	93.5	17.6	
Fiscal 2009	$2,037.2	$297.1	14.6	%
First Quarter	$497.8	$75.8	15.2	%
Second Quarter	516.9	63.8	12.3	
Third Quarter	543.5	69.0	12.7	
Fourth Quarter	574.7	81.9	14.3	
Fiscal 2010	$2,132.9	$290.5	13.6	%
First Quarter	$544.5	$71.0	13.0	%
Second Quarter	567.8	61.0	10.7	
Third Quarter	579.6	61.1	10.5	
Fourth Quarter	667.9	82.1	12.3	
Fiscal 2011	$2,359.8	$275.2	11.7	%

Net Sales (Aggregate) — Consumer Packaging Segment

The 10.6% increase in net sales for the Consumer Packaging segment in fiscal 2011 compared to fiscal 2010 was primarily due to increased display sales including those from the Smurfit-Stone Acquisition, higher converting and recycled paperboard volumes and increased converting and paperboard selling prices. Coated recycled paperboard tons shipped increased 3.3% and specialty paperboard tons increased 1.3% and bleached paperboard and market pulp tons shipped decreased 3.2% and 8.3%, respectively, primarily associated with the third quarter of fiscal 2011 planned bleached paperboard mill outage.

The 4.7% increase in net sales before intersegment eliminations for the Consumer Packaging segment in fiscal 2010 compared to fiscal 2009 was primarily due to higher coated recycled paperboard volumes, higher bleached paperboard and market pulp selling prices and higher folding carton volumes and selling prices. Coated recycled paperboard, bleached paperboard, specialty paperboard and market pulp tons shipped increased 5.1%, 3.9%, 9.9% and 10.4%, respectively.

Segment Income — Consumer Packaging Segment

Excluding the $28.8 million included in fiscal 2010 related to the alternative fuel mixture credit, net of related expenses, segment income of the Consumer Packaging segment in fiscal 2011 increased $13.5 million, primarily due to the net volume and selling price increases noted above, including income associated with the sales from acquired Smurfit-Stone display locations, and decreased virgin fiber costs. These gains were partially offset by the bleached paperboard mill outage and higher recycled fiber, chemical, freight and board costs. At our mills, recycled fiber costs increased approximately $36.6 million, or $43 per ton, virgin fiber costs decreased approximately $14.5 million, or $33 per ton, and chemical costs increased $9.7 million, or $7 per ton, over the prior year period. Excluding expenses related to acquired Smurfit-Stone locations, freight expense in the segment increased $10.0 million due in part to higher volumes, bad debt expense increased $2.1 million and compensation expense increased $1.8 million. Partially offsetting these increases in expense was a $3.6 million decrease in commissions expense.

Segment income of the Consumer Packaging segment for fiscal 2010 decreased $6.6 million to $290.5 million primarily due to a $25.3 million decrease in alternative fuel mixture credits, net of expenses in fiscal 2010 compared to fiscal 2009, increased recycled fiber and virgin fiber costs, which were partially offset by higher paperboard volumes and higher folding carton selling prices and volumes, decreased energy and chemical costs, continued operational improvements and the impact in the first quarter of fiscal 2009 of the Demopolis maintenance outage on the prior year period. Recycled fiber and virgin fiber costs increased approximately $39.5 million, or $47 per ton, and $10.9 million, or $25 per ton, respectively, over the prior year period. Freight

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expense increased $11.3 million, in part due to higher paperboard volumes, pension expense increased $2.3 million, compensation expense increased $1.5 million, and commissions expense increased $1.5 million compared to fiscal 2009. Chemical and energy costs decreased approximately $10.5 million, or $8 per ton, and $3.5 million, or $3 per ton, respectively, and bad debt expense decreased $1.7 million compared to the prior year period.

Recycling and Waste Solutions Segment (Aggregate Before Intersegment Eliminations)

	Net Sales (Aggregate)	Segment Income	Return on Sales
	(In millions, except percentages)		
First Quarter	$23.2	$(0.2)	(0.9)%
Second Quarter	14.8	—	—
Third Quarter	19.2	0.5	2.6
Fourth Quarter	25.6	1.5	5.9
Fiscal 2009	$82.8	$1.8	2.2%
First Quarter	$28.6	$1.2	4.2%
Second Quarter	44.2	4.1	9.3
Third Quarter	40.7	2.2	5.4
Fourth Quarter	37.1	1.5	4.0
Fiscal 2010	$150.6	$9.0	6.0%
First Quarter	$41.9	$2.3	5.5%
Second Quarter	40.8	2.6	6.4
Third Quarter	147.4	4.6	3.1
Fourth Quarter	355.8	5.3	1.5
Fiscal 2011	$585.9	$14.8	2.5%

Fiber Reclaimed and Brokered

(Shipments in thousands of tons)	First Quarter	Second Quarter	Third Quarter	Fourth Quarter	Fiscal Year
Fiscal 2009	198.6	192.4	214.8	218.6	824.4
Fiscal 2010	222.4	233.7	229.8	220.7	906.6
Fiscal 2011	211.6	213.7	773.9	1,759.6	2,958.8

Net Sales (Aggregate) — Recycling and Waste Solutions Segment

Our Recycling and Waste Solutions segment net sales increased $435.3 million in fiscal 2011 compared to fiscal 2010 primarily due to the Smurfit-Stone Acquisition and increased selling prices which were partially offset by lower volumes excluding the acquisition.

Our Recycling and Waste Solutions segment net sales increased $67.8 million in fiscal 2010 compared to fiscal 2009 primarily due to increased volumes and selling prices.

Segment Income — Recycling and Waste Solutions Segment

Segment income attributable to the Recycling and Waste Solutions segment increased $5.8 million in fiscal 2011 compared to fiscal 2010, respectively, due primarily to the Smurfit-Stone Acquisition and increased selling prices that were partially offset by lower volumes excluding the acquisition.

Segment income attributable to the Recycling and Waste Solutions segment increased $7.2 million in fiscal 2010 compared to fiscal 2009 primarily due to increased volumes and selling prices.

Liquidity and Capital Resources

We fund our working capital requirements, capital expenditures and acquisitions from net cash provided by operating activities, borrowings under term notes, our receivables-backed financing facility and bank credit facilities, proceeds from the sale of discontinued assets and proceeds received in connection with the issuance of debt and equity securities. Cash and cash equivalents was $41.7 million at September 30, 2011 and $15.9 million at September 30, 2010. At September 30, 2011 and September 30, 2010, total debt was $3,445.8 million and $1,128.9 million, respectively. The debt increase is due to the Smurfit-Stone Acquisition.

On May 27, 2011, at the effective time of the Smurfit-Stone Acquisition, in connection with our entry into a new credit facility, we terminated our then existing credit agreement, dated as of March 5, 2008, as amended (the "Terminated Credit Facility"), following the payment in full of all outstanding indebtedness under the Terminated Credit Facility. There were no material early termination penalties incurred as a result of the termination of the Terminated Credit Facility. We recorded a loss on extinguishment of debt of $39.5 million primarily for fees paid to certain creditors and third parties and the write-off of unamortized deferred financing costs related to the Terminated Credit Facility.

On May 27, 2011, we entered into a Credit Agreement (the "Credit Facility"). The original maximum principal amount of the Credit Facility was $3.7 billion. The Credit Facility includes a $1.475 billion, 5-year revolving credit facility, a $1.475 billion, 5-year term loan A facility, and a $750 million, 7-year term term loan B facility. The Credit Facility is pre-payable at any time. The borrowings under the Credit Facility on the closing date of the Smurfit-Stone Acquisition were used to finance the acquisition in part, to repay certain outstanding indebtedness of Smurfit-Stone, to refinance certain of our existing credit facilities, to pay for fees and expenses incurred in connection with the acquisition, and for other corporate purposes. We may borrow amounts under the revolving credit facility to provide for working capital and general corporate requirements, including acquisitions permitted pursuant to the Credit Facility. Certain restrictive covenants govern our maximum availability under this facility, including a Consolidated Interest Coverage Ratio and Leverage Ratio (as those terms are defined in the Credit Facility). We test and report our compliance with these covenants each quarter. We were in compliance with all of our covenants at September 30, 2011. We used available borrowings under our revolving credit facility to repay August 2011 Notes when they matured. At September 30, 2011, available borrowings under the revolving credit portion of the Credit Facility, reduced by outstanding letters of credit not drawn upon of approximately $91.1 million, were approximately $1,145.9 million.

On May 27, 2011, we increased our receivables-backed financing facility (the “Receivables Facility”) to $625.0 million from $135.0 million. The Receivables Facility has been amended to include the trade receivables of additional RockTenn subsidiaries. In addition, the maturity date of the Receivables Facility was extended until the third anniversary of the Smurfit-Stone Acquisition. At September 30, 2011 and September 30, 2010 we had $559.0 million and $75.0 million, respectively, outstanding under our Receivables Facility. Borrowing availability under this facility is based on the eligible underlying accounts receivable and certain covenants. We test and report our compliance with these covenants monthly. We are in compliance with all of our covenants. At September 30, 2011, maximum available borrowings, excluding amounts outstanding, under this facility were approximately $559.9 million. The carrying amount of accounts receivable collateralizing the maximum available borrowings at September 30, 2011 was approximately $881.1 million. We have continuing involvement with the underlying receivables as we provide credit and collections services pursuant to the securitization agreement.

Our March 2016 Notes are guaranteed by the guarantors listed therein (comprising most of our subsidiaries which are guarantors under the Credit Facility). The senior note indenture contains financial and restrictive covenants, including limitations on restricted payments, dividend and other payments affecting restricted subsidiaries, incurrence of debt, asset sales, transactions with affiliates, liens, sale and leaseback transactions and the creation of unrestricted subsidiaries.

We use interest rate swap instruments from time to time to manage our exposure to changes in interest rates on portions of our outstanding debt. At the inception of the swaps we usually designate such swaps as either cash flow hedges or fair value hedges of the interest rate exposure on an equivalent amount of our floating rate or fixed rate debt, respectively. At September 30, 2011, we had pay-fixed, receive-floating interest rate swaps that terminate in April 2012 and cover debt with an aggregate notional amount of $196.0 million, declining at periodic intervals to an aggregate notional amount of $132.0 million prior to expiration. These swaps are based on the one-month LIBOR rate, and the fixed rates average 4.00%. On October 3, 2011, the aggregate notional amount of these swaps declined to $175.0 million. For additional information regarding our outstanding debt, our credit facilities and their securitization, see “Note 9. Debt” of the Notes to Consolidated Financial Statements.

Net cash provided by operating activities during fiscal 2011 and fiscal 2010 was $461.7 million and $377.3 million, respectively. Net cash provided by operating activities during fiscal 2011 included pension funding more than expense of $22.7

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million compared to pension funding less than expense of $10.5 million in fiscal 2010. Fiscal 2011 included a net increase in operating assets and liabilities, net of acquisitions, excluding income taxes of $37.2 million primarily associated with receivables to support increased sales and to fund taking cash payment discounts on legacy Smurfit operations purchases. Net cash provided by operating activities during fiscal 2010 and fiscal 2009 were $377.3 million and $389.7 million, respectively. Net cash provided by operating activities during fiscal 2010 included pension funding less than expense of $10.5 million compared to pension funding greater than expense of $23.1 million in fiscal 2009 and fiscal 2010 included a net increase in operating assets and liabilities, net of acquisitions, excluding income taxes to support the increased level of net sales. In fiscal 2010 our net cash tax payments were increased by approximately $23 million as we returned to the Internal Revenue Service approximately $49 million of the $84 million that we had previously claimed for the alternative fuel mixture credits, which was partially offset by the receipt of our $26 million fiscal 2009 federal income tax return. Alternative fuel mixture credits reduced our fiscal 2009 cash tax payments by approximately $30 million.

Net cash used for investing activities was $1,491.4 million during fiscal 2011 compared to $126.0 million in fiscal 2010. Net cash used for investing activities in fiscal 2011 consisted primarily of $1,300.1 million paid for the Smurfit-Stone Acquisition, net of cash acquired and $199.4 million of capital expenditures. Net cash used for investing activities was $126.0 million during fiscal 2010 compared to $75.4 million in fiscal 2009. Net cash used for investing activities in fiscal 2010 consisted primarily of $106.2 million of capital expenditures and $23.9 million paid for the Innerpac Acquisition. We used the capital expenditures primarily for the purchase and upgrading of machinery and equipment and on our project to build a second chip mill at our Demopolis, Alabama bleached paperboard mill. Net cash used for investing activities in fiscal 2009 consisted primarily of $75.9 million of capital expenditures and $8.1 million for the purchase of a leased facility.

Net cash provided by financing activities was $1,051.6 million during fiscal 2011 compared to net cash used for financing activities of $247.3 million in fiscal 2010. In fiscal 2011, net cash provided by financing activities consisted primarily of the net issuance of debt aggregating $1,149.2 million and $25.2 million for the issuance of common stock, net of related minimum tax withholdings, that were partially offset by debt issuance costs of $43.8 million, cash paid for debt extinguishment costs of $37.9 million and cash dividends paid to shareholders of $37.6 million. Net cash used for financing activities was $247.3 million during fiscal 2010 compared to $356.7 million in fiscal 2009. Fiscal 2010 primarily included net repayments of debt aggregating $220.0 million and cash dividends paid to shareholders of $23.4 million. Fiscal 2009 primarily included net repayments of debt aggregating $346.3 million and cash dividends paid to shareholders of $15.3 million, which was partially offset by the reduction in restricted cash and investments of $19.2 million.

Our capital expenditures aggregated $199.4 million in fiscal 2011. We were obligated to purchase approximately $63.6 million of fixed assets at September 30, 2011. We estimate that our capital expenditures will increase in fiscal 2012 due to the full year inclusion of Smurfit-Stone, increased capital expenditures for deferred maintenance on former Smurfit-Stone assets, as well as specific identified investment opportunities. We expect fiscal 2012 capital expenditures to be approximately $500 million. It is possible that our assumptions may change, or we may decide to spend a different amount depending upon opportunities we identify or to comply with environmental regulation changes such as those promulgated by the EPA. See Item 1, “Business - Environmental Regulations.”

Based on current facts and assumptions, we expect our cash tax payments to be less than our income tax expense in each of fiscal 2012, 2013 and 2014 primarily due to accelerated depreciation deductions due to the Tax Relief, Unemployment Insurance Reauthorization, and Jobs Creation Act of 2010, the utilization of federal net operating loss carryforwards acquired in the Smurfit-Stone Acquisition, unused Cellulosic Biofuel Producers Credits we earned in fiscal 2009 and 2010 and Alternative Minimum Tax Credits and additional Cellulosic Biofuel Producers Credits from the Smurfit-Stone Acquisition. At September 30, 2011, the federal net operating losses, Cellulosic Biofuel Producers

Credits and Alternative Minimum Tax Credits aggregate approximately $388 million in future potential reductions of U.S. federal cash taxes. However, it is possible that our expected cash tax payments may change due to changes in income, capital spending or other factors.

During fiscal 2011 and fiscal 2010, we made contributions of $62.4 million and $20.7 million, respectively, to our pension and supplemental retirement plans. The under funded status of our plans at September 30, 2011 was $1.4 billion. We currently expect to contribute approximately $352 million to our qualified defined benefit plans in fiscal 2012 including the acquired Smurfit-Stone plans which exceeds the estimated minimum contribution of approximately $320 million. We have made contributions to our pension plans and expect to continue to make contributions in the coming years in order to ensure that our funding levels remain adequate in light of projected liabilities and to meet the requirements of the Pension Protection Act of 2006 and other regulations. We currently estimate that minimum pension contributions will be in the range of approximately $350 million to $410 million annually in 2013 through 2015 and approximately $245 million in 2016. Future contributions are subject to changes in our under funded status based on factors such as investment performance, discount rates and return on plan assets. It is possible that our assumptions may change, actual market performance may vary or we may decide to contribute a different amount. There can be no assurance that such changes, including potential turmoil in financial and capital markets, will not be material to our results of operations, financial condition or cash flows.

In October 2011, our board of directors approved our November 2011 quarterly dividend of $0.20 per share indicating an annualized dividend of $0.80 per share on our common stock.

We anticipate that we will be able to fund our capital expenditures, interest payments, dividends, pension payments, working capital needs, bond repurchases, repayments of current portion of long-term debt and other corporate actions for the foreseeable future from cash generated from operations, borrowings under our Credit Facility and Receivables Facility, proceeds from the issuance of debt or equity securities or other additional long-term debt financing, including new or amended facilities. In addition, we continually review our capital structure and conditions in the private and public debt markets in order to optimize our mix of indebtedness. In connection therewith, we may seek to refinance existing indebtedness to extend maturities, reduce borrowing costs or otherwise improve the terms and composition of our indebtedness.

Non-GAAP Measures

We have included in the discussion under the caption “Management’s Discussion and Analysis of Financial Condition and Results of Operations — Overview” above financial measures that were not prepared in accordance with GAAP. Any analysis of non-GAAP financial measures should be used only in conjunction with results presented in accordance with GAAP. Below, we define these non-GAAP financial measures, provide reconciliations of the non-GAAP financial measure to the most directly comparable financial measure calculated in accordance with GAAP, and discuss the reasons that we believe this information is useful to management and may be useful to investors.

Adjusted Net Income and Adjusted Earnings per Diluted Share

We use the non-GAAP measures “adjusted net income” and “adjusted earnings per diluted share”. Management believes these non-GAAP financial measures provide our board of directors, investors, potential investors, securities analysts and others with useful information to evaluate our performance because it excludes restructuring and other costs, net, and other specific items that management believes are not indicative of the ongoing operating results of the business. The Company and our board of directors use this information to evaluate the our performance relative to other periods. We believe that the most directly comparable GAAP measures to adjusted net income and adjusted earnings per diluted share are Net income attributable to Rock-Tenn Company shareholders and Earnings per diluted share, respectively.

Set forth below is a reconciliation of Adjusted net income to Net income attributable to Rock-Tenn Company shareholders (in millions):

	Years Ended September 30,		
	2011	2010	2009
		(In millions)	
Net income attributable to Rock-Tenn Company shareholders	$141.1	$225.6	$222.3
Restructuring and other costs and operating losses and transition costs due to plant closures	66.5	5.0	8.9
Acquisition inventory step-up	37.7	—	—
Loss on extinguishment of debt	25.1	1.8	2.8
Non-cash loss on Canadian intercompany note	8.6	—	—
Alternative fuel mixture credit, net	—	(28.9)	(54.6)

Cellulosic biofuel producer credit, net	—	(27.6)	—
Adjusted net income	$279.0	$175.9	$179.4

Contractual Obligations

We summarize our enforceable and legally binding contractual obligations at September 30, 2011, and the effect these obligations are expected to have on our liquidity and cash flow in future periods in the following table. We based some of the amounts in this table on management's estimates and assumptions about these obligations, including their duration, the possibility of renewal, anticipated actions by third parties, and other factors. Because these estimates and assumptions are subjective, the

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enforceable and legally binding obligations we actually pay in future periods may vary from those we have summarized in the table.

	Payments Due by Period				
	Total	Fiscal 2012	Fiscal 2013 and 2014	Fiscal 2015 and 2016	Thereafter
	(In millions)				
Long-Term Debt, including current portion (a)	$3,446.2	$143.3	$953.8	$1,624.9	$724.2
Operating lease obligations (b)	322.2	60.8	91.0	61.4	109.0
Purchase obligations and other (c) (d) (e) (f)	2,416.5	624.5	907.8	693.7	190.5
Total	$6,184.9	$828.6	$1,952.6	$2,380.0	$1,023.7

(a) We have included in the long-term debt line item above amounts owed on our note agreements, industrial development revenue bonds, Receivables Facility and Credit Facility. For purposes of this table, we assume that all of our long-term debt will be held to maturity. We have not included in these amounts interest payable on our long-term debt. We have excluded aggregate fair value hedge adjustments resulting from terminated interest rate swaps of $0.4 million and excluded unamortized discounts of $0.8 million from the table to arrive at actual debt obligations. For information on the interest rates applicable to our various debt instruments, see “Note 9. Debt” of the Notes to Consolidated Financial Statements.

(b) For more information, see “Note 12. Leases” of the Notes to Consolidated Financial Statements.

(c) Purchase obligations include agreements to purchase goods or services that are enforceable and legally binding and that specify all significant terms, including: fixed or minimum quantities to be purchased; fixed, minimum or variable price provision; and the approximate timing of the transaction. Purchase obligations exclude agreements that are cancelable without penalty.

(d) Seven Hills commenced operations on March 29, 2001. Our partner has the option to require us to purchase its interest in Seven Hills, at a formula price, effective on the anniversary of the commencement date by providing us notice two years prior to any such anniversary. No notification has been received to date; therefore, the earliest date on which we could be required to purchase our partner's interest is March 29, 2014. We currently project this contingent obligation to purchase our partner's interest (based on the formula) to be approximately $12 million, which would result in a purchase price of approximately 55% of our partner's share of the net equity reflected on Seven Hills' September 30, 2011 balance sheet. We have not included the $12 million in the table above.

(e) We have included in the table future minimum pension contributions and benefit payments related to postretirement obligations, supplemental retirement plans and deferred compensation plans. We currently estimate that the minimum pension contributions under the U.S. and Canadian qualified pension plans will be approximately $320 million in 2012. We currently estimate that contributions will be in the range of approximately $350 million to $410 million annually in 2013 through 2015 and approximately $245 million in 2016. Minimum pension contributions thereafter aggregate approximately $100 million. Future contributions are subject to changes in our under funded status based on factors such as investment performance, discount rates and return on plan assets. It is possible that our assumptions may change, actual market performance may vary or we may decide to contribute a different amount. We have not included in the table above an item labeled “other long-term liabilities” reflected on our consolidated balance sheet because these other long-term liabilities do not have a definite pay-out scheme.

(f) Included in the line item “Purchase obligations and other” is an aggregate $26.7 million for certain provisions of ASC 740 "Income Taxes" associated with liabilities for uncertain tax positions based on our estimate of cash settlement with the respective taxing authorities. We have not included uncertain tax positions of approximately $281.1 million that are not expected to result in the use of cash upon settlement.

In addition to the enforceable and legally binding obligations quantified in the table above, we have other obligations for goods and services and raw materials entered into in the normal course of business. These contracts, however, are subject to change based on our business decisions.

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Stock Repurchase Plan

Our board of directors has approved a stock repurchase plan that allows for the repurchase of shares of Common Stock over an indefinite period of time. Our stock repurchase plan as amended allows for the repurchase of a total of 6.0 million shares of Common Stock. Pursuant to our repurchase plan, during fiscal 2010, we repurchased 74,901 shares for an aggregate cost of $3.6 million. In fiscal 2011 and 2009, we did not repurchase any shares of Common Stock. As of September 30, 2011, we had approximately 1.8 million shares of Common Stock available for repurchase under the amended repurchase plan.

Expenditures for Environmental Compliance

For a discussion of our expenditures for environmental compliance, see Item 1.“Business — Governmental Regulation — Environmental Regulation.”

Off-Balance Sheet Arrangement

In connection with the Smurfit-Stone Acquisition we acquired an off-balance sheet arrangement for an interest in various installment notes that originated from Smurfit-Stone's sale of owned and leased timberland for cash and installment notes. Smurfit-Stone sold timberland in Florida, Georgia and Alabama in October 1999. The final purchase price, after adjustments, was $710 million. Smurfit-Stone received $225 million in cash, with the balance of $485 million in the form of installment notes. Smurfit-Stone entered into a program to monetize the installment notes receivable. The notes were sold without recourse to Timber Note Holdings LLC (“TNH”), a wholly-owned non-consolidated variable interest entity under the provisions of ASC 860 “Transfers and Servicing”, for $430 million cash proceeds and a residual interest in the notes. The transaction was accounted for by Smurfit-Stone as a sale under ASC 860. The residual interest in the notes was $22.4 million at September 30, 2011 and is included in other assets in the accompanying consolidated balance sheets. Cash flows received on the Company's retained interest in TNH were approximately $0.6 million for the four months ended September 30, 2011 following the Smurfit-Stone Acquisition. TNH and its creditors have no recourse to us in the event of a default on the installment notes.

Critical Accounting Policies and Estimates

We have prepared our accompanying consolidated financial statements in conformity with GAAP, which require management to make estimates that affect the amounts of revenues, expenses, assets and liabilities reported. The following are critical accounting matters that are both important to the portrayal of our financial condition and results and that require some of management’s most subjective and complex judgments. The accounting for these matters involves the making of estimates based on current facts, circumstances and assumptions that, in management’s judgment, could change in a manner that would materially affect management’s future estimates with respect to such matters and, accordingly, could cause our future reported financial condition and results to differ materially from those that we are currently reporting based on management’s current estimates. For additional information, see “Note 1. Description of Business and Summary of Significant Accounting Policies” of the Notes to Consolidated Financial Statements. See also Item 7A. “Quantitative and Qualitative Disclosures About Market Risk.”

Accounts Receivable and Allowances

We have an allowance for doubtful accounts, credits, returns and allowances, and cash discounts that serve to reduce the value of our gross accounts receivable to the amount we estimate we will ultimately collect. The allowances contain uncertainties because the calculation requires management to make assumptions and apply judgment regarding the customer’s credit worthiness and the credits, returns and allowances and cash discounts that may be taken by our customers. We perform ongoing evaluations of our customers' financial condition and adjust credit limits based upon payment history and the customer's current credit worthiness, as determined by our review of their current financial information. We continuously monitor collections from our customers and maintain a provision for estimated credit losses based upon our customers' financial condition, our collection experience and any other relevant customer specific information. Our assessment of this and other information forms the basis of our allowances. We do not believe there is a reasonable likelihood that there will be a material change in the future estimates or assumptions we use to estimate the allowances. However, while these credit losses have historically been within our expectations and the provisions we established, it is possible that our credit loss rates could be higher or lower in the future depending on changes in business conditions and changes in our customers' credit worthiness. At September 30, 2011, our accounts receivable, net of allowances of $30.1 million, was $1,109.6 million; a 1% additional loss on accounts receivable would be $11.1 million and a 5% change in our allowance assumptions would change our allowance by approximately $1.5 million.

Goodwill and Long-Lived Assets

We review the recorded value of our goodwill annually during the fourth quarter of each fiscal year, or sooner if events or changes in circumstances indicate that the carrying amount may exceed fair value as set forth in ASC 350, “Intangibles — Goodwill and Other”. We test goodwill for impairment at the reporting unit level, which is an operating segment or one level below an operating segment, referred to as a component. A component of an operating segment is a reporting unit if the component constitutes a business for which discrete financial information is available and segment management regularly reviews the operating results of that component. However, two or more components of an operating segment are aggregated and deemed a single reporting unit if the components have similar economic characteristics. The amount of goodwill acquired in a business combination that is assigned to one or more reporting units as of the acquisition date is the excess of the purchase price of the acquired businesses (or portion thereof) included in the reporting unit, over the fair value assigned to the individual assets acquired or liabilities assumed. Goodwill is assigned to the reporting unit(s) expected to benefit from the synergies of the combination even though other assets or liabilities of the acquired entity may not be assigned to that reporting unit.

We determine recoverability by comparing the estimated fair value of the reporting unit to which the goodwill applies to the carrying value, including goodwill, of that reporting unit using a discounted cash flow model. Estimating the fair value of the reporting unit involves uncertainties, because it requires management to develop numerous assumptions, including assumptions about the future growth and potential volatility in revenues and costs, capital expenditures, industry economic factors and future business strategy. The variability of the factors that management uses to perform the goodwill impairment test depends on a number of conditions, including uncertainty about future events and cash flows. All such factors are interdependent and, therefore, do not change in isolation. Accordingly, our accounting estimates may materially change from period to period due to changing market factors. If we had used other assumptions and estimates or if different conditions occur in future periods, future operating results could be materially impacted. However, as of our most recent review during the fourth quarter of fiscal 2011, if forecasted net operating profit before tax was decreased by 10%, the estimated fair value of each of our reporting units would have continued to exceed their respective carrying values. Also, based on the same information, if we had concluded that it was appropriate to increase by 100 basis points the discount rate we used to estimate the fair value of each reporting unit, the fair value for each of our reporting units would have continued to exceed its carrying value. Therefore, based on current estimates we do not believe there is a reasonable likelihood that there will be a change in future assumptions or estimates which would put any of our reporting units at risk of failing the step one goodwill impairment test. No events have occurred since the latest annual goodwill impairment assessment that would necessitate an interim goodwill impairment assessment.

We follow the provisions included in ASC 360, “Property, Plant and Equipment”, in determining whether the carrying value of any of our long-lived assets is impaired. Our judgments regarding the existence of impairment indicators are based on legal factors, market conditions and operational performance. Future events could cause us to conclude that impairment indicators exist and that assets associated with a particular operation are impaired. Evaluating the impairment also requires us to estimate future operating results and cash flows, which also require judgment by management. Any resulting impairment loss could have a material adverse impact on our financial condition and results of operations.

Included in our long-lived assets are certain intangible assets. These intangible assets are amortized based on the approximate pattern in which the economic benefits are consumed or straight-line if the pattern was not reliably determinable. Estimated useful lives range from 0 to 40 years and have a weighted average life of approximately 11.9 years. We identify the weighted average lives of our intangible assets by category in “Note 8. Other Intangible Assets” of the Notes to Consolidated Financial Statements.

We have not made any material changes to our impairment loss assessment methodology during the past three fiscal years. We do not believe there is a reasonable likelihood that there will be a material change in future assumptions or estimates we use to calculate impairment losses. However, if actual results are not consistent with our assumptions and estimates, we may be exposed to impairment losses that could be material.

Restructuring

We have restructured portions of our operations from time to time, have current restructuring initiatives taking place, and it is possible that we may engage in additional restructuring activities including those associated with our recent Smurfit-Stone Acquisition. Identifying and calculating the cost to exit these operations requires certain assumptions to be made, the most significant of which are anticipated future liabilities, including leases and other contractual obligations, and the adjustment of property, plant and equipment to net realizable value. We believe our estimates are reasonable, considering our knowledge of the industries we operate in, previous experience in exiting activities and valuations we may obtain from independent third parties. Although our estimates have been reasonably accurate in the past, significant judgment is required, and these estimates and assumptions may change as additional information becomes available and facts or circumstances change.