DARLING INGREDIENTS INC.
Form 10-Q
November 12, 2015

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION
Washington, DC 20549

FORM 10-Q

(Mark One)
/X/ QUARTERLY REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended October 3, 2015
OR

/ / TRANSITION REPORT PURSUANT TO SECTION 13 or 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the transition period from _______ to _______

Commission File Number 001-13323

DARLING INGREDIENTS INC.
(Exact name of registrant as specified in its charter)

Delaware (State or other jurisdiction of incorporation or organization)	36-2495346 (I.R.S. Employer Identification Number)
251 O'Connor Ridge Blvd., Suite 300 Irving, Texas (Address of principal executive offices)	75038 (Zip Code)

Registrant's telephone number, including area code: (972) 717-0300

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 X 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 (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the Registrant was required to submit and post such files). Yes X No ___

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

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

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

There were 164,726,136 shares of common stock, $0.01 par value, outstanding at November 5, 2015.

DARLING INGREDIENTS INC. AND SUBSIDIARIES
FORM 10-Q FOR THE QUARTERLY PERIOD ENDED OCTOBER 3, 2015

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DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED BALANCE SHEETS
October 3, 2015 and January 3, 2015
(in thousands, except share data)

	October 3, 2015 (unaudited)	January 3, 2015
ASSETS		
Current assets:		
Cash and cash equivalents	$148,886	$108,784
Restricted cash	334	343
Accounts receivable, net	379,093	409,779
Inventories	366,775	401,613
Prepaid expenses	47,086	44,629
Income taxes refundable	24,936	22,140
Other current assets	8,718	21,324
Deferred income taxes	29,795	45,001
Total current assets	1,005,623	1,053,613
Property, plant and equipment, less accumulated depreciation of $623,233 at October 3, 2015 and $525,699 at January 3, 2015	1,516,598	1,574,116
Intangible assets, less accumulated amortization of $234,816 at October 3, 2015 and $184,909 at January 3, 2015	815,729	932,413
Goodwill	1,253,693	1,320,419
Investment in unconsolidated subsidiaries	165,137	202,712
Other assets	75,523	71,009
Deferred income taxes	16,073	16,431
	$4,848,376	$5,170,713
LIABILITIES AND STOCKHOLDERS' EQUITY		
Current liabilities:		
Current portion of long-term debt	$47,966	$54,401
Accounts payable, principally trade	155,549	168,518
Income taxes payable	11,241	4,363
Accrued expenses	238,734	256,119
Deferred income taxes	1,864	642
Total current liabilities	455,354	484,043
Long-term debt, net of current portion	1,976,412	2,098,039
Other non-current liabilities	105,783	114,700
Deferred income taxes	393,954	422,797
Total liabilities	2,931,503	3,119,579
Commitments and contingencies		
Stockholders' equity:		
Common stock, $0.01 par value; 250,000,000 shares authorized; 167,058,387 and 166,213,793 shares issued at October 3, 2015 and at January 3, 2015, respectively	1,671	1,662
Additional paid-in capital	1,486,738	1,479,637

Treasury stock, at cost; 2,332,251 and 1,501,130 shares at October 3, 2015 and at January 3, 2015, respectively	(34,279)	(23,207)
Accumulated other comprehensive loss	(305,953)	(177,060)
Retained earnings	666,060	671,958
Total Darling's stockholders' equity	1,814,237	1,952,990
Noncontrolling interests	102,636	98,144
Total stockholders' equity	$1,916,873	$2,051,134
	$4,848,376	$5,170,713

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF OPERATIONS
Three and nine months months ended October 3, 2015 and September 27, 2014
(in thousands, except per share data)
(unaudited)

	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net sales	$853,762	$978,665	$2,587,771	$2,956,240
Costs and expenses:				
Cost of sales and operating expenses	671,321	764,161	2,024,118	2,328,872
Selling, general and administrative expenses	75,026	95,077	245,951	279,740
Acquisition and integration costs	1,280	2,191	7,807	22,304
Depreciation and amortization	67,327	67,311	199,970	200,478
Total costs and expenses	814,954	928,740	2,477,846	2,831,394
Operating income	38,808	49,925	109,925	124,846
Other expense:				
Interest expense	(24,828)	(25,355)	(82,222)	(110,783)
Foreign currency gain/(loss)	(2,461)	1,522	(3,299)	(12,281)
Other income/(expense), net	1,004	2,053	(704)	28
Total other expense	(26,285)	(21,780)	(86,225)	(123,036)
Equity in net income/(loss) of unconsolidated subsidiaries	(12,021)	(1,055)	(9,657)	6,062
Income/(loss) before income taxes	502	27,090	14,043	7,872
Income tax expense	7,859	11,136	14,639	8,349
Net income/(loss)	(7,357)	15,954	(596)	(477)
Net income attributable to noncontrolling interests	(1,730)	(1,636)	(5,302)	(5,251)
Net income/(loss) attributable to Darling	$(9,087)	$14,318	$(5,898)	$(5,728)
Basic income/(loss) per share	$(0.06)	$0.09	$(0.04)	$(0.03)
Diluted income/(loss) per share	$(0.06)	$0.09	$(0.04)	$(0.03)

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

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DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME/(LOSS)
Three and nine months months ended October 3, 2015 and September 27, 2014
(in thousands)
(unaudited)

	Three Months Ended		Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Net income/(loss)	$(7,357)	$15,954	$(596)	$(477)
Other comprehensive income/(loss), net of tax:				
Foreign currency translation	(41,604)	(71,231)	(131,794)	(57,547)
Pension adjustments	780	321	2,327	962
Natural gas swap derivative adjustments	—	(40)	—	(164)
Corn option derivative adjustments	1,861	811	574	(166)
Total other comprehensive loss, net of tax	(38,963)	(70,139)	(128,893)	(56,915)
Total comprehensive loss	$(46,320)	$(54,185)	$(129,489)	$(57,392)
Comprehensive income attributable to noncontrolling interests	39	4,985	$7,929	$8,095
Comprehensive loss attributable to Darling	$(46,359)	$(59,170)	$(137,418)	$(65,487)

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

DARLING INGREDIENTS INC. AND SUBSIDIARIES

CONSOLIDATED STATEMENTS OF CASH FLOWS
Nine months ended October 3, 2015 and September 27, 2014
(in thousands)
(unaudited)

	October 3, 2015	September 27, 2014
Cash flows from operating activities:		
Net loss	$(596)	$(477)
Adjustments to reconcile net income to net cash provided by operating activities:		
Depreciation and amortization	199,970	200,478
Loss/(gain) on disposal of property, plant, equipment and other assets	627	(976)
Gain on insurance proceeds from insurance settlements	(561)	(1,550)
Deferred taxes	8,640	(13,492)
Increase in long-term pension liability	678	297
Stock-based compensation expense	6,468	16,629
Write-off deferred loan costs	10,633	4,330
Deferred loan cost amortization	7,380	7,394
Equity in net (income)/loss of unconsolidated subsidiaries	9,657	(6,062)
Distributions of earnings from unconsolidated subsidiaries	26,155	—
Changes in operating assets and liabilities, net of effects from acquisitions:		
Accounts receivable	7,658	(40,646)
Income taxes refundable/payable	3,955	(13,695)
Inventories and prepaid expenses	7,667	(13,113)
Accounts payable and accrued expenses	(10,318)	7,859
Other	18,641	32,321
Net cash provided by operating activities	296,654	179,297
Cash flows from investing activities:		
Capital expenditures	(162,264)	(153,984)
Acquisitions, net of cash acquired	—	(2,075,651)
Gross proceeds from disposal of property, plant and equipment and other assets	2,473	2,810
Proceeds from insurance settlement	561	1,550
Payments related to routes and other intangibles	(2,939)	(8,210)
Net cash used by investing activities	(162,169)	(2,233,485)
Cash flows from financing activities:		
Proceeds from long-term debt	586,199	1,836,917
Payments on long-term debt	(595,872)	(310,773)
Borrowings from revolving credit facility	78,244	170,143
Payments on revolving credit facility	(130,876)	(277,254)
Net cash overdraft financing	(1,261)	933
Deferred loan costs	(17,119)	(45,223)
Issuance of common stock	171	417
Repurchase of treasury stock	(5,912)	—
Minimum withholding taxes paid on stock awards	(4,838)	(6,814)
Excess tax benefits from stock-based compensation	—	1,451
Distributions to noncontrolling interests	(2,820)	—
Net cash provided/(used) by financing activities	(94,084)	1,369,797
Effect of exchange rate changes on cash	(299)	6,961

Net increase/(decrease) in cash and cash equivalents	40,102	(677,430)
Cash and cash equivalents at beginning of period	108,784	870,857
Cash and cash equivalents at end of period	$148,886	$193,427
Supplemental disclosure of cash flow information:		
Accrued capital expenditures	$940	$(1,436)
Cash paid during the period for:		
Interest, net of capitalized interest	$57,764	$75,185
Income taxes, net of refunds	$4,005	$15,206
Non-cash financing activities		
Debt issued for service contract assets	$2,521	$—

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

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DARLING INGREDIENTS INC. AND SUBSIDIARIES

Notes to Consolidated Financial Statements
October 3, 2015
(unaudited)

(1) General

Darling Ingredients Inc., a Delaware corporation ("Darling", and together with its subsidiaries, the "Company"), is a global developer and producer of sustainable natural ingredients from edible and inedible bio-nutrients, creating a wide range of ingredients and customized specialty solutions for customers in the pharmaceutical, food, pet food, feed, technical, fuel, bioenergy and fertilizer industries. As further discussed in Note 3, on January 7, 2014, the Company acquired the VION Ingredients business division ("VION Ingredients") of VION Holding, N.V., a Dutch limited liability company ("VION"), by purchasing all of the shares of VION Ingredients International (Holding) B.V., and VION Ingredients Germany GmbH, and 60% of Best Hides GmbH (collectively, the "VION Companies"), pursuant to a Sale and Purchase Agreement dated October 5, 2013, as amended, between Darling and VION (the "VION Acquisition"). The VION Ingredients business is now conducted under the name Darling Ingredients International. The Company's business is conducted through a global network of over 200 locations across five continents. Effective December 29, 2013, the Company's business operations were reorganized into three new segments, Feed Ingredients, Food Ingredients and Fuel Ingredients, in order to better align its business with the underlying markets and customers that the Company serves. See Note 14 to the consolidated financial statements.

The accompanying consolidated financial statements for the three and nine month periods ended October 3, 2015 and September 27, 2014, have been prepared by the Company in accordance with generally accepted accounting principles in the United States ("GAAP") without audit, pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). The information furnished herein reflects all adjustments (consisting only of normal recurring accruals) that are, in the opinion of management, necessary to present a fair statement of the financial position and operating results of the Company as of and for the respective periods. However, these operating results are not necessarily indicative of the results expected for a full fiscal year. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with GAAP have been omitted pursuant to such rules and regulations. However, management of the Company believes, to the best of their knowledge, that the disclosures herein are adequate to make the information presented not misleading. The accompanying consolidated financial statements should be read in conjunction with the audited consolidated financial statements contained in the Company's Form 10-K for the fiscal year ended January 3, 2015.

(2) Summary of Significant Accounting Policies

(a) Basis of Presentation

The consolidated financial statements include the accounts of Darling and its consolidated subsidiaries. Noncontrolling interests represents the outstanding ownership interest in the Company's consolidated subsidiaries that are not owned by the Company. In the accompanying Consolidated Statements of Operations, the noncontrolling interest in net income (loss) of the consolidated subsidiaries is shown as an allocation of the Company's net income and is presented separately as "Net income/(loss) attributable to noncontrolling interests". In the Company's Consolidated Balance Sheets, noncontrolling interests represents the ownership interests in the Company consolidated subsidiaries' net assets held by parties other than the Company. These ownership interests are presented separately as "Noncontrolling interests" within "Stockholders' Equity." All significant intercompany balances and transactions have been eliminated in consolidation.

(b) Fiscal Periods

The Company has a 52/53 week fiscal year ending on the Saturday nearest December 31. Fiscal periods for the consolidated financial statements included herein are as of October 3, 2015, and include the 13 and 39 weeks ended October 3, 2015, and the 13 and 39 weeks ended September 27, 2014.

(c) Revenue Recognition

The Company recognizes revenue on sales when products are shipped and the customer takes ownership and assumes risk of loss. Certain customers may be required to prepay prior to shipment in order to maintain payment protection related to certain foreign and domestic sales. These amounts are recorded as unearned revenue and recognized when the products have shipped and the customer takes ownership and assumes risk of loss. The Company recognizes service revenue in the fiscal month the service occurs.

(d) Long-Lived Assets

Property, Plant and Equipment

Property, plant and equipment are recorded at cost. Depreciation is computed by the straight-line method over the estimated useful lives of assets: 1) Buildings and improvements, 15 to 30 years; 2) Machinery and equipment, 3 to 10 years; 3) Vehicles, 3 to 8 years; and 4) Aircraft, 7 to 10 years.

Maintenance and repairs are charged to expense as incurred and expenditures for major renewals and improvements are capitalized.

Intangible Assets

Intangible assets with indefinite lives, and therefore, not subject to amortization, consist of trade names acquired in the acquisition of Griffin Industries Inc. on December 17, 2010 (which was subsequently converted to a limited liability company) and its subsidiaries ("Griffin") and trade names acquired in the VION Acquisition. In the first quarter of fiscal 2015, the Company has determined that due to a global re-branding strategy, the Griffin Industries trade name in the amount of approximately $65.1 million has been determined to have a limited useful life and therefore the Company has started to amortize the Griffin Industries name over a useful life of 10 years. Intangible assets subject to amortization consist of: 1) collection routes which are made up of groups of suppliers of raw materials in similar geographic areas from which the Company derives collection fees and a dependable source of raw materials for processing into finished products; 2) permits that represent licensing of operating plants that have been acquired, giving those plants the ability to operate; 3) non-compete agreements that represent contractual arrangements with former competitors whose businesses were acquired; 4) trade names; and 5) royalty, consulting, land use rights and leasehold agreements. Amortization expense is calculated using the straight-line method over the estimated useful lives of the assets ranging from: 5 to 21 years for collection routes; 10 to 20 years for permits; 3 to 7 years for non-compete covenants; and 4 to 15 years for trade names. Royalty, consulting, land use rights and leasehold agreements are amortized over the term of the agreement.

(e) Foreign Currency Translation and Remeasurement

Foreign currency translation is included as a component of accumulated other comprehensive income and reflects the adjustments resulting from translating the foreign currency denominated financial statements of foreign subsidiaries into U.S. dollars. The functional currency of the Company's foreign subsidiaries is the currency of the primary economic environment in which the entity operates, which is generally the local currency of the country. Accordingly, assets and liabilities of the foreign subsidiaries are translated to U.S. dollars at fiscal period end exchange rates, including intercompany foreign currency transactions that are of long-term investment nature. Income and expense items are translated at average exchange rates occurring during the period. Changes in exchange rates that affect cash flows and the related receivables or payables are recognized as transaction gains and losses in determining net income. The Company incurred net foreign currency translation losses of approximately $131.8 million and $57.5 million for the nine months ended October 3, 2015 and September 27, 2014, respectively. In addition, the Company incurred foreign currency losses in the statement of operations of approximately $3.3 million and $12.3 million in the nine months ended October 3, 2015 and September 27, 2014, with $12.6 million in fiscal 2014 representing a loss on a hedge transaction during the first quarter of fiscal 2014.

(f) Reclassifications

Certain prior year amounts have been reclassified to conform to the current year presentation.

(g) Earnings Per Share

Basic income/(loss) per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares including non-vested and restricted shares outstanding during the period. Diluted income/(loss) per common share is computed by dividing net income attributable to Darling by the weighted average number of common shares outstanding during the period increased by dilutive common equivalent shares determined using the treasury stock method.

	Net Income per Common Share (in thousands, except per share data)					
	Three Months Ended					
		October 3, 2015			September 27, 2014	
	Loss	Shares	Per Share	Income	Shares	Per Share
Basic:						
Net Income attributable to Darling	$(9,087)	165,195	$(0.06)	$14,318	164,676	$0.09
Diluted:						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		—			796	
Less: Pro forma treasury shares		—			(515)	
Diluted:						
Net income attributable to Darling	$(9,087)	165,195	$(0.06)	$14,318	164,957	$0.09

	Net Income/ (loss) per Common Share (in thousands, except per share data)					
	Nine Months Ended					
		October 3, 2015			September 27, 2014	
	Loss	Shares	Per Share	Loss	Shares	Per Share
Basic:						
Net Income/(loss) attributable to Darling	$(5,898)	165,086	$(0.04)	$(5,728)	164,551	$(0.03)
Diluted:						
Effect of dilutive securities:						
Add: Option shares in the money and dilutive effect of non-vested stock awards		—			—	
Less: Pro forma treasury shares		—			—	
Diluted:						
Net income/(loss) attributable to Darling	$(5,898)	165,086	$(0.04)	$(5,728)	164,551	$(0.03)

For the three months ended October 3, 2015 and September 27, 2014, respectively, 905,903 and 163,078 outstanding stock options were excluded from diluted income/(loss) per common share as the effect was antidilutive. For the three months ended October 3, 2015 and September 27, 2014, respectively, 646,813 and 914,603 shares of non-vested stock and stock equivalents were excluded from diluted income/(loss) per common share as the effect was antidilutive.

For the nine months ended October 3, 2015 and September 27, 2014, respectively, 947,095 and 986,748 outstanding stock options were excluded from diluted income/(loss) per common share as the effect was antidilutive. For the nine months ended October 3, 2015 and September 27, 2014, respectively, 685,624 and 931,727 shares of non-vested stock and stock equivalents were excluded from diluted income/(loss) per common share as the effect was antidilutive.

(3) Acquisitions

On January 7, 2014, the Company acquired the VION Ingredients business division from VION by purchasing shares of the VION Companies as described in Note 1, pursuant to a Sale and Purchase Agreement dated October 5, 2013, as amended, between Darling and VION. The VION Ingredients business is now conducted under the name Darling Ingredients International. Darling Ingredients International is a worldwide leader in the development and production of specialty ingredients from animal by-products for applications in pharmaceuticals, food, pet food, feed, fuel, bioenergy and fertilizer. Darling Ingredients International operates a global network of 68 production facilities across five continents covering all aspects of animal by-product processing through six brands: Rendac (bioenergy), Sonac (bone products, proteins, fats, edible fats and plasma products), Ecoson (bioenergy), Rousselot (gelatin and collagen hydrolysates), CTH (natural casings) and Best Hides (hides and skins). Darling Ingredients International’s specialized portfolio of over 400 products covers all animal origin raw material types and thereby offers a comprehensive, single source solution for suppliers. Darling Ingredients International’s business has leading positions across Europe with operations in the Netherlands, Belgium, Germany, Poland and Italy under the Rendac and Sonac brand names. Value-added products include edible fats, blood plasma powder, hemoglobin, bone products, protein meals and fats. Rousselot is a global leading market provider of gelatin for the pharmaceutical, food and technical industries with operations in Europe, the United States, South America and China. CTH is a market leader in natural casings for the sausage industry with operations in Europe, China and the United States. The purchase of the VION Companies allows the Company to have a global reach. The purchase price for the transaction was approximately €1.6 billion in cash (approximately $2.2 billion at the exchange rate of €1.00:USD$1.3605). The purchase price was financed through (i) borrowings under the Company’s senior secured revolving credit facility and term loan facilities; (ii) proceeds from the Company’s $874.0 million public common stock offering in the fourth quarter of fiscal 2013; and (iii) proceeds from the private offering of $500.0 million aggregate principal amount of the Company’s 5.375% Senior Notes due 2022, that closed on January 2, 2014.

On October 1, 2014, the Company acquired substantially all of the assets of Custom Blenders Arkansas, LLC, an Indiana limited liability company, Custom Blenders Georgia, LLC, a Georgia limited liability company, Custom Blenders Indiana, Inc., an Indiana corporation, and Custom Blenders Texas, LLC, an Indiana limited liability company (collectively "Custom Blenders"), one of the leading bakery residuals recyclers in the United States. The acquisition includes Custom Blenders' operations in Indiana, Georgia, Texas, and Arkansas. The acquisition will provide significant synergies to the Company's suppliers and customers in the Feed Ingredients segment. The Company paid approximately $18.8 million in cash less a second quarter 2015 contingent receivable of $0.8 million recorded against goodwill for a claim against the hold back amount originally paid in escrow as part of the original purchase price. In the third quarter of fiscal 2015, the Company recorded an adjustment from inventory to goodwill under the purchase contract of approximately $0.5 million. The purchase price for assets consisting of property, plant and equipment of approximately $3.2 million, intangible assets of approximately $8.6 million, goodwill of approximately $5.2 million and inventory of approximately $1.0 million. The identifiable intangibles have a weighted average life of 14 years.

(4) Inventories

A summary of inventories follows (in thousands):

	October 3, 2015	January 3, 2015
Finished product	$226,709	$255,130
Work in process	91,671	98,936
Supplies and other	48,395	47,547
	$366,775	$401,613

(5) Investment in Unconsolidated Subsidiaries

The Company announced on January 21, 2011 that a wholly-owned subsidiary of Darling entered into a limited liability company agreement with a wholly-owned subsidiary of Valero Energy Corporation (“Valero”) to form Diamond Green Diesel Holdings LLC (the “DGD Joint Venture”). The DGD Joint Venture is owned 50% / 50% with Valero and was formed to design, engineer, construct and operate a renewable diesel plant (the “DGD Facility”), which is capable of processing approximately 12,000 barrels per day of input feedstock to produce renewable diesel fuel and certain other co-products, and is located adjacent to Valero's refinery in Norco, Louisiana. The DGD Joint Venture reached mechanical completion and began the production of renewable diesel in late June 2013.

On May 31, 2011, the DGD Joint Venture and Diamond Green Diesel LLC, a wholly-owned subsidiary of the DGD Joint Venture ("Opco"), entered into (i) a facility agreement (the "Facility Agreement") with Diamond Alternative Energy, LLC, a wholly-owned subsidiary of Valero (the "Lender"), and (ii) a loan agreement (the "Loan Agreement") with the Lender, which provided the DGD Joint Venture with a 14 year multiple advance term loan facility of approximately $221.3 million (the "JV Loan") to support the design, engineering and construction of the DGD Facility, which is now in production. The Facility Agreement and the Loan Agreement prohibit the Lender from assigning all or any portion of the Facility Agreement or the Loan Agreement to unaffiliated third parties. Opco has also pledged substantially all of its assets to the Lender, and the DGD Joint Venture has pledged all of Opco's equity interests to the Lender, until the JV Loan has been paid in full and the JV Loan has terminated in accordance with its terms.

In addition to the DGD Joint Venture, the Company has investments in other unconsolidated subsidiaries that were acquired in the VION Acquisition that are insignificant to the Company. Selected financial information for the Company's DGD Joint Venture is as follows (in thousands):

(in thousands)	September 30, 2015	December 31, 2014
Assets:		
Total current assets	$110,625	$216,991
Property, plant and equipment, net	357,305	373,117
Other assets	1,067	2,092
Total assets	$468,997	$592,200
Liabilities and members' equity:		
Total current portion of long term debt	$17,023	$57,514
Total other current liabilities	29,337	21,313
Total long term debt	136,074	155,273
Total other long term liabilities	371	339
Total members' equity	286,192	357,761
Total liabilities and member's equity	$468,997	$592,200

(in thousands)	Three Months Ended September 30, 2015	Three Months Ended September 30, 2014	Nine Months Ended September 30, 2015	Nine Months Ended September 30, 2014
Revenues:				
Operating revenues	$107,160	$80,206	$380,048	$347,926
Expenses:				
Total costs and expenses	128,738	78,800	391,081	325,355
Operating income/(loss)	(21,578)	1,406	(11,033)	22,571
Other income	41	27	93	69
Interest and debt expense, net	(3,122)	(4,395)	(10,629)	(13,296)
Net income/(loss)	$(24,659)	$(2,962)	$(21,569)	$9,344

As of October 3, 2015 under the equity method of accounting, the Company has an investment in the DGD Joint Venture of approximately $143.1 million on the consolidated balance sheet and has recorded approximately $10.8 million in equity net loss and $4.7 million in equity net income in the unconsolidated subsidiary for the nine months ended October 3, 2015 and September 27, 2014, respectively. In addition, in April 2015, the Company received a $25.0 million dividend distribution from the DGD Joint Venture.

(6) Debt

Debt consists of the following (in thousands):

	October 3, 2015	January 3, 2015
Amended Credit Agreement:		
Revolving Credit Facility ($15.9 million and $36.9 million denominated in CAD at October 3, 2015 and January 3, 2015, respectively)	$45,860	$101,863
	285,874	312,161

Term Loan A ($103.4 million and $122.2 million denominated in CAD at October 3, 2015 and January 3, 2015, respectively)		
Term Loan B ($610.2 million denominated in Euro at January 3, 2015)	591,000	1,205,669
5.375% Senior Notes due 2022	500,000	500,000
4.75% Senior Notes due 2022 - Denominated in euro	574,714	—
Other Notes and Obligations	26,930	32,747
	2,024,378	2,152,440
Less Current Maturities	47,966	54,401
	$1,976,412	$2,098,039

As of October 3, 2015, the Company had outstanding debt under a term loan facility and revolving credit facility denominated in Canadian dollars of CAD$136.9 million and CAD$21.0 million, respectively. See below for discussion relating to the Company's debt agreements. In addition, as of October 3, 2015, the Company had capital lease obligations denominated in Canadian dollars included in debt. The current and long-term capital lease obligation was approximately CAD$2.2 million and CAD$3.2 million, respectively.

As of October 3, 2015, the Company had outstanding debt under the Company's 4.75% Senior Notes due 2022 denominated in euros of €515.0 million, respectively. See below for discussion relating to the Company's debt agreements. In addition, at October 3, 2015, the Company had capital lease obligations denominated in euros included in debt. The current and long-term capital lease obligation was approximately €0.4 million and €0.7 million, respectively.

Senior Secured Credit Facilities. On January 6, 2014, Darling, Darling International Canada Inc. ("Darling Canada") and Darling International NL Holdings B.V. ("Darling NL") entered into a Second Amended and Restated Credit Agreement (the "Amended Credit Agreement"), restating its then existing Amended and Restated Credit Agreement dated September 27, 2013 (the "Former Credit Agreement"), with the lenders from time to time party thereto, JPMorgan Chase Bank, N.A., as Administrative Agent, and the other agents from time to time party thereto.

The Amended Credit Agreement provides for senior secured credit facilities in the aggregate principal amount of $2.65 billion comprised of (i) the Company's $350.0 million term loan A facility, (ii) the Company's $1.3 billion term loan B facility and (iii) the Company's $1.0 billion five-year revolving loan facility (approximately $250.0 million of which is available for a letter of credit sub-facility and $50.0 million of which is available for a swingline sub-facility) (collectively, the "Senior Secured Credit Facilities"). The Amended Credit Agreement also permits Darling and the other borrowers thereunder to incur ancillary facilities provided by any revolving lender party to the Senior Secured Credit Facilities (with certain restrictions). Up to $350.0 million of the revolving loan facility is available to be borrowed by Darling in U.S. dollars, Canadian dollars, euros and other currencies to be agreed and available to each applicable lender, to be borrowed by Darling Canada in Canadian dollars and to be borrowed by Darling NL, Darling Ingredients International Holding B.V. ("Darling BV") and CTH Germany GmbH ("CTH") in U.S. dollars, euros and other currencies to be agreed and available to each applicable lender. On January 6, 2014, $600.0 million of the term loan B facility was borrowed in U.S. dollars by Darling and the euro equivalent of $700.0 million of the term loan B facility was borrowed in euros by Darling NL. The proceeds of the term loan B facility and a portion of the revolving loan facility were used by Darling to pay a portion of the consideration for the VION Acquisition. The revolving loan facility will also be used for working capital needs, general corporate purposes and other purposes not prohibited by the Amended Credit Agreement.

As of October 3, 2015, the Company has borrowed all $350.0 million of the term loan A facility which, when repaid, cannot be reborrowed. The term loan A facility is repayable in quarterly installments as follows: for the first eight quarters following January 6, 2014, 1.25% of the original principal amount of the term loan A facility, for the ninth through sixteenth quarters following January 6, 2014, 1.875% of the original principal amount of the term loan A facility, and for each quarterly installment after such sixteenth installment until September 27, 2018, 3.75% of the original principal amount of the term loan A facility. The term loan A facility will mature on September 27, 2018.

As of October 3, 2015, the Company has borrowed all $1.3 billion under the terms of the term loan B facility, which when repaid, cannot be reborrowed. The term loan B facility is repayable in quarterly installments of 0.25% of the aggregate principal amount of the relevant term loan B facility on the last day of each March, June, September and December of each year commencing on the last day of each month falling on or after the last day of the first full quarter following January 6, 2014 and continuing until the last day of each quarter period ending immediately prior to January 7, 2021; and one final installment in the amount of the relevant term loan B facility then outstanding, due on

January 7, 2021. The term loan B facility will mature on January 7, 2021. On June 3, 2015, the Company refinanced €504.9 million of the outstanding euro borrowings under the term loan B facility (the “Euro Term Loan B”) using the proceeds from the 4.75% Senior Notes due 2022. As a result of the refinance, the Company incurred a charge of approximately $10.6 million from the write-off of deferred loan costs related to Euro Term Loan B.

The interest rate applicable to any borrowings under the term loan A facility and the revolving loan facility will equal either LIBOR/euro interbank offered rate/CDOR plus 2.75% per annum or base rate/Canadian prime rate plus 1.75% per annum, subject to certain step-downs based on the Company's total leverage ratio. The interest rate applicable to any borrowings under the term loan B facility will equal (a) for U.S. dollar term loans, either the base rate plus 1.50% or LIBOR plus 2.50%, and (b) for euro term loans, the euro interbank offered rate plus 2.75%, in each case subject to a step-down based on Darling’s total leverage ratio. For term loan B loans, the LIBOR rate shall not be less than 0.75%.

As of October 3, 2015, the Company had $182.5 million outstanding under the term loan A facility and $23.0 million outstanding under the revolver at LIBOR plus a margin of 2.75% per annum for a total of 3.00% per annum and $7.0 million outstanding under the revolver at base rate plus a margin of 1.75% per annum for a total of 5.00% per annum. The Company had $591.0 million outstanding under the term loan B facility at LIBOR plus a margin of 2.50% per annum for a total of 3.25% per annum. The Company had CAD$136.9 million outstanding under the term loan A facility at CDOR plus a margin of 2.75% per annum for a total of 3.5733% per annum and CAD$21.0 million outstanding under the revolver at CDOR plus a margin of 2.75% per annum for a total of 3.5728% per annum. As of October 3, 2015, the Company had revolver availability of $920.1 million under the Credit Agreement taking into account amounts borrowed and letters of credit issued of $34.0 million.

The Amended Credit Agreement contains various customary representations and warranties by the Company, which include customary use of materiality, material adverse effect and knowledge qualifiers. The Amended Credit Agreement also contains (a) certain affirmative covenants that impose certain reporting and/or performance obligations on Darling and its subsidiaries, (b) certain negative covenants that generally prohibit, subject to various exceptions, Darling and its restricted subsidiaries from taking certain actions, including, without limitation, incurring indebtedness, making investments, incurring liens, paying dividends and engaging in mergers and consolidations, sale and leasebacks and asset dispositions, (c) financial covenants, which include a maximum total leverage ratio, a maximum secured leverage ratio and a minimum interest coverage ratio and (d) customary events of default (including a change of control) for financings of this type. Obligations under the Senior Secured Credit Facilities may be declared due and payable upon the occurrence and during the continuance of customary events of default. Effective May 13, 2015, Darling and the other borrowers party to the Amended Credit Agreement entered into the First Amendment to the Second Amended and Restated Credit Agreement (the “First Amendment”) with the administrative agent and certain of the lenders. The First Amendment removes the previously existing requirement under the Amended Credit Agreement that the maximum total leverage ratio under one of the financial covenants must continue to step down over the life of the Senior Secured Credit Facilities. After giving effect to the First Amendment, the maximum total leverage ratio shall remain 5.0 to 1.0 for the duration of the loans under the Amended Credit Agreement. Effective September 23, 2015, Darling and the other borrowers party to the Amended Credit Agreement entered into the Second Amendment to the Second Amended and Restated Credit Agreement (the “Second Amendment”) with the administrative agent and certain of the lenders. The Second Amendment was executed to. among other things, (a) amend the maximum total leverage ratio the Company may not exceed from 5.0 to 1.0 to 5.5 to 1.0, (b) amend the pricing terms for borrowings under the Company's term loan A and revolving facility and related commitment fees and letter of credit fees if the Company's total leverage ratio is greater than 4.25 to 1.0 and (c) modify certain negative covenants.

Pursuant to the Second Amended and Restated Security Agreement, dated as of January 6, 2014 (the "Security Agreement"), by and among Darling, its domestic subsidiaries signatory thereto and any other domestic subsidiary who may become a party thereto and JPMorgan Chase Bank, N.A., as administrative agent, the Senior Secured Credit Facilities are secured, subject to certain carveouts and exceptions, by a first priority lien on substantially all of the assets of Darling and such domestic subsidiaries. The obligations of Darling Canada, Darling NL, Darling BV, CTH and any other foreign borrower under the Senior Secured Credit Facilities are also secured by a first priority lien on certain assets of certain of Darling’s foreign subsidiaries organized in Canada, Belgium, Germany, the Netherlands and Brazil, subject to certain carveouts and exceptions.

Pursuant to the Second Amended and Restated Guaranty Agreement, dated as of January 6, 2014 (the "Guaranty Agreement"), (a) the obligations of Darling under the Senior Secured Credit Facilities are guaranteed by certain of Darling’s wholly-owned domestic subsidiaries and (b) the obligations of Darling Canada, Darling NL, Darling BV, CTH and any other foreign borrower under the Senior Secured Credit Facilities are guaranteed by Darling and certain of its domestic and foreign wholly-owned subsidiaries, in each case subject to certain carveouts and exceptions (collectively, the "Credit Agreement Guarantors").

5.375 % Senior Notes due 2022. On December 18, 2013, Darling Escrow Corporation ("Darling Escrow Sub"), a Delaware corporation and wholly-owned subsidiary of Darling, entered into a purchase agreement (the "Original 5.375% Purchase Agreement") with the initial purchasers party thereto (the "Initial Purchasers"), for the sale of $500.0 million aggregate principal amount of its 5.375% Notes due 2022 (the "5.375% Private Notes"). On January 2, 2014, the 5.375% Notes, which were offered in a private offering in connection with the VION Acquisition, were issued pursuant to a 5.375% Notes Indenture, dated as of January 2, 2014 (the "Original 5.375% Indenture"), among Darling Escrow Sub, the Subsidiary Guarantors (as defined in the Original 5.375% Indenture) party thereto from time to time and U.S. Bank National Association, as trustee (the "5.375% Trustee"), with the gross proceeds from the offering of the 5.375% Private Notes and certain additional amounts deposited into an escrow account pending the satisfaction of certain conditions, including the completion of the VION Acquisition, which occurred on January 7, 2014.

On January 8, 2014 (the "Notes Closing Date"), Darling Escrow Sub merged (the "Notes Merger") with and into Darling (with Darling as the survivor of the Notes Merger), pursuant to an Agreement and Plan of Merger, dated January 8, 2014, between Darling Escrow Sub and Darling.

In connection with the completion of the Notes Merger, pursuant to the provisions of the Original 5.375% Indenture and the Original 5.375% Purchase Agreement, Darling Escrow Sub, Darling and certain of Darling’s subsidiaries: Craig Protein Division, Inc. ("Craig Protein"), Darling AWS LLC, Darling National LLC ("Darling National"), Darling Northstar LLC, Darling Global Holdings Inc., EV Acquisition, Inc., Griffin Industries LLC ("Griffin"), Terra Holding Company and TRS (such subsidiaries and together with any other Darling subsidiaries that guarantee the 5.375% Notes, the "Notes Guarantors") entered into a supplemental indenture with the Trustee (the "Supplemental 5.375% Indenture," and together with the Original 5.375% Indenture, the "5.375% Indenture"), pursuant to which, upon effectiveness of the Notes Merger, Darling assumed all the obligations of Darling Escrow Sub under the 5.375% Private Notes and the 5.375% Indenture and the Notes Guarantors guaranteed the 5.375% Private Notes and agreed to be bound by the terms of the 5.375% Indenture applicable to subsidiary guarantors of the 5.375% Private Notes. In addition, in accordance with the provisions of the Original 5.375% Purchase Agreement, upon the completion of the Notes Merger, Darling and the Notes Guarantors became parties to the Original 5.375% Purchase Agreement, by entering into a Joinder to the Purchase Agreement, dated as of the Notes Closing Date (together with the Original 5.375% Purchase Agreement, the "5.375% Purchase Agreement"), with the Initial Purchasers. Upon satisfaction of the escrow release conditions on the Notes Closing Date, the proceeds from the offering of the 5.375% Private Notes were released from the escrow account in accordance with Darling’s written instructions. Darling used a portion of the proceeds from the offering of the 5.375% Private Notes to pay the Initial Purchasers’ commission related to the offering of the 5.375% Private Notes and certain fees and expenses (including bank fees and expenses) related to the financing of the VION Acquisition and for purposes of satisfying, discharging and redeeming its 8.5% Notes due 2018 discussed below.

Darling used the remaining proceeds of the 5.375% Private Notes to pay certain other fees and expenses related to the completion of the VION Acquisition and its related financings, to repay a portion of the borrowings under its revolving credit facility used to fund a portion of the consideration for the VION Acquisition and for general corporate purposes.

The Purchase Agreement contains customary representations, warranties and agreements by Darling and the Notes Guarantors. In addition, Darling and the Notes Guarantors have agreed to indemnify the Initial Purchasers against certain liabilities, including liabilities under the Securities Act of 1933, as amended (the "Securities Act"), or to contribute to payments the Initial Purchasers may be required to make because of any of those liabilities.

In connection with the assumption of the 5.375% Private Notes by Darling and the guarantee of the 5.375% Private Notes by the Notes Guarantors, on the Notes Closing Date, Darling and the Notes Guarantors became parties to, and Darling assumed all of Darling Escrow Sub’s obligations under, a registration rights agreement, dated as of January 2, 2014 (the "Registration Rights Agreement"). In satisfaction of Darling’s obligations under the Registration Rights Agreement, Darling and the Notes Guarantors completed a registered exchange offer for the 5.375% Private Notes under the Securities Act during the third quarter of 2014. The terms of the notes issued in exchange for the 5.375% Private Notes and guaranteed by the Notes Guarantors (the “5.375% Public Notes” and together with the 5.375% Private Notes, the “5.375% Notes") are substantially identical in all material respects to the 5.375% Private Notes, except that transfer restrictions, registration rights and additional interest provisions relating to the 5.375% Private Notes do not apply to the 5.375% Public Notes.

The 5.375% Notes will mature on January 15, 2022. Darling will pay interest on the 5.375% Notes on January 15 and July 15 of each year, commencing on July 15, 2014. Interest on the 5.375% Notes will accrue at a rate of 5.375% per annum and be payable in cash. Other than for extraordinary events such as change of control and defined assets sales, the Company is not required to make mandatory redemption or sinking fund payments on the 5.375% Notes.

The 5.375% Notes are currently guaranteed on an unsecured senior basis by the Notes Guarantors, which constitute all of Darling’s existing restricted subsidiaries that are Credit Agreement Guarantors (other than Darling’s foreign subsidiaries). Under the 5.375% Indenture, each restricted subsidiary of Darling (other than Darling’s foreign subsidiaries and certain of Darling’s subsidiaries that engage solely in the financing of receivables and are so designated by Darling) is required to guarantee the 5.375% Notes (a) if the Amended Credit Agreement is outstanding and such restricted subsidiary guarantees the Amended Credit Agreement and (b) if the Amended Credit Agreement is not outstanding, if such restricted subsidiary incurs or guarantees certain indebtedness in excess of $50.0 million.

The 5.375% Notes and the guarantees thereof rank equally in right of payment to any existing and future senior debt of Darling and the Notes Guarantors, including debt that is secured by the collateral for the Amended Credit Agreement.

The 5.375% Notes and the guarantees thereof will be effectively junior to existing and future debt of Darling and the Notes Guarantors that is secured by assets that do not constitute collateral for the Amended Credit Agreement, to the extent of the value of the assets securing such debt. The 5.375% Notes and the guarantees thereof will be structurally subordinated to all of the existing and future liabilities (including trade payables) of each of the subsidiaries of Darling that do not guarantee the 5.375% Notes.

Darling may at any time and from time to time purchase the 5.375% Notes in the open market or otherwise. Darling may redeem some or all of the 5.375% Notes at any time prior to January 15, 2017, at a redemption price equal to 100% of the principal amount of the 5.375% Notes redeemed, plus accrued and unpaid interest to the redemption date and an Applicable Premium as specified in the 5.375% Indenture.

On and after January 15, 2017, Darling may redeem all or, from time to time, a part of the 5.375% Notes (including any additional 5.375% Notes), upon not less than 30 nor more than 60 days' notice at the following redemption prices (expressed as a percentage of principal amount), plus accrued and unpaid interest on the 5.375% Notes, if any, to, but excluding, the applicable redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date), if redeemed during the twelve-month period beginning on January 15 of the years indicated below:

Year	Percentage
2017	104.031%
2018	102.688%
2019	101.344%
2020 and thereafter	100.000%

In addition, prior to January 15, 2017, Darling may on one or more occasions redeem up to 40% of the original principal amount of the 5.375% Notes (calculated after giving effect to the issuance of any additional 5.375% Notes) with the net cash proceeds of one or more equity offerings at a redemption price equal to 105.375% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date); provided that at least 50% of the original principal amount of the 5.375% Notes (calculated after giving effect to the issuance of any additional 5.375% Notes) remains outstanding after each such redemption; provided further that the redemption occurs within 90 days after the closing of such equity offering.

The 5.375% Indenture contains covenants limiting Darling’s ability and the ability of its restricted subsidiaries to, among other things: incur additional indebtedness or issue preferred stock; pay dividends on or make other distributions or repurchases of Darling’s capital stock or make other restricted payments; create restrictions on the payment of dividends or other amounts from Darling’s restricted subsidiaries to Darling or Darling’s other restricted subsidiaries; make loans or investments; enter into certain transactions with affiliates; create liens; designate Darling’s subsidiaries as unrestricted subsidiaries; and sell certain assets or merge with or into other companies or otherwise dispose of all or substantially all of Darling’s assets.

The 5.375% Indenture also provides for customary events of default, including, without limitation, payment defaults, covenant defaults, cross acceleration defaults to certain other indebtedness in excess of specified amounts, certain events of bankruptcy and insolvency and judgment defaults in excess of specified amounts. If any such event of default occurs and is continuing under the 5.375% Indenture, the Trustee or the holders of at least 25% in principal amount of the total outstanding 5.375% Notes may declare the principal, premium, if any, interest and any other monetary obligations on all the then outstanding 5.375% Notes issued under the 5.375% Indenture to be due and payable immediately.

4.75 % Senior Notes due 2022. On May 29, 2015, Darling Global Finance B.V. (the "Note Issuer"), a wholly-owned indirect finance subsidiary of Darling incorporated as a private company with limited liability (besloten vennootschap met beperkte aansprakelijkheid) under the laws of The Netherlands, the Company and the subsidiary guarantors named therein entered into a Purchase Agreement (the "4.75% Purchase Agreement") with Goldman Sachs International ("Goldman Sachs") and J.P. Morgan Securities plc ("J.P. Morgan"), for themselves and on behalf of the other several initial purchasers named therein (together with Goldman Sachs and J.P. Morgan, the "4.75% Initial Purchasers"), for the sale by the Note Issuer, and the purchase by the 4.75% Initial Purchasers, severally, of €515.0 million aggregate principal amount of the Note Issuer’s 4.75% Senior Notes due 2022 (the "4.75% Notes"). The 4.75% Purchase Agreement contains customary representations, warranties and agreements by the Note Issuer, Darling and the subsidiary guarantors named therein. In addition, the Note Issuer, Darling and such subsidiary guarantors have agreed to indemnify the 4.75% Initial

Purchasers against certain liabilities, including liabilities under the Securities Act, as amended, or to contribute to payments the 4.75% Initial Purchasers may be required to make because of any of those liabilities.

On June 3, 2015, the 4.75% Notes, which were offered in a private offering, were issued pursuant to a Senior Notes Indenture, dated as of June 3, 2015 (the "4.75% Indenture"), among the Note Issuer, Darling, the subsidiary guarantors party thereto from time to time, Citibank, N.A., London Branch, as trustee (the "4.75% Trustee") and principal paying agent, and Citigroup Global Markets Deutschland AG, as principal registrar.

The gross proceeds from the sale of the 4.75% Notes were €515.0 million. Darling used the gross proceeds from the sale of the 4.75% Notes to refinance outstanding the Euro Term Loan B under the Company's Senior Secured Credit Facilities, to pay the 4.75% Initial Purchasers' commission related to the offering of the 4.75% Notes and to pay certain fees and expenses related to the offering of the 4.75% Notes and the refinancing of the Euro Term Loan B. Darling intends to use any remaining proceeds for general corporate purposes. In addition, the Company capitalized as deferred loan costs approximately $17.2 million, which are included in other long-term assets from the issuance of the 4.75% Notes and the First Amendment to the Amended Credit Agreement in the three months ended July 4, 2015.

The 4.75% Notes will mature on May 30, 2022. The Note Issuer will pay interest on the 4.75% Notes on May 30 and November 30 of each year, commencing on November 30, 2015. Interest on the 4.75% Notes will accrue from June 3, 2015 at a rate of 4.75% per annum and be payable in cash. Other than for extraordinary events such as change of control and defined assets sales, the Note Issuer is not required to make mandatory redemption or sinking fund payments on the 4.75% Notes.

The 4.75% Notes are currently guaranteed on an unsecured senior basis by Darling and the Note Guarantors (collectively, the "4.75% Guarantors"). Under the 4.75% Indenture, each restricted subsidiary of Darling (other than Darling's foreign subsidiaries, the Note Issuer and certain of Darling's subsidiaries that engage solely in the financing of receivables and are so designated by Darling) is required to guarantee the 4.75% Notes (a) if the Amended Credit Agreement is outstanding and such restricted subsidiary guarantees the Amended Credit Agreement and (b) if the Amended Credit Agreement is not outstanding, if such restricted subsidiary incurs or guarantees certain indebtedness in excess of $50.0 million.

The 4.75% Indenture provides that all payments on the 4.75% Notes or the guarantees of the 4.75% Notes must be made without withholding or deduction for taxes imposed by any relevant tax jurisdiction (as defined in the 4.75% Indenture) unless required by law. In the event that any taxes imposed by any relevant tax jurisdiction are required to be to be withheld or deducted from payments on the 4.75% Notes or the guarantees of the 4.75% Notes, the Note Issuer or the relevant 4.75% Guarantor, as the case may be, is required, subject to certain exceptions, to pay such additional amounts ("additional amounts") as may be necessary so that the net amounts received by the holders of the 4.75% Notes after such withholding or deduction are equal to the amounts that would have been received in the absence of any such withholding or deduction.

The 4.75% Notes are senior unsecured obligations of the Note Issuer and rank equally in right of payment to all of the Note Issuer's existing and future senior unsecured indebtedness. The 4.75% Notes are effectively junior to all of the Note Issuer's existing and future secured indebtedness, including its guarantee of the current Senior Secured Credit Facilities (and any secured indebtedness incurred to refinance the borrowings thereunder), to the extent of the value of the assets securing such indebtedness. The 4.75% Notes are effectively junior to all existing and future indebtedness and other liabilities (including trade payables and capital lease obligations) of all subsidiaries of Darling (other than the Note Issuer) that do not guarantee the 4.75% Notes, including current and future foreign subsidiaries that guarantee the Senior Secured Credit Facilities but not the 4.75% Notes. The 4.75% Notes are senior in right of payment to all of the Note Issuer's existing and future subordinated indebtedness, if any.

The guarantees are senior unsecured obligations of the 4.75% Guarantors and rank equally in right of payment to each 4.75% Guarantor's existing and future senior unsecured indebtedness (including, in the case of Darling, its outstanding 5.375% Notes and, in the case of any restricted subsidiary of Darling that is a 4.75% Guarantor, such restricted subsidiary's guarantee of the 5.375% Notes). The guarantees of the 4.75% Notes are effectively junior to all of each 4.75% Guarantor's existing and future secured indebtedness, including the current Senior Secured Credit Facilities (and any secured indebtedness incurred to refinance borrowings thereunder), to the extent of the value of the assets securing such indebtedness. The guarantees are effectively junior to all existing and future indebtedness and other liabilities (including trade payables and capital lease obligations) of each 4.75% Guarantor's subsidiaries that do not guarantee the 4.75% Notes (other than the Note Issuer), including current and future foreign subsidiaries that guarantee the Senior Secured Credit Facilities but not the 4.75% Notes. The guarantees are senior in right of payment to all of each 4.75% Guarantor's existing and future subordinated indebtedness, if any.

The Note Issuer may at any time and from time to time purchase the 4.75% Notes in the open market or otherwise. The Note Issuer may redeem some or all of the 4.75% Notes at any time prior to May 30, 2018, at a redemption price equal to 100% of the principal amount of the 4.75% Notes redeemed, plus accrued and unpaid interest to the redemption date and an Applicable Premium as specified in the 4.75% Indenture and all additional amounts (if any) then due or which will become due on the redemption date as a result of the redemption or otherwise (subject to the rights of holders on the relevant record dates to receive interest due on the relevant interest payment date and additional amounts (if any) in respect thereof).

On and after May 30, 2018, the Note Issuer may redeem all or, from time to time, a part of the 4.75% Notes at the following redemption prices (expressed as a percentage of principal amount) plus accrued and unpaid interest on the 4.75% Notes, if any, to, but excluding, the applicable redemption date and all additional amounts (if any) then due or which will become due on the applicable redemption date as a result of the redemption or otherwise (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date and additional amounts (if any) in respect thereof), if redeemed during the twelve-month period beginning on May 30 of the years indicated below:

Year	Percentage
2018	102.3750%
2019	101.1875%
2020 and thereafter	100.0000%

In addition, prior to May 30, 2018, the Note Issuer may on any one or more occasions redeem up to 40% of the original principal amount of the 4.75% Notes (calculated after giving effect to the issuance of any additional 4.75% Notes), with the net cash proceeds of one or more equity offerings at a redemption price equal to 104.75% of the principal amount thereof, plus accrued and unpaid interest, if any, to, but excluding, the redemption date and all additional amounts (if any) then due or which will become due on the redemption date as a result of the redemption or otherwise (subject to the right of holders of record on the relevant record date to receive interest due on the relevant interest payment date and additional amounts (if any) in respect thereof); provided that at least 50% of the original principal amount of the 4.75% Notes (calculated after giving effect to any issuance of any additional 4.75% Notes) remains outstanding after each such redemption; and provided further that the redemption occurs within 90 days after the closing of such equity offering.

The Note Issuer may redeem the 4.75% Notes, in whole but not in part, at its option at a redemption price equal to 100% of the principal amount thereof, together with accrued and unpaid interest to the redemption date and all additional amounts (if any) then due or which will become due on the redemption date as a result of the redemption or otherwise (subject to the right of holders on the relevant record dates to receive interest due on the relevant interest payment dates and additional amounts (if any) in respect thereof), if the Issuer or any 4.75% Guarantor is or would be required to pay additional amounts on the 4.75% Notes as the result of certain changes in relevant tax laws after the date on which the 4.75% Notes were first issued and if the requirement to pay such additional amounts cannot be avoided by taking reasonable measures available to the Note Issuer or such guarantor of the 4.75% Notes.

The 4.75% Indenture contains covenants limiting Darling's ability and the ability of its restricted subsidiaries (including the Note Issuer) to, among other things: incur additional indebtedness or issue preferred stock; pay dividends on or make other distributions or repurchases of Darling’s capital stock or make other restricted payments; create restrictions on the payment of dividends or certain other amounts from Darling’s restricted subsidiaries to Darling or Darling’s other restricted subsidiaries; make loans or investments; enter into certain transactions with affiliates; create liens; designate Darling’s subsidiaries as unrestricted subsidiaries; and sell certain assets or merge with or into other companies or otherwise dispose of all or substantially all of Darling’s assets.

The 4.75% Indenture also provides for customary events of default, including, without limitation, payment defaults, covenant defaults, cross acceleration defaults to certain other indebtedness in excess of specified amounts, certain events of bankruptcy and insolvency and judgment defaults in excess of specified amounts. If any such event of default occurs and is continuing under the 4.75% Indenture, the 4.75% Trustee or the holders of at least 25% in principal amount of the total outstanding 4.75% Notes may declare the principal, premium, if any, interest and additional amounts, if any, on all the then outstanding 4.75% Notes to be due and payable immediately or, in the case of certain events of bankruptcy and insolvency, the principal, premium, if any, interest and additional amounts, if any, on all the then outstanding 4.75% Notes shall become immediately due and payable without any declaration or other act on the part of the 4.75% Trustee or the holders.

As of October 3, 2015, the Company believes it is in compliance with all of the financial covenants under the Amended Credit Agreement, as well as all of the other covenants contained in the Amended Credit Agreement, the 5.375% Indenture and the 4.75% Indenture.

(7) Income Taxes

The Company has provided income taxes for the three and nine month periods ended October 3, 2015 and September 27, 2014, based on its estimate of the effective tax rate for the entire 2015 and 2014 fiscal years. The Company's estimated annual effective tax rate is based on forecasts of income by jurisdiction, permanent differences between book and tax income, including Subpart F income, the relative proportion of income and losses by jurisdiction, and statutory income tax rates. Discrete events such as the assessment of the ultimate outcome of tax audits, audit settlements, recognizing previously unrecognized tax benefits due to the lapsing of statutes of limitation, recognizing or derecognizing deferred tax assets due to projections of income or loss and changes in tax laws are recognized in the period in which they occur.

Deferred tax assets and liabilities are measured using enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on deferred tax assets and liabilities of a change in tax rates is recognized in income in the period that includes the enactment date. The Company expects to indefinitely reinvest the earnings of its foreign subsidiaries outside of the United States and has generally not provided deferred income taxes on the accumulated earnings of its foreign subsidiaries.

The Company periodically assesses whether it is more likely than not that it will generate sufficient taxable income to realize its deferred income tax assets. In making this determination, the Company considers all available positive and negative evidence and makes certain assumptions. The Company considers, among other things, its deferred tax liabilities, the overall business environment, its historical earnings and losses, current industry trends and its outlook for future years. Certain VION Companies acquired as part of the VION Acquisition have deferred tax assets for tax loss carryforwards, and the Company has recorded valuation allowances in respect to those losses to the extent it has been determined that it is not more likely than not that the deferred tax assets will be realized.

Unrecognized tax benefits represent the difference between tax positions taken or expected to be taken in a tax return and the benefits recognized for financial statement purposes. As of October 3, 2015, the Company had $5.3 million of gross unrecognized tax benefits and $2.3 million of related accrued interest and penalties. An indemnity receivable of $5.9 million has been recorded for the uncertain tax positions related to the VION Acquisition. It is reasonably possible within the next twelve months that the Company's gross unrecognized tax benefits may decrease by up to $2.1 million, excluding interest and penalties, primarily due to potential settlements and expiration of certain statutes of limitations.

The Company's major taxing jurisdictions include the United States (federal and state), Canada, the Netherlands, Belgium, Brazil, Germany, France and China. The Company is subject to regular examination by various tax authorities and although the final outcome of these examinations is not yet determinable, the Company does not anticipate that any of the examinations will have a significant impact on the Company's results of operations or financial position. The statute of limitations for the Company's major tax jurisdictions is open for varying periods, but is generally closed through the 2005 tax year.

(8) Other Comprehensive Income

The Company follows Financial Accounting Standards Board ("FASB") authoritative guidance for reporting and presentation of comprehensive income or loss and its components. Other comprehensive income (loss) is derived from adjustments that reflect pension adjustments, natural gas derivative adjustments, corn option adjustments and interest rate swap derivative adjustments. The components of other comprehensive income (loss) and the related tax impacts for the three and nine months ended October 3, 2015 and September 27, 2014 are as follows (in thousands):

	Three Months Ended					
	Before-Tax Amount		Tax (Expense) or Benefit		Net-of-Tax Amount	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Defined benefit pension plans						
Amortization of prior service cost	$(21)	$4	$9	$(2)	$(12)	$2
Amortization of actuarial loss	1,286	520	(494)	(201)	792	319
Total defined benefit pension plans	1,265	524	(485)	(203)	780	321
Natural gas swap derivatives						
Loss/(gain) reclassified to net income	—	(70)	—	27	—	(43)
Gain/(loss) activity recognized in other comprehensive income (loss)	—	5	—	(2)	—	3
Total natural gas swap derivatives	—	(65)	—	25	—	(40)
Corn option derivatives						
Loss/(gain) reclassified to net income	(211)	(1,212)	82	470	(129)	(742)
Gain/(loss) activity recognized in other comprehensive income (loss)	3,254	2,538	(1,264)	(985)	1,990	1,553
Total corn option derivatives	3,043	1,326	(1,182)	(515)	1,861	811
Foreign currency translation	(41,604)	(71,231)	—	—	(41,604)	(71,231)
Other comprehensive income (loss)	$(37,296)	$(69,446)	$(1,667)	$(693)	$(38,963)	$(70,139)

	Nine Months Ended					
	Before-Tax Amount		Tax (Expense) or Benefit		Net-of-Tax Amount	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Defined benefit pension plans						
Amortization of prior service cost	$(61)	$12	$29	$(6)	$(32)	$6
Amortization of actuarial loss	3,855	1,559	(1,496)	(603)	2,359	956
Total defined benefit pension plans	3,794	1,571	(1,467)	(609)	2,327	962
Natural gas swap derivatives						
Loss/(gain) reclassified to net income	—	(427)	—	166	—	(261)
Gain/(loss) activity recognized in other comprehensive income (loss)	—	160	—	(63)	—	97
Total natural gas swap derivatives	—	(267)	—	103	—	(164)
Corn option derivatives						
Loss/(gain) reclassified to net income	(792)	(2,536)	307	983	(485)	(1,553)
Gain/(loss) activity recognized in other comprehensive income (loss)	1,731	2,265	(672)	(878)	1,059	1,387
Total corn option derivatives	939	(271)	(365)	105	574	(166)
Foreign currency translation	(131,794)	(57,547)	—	—	(131,794)	(57,547)

Other Comprehensive income (loss)	$(127,061)	$(56,514)	$(1,832)	$(401)	$(128,893)	$(56,915)

The following table presents the amounts reclassified out of each component of other comprehensive income (loss), net of tax for the three and nine months ended October 3, 2015 and September 27, 2014 as follows (in thousands):

	Three Months Ended		Nine Months Ended		
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014	Statement of Operations Classification
Derivative instruments					
Natural gas swap derivatives	$—	$70	$—	$427	Cost of sales and operating expenses
Corn option derivatives	211	1,212	792	2,536	Cost of sales and operating expenses
	211	1,282	792	2,963	Total before tax
	(82)	(497)	(307)	(1,150)	Income taxes
	129	785	485	1,813	Net of tax
Defined benefit pension plans					
Amortization of prior service cost	$21	$(4)	$61	$(12)	(a)
Amortization of actuarial loss	(1,286)	(520)	(3,855)	(1,559)	(a)
	(1,265)	(524)	(3,794)	(1,571)	Total before tax
	485	203	1,467	609	Income taxes
	(780)	(321)	(2,327)	(962)	Net of tax
Total reclassifications	$(651)	$464	$(1,842)	$851	Net of tax

(a) These items are included in the computation of net periodic pension cost. See Note 9 Employee Benefit Plans for additional information.

The following table presents changes in each component of accumulated comprehensive income (loss) as of October 3, 2015 as follows (in thousands):

	Nine Months Ended October 3, 2015			
	Foreign Currency Translation	Derivative Instruments	Defined Benefit Pension Plans	Total
Accumulated Other Comprehensive Income (loss) January 3, 2015, net of tax	$(140,386)	$76	$(36,750)	$(177,060)
Other comprehensive gain before reclassifications	(131,794)	1,059	—	(130,735)
Amounts reclassified from accumulated other comprehensive income (loss)	—	(485)	2,327	1,842
Net current-period other comprehensive income	(131,794)	574	2,327	(128,893)
Accumulated Other Comprehensive Income (loss) October 3, 2015, net of tax	(272,180)	$650	$(34,423)	$(305,953)

(9) Stockholders' Equity

In August 2015, the Company's Board of Directors approved a share repurchase program of up to an aggregate of $100.0 million of the Company's Common Stock depending on market conditions. The repurchases may be made from time to time on the open market at prevailing market prices or in negotiated transactions off the market. Repurchases may occur over the 24 month period ending in August 2017, unless extended or shortened by the Board of Directors. As of October 3, 2015, the Company has approximately $94.1 million remaining under the share repurchase program approved in August 2015.

(10) Employee Benefit Plans

The Company has retirement and pension plans covering a substantial number of its domestic and foreign employees. Most retirement benefits are provided by the Company under separate final-pay noncontributory and contributory defined benefit and defined contribution plans for all salaried and hourly employees (excluding those covered by union-sponsored plans) who meet service and age requirements. Although various defined benefit formulas exist for employees, generally these are based on length of service and earnings patterns during employment. Effective January 1, 2012, the Company's Board of Directors authorized the Company to proceed with the restructuring of its domestic retirement benefit program to include the closing of Darling's salaried and hourly defined benefit plans to new participants as well as the freezing of service and wage accruals thereunder effective December 31, 2011 (a curtailment of these plans for financial reporting purposes) and the enhancing of benefits under the Company's domestic defined contribution plans.

The Company-sponsored domestic hourly union plan has not been curtailed; however, several locations of the Company-sponsored domestic hourly union plan have been curtailed as a result of collective bargaining renewals for those sites.

Net pension cost for the three and nine months ended October 3, 2015 and September 27, 2014 includes the following components (in thousands):

	Pension Benefits Three Months Ended		Pension Benefits Nine Months Ended	
	October 3, 2015	September 27, 2014	October 3, 2015	September 27, 2014
Service cost	$1,633	$1,461	$4,978	$4,447
Interest cost	2,622	3,295	7,907	9,996
Expected return on plan assets	(3,053)	(3,563)	(9,169)	(10,782)
Amortization of prior service cost	(21)	4	(61)	12
Amortization of net loss	1,286	520	3,855	1,559
Net pension cost	$2,467	$1,717	$7,510	$5,232

The Company's funding policy for employee benefit pension plans is to contribute annually not less than the minimum amount required nor more than the maximum amount that can be deducted for federal and foreign income tax purposes. Contributions are intended to provide not only for benefits attributed to service to date, but also for those expected to be earned in the future. Based on actuarial estimates at October 3, 2015, the Company expects to contribute approximately $7.5 million to its pension plans to meet funding requirements during the next twelve months. Additionally, the Company has made tax deductible discretionary and required contributions to its pension plans for the nine months ended October 3, 2015 and September 27, 2014 of approximately $5.0 million and $4.7 million, respectively.

The Company participates in various multiemployer pension plans which provide defined benefits to certain employees covered by labor contracts. These plans are not administered by the Company and contributions are determined in accordance with provisions of negotiated labor contracts to meet their pension benefit obligations to their participants. The Company's contributions to each individual multiemployer plan represent less than 5% of the total contributions to each such plan. Based on the most currently available information, the Company has determined that, if a withdrawal were to occur, withdrawal liabilities on two of the plans in which the Company currently participates could be material to the Company, with one of these material plans certified as critical or red zone. With respect to the other multiemployer pension plans in which the Company participates and which are not individually significant, five plans have certified as critical or red zone, two plans have certified as endangered or yellow zone as defined by the Pension Protection Act of 2006.

In June 2009, the Company received a notice of a mass withdrawal termination and a notice of initial withdrawal liability from a multiemployer plan in which it participated. The Company had anticipated this event and as a result had accrued approximately $3.2 million as of January 3, 2009 based on the most recent information that was probable and estimable for this plan. The plan had given a notice of redetermination liability in December 2009. In fiscal 2010, the Company received further third party information confirming the future payout related to this multiemployer plan. As a result, the Company reduced its liability to approximately $1.2 million. In fiscal 2010, another under-funded multiemployer plan in which the Company participates gave notification of partial withdrawal liability. As of October 3, 2015, the Company has an accrued liability of approximately $0.7 million representing the present value of scheduled withdrawal liability payments under this multiemployer plan. While the Company has no ability to calculate a possible current liability for under-funded multiemployer plans that could terminate or could require additional funding under the Pension Protection Act of 2006, the amounts could be material.

(11) Derivatives

The Company's operations are exposed to market risks relating to commodity prices that affect the Company's cost of raw materials, finished product prices and energy costs and the risk of changes in interest rates and foreign currency exchange rates.

The Company makes limited use of derivative instruments to manage cash flow risks related to natural gas usage, diesel fuel usage, inventory, forecasted sales and foreign currency exchange rates. The Company does not use derivative instruments for trading purposes. Natural gas swaps and options are entered into with the intent of managing the overall cost of natural gas usage by reducing the potential impact of seasonal weather demands on natural gas that increases natural gas prices. Heating oil swaps and options are entered into with the intent of managing the overall cost of diesel fuel usage by reducing the potential impact of seasonal weather demands on diesel fuel that increases diesel fuel prices. Corn options and future contracts are entered into with the intent of managing U.S. forecasted sales of bakery by-products ("BBP") by reducing the impact of changing prices. Foreign currency forward contracts are entered into to mitigate the foreign exchange rate risk for transactions designated in a currency other than the local functional currency. At October 3, 2015, the Company had corn option contracts outstanding that qualified and were designated for hedge accounting as well as heating oil swap contracts, corn option and forward contracts and foreign currency forward contracts that did not qualify and were not designated for hedge accounting.

Entities are required to report all derivative instruments in the statement of financial position at fair value. The accounting for changes in the fair value (i.e., gains or losses) of a derivative instrument depends on whether it has been designated and qualifies as part of a hedging relationship and, if so, on the reason for holding the instrument. If certain conditions are met, entities may elect to designate a derivative instrument as a hedge of exposures to changes in fair value, cash flows or foreign currencies. If the hedged exposure is a cash flow exposure, the effective portion of the gain or loss on the derivative instrument is reported initially as a component of other comprehensive income (outside of earnings) and is subsequently reclassified into earnings when the forecasted transaction affects earnings. Any amounts excluded from the assessment of hedge effectiveness, as well as the ineffective portion of the gain or loss are reported in earnings immediately. If the derivative instrument is not designated as a hedge, the gain or loss is recognized in earnings in the period of change.

Cash Flow Hedges

In fiscal 2014 and the first nine months of fiscal 2015, the Company entered into corn option contracts that are considered cash flow hedges. Under the terms of the corn option contracts, the Company hedged a portion of its U.S. forecasted sales of BBP through the second quarter of fiscal 2016. As of October 3, 2015, some of the contracts have settled while the remaining contract positions and activity are disclosed below. From time to time, the Company may enter into corn option contracts in the future.

As of October 3, 2015, the Company had the following outstanding forward contract amounts that were entered into to hedge the future payments of intercompany note transactions, foreign currency transactions in currencies other than the functional currency and forecasted transactions in currencies other than the functional currency. All of these transactions are currently not designated for hedge accounting (in thousands):

Functional Currency Type	Amount	Contract Currency Type	Amount
Brazilian real	20,035	Euro	4,850
Brazilian real	39,749	U.S. dollar	10,900
Euro	263,129	U.S. dollar	293,428
Euro	8,939	Polish zloty	38,000
Euro	4,067	Japanese yen	550,220
Euro	32,626	Chinese renminbi	236,524
E			