

STANDARD REGISTER CO
Form 10-Q
November 10, 2010

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

FORM 10-Q

[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF
THE SECURITIES EXCHANGE ACT OF 1934

For the quarterly period ended October 3, 2010

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 0-01097

THE STANDARD REGISTER COMPANY

(Exact name of registrant as specified in its charter)

OHIO

(State or other jurisdiction of
Incorporation or organization)

31-0455440

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

600 ALBANY STREET, DAYTON OHIO
(Address of principal executive offices)

45417
(Zip Code)

(937) 221-1000
(Registrant's telephone number, including area code)

Indicate by check mark whether the registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes [X] No []

Indicate by checkmark 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 [] 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 definition of large accelerated filer, accelerated filer and smaller reporting company in Rule 12b-2 of the Exchange Act. (Check one):

Large accelerated filer []

Accelerated filer []

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

Smaller reporting company [X]

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

Yes [] No [X]

Indicate the number of shares outstanding of each of the issuer's classes of common stock, as of the latest practicable date.

Class	Outstanding as of October 3, 2010
Common stock, \$1.00 par value	24,216,507 shares
Class A stock, \$1.00 par value	4,725,000 shares

THE STANDARD REGISTER COMPANY

FORM 10-Q

For the Quarter Ended October 3, 2010

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PART I - FINANCIAL INFORMATION
THE STANDARD REGISTER COMPANY
CONSOLIDATED STATEMENTS OF INCOME AND COMPREHENSIVE INCOME
(Dollars in thousands, except per share amounts)

	<i>13 Weeks Ended</i>		<i>39 Weeks Ended</i>	
	<i>October 3,</i>	<i>September</i>	<i>October 3,</i>	<i>September</i>
	<i>2010</i>	<i>2009</i>	<i>2010</i>	<i>2009</i>
REVENUE	\$ 163,588	\$ 163,528	\$ 495,693	\$ 509,163
COST OF SALES	111,811	110,365	338,589	347,583
GROSS MARGIN	51,777	53,163	157,104	161,580
OPERATING EXPENSES				
Selling, general, and administrative	49,276	50,867	153,929	151,000
Pension curtailments and settlements	-	665	-	20,412
Environmental remediation	(803)	182	(803)	106
Asset impairments	-	-	-	850
Restructuring and other exit costs	32	10,558	1,490	10,765
Total operating expenses	48,505	62,272	154,616	183,133
INCOME (LOSS) FROM OPERATIONS	3,272	(9,109)	2,488	(21,553)
OTHER INCOME (EXPENSE)				
Interest expense	(626)	(288)	(1,617)	(924)
Other income	11	98	203	355
Total other expense	(615)	(190)	(1,414)	(569)
INCOME (LOSS) BEFORE INCOME TAXES	2,657	(9,299)	1,074	(22,122)
INCOME TAX EXPENSE (BENEFIT)	1,276	(3,832)	616	(8,853)
NET INCOME (LOSS)	\$ 1,381	\$ (5,467)	\$ 458	\$ (13,269)
 BASIC AND DILUTED INCOME (LOSS) PER SHARE	 \$ 0.05	 \$ (0.19)	 \$ 0.02	 \$ (0.46)
 Dividends per share declared for the period	 \$ 0.05	 \$ 0.05	 \$ 0.15	 \$ 0.33
 NET INCOME (LOSS)	 \$ 1,381	 \$ (5,467)	 \$ 458	 \$ (13,269)
Net actuarial loss reclassification, net of (\$1,903), (\$1,593), (\$5,706), and (\$9,704) deferred income tax benefit	2,888	2,419	8,663	14,733
Net prior service credit reclassification, net of \$398 and \$1,193 deferred income tax expense	(604)	(603)	(1,811)	(1,811)
Net actuarial gains, net of \$509 and (\$9,314) deferred income tax benefit (expense)	-	(773)	-	14,142

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Cumulative translation adjustment	(14)	28	(45)	103
COMPREHENSIVE INCOME (LOSS)	\$ 3,651	\$ (4,396)	\$ 7,265	\$ 13,898

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

A S S E T S	<i>October 3, 2010</i>	<i>January 3, 2010</i>
CURRENT ASSETS		
Cash and cash equivalents	\$ 476	\$ 2,404
Accounts and notes receivable, less allowance for doubtful accounts of \$2,487 and \$2,614	109,551	108,524
Inventories	30,131	33,625
Deferred income taxes	14,425	14,425
Prepaid expense	11,186	10,079
Total current assets	165,769	169,057
PLANT AND EQUIPMENT		
Land	1,919	2,008
Buildings and improvements	64,842	64,628
Machinery and equipment	185,197	191,512
Office equipment	165,936	167,622
Construction in progress	3,550	1,594
Total	421,444	427,364
Less accumulated depreciation	343,684	342,036
Plant and equipment, net	77,760	85,328
Net assets held for sale	412	412
Total plant and equipment, net	78,172	85,740
OTHER ASSETS		
Goodwill	6,557	6,557

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Intangible assets, net	2,303	-
Deferred tax asset	100,035	104,691
Other	11,450	13,676
Total other assets	120,345	124,924
Total assets	\$ 364,286	\$ 379,721

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED BALANCE SHEETS
(Dollars in thousands)

LIABILITIES AND SHAREHOLDERS' EQUITY	<i>October 3, 2010</i>	<i>January 3, 2010</i>
CURRENT LIABILITIES		
Current portion of long-term debt	\$ 1,443	\$ 35,868
Accounts payable	27,170	32,349
Accrued compensation	17,788	12,091
Accrued restructuring and other exit costs	2,494	5,365
Deferred revenue	2,744	3,213
Other current liabilities	22,816	24,331
Total current liabilities	74,455	113,217
LONG-TERM LIABILITIES		
Long-term debt	40,574	-
Pension benefit obligation	181,326	202,146
Retiree healthcare obligation	7,023	7,425
Deferred compensation	6,385	7,699
Environmental liabilities	3,866	4,808
Other long-term liabilities	2,774	2,272
Total long-term liabilities	241,948	224,350
COMMITMENTS AND CONTINGENCIES - see Note 15		
SHAREHOLDERS' EQUITY		
Common stock, \$1.00 par value:		
Authorized 101,000,000 shares		
Issued 26,213,459 and 26,129,883 shares	26,213	26,130

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Class A stock, \$1.00 par value:			
Authorized 9,450,000 shares			
Issued - 4,725,000		4,725	4,725
Capital in excess of par value		62,772	62,888
Accumulated other comprehensive losses		(139,961)	(146,768)
Retained earnings		144,301	145,312
Treasury stock at cost:			
1,996,952 and 1,990,731 shares		(50,167)	(50,133)
Total shareholders' equity		47,883	42,154
Total liabilities and shareholders' equity	\$	364,286	\$ 379,721

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS

(Dollars in thousands)

39 Weeks Ended

October 3,

2010

39 Weeks Ended

September 27,

2009

**CASH FLOWS FROM OPERATING
ACTIVITIES**

Net income (loss)	\$ 458	\$ (13,269)
Adjustments to reconcile net income (loss) to net cash provided by operating activities:		
Depreciation and amortization	17,840	18,143
Restructuring charges	1,490	10,765
Asset impairments	-	850
Pension and postretirement benefit expense	10,563	30,196
Share-based compensation	1,292	1,129
Deferred tax expense (benefit)	139	(8,853)
Other	121	1,238
Changes in operating assets and liabilities:		
Accounts and notes receivable	(898)	10,308
Inventories	3,602	2,623
Restructuring spending	(4,361)	(5,521)
Accounts payable and accrued expenses	1,438	(5,078)
Pension and postretirement benefit obligations	(20,420)	(27,394)
Deferred compensation payments	(1,793)	(1,529)
Other assets and liabilities	1,456	(761)
Net cash provided by operating activities	10,927	12,847

**CASH FLOWS FROM INVESTING
ACTIVITIES**

Additions to plant and equipment	(6,458)	(6,108)
Acquisition	(2,460)	-
Proceeds from sale of plant and equipment	164	634
Net cash used in investing activities	(8,754)	(5,474)

**CASH FLOWS FROM FINANCING
ACTIVITIES**

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Net change in borrowings under revolving credit facility	1,291	2,056
Principal payments on long-term debt	(1,124)	(159)
Proceeds from issuance of common stock	144	192
Dividends paid	(4,356)	(9,589)
Purchase of treasury stock	(34)	(38)
Net cash used in financing activities	(4,079)	(7,538)
Effect of exchange rate changes on cash	(22)	101
NET DECREASE IN CASH AND CASH EQUIVALENTS	(1,928)	(64)
Cash and cash equivalents at beginning of period	2,404	282
CASH AND CASH EQUIVALENTS AT END OF PERIOD	\$ 476	\$ 218
SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES		
Capital lease recorded for equipment	\$ 4,384	\$ -
Loan payable recorded for professional services	1,598	-

See accompanying notes.

THE STANDARD REGISTER COMPANY

NOTES TO CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in thousands, except per share amounts)

NOTE 1 BASIS OF PRESENTATION

The accompanying consolidated financial statements include the accounts of The Standard Register Company and its wholly-owned subsidiaries (collectively, the Company) after elimination of intercompany transactions, profits, and balances. The consolidated financial statements are unaudited and have been prepared in accordance with accounting principles generally accepted in the United States of America for interim financial information and with instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and notes required for complete annual financial statements and should be read in conjunction with the Company's audited consolidated financial statements and notes included in our Annual Report on Form 10-K for the year ended January 3, 2010 (Annual Report).

In our opinion, all adjustments (consisting only of normal recurring accruals) necessary for a fair presentation have been included. The results for interim periods are not necessarily indicative of trends or of results to be expected for a full year.

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

NOTE 2 RECENTLY ADOPTED AND ISSUED ACCOUNTING PRONOUNCEMENTS

In 2010, we adopted Accounting Standards Update 2010-06 which requires new disclosures and clarifies existing disclosures related to fair value measurements. Certain provisions for disclosures of level 3 fair value measurements will be effective in our fiscal 2011. We do not expect the adoption of this update to have a material effect on our consolidated results of operations, financial position, or cash flows.

NOTE 3 ACQUISITIONS

On June 3, 2010, we purchased the assets of Fusion Graphics, Inc. for approximately \$2,500 in cash. The assets acquired primarily consist of intellectual property related to the Grafilm® In-Mold Labeling System that will be utilized by our Industrial segment for our in-mold label product line. The purchase price was allocated based on the estimated fair value of the assets acquired; \$2,262 was assigned to several patents, \$100 was assigned to a non-compete agreement, and the balance was assigned to working capital accounts. The patents are being amortized on a straight-line basis over 15 years and the non-compete agreement is being amortized on a straight-line basis over the term of the agreement which is 5 years.

NOTE 4 GOODWILL AND INTANGIBLE ASSETS

In the second quarter of 2010, we performed the annual impairment test for goodwill which did not result in any impairment. In conjunction with performing the goodwill impairment test, we re-evaluated our identified reporting units and revised our goodwill allocation.

The following table summarizes the revised allocation of goodwill during 2010:

	<i>Healthcare</i>	<i>Financial Services</i>	<i>Emerging</i>	<i>Industrial</i>	<i>Unallocated</i>	<i>Total</i>
Goodwill at January 3, 2010	\$ -	\$ -	\$ -	\$ -	\$ 6,557	\$ 6,557
Reallocation of goodwill	2,385	1,743	1,296	1,133	(6,557)	6,557
Goodwill at October 3, 2010	\$ 2,385	\$ 1,743	\$ 1,296	\$ 1,133	\$ -	\$ 6,557

NOTE 5 RESTRUCTURING CHARGES

The 2009 and 2008 restructuring and other exit activities are described in Note 4 to the Consolidated Financial Statements included in our Annual Report. All related costs are included in restructuring and other exit costs in the accompanying Consolidated Statements of Income. Components include the following:

	<i>13 Weeks Ended</i>		<i>39 Weeks Ended</i>	
	<i>October 3, 2010</i>	<i>September 27, 2009</i>	<i>October 3, 2010</i>	<i>September 27, 2009</i>
2009 Actions				
Involuntary termination costs	\$ 41	\$ 3,300	\$ 67	\$ 3,300
Contract termination costs	(107)	-	532	-
Other associated costs	47	7,152	810	7,152
Total 2009	(19)	10,452	1,409	10,452
2008 Actions				
Involuntary termination costs	-	28	-	(417)
Contract termination costs	51	81	75	452
Other associated costs	-	(3)	6	278
Total 2008	51	106	81	313
Total restructuring and other exit costs	\$ 32	\$ 10,558	\$ 1,490	\$ 10,765

2009

Restructuring and other exit costs of \$1,409 in 2010 primarily relate to contract termination costs accrued for two closed sales offices, two print centers, and one distribution center and costs for the relocation of equipment that are required to be expensed as incurred. In the third quarter of 2010, we reversed \$107 of expense related to one closed sales office that we were able to sublease for more than expected. Components of 2009 restructuring and other exit costs consist of the following:

<i>Total Expected</i>	<i>Total Q3 2010</i>	<i>Cumulative-</i>
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