STANDARD REGISTER CO
Form 10-Q
July 29, 2009

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 June 28, 2009

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	**31-0455440**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)

600 ALBANY STREET, DAYTON OHIO	**45408**
(Address of principal executive offices)	(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 [X]

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]

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 June 28, 2009
Common stock, $1.00 par value	24,116,790 shares
Class A stock, $1.00 par value	4,725,000 shares

THE STANDARD REGISTER COMPANY

FORM 10-Q

For the Quarter Ended June 28, 2009

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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)

	13 Weeks Ended		*26 Weeks Ended*	
	June 28, 2009	***June 29, 2008***	***June 28, 2009***	***June 29, 2008***
REVENUE	$ 171,015	$ 198,827	$ 345,635	$ 406,012
COST OF SALES	116,833	135,180	237,218	277,580
GROSS MARGIN	54,182	63,647	108,417	128,432
OPERATING EXPENSES				
Selling, general, and administrative	48,270	61,490	100,057	121,051
Pension curtailments and settlements	-	(746)	19,747	(746)
Asset impairments	850	-	850	164
Restructuring charges	(394)	(4)	207	5
Total operating expenses	48,726	60,740	120,861	120,474
INCOME (LOSS) FROM CONTINUING OPERATIONS	5,456	2,907	(12,444)	7,958
OTHER INCOME (EXPENSE)				
Interest expense	(333)	(523)	(636)	(1,284)
Other income	209	47	257	129
Total other expense	(124)	(476)	(379)	(1,155)
INCOME (LOSS) FROM CONTINUING OPERATIONS BEFORE INCOME TAXES	5,332	2,431	(12,823)	6,803
INCOME TAX EXPENSE (BENEFIT)	2,158	1,041	(5,021)	2,919
NET INCOME (LOSS) FROM CONTINUING OPERATIONS	3,174	1,390	(7,802)	3,884
DISCONTINUED OPERATIONS				
Gain on sale of discontinued operations, net of taxes	-	2	-	4
NET INCOME (LOSS)	$ 3,174	$ 1,392	$ (7,802)	$ 3,888
BASIC AND DILUTED INCOME				

(LOSS) PER SHARE				
Income (loss) from continuing operations	$ 0.11	$ 0.05	$ (0.27)	$ 0.14
Gain on sale of discontinued operations	-	-	-	-
Net income (loss) per share	$ 0.11	$ 0.05	$ (0.27)	$ 0.14
Dividends declared per share	$ 0.05	$ 0.23	$ 0.28	$ 0.46
NET INCOME (LOSS)	$ 3,174	$ 1,392	$ (7,802)	$ 3,888
Net actuarial loss reclassification, net of ($1,457), ($2,133),				
($8,111), and ($4,266) deferred income tax benefit	2,213	3,239	12,314	6,477
Net prior service credit reclassification, net of $398, $610,				
$795, and $923 deferred income tax expense	(604)	(926)	(1,208)	(1,401)
Net actuarial gains (losses), net of $1,578, ($9,823) and $1,578 deferred				
income tax benefit (expense)	-	(2,397)	14,915	(2,397)
COMPREHENSIVE INCOME	$ 4,783	$ 1,308	$ 18,219	$ 6,567

See accompanying notes.

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

A S S E T S	*June 28, 2009*	*December 28, 2008*
CURRENT ASSETS		
Cash and cash equivalents	$ 240	$ 282
Accounts and notes receivable, less allowance for doubtful accounts of $1,889 and $1,907	100,981	112,810
Inventories	34,938	38,718
Deferred income taxes	12,633	12,633
Prepaid expense	10,475	9,427
Total current assets	159,267	173,870
PLANT AND EQUIPMENT		
Land	2,008	2,008
Buildings and improvements	64,286	63,942
Machinery and equipment	194,064	199,407
Office equipment	163,107	161,310
Construction in progress	5,519	2,794
Total	428,984	429,461
Less accumulated depreciation	334,359	327,802
Plant and equipment, net	94,625	101,659
Net assets held for sale	412	412
Total plant and equipment, net	95,037	102,071
OTHER ASSETS		
Goodwill	6,557	6,557
Intangible assets, net	291	1,195
Software development costs, net	2,270	2,619

Deferred tax asset	102,006	114,121
Other	13,974	12,944
Total other assets	125,098	137,436
Total assets	$ 379,402	$ 413,377

See accompanying notes.

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

LIABILITIES AND SHAREHOLDERS' EQUITY	***June 28, 2009***	***December 28, 2008***
CURRENT LIABILITIES		
Current portion of long-term debt	$ 33,480	$ 159
Accounts payable	28,798	29,395
Accrued compensation	15,297	17,862
Deferred revenue	4,021	4,564
Other current liabilities	24,194	35,475
Total current liabilities	105,790	87,455
LONG-TERM LIABILITIES		
Long-term debt	-	33,840
Pension benefit obligation	200,098	235,457
Retiree health care obligation	7,652	8,063
Deferred compensation	7,272	8,362
Other long-term liabilities	5,798	5,231
Total long-term liabilities	220,820	290,953
COMMITMENTS AND CONTINGENCIES - see Note 12		
SHAREHOLDERS' EQUITY		
Common stock, $1.00 par value:		
Authorized 101,000,000 shares		
Issued 26,107,521 and 26,044,229 shares	26,107	26,044
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	62,258	61,304
Accumulated other comprehensive losses	(144,423)	(170,519)
Retained earnings	154,258	163,510
Treasury stock at cost:		
1,990,731 and 1,982,874 shares	(50,133)	(50,095)
Total shareholders' equity	52,792	34,969
Total liabilities and shareholders' equity	$ 379,402	$ 413,377

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Dollars in thousands)

	26 Weeks Ended June 28, 2009	*26 Weeks Ended June 29, 2008*
CASH FLOWS FROM OPERATING ACTIVITIES		
Net (loss) income	$ (7,802)	$ 3,888
Adjustments to reconcile net (loss) income to net cash provided by operating activities:		
Depreciation and amortization	12,420	13,402
Restructuring charges	207	-
Asset impairments	850	164
Pension and postretirement benefit expense	26,464	11,713
Share-based compensation	874	732
Deferred tax expense (benefit)	(5,021)	2,921
Other	(591)	757
Changes in operating assets and liabilities:		
Accounts and notes receivable	11,771	21,590
Inventories	3,780	4,791
Restructuring spending	(2,864)	(395)
Accounts payable and accrued expenses	(5,010)	(5,336)
Pension and postretirement benefit obligations	(19,139)	(13,047)
Deferred compensation payments	(1,529)	(826)
Other assets and liabilities	(916)	(41)
Net cash provided by operating activities	13,494	40,313
CASH FLOWS FROM INVESTING ACTIVITIES		
Additions to plant and equipment	(5,036)	(6,657)
Proceeds from sale of plant and equipment	-	22
Net cash used in investing activities	(5,036)	(6,635)
CASH FLOWS FROM FINANCING ACTIVITIES		
	(378)	(16,988)

Net change in borrowings under revolving credit facility				
Principal payments on long-term debt		(159)		(21)
Proceeds from issuance of common stock		143		186
Dividends paid		(8,142)		(13,378)
Purchase of treasury stock		(38)		(60)
Net cash used in financing activities		(8,574)		(30,261)
Effect of exchange rate changes on cash		74		-
NET (DECREASE) INCREASE IN CASH AND CASH EQUIVALENTS		(42)		3,417
Cash and cash equivalents at beginning of period		282		697
CASH AND CASH EQUIVALENTS AT END OF PERIOD	$	240	$	4,114

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 December 28, 2008 (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

Effective December 29, 2008, we adopted Statement of Financial Accounting Standards (SFAS) No. 141(R), Business Combinations, and SFAS No. 160, Accounting and Reporting of Noncontrolling Interests in Consolidated Financial Statements. These new standards significantly change the financial accounting and reporting of business combination transactions and noncontrolling (or minority) interests in consolidated financial statements.

SFAS 141(R), among other things, requires companies to recognize, with certain exceptions, all assets acquired and liabilities assumed and noncontrolling interests in acquisitions of less than a 100 percent controlling interest at their acquisition-date fair value; recognize contingent consideration at the acquisition-date fair value, with subsequent changes in fair value recorded in earnings; recognize preacquisition loss and gain contingencies at their acquisition-date fair values; capitalize in-process research and development acquired at fair value; expense, as incurred, acquisition-related transaction costs; generally expense acquisition-related restructuring costs; and recognize changes in existing income tax valuation allowances and tax uncertainty accruals that result from a business combination transaction as adjustments to income tax expense.

SFAS 160 establishes new accounting and reporting requirements for the noncontrolling interest in a subsidiary and for the deconsolidation of a subsidiary. The new standard requires that a noncontrolling interest in a consolidated subsidiary be recorded as a separate component of equity. Gains or losses are not recognized on sales; they are recorded as increases or decreases to paid-in-capital, unless there is a loss of control.

We have not entered into any business combination transactions during 2009; and therefore, the effect of implementing these standards will be dependent upon the nature and extent of future business combination transactions.

Effective December 29, 2008, we adopted the Financial Accounting Standards Board s (FASB) Staff Position on EITF 03-6-1, Determining Whether Instruments Granted in Share-Based Payment Transactions Are Participating Securities (FSP EITF 03-6-1). Under the guidance of FSP EITF 03-6-1, unvested share-based awards that contain nonforfeitable rights to dividends or dividend equivalents (whether paid or unpaid) are participating securities and are included in the computation of earnings per share pursuant to the two-class method described in SFAS No. 128, Earnings Per Share. Although we do have unvested share-based awards that are considered participating securities, the adoption of FSP EITF 03-6-1 did not have a material effect on the computation of earnings per share.

As permitted, we elected to defer adoption of SFAS No. 157, Fair Value Measurements, until fiscal 2009 for nonfinancial assets and liabilities not currently recognized or disclosed at fair value on a recurring basis. Accordingly, we will apply the provisions of SFAS 157 to nonfinancial assets and liabilities, including goodwill, trademark intangible asset, and property and equipment that are reported at fair value as a result of impairment testing in 2009.

Effective for the quarterly period ended June 28, 2009, we adopted SFAS 165, Subsequent Events. The new standard provides guidance for the accounting and disclosure of events that occur after the balance sheet date but before financial statements are issued or available to be issued. It also requires us to disclose the date through which subsequent events were evaluated and whether that date represents the date the financial statements were issued or were available to be issued. The adoption of this standard did not have a material effect on our consolidated results of operations, financial position, or cash flows.

Effective for the quarterly period ended June 28, 2009, we adopted the FASB s Staff Position on FAS 107-1 and APB 28-1, Interim Disclosures about Fair Value of Financial Instruments. The FSP amends SFAS 107 and APB 28 to require disclosures about the fair value of financial instruments for interim reporting periods in addition to annual financial statements. The adoption of this standard does not have a material effect on our consolidated results of operations, financial position, or cash flows.

In June 2009, the FASB approved the FASB Accounting Standards Codification (Codification) as the single source of authoritative nongovernmental U.S. GAAP. The Codification, which became available July 1, 2009, does not change current U.S. GAAP, but is intended to simplify user access to all authoritative U.S. GAAP by providing all the authoritative literature related to a particular topic in one place. All existing accounting standard documents were superseded and all other accounting literature not included in the Codification is considered nonauthoritative. The Codification will be effective for our quarterly reporting period ended September 27, 2009 and will not have a material effect on our consolidated results of operations, financial position, or cash flows. We are currently evaluating the impact to our financial reporting process of providing Codification references in our public filings.

In January 2009, the Securities and Exchange Commission (SEC) issued Release No. 33-9002, Interactive Data to Improve Financial Reporting. The final rule requires us to provide our financial statements and schedules to the SEC and our website in interactive data format using the eXtensible Business Reporting Language (XBRL). The rule was adopted to improve the ability of financial statement users to access and analyze financial data. The SEC adopted a phase-in schedule under which we will be required to submit filings using XBRL beginning with our quarterly report for the second quarter of 2011. Compliance with this rule will have no impact upon our consolidated results of operation, financial position, or cash flows.

NOTE 3 RESTRUCTURING CHARGES

The 2008 restructuring and other exit activities are described in Note 3 to the Consolidated Financial Statements included in our Annual Report. Restructuring and other exit costs of $207 in the first half of 2009 primarily relate to $751 for costs associated with the planned closing of facilities that are required to be expensed as incurred and a reversal of $544 for lower than expected involuntary termination costs. All activities were completed as of the end of June 2009. All costs are included in restructuring and other exit costs in the accompanying Consolidated Statements of Income.

Our restructuring and cost reduction activities included production facility consolidations, sales reorganization, and general reductions in headcount. Under our new operating model, the majority of our manufacturing, warehousing, and distribution activities are managed under a shared-services model and are therefore not specific to a particular reportable segment. Additionally, we still maintain certain other corporate functions that also are not attributable to a specific reportable segment. As a result, none of our restructuring or exit activities are reported under any segment, and are all attributable to corporate and other shared services.

Pre-tax components of 2008 restructuring and other exit costs consist of the following:

	Total Expected Costs	***Total Q2 2009 Expense***	***Cumulative-To-Date Expense***

Involuntary termination costs	**$**	**3,800**	$	(453)	$	3,787
Contract termination costs		**1,450**		35		1,214
Other associated exit costs		**800**		24		796
Total	**$**	**6,050**	$	(394)	$	5,797

A summary of the 2008 restructuring accrual activity is as follows:

	Balance 2008	***Charged to Accrual***	***Reversed in 2009***	***Incurred in 2009***	***Balance 2009***
Involuntary termination costs	$ 3,206	$ 8	$ (544)	$ (2,040)	$ 630
Contract termination costs	517	319	-	(400)	436
Total	$ 3,723	$ 327	$ (544)	$ (2,440)	$ 1,066

NOTE 4 INVENTORIES

Inventories consist of the following:

	June 28, 2009	*December 28, 2008*
Finished Products	**$ 31,647**	$ 33,994
Jobs In Process	**791**	1,228
Materials and Supplies	**2,500**	3,496
Total	**$ 34,938**	