

STANDARD REGISTER CO
Form 8-K
June 09, 2006

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

FORM 8-K

CURRENT REPORT

Pursuant to Section 13 or 15(d) of the
Securities Exchange Act of 1934

DATE OF REPORT: June 5, 2006

(Date of earliest event reported)

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)

45408

(Zip Code)

(937) 443-1000

(Registrant's telephone number, including area code)

N/A

(Former name or former address, if changed since last report)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions:

- Written communications pursuant to Rule 425 under the Securities Act
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act
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ITEM 1.01. ENTRY INTO A MATERIAL DEFINITIVE AGREEMENT

ITEM 2.01 COMPLETION OF ACQUISITION OR DISPOSITION OF ASSETS

On June 5, 2006, The Standard Register Company (the "Company"), the Company's wholly-owned subsidiary Standard Register Technologies Canada ULC, and Whitehill Technologies, Inc. signed a Share Purchase Agreement (the "Agreement") and consummated the sale by Standard Register Technologies Canada ULC of 100% of the outstanding capital stock of InSystems Corporation to Whitehill Technologies, Inc. for approximately \$8.5 million in cash, plus the return of certain cash deposits of approximately \$0.4 million and a receivable of approximately \$0.2 million. The transaction is expected to result in a net loss of approximately \$8.2 million that will be recorded in the second quarter of 2006 results of operations.

In conjunction with the sale the Company has undertaken certain lease obligations totaling approximately \$1.8 million over three and one-half years. A copy of the Agreement is attached as Exhibit 99.1 to this current report on Form 8-K and is incorporated herein by reference.

Neither the Company nor Standard Register Technologies Canada ULC have a material relationship with Whitehill Technologies, Inc. other than through the agreement set forth above.

ITEM 7.01 REGULATION FD DISCLOSURE

On June 5, 2006, Whitehill Technologies, Inc. and the Company issued a joint press release announcing the signing of the Agreement and the consummation of the sale by Standard Register Technologies Canada ULC of 100% of the outstanding capital stock of InSystems Corporation to Whitehill Technologies, Inc. A copy of this press release is attached hereto as Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

ITEM 9.01 FINANCIAL STATEMENTS AND EXHIBITS

(b)

Unaudited Pro Forma Financial Information

The following unaudited pro forma condensed consolidated financial statements give effect to the closing of the transactions contemplated by the Agreement. The unaudited pro forma condensed consolidated balance sheet of the Company as of April 2, 2006 has been prepared as if the Company's sale of InSystems Corporation had been consummated on April 2, 2006. The unaudited pro forma condensed consolidated statements of income of the Company for the three months ended April 2, 2006 and for the year ended January 1, 2006 are presented as if the Company's sale of InSystems Corporation pursuant to the Agreement occurred on January 3, 2005 and the effect was carried forward through the balance of the three-month period ended April 2, 2006.

The unaudited pro forma condensed consolidated financial statements presented below are based upon available information and certain assumptions considered reasonable by management. The unaudited pro forma condensed consolidated financial statements may be subject to adjustment based on the actual carrying value of net assets sold at the date of closing, among other considerations. The unaudited pro forma condensed consolidated financial statements do not represent what the Company's financial position would have been assuming the completion of the

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Company's sale of InSystems Corporation pursuant to the Agreement had occurred on April 2, 2006, or what the Company's results of operations would have been assuming the completion of the Company's sale of InSystems Corporation, nor do they project the Company's financial position or results of operations at any future date or for any future period.

These unaudited pro forma condensed consolidated financial statements should be read in conjunction with the Company's annual report on Form 10-K for the year ended January 1, 2006 and its quarterly report on Form 10-Q for the quarter ended April 2, 2006 as filed with the Securities and Exchange Commission.

THE STANDARD REGISTER COMPANY

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF APRIL 2, 2006

(Dollars in thousands)

| A S S E T S | <i>As Reported</i> | <i>Adjustment for Disposition</i> | <i>Pro Forma</i> |
|---------------------------------|------------------------|---------------------------------------|------------------|
| CURRENT ASSETS | | | |
| Cash and cash equivalents | \$ 2,949 | \$ (223) (b) | \$ 11,654 |
| | | 8,928 (a) | |
| Accounts and notes receivable | 127,531 | (2,010) (b) | 125,743 |
| | | 222 (a) | |
| Inventories | 46,266 | - | 46,266 |
| Deferred income taxes | 15,944 | (776) (b) | 15,168 |
| Prepaid expense | 15,338 | (392) (b) | 14,946 |
| Total current assets | 208,028 | 5,749 | 213,777 |
| PLANT AND EQUIPMENT | | | |
| Land | 2,473 | - | 2,473 |
| Buildings and improvements | 68,876 | (1,405) (b) | 67,471 |
| Machinery and equipment | 217,226 | (967) (b) | 216,259 |
| Office equipment | 168,495 | (1,850) (b) | 166,645 |
| Construction in progress | 7,321 | - | 7,321 |
| Total | 464,391 | (4,222) | 460,169 |
| Less accumulated depreciation | 338,733 | (2,968) (b) | 335,765 |
| Plant and equipment, net | 125,658 | (1,254) | 124,404 |
| OTHER ASSETS | | | |
| Goodwill | 6,557 | - | 6,557 |
| Intangible assets, net | 9,589 | (8,126) (b) | 1,463 |
| Deferred tax asset | 83,556 | (2,278) (b) | 81,278 |
| Software development costs, net | 7,856 | (7,620) (b) | 236 |

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| | | | |
|--------------------|------------|-------------|------------|
| Restricted cash | 880 | (610) (b) | 270 |
| Other | 22,213 | (22) (b) | 22,191 |
| Total other assets | 130,651 | (18,656) | 111,995 |
| Total assets | \$ 464,337 | \$ (14,161) | \$ 450,176 |

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

THE STANDARD REGISTER COMPANY

UNAUDITED PRO FORMA CONDENSED CONSOLIDATED BALANCE SHEET

AS OF APRIL 2, 2006

(Dollars in thousands)

| LIABILITIES AND SHAREHOLDERS' EQUITY | <i>As Reported</i> | <i>Adjustment for Disposition</i> | <i>Pro Forma</i> |
|---|------------------------|---------------------------------------|------------------|
| CURRENT LIABILITIES | | | |
| Current portion of long-term debt | \$ 615 | \$ - | \$ 615 |
| Accounts payable | 33,714 | (216) (b) | 33,498 |
| Accrued compensation | 19,612 | (281) (b) | 19,331 |
| Deferred revenue | 3,633 | (2,369) (b) | 1,264 |
| Accrued restructuring | 2,240 | 685 (d) | 2,925 |
| Other current liabilities | 24,275 | (754) (b) | 24,040 |
| | | 519 (c) | |
| Total current liabilities | 84,089 | (2,416) | 81,673 |
| LONG-TERM LIABILITIES | | | |
| Long-term debt | 34,232 | - | 34,232 |
| Pension benefit obligation | 110,324 | - | 110,324 |
| Retiree health care obligation | 42,940 | - | 42,940 |
| Deferred compensation | 16,454 | - | 16,454 |
| Other long-term liabilities | 545 | (528) (b) | 17 |
| Total long-term liabilities | 204,495 | (528) | 203,967 |
| SHAREHOLDERS' EQUITY | | | |
| Common stock, \$1.00 par value: | | | |
| Authorized 101,000,000 shares | | | |
| Issued 2005 - 26,032,701; 2004 - 25,693,001 | 26,114 | - | 26,114 |
| 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 | 57,761 | - | 57,761 |

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| | | | | |
|--|------------|-------------|-----|------------|
| Accumulated other comprehensive losses | (121,571) | (2,276) | (b) | (123,847) |
| Retained earnings | 258,075 | (8,941) | (e) | 249,134 |
| Treasury stock at cost: | | | | |
| 1,923,762 shares | (49,351) | - | | (49,351) |
| Total shareholders' equity | 175,753 | (11,217) | | 164,536 |
| | | | | |
| Total liabilities and shareholders' equity | \$ 464,337 | \$ (14,161) | | \$ 450,176 |

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

THE STANDARD REGISTER COMPANY
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE FIRST QUARTER ENDED APRIL 2, 2006
(Dollars in thousands, except per share amounts)

| | <i>As Reported</i> | <i>Adjustment for Disposition</i> | <i>Pro Forma</i> |
|--|------------------------|---------------------------------------|------------------|
| REVENUE | | | |
| Products | \$ 208,108 | \$ (694) (f) | \$ 207,414 |
| Services | 23,550 | (2,341) (f) | 21,209 |
| Total revenue | 231,658 | (3,035) | 228,623 |
| COST OF SALES | | | |
| Products | 134,730 | (26) (f) | 134,704 |
| Services | 12,914 | (865) (f) | 12,049 |
| Total cost of sales | 147,644 | (891) | 146,753 |
| GROSS MARGIN | 84,014 | (2,144) | 81,870 |
| OPERATING EXPENSES | | | |
| Research and development | 3,123 | (788) (f) | 2,335 |
| Selling, general and administrative | 66,145 | (993) (f) (75) (g) | 65,077 |
| Depreciation and amortization | 8,812 | (1,320) (f) | 7,492 |
| Asset impairments | 1,694 | - | 1,694 |
| Restructuring charges (reversals) | 1,213 | (123) (f) | 1,090 |
| Total operating expenses | 80,987 | (3,299) | 77,688 |
| INCOME FROM CONTINUING OPERATIONS | 3,027 | 1,155 | 4,182 |
| OTHER INCOME (EXPENSE) | | | |
| Interest expense | (515) | 1 (f) | (514) |
| Investment and other income (expense) | 35 | 128 (f) | 163 |
| Total other expense | (480) | 129 | (351) |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 2,547 | 1,284 | 3,831 |
| INCOME TAX EXPENSE | 1,126 | 402 (f) | 1,528 |
| NET INCOME FROM CONTINUING OPERATIONS | \$ 1,421 | \$ 882 | \$ 2,303 |
| BASIC AND DILUTED INCOME FROM CONTINUING OPERATIONS PER SHARE | \$ 0.05 | \$ 0.03 | \$ 0.08 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | | |
| Basic | 28,877 | 28,877 | 28,877 |

| | | | |
|---------|--------|--------|--------|
| Diluted | 28,985 | 28,985 | 28,985 |
|---------|--------|--------|--------|

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

THE STANDARD REGISTER COMPANY
UNAUDITED PRO FORMA CONDENSED CONSOLIDATED STATEMENTS OF INCOME
FOR THE YEAR ENDED JANUARY 1, 2006
(Dollars in thousands, except per share amounts)

| | <i>As Reported</i> | <i>Adjustment for Disposition</i> | <i>Pro Forma</i> |
|--|------------------------|---------------------------------------|------------------|
| REVENUE | | | |
| Products | \$ 813,940 | \$ (2,202) (f) | \$ 811,738 |
| Services | 87,975 | (8,973) (f) | 79,002 |
| Total revenue | 901,915 | (11,175) | 890,740 |
| COST OF SALES | | | |
| Products | 531,404 | (398) (f) | 531,006 |
| Services | 51,899 | (4,246) (f) | 47,653 |
| Total cost of sales | 583,303 | (4,644) | 578,659 |
| GROSS MARGIN | 318,612 | (6,531) | 312,081 |
| OPERATING EXPENSES | | | |
| Research and development | 11,041 | (2,548) (f) | 8,493 |
| Selling, general and administrative | 254,956 | (3,952) (f) (300) (g) | 250,704 |
| Depreciation and amortization | 39,217 | (5,369) (f) | 33,848 |
| Asset impairments | 303 | - | 303 |
| Restructuring charges | 2,266 | (1,268) (f) | 998 |
| Total operating expenses | 307,783 | (13,437) | 294,346 |
| INCOME FROM CONTINUING OPERATIONS | 10,829 | 6,906 | 17,735 |
| OTHER INCOME (EXPENSE) | | | |
| Interest expense | (2,483) | 18 (f) | (2,465) |
| Investment and other income (expense) | 560 | 501 (f) | 1,061 |
| Total other expense | (1,923) | 519 | (1,404) |
| INCOME FROM CONTINUING OPERATIONS BEFORE INCOME TAXES | 8,906 | 7,425 | 16,331 |
| INCOME TAX EXPENSE | 8,057 | 1,156 (f) | 9,213 |
| NET INCOME FROM CONTINUING OPERATIONS | \$ 849 | \$ 6,269 | \$ 7,118 |
| BASIC AND DILUTED INCOME FROM CONTINUING OPERATIONS PER SHARE | \$ 0.03 | \$ 0.22 | \$ 0.25 |
| WEIGHTED AVERAGE SHARES OUTSTANDING | | | |
| Basic | 28,738 | 28,738 | 28,738 |
| Diluted | 28,766 | 28,766 | 28,766 |

See accompanying notes to unaudited pro forma condensed consolidated financial statements.

NOTES TO UNAUDITED PRO FORMA CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

(Dollars in Thousands)

BALANCE SHEET

- (a) To reflect \$8,500 in cash proceeds plus the return of certain cash deposits of approximately \$428 and a receivable of approximately \$222 received in consideration for the sale of InSystems Corporation.
- (b) To eliminate the assets and liabilities of the disposed business.
- (c) To reflect the accrual of estimated transaction costs.
- (d) To reflect the additional accrual of \$685 for certain lease obligations undertaken in conjunction with the sale of InSystems Corporation.
- (e) To reflect the estimated after-tax loss on the sale of 100% of the outstanding capital stock of InSystems Corporation.

STATEMENT OF INCOME

- (f) To reflect the adjustment required to eliminate the results of operations of InSystems Corporation for the period indicated.
- (g) To remove InSystems' executive salaries recorded and paid by the parent company.

The unaudited pro forma condensed consolidated statements of income for the three months ended April 2, 2006 and for the year ended January 1, 2006 do not reflect the estimated loss of \$8,235 on the sale of InSystems Corporation that will be recorded in the second quarter 2006 results of operations.

The following exhibits are filed with this Current Report on Form 8-K:

(d)

Exhibits.

Exhibit No.

Description

99.1

Share Purchase Agreement dated June 5, 2006 between The Standard Register Company and Whitehill Technologies, Inc.

99.2

Press Release, dated June 5, 2006

SIGNATURE

Pursuant to the requirements of the Securities Exchange Act of 1934, the registrant has duly caused this report to be signed on its behalf by the undersigned hereunto duly authorized.

REGISTRANT

THE STANDARD REGISTER COMPANY

Date: June 9, 2006

/s/ KATHRYN A. LAMME

By: Kathryn A. Lamme

Senior Vice President, General Counsel &

Secretary