

STANDARD REGISTER CO
Form 10-Q
November 12, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q

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

For the quarterly period ended September 29, 2013
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 (I.R.S. Employer
incorporation or organization) Identification No.)

600 ALBANY STREET, DAYTON OHIO 45417
(Address of principal executive offices) (Zip code)

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

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT
Common stock \$1.00 par value New York Stock Exchange
Title of each class Name of each exchange
on which registered

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

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 No

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

Indicate by check mark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer, or a smaller reporting company. See definition of "accelerated filer," "large 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

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

At October 27, 2013, the number of shares outstanding of the issuer's classes of common stock is as follows:
Common stock, \$1.00 par value 8,188,406 shares

Class A stock, \$1.00 par value

944,996 shares

The Standard Register Company
 Form 10-Q
 For the Quarter Ended September 29, 2013

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PART I - FINANCIAL INFORMATION
ITEM 1. CONSOLIDATED FINANCIAL STATEMENTS
THE STANDARD REGISTER COMPANY
CONSOLIDATED STATEMENTS OF INCOME
(Unaudited)
(In thousands, except per share amounts)

| | 13 Weeks Ended | | 39 Weeks Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2013 | September 30, 2012 | September 29, 2013 | September 30, 2012 |
| REVENUE | | | | |
| Products | \$173,404 | \$127,989 | \$419,095 | \$402,221 |
| Services | 25,935 | 17,733 | 58,681 | 56,217 |
| Total revenue | 199,339 | 145,722 | 477,776 | 458,438 |
| COST OF SALES | | | | |
| Products | 125,852 | 92,840 | 304,526 | 288,139 |
| Services | 19,835 | 10,850 | 38,623 | 33,472 |
| Total cost of sales | 145,687 | 103,690 | 343,149 | 321,611 |
| GROSS MARGIN | 53,652 | 42,032 | 134,627 | 136,827 |
| OPERATING EXPENSES | | | | |
| Selling, general and administrative | 54,384 | 37,683 | 124,486 | 123,377 |
| Acquisition and integration costs | 6,216 | 254 | 8,002 | 608 |
| Asset impairments | 1,262 | — | 1,262 | — |
| Restructuring and other exit costs | 11,055 | 733 | 11,874 | 3,345 |
| Total operating expenses | 72,917 | 38,670 | 145,624 | 127,330 |
| (LOSS) INCOME FROM OPERATIONS | (19,265) | 3,362 | (10,997) | 9,497 |
| OTHER INCOME (EXPENSE) | | | | |
| Interest expense | (3,713) | (670) | (4,867) | (2,059) |
| Other income | 7 | 10 | 65 | 49 |
| Total other expense | (3,706) | (660) | (4,802) | (2,010) |
| (LOSS) INCOME BEFORE INCOME TAXES | (22,971) | 2,702 | (15,799) | 7,487 |
| INCOME TAX EXPENSE | 252 | 202 | 686 | 704 |
| NET (LOSS) INCOME | \$(23,223) | \$2,500 | \$(16,485) | \$6,783 |
| BASIC (LOSS) INCOME PER SHARE | \$(3.92) | \$0.43 | \$(2.79) | \$1.16 |
| DILUTED (LOSS) INCOME PER SHARE | \$(3.92) | \$0.43 | \$(2.79) | \$1.16 |
| Dividends per share declared for the period | \$— | \$— | \$— | \$0.25 |

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME
(Unaudited)
(In thousands, except per share amounts)

| | 13 Weeks Ended | | 39 Weeks Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2013 | September 30, 2012 | September 29, 2013 | September 30, 2012 |
| NET (LOSS) INCOME | \$(23,223) | \$2,500 | \$(16,485) | \$6,783 |
| Other comprehensive (loss) income, net of tax: | | | | |
| Change in unrecognized pension benefit costs | — | — | — | 126 |
| Cumulative translation adjustment | (11) | 135 | (27) | 201 |
| Total other comprehensive (loss) income, net of tax | \$(11) | \$135 | \$(27) | \$327 |
| COMPREHENSIVE (LOSS) INCOME | \$(23,234) | \$2,635 | \$(16,512) | \$7,110 |

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

| A S S E T S | September 29, 2013 (Unaudited) | December 30, 2012 |
|--|--------------------------------------|----------------------|
| CURRENT ASSETS | | |
| Cash and cash equivalents | \$2,804 | \$1,012 |
| Accounts receivable, net of allowance of \$2,925 and \$2,312 | 155,019 | 104,513 |
| Inventories, net | 65,995 | 44,281 |
| Prepaid expense | 16,940 | 9,248 |
| Total current assets | 240,758 | 159,054 |
| PLANT AND EQUIPMENT | | |
| Land | 3,980 | 1,900 |
| Buildings and improvements | 77,559 | 65,259 |
| Machinery and equipment | 194,472 | 182,830 |
| Office equipment | 170,958 | 156,596 |
| Construction in progress | 5,569 | 2,886 |
| Total | 452,538 | 409,471 |
| Less accumulated depreciation | 357,773 | 350,548 |
| Total plant and equipment, net | 94,765 | 58,923 |
| OTHER ASSETS | | |
| Goodwill | 83,192 | 7,456 |
| Intangible assets, net | 57,469 | 5,933 |
| Deferred tax asset | 22,765 | 22,765 |
| Other | 8,718 | 5,773 |
| Total assets | \$507,667 | \$259,904 |

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED BALANCE SHEETS
(In thousands, except per share amounts)

| LIABILITIES AND SHAREHOLDERS' DEFICIT | September 29, 2013 (Unaudited) | December 30, 2012 |
|---|--------------------------------------|----------------------|
| CURRENT LIABILITIES | | |
| Current portion of long-term debt | \$2,913 | \$2,361 |
| Accounts payable | 56,771 | 29,237 |
| Other current liabilities | 76,268 | 43,234 |
| Total current liabilities | 135,952 | 74,832 |
| LONG-TERM LIABILITIES | | |
| Long-term debt | 266,048 | 49,159 |
| Pension benefit liability | 230,575 | 252,665 |
| Deferred compensation | 3,068 | 3,498 |
| Environmental liabilities | 3,923 | 3,986 |
| Other long-term liabilities | 3,333 | 2,624 |
| Total long-term liabilities | 506,947 | 311,932 |
| COMMITMENTS AND CONTINGENCIES - See Note 13 | | |
| SHAREHOLDERS' DEFICIT | | |
| Common stock, \$1.00 par value: | | |
| Authorized 101,000 shares; Issued 7,007 and 6,922 shares | 7,007 | 6,922 |
| Class A stock, \$1.00 par value: Authorized 9,450 shares; Issued 945 shares | 945 | 945 |
| Capital in excess of par value | 99,321 | 91,266 |
| Accumulated other comprehensive losses | (39,481) | (39,454) |
| Accumulated deficit | (152,788) | (136,303) |
| Treasury stock at cost: 2,021 shares | (50,236) | (50,236) |
| Total shareholders' deficit | (135,232) | (126,860) |
| Total liabilities and shareholders' deficit | \$507,667 | \$259,904 |

See accompanying notes.

THE STANDARD REGISTER COMPANY
CONSOLIDATED STATEMENTS OF CASH FLOWS
(Unaudited)
(In thousands)

| | 39 Weeks Ended | |
|--|-----------------------|-----------------------|
| | September 29, 2013 | September 30, 2012 |
| CASH FLOWS FROM OPERATING ACTIVITIES | | |
| Net (loss) income | \$(16,485) | \$6,783 |
| Adjustments to reconcile net (loss) income to net cash provided by operating activities: | | |
| Depreciation and amortization | 17,852 | 16,866 |
| Asset impairments | 1,262 | — |
| Restructuring and other exit costs | 11,874 | 3,345 |
| Pension (benefit) cost | (1,519) | 890 |
| Other | 2,930 | 2,707 |
| Changes in operating assets and liabilities, net of acquisition: | | |
| Accounts and notes receivable | 2,107 | 7,051 |
| Inventories | 2,993 | 2,070 |
| Restructuring payments | (3,982) | (7,550) |
| Accounts payable and other current liabilities | 10,327 | 1,420 |
| Pension contributions and payments | (20,571) | (22,663) |
| Other assets and liabilities | (1,518) | (767) |
| Net cash provided by operating activities | 5,270 | 10,152 |
| CASH FLOWS FROM INVESTING ACTIVITIES | | |
| Acquisition, cash received | 1,665 | — |
| Additions to plant and equipment | (9,065) | (2,441) |
| Proceeds from sale of equipment | 171 | 104 |
| Net cash used in investing activities | (7,229) | (2,337) |
| CASH FLOWS FROM FINANCING ACTIVITIES | | |
| Net change in borrowings under revolving credit facility | 8,371 | (4,364) |
| Debt issuance costs | (2,357) | — |
| Principal payments on long-term debt | (1,840) | (1,914) |
| Dividends paid | — | (1,500) |
| Other | (398) | (613) |
| Net cash provided by (used in) financing activities | 3,776 | (8,391) |
| Effect of exchange rate changes on cash | (25) | 182 |
| NET INCREASE (DECREASE) IN CASH AND CASH EQUIVALENTS | 1,792 | (394) |
| Cash and cash equivalents at beginning of period | 1,012 | 1,569 |
| CASH AND CASH EQUIVALENTS AT END OF PERIOD | \$2,804 | \$1,175 |
| SUPPLEMENTAL SCHEDULE OF NONCASH INVESTING AND FINANCING ACTIVITIES | | |
| Capital leases | \$138 | \$144 |
| Additions to short term notes payable | 500 | — |
| Warrants issued in conjunction with acquisition | 6,509 | — |

See accompanying notes.

THE STANDARD REGISTER COMPANY
 NOTES TO CONSOLIDATED FINANCIAL STATEMENTS
 (Unaudited)
 (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 (referenced in this report as the "Company," "we," "our," or "Standard Register,") after elimination of intercompany transactions, profits, and balances. As described in Note 4, the accompanying consolidated financial statements include the results of operations and cash flows for WorkflowOne, LLC (WorkflowOne) from August 1, 2013 through September 30, 2013, the end of their calendar quarter. Our fiscal quarter ends on September 29, 2013. We do not believe the difference in fiscal period-end dates has a material impact on our consolidated financial statements.

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 30, 2012 (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 ACCOUNTING PRONOUNCEMENTS

In 2013, we adopted Accounting Standards Update (ASU) 2013-2, which requires additional disclosure of information related to changes in accumulated other comprehensive loss by component and any significant items reclassified out of accumulated other comprehensive loss.

Changes in accumulated other comprehensive loss, net of deferred taxes, for the year-to-date period ended September 29, 2013 consist of the following:

| | Foreign Currency Translation | Defined Benefit Pension Plans | Total |
|---|------------------------------------|-------------------------------------|-------------|
| Balance beginning of period | \$(192) | \$(39,262) | \$(39,454) |
| Net current-period other comprehensive loss | (27) | — | (27) |
| Balance end of period | \$(219) | \$(39,262) | \$(39,481) |

Because of the valuation allowance against our deferred tax assets, there were no federal or state income-based tax expenses or benefits related to amounts recorded to other comprehensive loss.

NOTE 3 – CHANGE IN PENSION ACCOUNTING METHOD

In the third quarter of 2013, we elected to change our method of accounting for recognizing expense for our defined benefit pension plans. Previously, we recognized pension actuarial gains and losses in Accumulated Other Comprehensive Income (Loss), a component of Shareholders' Equity. The net actuarial gains and losses in excess of 10% of the greater of a calculated market-related value of plan assets or the plan's projected benefit obligations (the "corridor") were then amortized to expense each quarter in our Statements of Income using the average remaining service period of active plan participants. The market-related value of plan assets smoothed asset gains and losses over a five-year period and was previously used to calculate the expected return on assets component of pension expense. Under the new method of accounting, referred to as mark-to-market (MTM), we will recognize gains and losses in excess of the corridor annually, in the fourth quarter of each fiscal year, resulting from changes in actuarial

assumptions and the differences between actual and expected returns on plan assets and discount rates. Any interim remeasurements triggered by a curtailment, settlement, or significant plan change will be recognized as an MTM adjustment in the period in which it occurs. The remaining

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components of pension expense, interest cost and the expected return on plan assets, will be recorded on a quarterly basis as ongoing pension expense.

While our previous method of recognizing pension expense is considered acceptable under Generally Accepted Accounting Principles in the United States (U.S. GAAP), we believe that the new method is preferable as it accelerates the recognition of changes in the fair value of plan assets and actuarial gains and losses outside the corridor.

The change in accounting method has been reported through retrospective application of the new method to all periods presented. The cumulative effect of the change in accounting method was an increase to Accumulated Deficit as of December 30, 2012 (the most recent measurement date prior to the change) of \$192,164 and a corresponding decrease in Accumulated Other Comprehensive Losses.

The impact of this change in accounting method on our consolidated financial statements is summarized below:

Consolidated Statements of Income

| | 13 Weeks Ended March 31, 2013 | | 13 Weeks Ended June 30, 2013 | | 13 Weeks Ended September 29, 2013 | |
|---------------------------------------|----------------------------------|----------------|---------------------------------|----------------|--------------------------------------|----------------|
| | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted | Previous Accounting Method | As Adjusted |
| Selling, general and administrative * | 42,592 | 35,843 | 42,794 | 36,045 | 67,349 | 60,600 |
| (Loss) income from operations | (1,298) | 5,451 | (3,932) | 2,817 | (26,014) | (19,265) |
| Income tax expense | 127 | 127 | 307 | 307 | 252 | 252 |
| Net (loss) income | \$(2,050) | \$4,699 | \$(4,710) | \$2,039 | \$(29,972) | \$(23,223) |
| Basic (loss) income per share | \$(0.35) | \$0.80 | \$(0.80) | \$0.34 | \$(5.05) | \$(3.92) |
| Diluted (loss) income per share | \$(0.35) | \$0.80 | \$(0.80) | \$0.34 | \$(5.05) | \$(3.92) |
| | 13 Weeks Ended April 1, 2012 | | 13 Weeks Ended July 1, 2012 | | 13 Weeks Ended September 30, 2012 | |
| | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted |
| Selling, general and administrative * | 51,198 | 45,784 | 45,380 | 40,264 | 43,053 | 37,937 |
| (Loss) income from operations | (4,119) | 1,295 | (276) | 4,840 | (1,754) | 3,362 |
| Income tax expense | 305 | 305 | 197 | 197 | 202 | 202 |
| Net (loss) income | \$(5,112) | \$302 | \$(1,135) | \$3,981 | \$(2,616) | \$2,500 |
| Basic (loss) income per share | \$(0.88) | \$0.05 | \$(0.19) | \$0.68 | \$(0.45) | \$0.43 |
| Diluted (loss) income per share | \$(0.88) | \$0.05 | \$(0.19) | \$0.68 | \$(0.45) | \$0.43 |

*Before reclassification of acquisition and integration costs

Consolidated Balance Sheets

| | March 31, 2013 | | June 30, 2013 | | December 30, 2012 | |
|---|------------------------|-------------|------------------------|-------------|------------------------|-------------|
| | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted |
| Pension benefit liability | 245,349 | 245,498 | 239,410 | 239,708 | 252,665 | 252,665 |
| Retained earnings (accumulated deficit) | 53,811 | (131,604) | 49,101 | (129,565) | 55,861 | (136,303) |
| Accumulated other comprehensive losses | (224,474) | (39,208) | (217,838) | (39,470) | (231,618) | (39,454) |

Consolidated Statements of Cash Flows

| | 13 Weeks Ended March 31, 2013 | | 26 Weeks Ended June 30, 2013 | | 39 Weeks Ended September 29, 2013 | |
|------------------------|----------------------------------|-------------|---------------------------------|-------------|--------------------------------------|-------------|
| | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted | Previous Accounting Method | As Adjusted |
| Net (loss) income | (2,050) | 4,699 | (6,760) | 6,738 | (36,732) | (16,485) |
| Pension cost (benefit) | 6,242 | (507) | 12,484 | (1,014) | 18,728 | (1,519) |
| | 13 Weeks Ended April 1, 2012 | | 26 Weeks Ended July 1, 2012 | | 39 Weeks Ended September 30, 2012 | |
| | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted | As Originally Reported | As Adjusted |
| Net (loss) income | (5,112) | 302 | (6,247) | 4,283 | (8,863) | 6,783 |
| Pension cost | 6,184 | 770 | 11,360 | 830 | 16,536 | 890 |

NOTE 4 – ACQUISITION

On August 1, 2013, the Company acquired all of the outstanding membership interests of WorkflowOne for a total purchase price of one dollar (the "Acquisition"). In connection with the Acquisition, the Company also assumed \$210,000 of WorkflowOne's existing debt under two secured credit facilities (the "First Lien Term Loan" and "Second Lien Term Loan") and issued warrants with an estimated fair value of \$6,509 that were subsequently converted into 2,645,945 shares of the Company's Common Stock in October 2013. The exercise price of each warrant was \$0.00001 per share. The estimated fair value of the warrants issued was calculated based on the closing market price of the Company's stock on July 31, 2013, with an estimated discount for lack of marketability due to certain restrictions. In addition, the Company issued \$10,000 of non-interest bearing "Tranche B Second Lien Term Loans" that were subsequently cancelled for no consideration as part of the final working capital settlement. The working capital adjustment also resulted in (i) the conversion of \$3,678 of the Tranche B Second Lien Term Loans into the Second Lien Term Debt, (ii) the reduction of \$3,678 in the First Lien Term Debt, and (iii) the receipt of an additional \$1,322 in cash from the Acquisition in October 2013.

WorkflowOne provides printing, document management, distribution, and marketing services to a large customer base. We believe the Acquisition will advance the Company's revenue position, enhance its product and solutions portfolio, broaden its customer base, improve its cost structure, and provide greater financial flexibility and stability. Results of operations for WorkflowOne are included in the Company's consolidated financial statements from the date of acquisition. The Acquisition was integrated into our Healthcare and Business Solutions segments, and we are in the process of determining the allocation of goodwill to these segments. Total revenue of \$68,276 and a net loss of \$610 attributable to WorkflowOne are included in the Company's unaudited consolidated statement of operations for both the 13 and 39-week periods ended September 29, 2013.

Purchase Price Allocation

The transaction has been accounted for using the acquisition method of accounting which requires, among other things, the assets acquired and liabilities assumed to be recognized at their fair values as of the acquisition date. The following summarizes a preliminary estimate of the assets acquired and the liabilities assumed by Standard Register in the Acquisition:

| | August 1, 2013 | |
|--|-------------------|---|
| Assets | | |
| Cash and cash equivalents | \$ 1,665 | |
| Accounts receivable | 53,651 | |
| Inventories | 24,707 | |
| Plant and equipment | 43,132 | |
| Goodwill | 75,736 | |
| Identified intangibles | 53,740 | |
| Other assets | 7,194 | |
| Liabilities | | |
| Long-term debt and capital leases, including current portion | (210,672 |) |
| Other liabilities assumed | (42,644 |) |
| Net assets acquired | 6,509 | |

The allocation of the purchase price is preliminary and is subject to change. The assets acquired and liabilities assumed from WorkflowOne have been measured at their estimated fair values at the date of acquisition. Differences between these estimates of fair value and the final acquisition accounting will occur, and those differences could also have an impact on the unaudited pro forma financial information presented below.

The final allocation is dependent upon valuation and other studies that have not yet been completed. We will finalize the purchase price allocation as soon as practicable within the measurement period prescribed by Financial Accounting Standards Board Accounting Standards Codification (ASC) 805, Business Combinations, and currently expect to finalize the amounts prior to December 29, 2013, the end of our fiscal year. We are in the process of gathering and assessing the information necessary to determine the required fair value measures including the following significant items:

- the fair value of warrants issued and debt assumed
- the fair value of trade account and other receivables as of August 1, 2013 that are not expected to be collected
- the amounts recorded for each major class of assets acquired and liabilities assumed, including valuations of inventory, identified acquired intangible assets and property and equipment
- the nature, amounts recognized, and measurement basis of assets and liabilities arising from any contingencies recognized, and
- qualitative and quantitative information related to any goodwill recorded, including the allocation of goodwill to reporting units, as appropriate.

The estimated fair value and useful lives for significant intangible assets acquired are as follows:

| | Fair Value | Useful life (in years) |
|------------------------|------------|---------------------------|
| Customer relationships | \$45,100 | 6 years |
| Trademarks | 8,500 | 2-10 years |

Expenses Related to the Acquisition

The Company is expected to incur substantial transaction and integration expenses in connection with the Acquisition, including the necessary costs associated with integrating the operations of the two companies. Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred. All such costs are included in acquisition and integration costs in the accompanying Consolidated Statements of Income. Except for an immaterial amount of integration costs in the three-month period ended September 29, 2013, the balances consist of acquisition transaction costs that primarily

include advisory, legal, accounting, valuation, and other professional fees.

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We expect to incur approximately \$8,500 over the next two years for technology and facility integration costs that do not qualify as restructuring and other exit costs under U.S. GAAP. While we have assumed a certain level of expenses will be incurred, there are many factors that could affect the total amount or the timing of these expenses, and many of the expenses are, by their nature, difficult to estimate.

Pro forma impact of the acquisition

The following table summarizes pro forma financial information for the nine-month periods ended September 29, 2013 and September 30, 2012 as if the Acquisition had occurred at the beginning of fiscal 2012. The pro forma financial information primarily includes estimated adjustments to interest expense for the long-term debt assumed and amendment to our Revolving Credit Facility, amortization associated with the acquired intangible assets, and cost of sales and depreciation expense for fair value adjustments to inventory and plant and equipment. Adjustments were also made to reduce selling, general, and administrative expense to eliminate acquisition-related transaction costs incurred by Standard Register and WorkflowOne.

The pro forma financial information does not reflect any cost savings that may be realized as a result of the Acquisition and is not necessarily indicative of what our consolidated results would have been had the Acquisition been completed on January 2, 2012.

(Unaudited)

| | 39 Weeks Ended | |
|-------------------------|-----------------------|-----------------------|
| | September 29, 2013 | September 30, 2012 |
| Revenue | \$733,249 | \$803,130 |
| Operating income (loss) | 3,508 | (3,783) |
| Net loss | (12,495) | (3,909) |
| Loss per share | (2.11) | (0.67) |

NOTE 5 – REVERSE STOCK SPLIT

On April 25, 2013, our shareholders approved a 1-for-5 reverse stock split of our outstanding shares of Common and Class A Stock that became effective May 9, 2013. This resulted in a reduction of our Common Stock issued from 26,947,892 shares to 7,006,413 shares, and a reduction in our Class A Stock issued from 4,725,000 shares to 944,996 shares on that date. The reverse stock split affected all shareholders of the Company's stock uniformly, but did not materially affect any shareholder's percentage of ownership interest. The par value of our Common Stock and Class A Stock remains unchanged at \$1.00 per share and the number of authorized shares and treasury shares remains the same after the reverse stock split.

As the par value per share of the Company's stock remained unchanged at \$1.00 per share, \$23,721 was reclassified to capital in excess of par value. In connection with this reverse stock split, the number of shares of Common Stock underlying outstanding share-based awards was also proportionately reduced while the exercise prices of stock options were proportionately increased. All references to shares of common stock and per share data for all periods presented in the accompanying financial statements and notes thereto have been adjusted to reflect the reverse stock split on a retroactive basis.

NOTE 6 – RESTRUCTURING AND ASSET IMPAIRMENTS

All costs related to restructuring actions are included in restructuring and other exit costs in the accompanying Consolidated Statements of Income. Certain costs that are required to be expensed as incurred are not included in the restructuring liability. Restructuring and other exit costs in 2012 also included costs from prior restructuring plans. These amounts were not material.

On September 26, 2013, the Company's Board of Directors approved a strategic restructuring program in connection with the recent acquisition of WorkflowOne and the integration of the two companies. The restructuring program is expected to continue through the end of 2015, and includes costs associated with workforce reductions, contract termination costs primarily from exiting leased facilities, and other associated costs, including fees to a third party to assist with the implementation of our plan, costs to consolidate facilities and relocate equipment and inventory, costs to consolidate our headquarters, and costs associated with the write-off of inventory.

As a result of the plan, restructuring actions not yet initiated from previous restructuring plans are now integrated into our current plan. Components of the restructuring and other exit costs consist of the following:

| | Total Expected Costs | Total 2013 YTD Expense | Cumulative To-Date Expense |
|-------------------------------------|----------------------------|------------------------------|----------------------------------|
| Employee separation costs | \$9,600 | \$9,582 | \$9,582 |
| Contract exit and termination costs | 7,000 | 83 | 83 |
| Other associated exit costs | 13,200 | 2,290 | 2,290 |
| Total | \$29,800 | \$11,955 | \$11,955 |

A summary of activity in the restructuring liability is as follows:

| | Accrued in 2013 | Incurred in 2013 YTD | Balance 2013 |
|-------------------------------------|--------------------|----------------------------|-----------------|
| Employee separation costs | \$9,503 | \$(203) | \$9,300 |
| Contract exit and termination costs | 43 | — | 43 |
| Other associated exit costs | — | — | — |
| Total | \$9,546 | \$(203) | \$9,343 |

In late 2011, we developed a strategic restructuring program that was announced in January 2012. Costs of the two-year program include employee separation costs for severance related to the workforce reductions, contract exit and termination costs related to lease terminations, and other associated exit costs that include fees to third parties to assist with the program implementation and certain costs related to implementation of an ERP system that would replace select software applications. In 2013, we reversed a portion of previously accrued severance due to lower than expected costs.

Components of the restructuring and other exit costs consist of the following:

| | Total Expected Costs | Total 2013 YTD Expense | Cumulative To-Date Expense |
|-------------------------------------|----------------------------|------------------------------|----------------------------------|
| Employee separation costs | \$5,919 | \$(258) | \$5,919 |
| Contract exit and termination costs | 300 | 49 | 296 |
| Other associated exit costs | 3,500 | 155 | 3,455 |
| Total | \$9,719 | \$(54) | \$9,670 |

A summary of activity in the restructuring liability is as follows:

| | Balance 2012 | Incurred in 2013 YTD | Reversed in 2013 YTD | Balance 2013 |
|-------------------------------------|-----------------|----------------------------|-------------------------|-----------------|
| Employee separation costs | \$1,350 | \$(1,079) | \$(258) | \$13 |
| Contract exit and termination costs | 21 | (15) | — | 6 |
| Total | \$1,371 | \$(1,094) | \$(258) | \$19 |

We also have a restructuring liability related to employee severance and the consolidation of facilities which was assumed in the acquisition of WorkflowOne. Restructuring and other exit costs in 2013 include a small credit to expense that was not part of the liability.

A summary of activity in the restructuring liability is as follows:

| | Balance Acquired at Acquisition | Incurred in 2013 YTD | Balance 2013 |
|-------------------------------------|---------------------------------------|-------------------------|-----------------|
| Employee separation costs | \$98 | \$(83) | \$15 |
| Contract exit and termination costs | 218 | (16) | 202 |
| Total | \$316 | \$(99) | \$217 |

Asset Impairments

During the third quarter we recorded a \$1,262 asset impairment charge related to technology assets. The impairment is due to changes made to our future technology plans as a result of alternatives available to us from the acquisition.

NOTE 7 – OTHER CURRENT LIABILITIES

Other current liabilities consist of the following:

| | September 29, 2013 | December 30, 2012 |
|--|-----------------------|----------------------|
| Accrued compensation | \$21,895 | \$13,996 |
| Accrued restructuring and other exit costs | 9,579 | 1,371 |
| Deferred revenue | 7,304 | 6,020 |
| Accrued non-income taxes | 6,625 | 3,885 |
| Current portion of pension | 2,058 | 2,058 |
| Accrued customer rebates | 8,996 | 4,814 |
| Other current liabilities | 19,811 | 11,090 |
| Total | \$76,268 | \$43,234 |

NOTE 8 – LONG TERM DEBT

Long-term debt consists of the following:

| | September 29, 2013 | December 30, 2012 |
|---------------------------|-----------------------|----------------------|
| Revolving credit facility | \$52,000 | \$43,629 |
| First lien term loan | 123,753 | — |
| Second lien term loan | 86,247 | — |
| Capital lease obligations | 6,741 | 7,891 |
| Loans payable | 220 | — |
| Total | 268,961 | 51,520 |
| Less current portion | 2,913 | 2,361 |
| Long-term portion | \$266,048 | \$49,159 |

On August 1, 2013, the Company entered into an amended and restated loan and security agreement (Revolving Credit Facility) which amended the terms of the Company's existing \$100,000 senior secured revolving credit facility that would have matured in March 2014. The Revolving Credit Facility provides for borrowings up to \$125,000 through August 1, 2018. At the time of amendment of the Company's existing revolving credit facility, \$47,118 was outstanding. This amount was immediately transferred to the Revolving Credit Facility.

The Revolving Credit Facility is secured by accounts receivable, inventories, fixed assets, and certain other assets. The Revolving Credit Facility contains a fixed charge coverage covenant test that becomes applicable if the sum of available unborrowed credit plus certain cash balances falls below 12.5% of aggregate commitments or \$12,500, whichever is greater.

The Revolving Credit Facility provides for the payment of interest on amounts borrowed under both London Interbank Offered Rate (LIBOR) contracts and base rate loans. Payment of interest on LIBOR contracts is at an annual rate equal to the LIBOR

rate plus 1.75% to 2.25% based on our level of liquidity. Payment of interest on base rate loans is based on the prime rate plus .75% to 1.25% based upon our level of liquidity. The weighted average interest rate, including the spread, was 2.25% at September 29, 2013. We are also required to pay a fee on the unused portion of the Revolving Credit Facility payable at an annual rate of .25% if the unused portion is less than 50% of the aggregate commitment or .375% if the unused portion is greater than or equal to 50% of the aggregate commitment.

Debt assumed under the First Lien Term Loan was \$123,753 and is secured by accounts receivable, inventories, fixed assets, and certain other assets of the Company. Quarterly payments of \$2,500 are due beginning September 2014 with additional mandatory payments due based on a percentage of excess cash flow and certain other events. The full unpaid principal amount is due on August 1, 2018. The debt will bear interest at an adjusted LIBOR plus 7.00%. At September 29, 2013, the interest rate, including the spread, was 7.5%.

Debt assumed under the Second Lien Term Loan was \$86,247 and is secured by accounts receivable, inventories, fixed assets, and certain other assets of the Company. Upon the termination of the First Lien Term Loan, mandatory payments are due based on a percentage of excess cash flow and certain other events. The full unpaid principal amount is due on February 1, 2020. The debt will bear interest at an adjusted LIBOR plus 8.65%. At September 29, 2013, the interest rate, including the spread, was 9.15%.

The First and Second Lien Term Loans require the Company to be in compliance with specified quarterly financial covenants, the levels of which will change periodically. The covenants include a required minimum earnings level, a total leverage ratio, and a fixed charge coverage ratio that becomes effective in September 2014.

In conjunction with the amendment of the Revolving Credit Facility and the assumption of the First and Second Lien Term Loans, the Company incurred \$2,357 of debt issuance costs which have been deferred and will be amortized over the lives of the respective facilities.

NOTE 9 – EARNINGS PER SHARE

The number of shares outstanding for calculation of earnings per share (EPS) is as follows:

| (Shares in thousands) | 13 Weeks Ended | | 39 Weeks Ended | |
|---|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2013 | September 30, 2012 | September 29, 2013 | September 30, 2012 |
| Weighted-average shares outstanding - basic | 5,931 | 5,846 | 5,909 | 5,836 |
| Effect of potentially dilutive securities | — | — | — | 18 |
| Weighted-average shares outstanding - diluted | 5,931 | 5,846 | 5,909 | 5,854 |

Due to the net loss incurred for the 13 and 39-week periods ending on September 29, 2013, no outstanding options or nonvested shares were included in the diluted EPS computation because they would automatically result in anti-dilution. Outstanding options to purchase 779,802 shares were excluded in the computation of diluted EPS for the 13 and 39-week periods ending September 30, 2012 because the exercise prices of the options were greater than the average market price at the end of the period; therefore, the effect would be anti-dilutive.

NOTE 10 – SHARE-BASED COMPENSATION

Total share-based compensation expense was \$652 and \$712 for the 13-week periods ended September 29, 2013, and September 30, 2012. Total share-based compensation expense was \$1,628 and \$2,005 for the 39-week periods ended September 29, 2013 and September 30, 2012.

Service-Based Stock Awards

The fair value of the service-based stock awards granted in 2013 is based on the closing market price of our common stock on the date of award and is being amortized to expense on a straight-line basis over a vesting period of three or four years. A summary of our service-based stock award activity and related information for 2013 is as follows:

| | Number of Shares | Weighted- Average Grant Date Fair Value |
|---------------------------------|------------------------|--|
| Nonvested at December 30, 2012 | 115,678 | \$11.01 |
| Granted | 112,243 | 14.15 |
| Vested | (14,365) | 20.45 |
| Forfeited | (8,410) | 11.16 |
| Nonvested at September 29, 2013 | 205,146 | \$12.06 |

On October 31, 2013, the Company awarded 42,840 shares of service-based stock awards which are not included in the table of activity above.

Performance-Based Stock Awards

In 2013, the Company awarded shares of performance-based restricted stock that will be earned based on the achievement of specific measurable performance criteria and are subject to additional holding periods. Shares will be earned each quarter based on achievement of quarterly financial goals, but will not vest until October of 2016. If a minimum target is not achieved in any quarter, all unvested shares will be forfeited. Achievement of a superior target four quarters in a row allows all earned shares to vest immediately. A summary of our performance-based stock award activity and related information for 2013 is as follows:

| | Number of Shares | Weighted- Average Grant Date Fair Value |
|---------------------------------|------------------------|--|
| Nonvested at December 30, 2012 | 198,935 | \$9.26 |
| Granted | 238,916 | 13.59 |
| Vested | (69,618) | 11.89 |
| Forfeited | (14,712) | 7.85 |
| Nonvested at September 29, 2013 | 353,521 | \$11.73 |

NOTE 11 – PENSION PLANS

As discussed in Note 3, in the third quarter of 2013, we elected to change our method of accounting for recognizing expense for our defined benefit pension plans. This accounting change was applied retrospectively to all periods presented. Net periodic benefit cost includes the following components:

| | 13 Weeks Ended | | 39 Weeks Ended | |
|--------------------------------|-----------------------|-----------------------|-----------------------|-----------------------|
| | September 29, 2013 | September 30, 2012 | September 29, 2013 | September 30, 2012 |
| Interest cost | \$4,551 | \$5,028 | \$13,655 | \$15,098 |
| Expected return on plan assets | (5,058) | (4,968) | (15,174) | (14,905) |
| Actuarial losses | — | — | — | 517 |
| Settlement loss | — | — | — | 180 |
| Total | \$(507) | \$60 | \$(1,519) | \$890 |

NOTE 12 – SEGMENT REPORTING

Information about our operations by reportable segment for the 13-week periods ended September 29, 2013 and September 30, 2012 is as follows:

| | | Healthcare | Business Solutions | Total |
|---------------------------------|------|------------|--------------------|-----------|
| Revenue from external customers | 2013 | \$62,908 | \$136,431 | \$199,339 |
| | 2012 | 51,535 | 94,187 | 145,722 |
| Operating income (loss) | 2013 | \$2,063 | \$(1,452) | \$611 |
| | 2012 | 2,222 | 2,365 | 4,587 |

Information about our operations by reportable segment for the 39-week periods ended September 29, 2013 and September 30, 2012 is as follows:

| | | Healthcare | Business Solutions | Total |
|---------------------------------|------|------------|--------------------|-----------|
| Revenue from external customers | 2013 | \$160,579 | \$317,197 | \$477,776 |
| | 2012 | 163,348 | 295,090 | 458,438 |
| Operating income | 2013 | \$5,968 | \$2,376 | \$8,344 |
| | 2012 | 8,564 | 5,650 | 14,214 |

Reconciling information between reportable segments and our consolidated financial statements is as follows:

| | 13 Weeks Ended | | 39 Weeks Ended | |
|-------------------------------------|--------------------|--------------------|--------------------|--------------------|
| | September 29, 2013 | September 30, 2012 | September 29, 2013 | September 30, 2012 |
| Segment operating income | \$611 | \$4,587 | \$8,344 | \$14,214 |
| Restructuring and other exit costs | (11,055) | (733) | (11,874) | (3,345) |
| Net pension periodic benefit (cost) | 507 | (60) | 1,519 | (890) |
| Acquisition and integration costs | (6,216) | — | (8,002) | — |
| Asset impairments | (1,262) | — | (1,262) | — |
| Other unallocated | (1,850) | (432) | 278 | (482) |
| Total other expense | (3,706) | (660) | (4,802) | (2,010) |
| (Loss) income before income taxes | \$(22,971) | \$2,702 | \$(15,799) | \$7,487 |

NOTE 13 – COMMITMENTS AND CONTINGENCIES

In March 2013, we entered into an operating lease for a new digital print and distribution center. The term of the lease is seven years but includes an exit right after five years with payment of an exit fee. Payments under the lease are approximately \$1,400 per year and began April 1, 2013.

Contingencies

The Company has participated with other Potentially Responsible Parties (“PRPs”) in the investigation, study, and remediation of the Pasco Sanitary Landfill Superfund Site (the “Pasco Site”) in eastern Washington State since 1998. The Company is a member of a PRP Group known as the Industrial Waste Area Generators Group III (the “IWAG Group”). The IWAG Group and several other PRP groups have entered into agreed orders with the Department of Ecology for implementation of interim remedial actions and expansion of groundwater monitoring. At this time, an agreement has not yet been reached on the final remediation approach. We have accrued our best estimate of our obligation and have an undiscounted long-term liability of \$1,272 that we currently believe is adequate to cover our portion of the total future potential costs of remediation. We expect the costs to be incurred over a period of 60 years; however, the current proposed remediation approach could require monitoring for a longer period of time. This estimate is contingent upon the final remedy agreed upon, the participation of other PRPs not currently in the IWAG Group III, the length of monitoring required, and the final agreed upon allocation. Until a final remediation approach is approved and a final agreement is reached among all PRPs, it is reasonably possible that one or more of these factors could change our estimate; however, we are unable to determine the impact at this time.

The Company participates with other PRPs in the investigation, study, and remediation of the Valleycrest Landfill Site (the “Valleycrest Site”) in western Ohio. The Company is a member of a PRP Group known as the Valleycrest Landfill Site Group (the “VLSG”). A remedial investigation and feasibility study was conducted by the VLSG which indicated a range of viable remedial approaches. At this time, a final remediation approach has not been selected, and we have accrued the estimate of our obligation based on the most likely approach being considered by the U.S. Environmental Protection Agency. We have an undiscounted long-term liability of \$2,382 that we currently believe is adequate to cover our portion of the total future potential costs of remediation, which are expected to be incurred over a period of 30 years. This estimate is contingent upon the final remedy agreed upon, the participation of other PRPs not currently in the VLSG, and the final agreed upon allocation. Until a final remediation approach is approved and a final agreement is reached among all PRPs, it is reasonably possible that one or more of these factors could change our estimate; however, we are unable to determine the impact at this time.

Commitments Related to the WorkflowOne Acquisition

As a result of the Acquisition, additional commitments were assumed that were not previously disclosed.

WorkflowOne leases various types of warehouse and office facilities, equipment, and furniture and fixtures under non-cancelable lease agreements that expire through 2020. Future minimum lease payments under operating leases, as disclosed in the WorkflowOne 2012 audited financial statements included as an exhibit to the 8/K-A for Standard Register filed on October 15, 2013, are as follows:

| | |
|-------------|-----------|
| 2013 | \$ 16,136 |
| 2014 | 13,406 |
| 2015 | 10,067 |
| 2016 | 4,442 |
| 2017 | 1,602 |
| Later years | 3,317 |
| Total | \$ 48,970 |

NOTE 14 – FAIR VALUE MEASUREMENTS

We have financial assets and liabilities that are not recorded at fair value but which require disclosure of their fair value. The carrying value of cash equivalents approximates fair value due to the short-term maturity of these instruments and is not material. The carrying value of outstanding amounts under our Revolving Credit Facility, First and Second Lien Credit Facilities, and capital lease obligation approximate fair value based on currently available market rates.

NOTE 15 – INCOME TAXES

Because of the valuation allowance against our deferred tax assets, there was no federal or state income-based tax expense or benefit. Tax expense for 2013 and 2012 reflects state tax liabilities derived from a tax base other than net income and foreign taxes in Mexico.

NOTE 16 – SUBSEQUENT EVENTS

The Company has evaluated for disclosure all subsequent events through the date the financial statements were issued and filed with the United States Securities and Exchange Commission.

Item 2 – MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

FORWARD-LOOKING INFORMATION

This report includes forward-looking statements covered by the Private Securities Litigation Reform Act of 1995. A forward-looking statement is neither a prediction nor a guarantee of future events or circumstances, and those future events or circumstances may not occur. Forward-looking statements include statements in which we use words such as "anticipates," "projects," "expects," "plans," "intends," "believes," "estimates," "targets," and other similar expressions that indicate trends and future events. Among other things, all statements regarding expectations related to the following are forward-looking statements that involve certain risks and uncertainties:

- decline in traditional print and related services
- adoption of electronic health records (EHR)
- expansion in our solutions
- future pension funding requirements and recognition of actuarial gains and losses
- investing in our employees
- 2013 priorities
- future financial condition, revenue trends, and cash flows
- projected costs or cost savings related to our restructuring plans
- ability to realize deferred tax assets
- 2013 capital expenditures
- business strategy

Because forward-looking statements deal with future events, actual results for fiscal year 2013 and beyond could differ materially from our current expectations depending on a variety of factors including, but not limited to:

- our access to capital for expanding our solutions
- the pace at which digital technologies and EHR adoption erode the demand for certain products and services
- the success of our plans to deal with the threats and opportunities brought by digital technology and EHR adoption
- results of cost-containment strategies and restructuring programs
- our ability to attract and retain key personnel
- variation in demand and acceptance of the Company's products and services
- frequency, magnitude, and timing of paper and other raw material price changes
- timing of the completion and integration of acquisitions
- general business and economic conditions beyond our control
- consequences of competitive factors in the marketplace including the ability to attract and retain customers
- our ability to meet debt covenants.

These forward-looking statements are based on current expectations and estimates. We cannot assure that such expectations will prove to be correct. The Company undertakes no obligation to update forward-looking statements as a result of new information, since these statements may no longer be accurate or timely. You should read this Management's Discussion and Analysis in conjunction with the financial statements and related notes included in this Quarterly Report on Form 10-Q (Quarterly Report) and included on Form 10-K for the year ended December 30, 2012 (Annual Report).

This Management's Discussion and Analysis includes the following sections:

• **Critical Accounting Policies and Estimates** – An update to the discussion provided in our Annual Report of the accounting policies that require our most critical judgments and estimates.

• **Results of Operations** – An analysis of consolidated results of operations and segment results for the third quarter and first nine months of 2013 as compared with the same period of 2012.

• **Liquidity and Capital Resources** – An analysis of cash flows and a discussion of our financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing the accompanying unaudited financial statements and accounting for the underlying transactions and balances, we applied the accounting policies disclosed in the Notes to the Consolidated Financial Statements contained in our Annual Report. Preparation of these unaudited financial statements requires us to make estimates and assumptions that affect the reported amount of assets and liabilities, disclosure of contingent assets and liabilities at the date of the financial statements, and the reported amounts of revenue and expenses during the reporting period. Although we believe our estimates and assumptions are reasonable, they are based on information presently available and actual results may differ significantly from those estimates. For a detailed discussion of these critical accounting estimates, see the Management's Discussion and Analysis included in our Annual Report. The following is a discussion of changes to those estimates in 2013. We have discussed the development and selection of the critical accounting policies and the related disclosures included in this Quarterly Report with the Audit Committee of our Board of Directors.

Change in method of accounting for pension costs

In the third quarter of 2013, we elected to change our method of accounting for recognizing expense for our defined benefit pension plans to a more preferable method permitted under U.S. GAAP. Under the new method of accounting, referred to as mark-to-market (MTM), we will recognize gains and losses in excess of the corridor annually, in the fourth quarter of each fiscal year rather than amortizing them over future periods. Any interim remeasurements triggered by a curtailment, settlement, or significant plan change will be recognized as an MTM adjustment in the period in which it occurs. The remaining components of pension expense, interest cost and the expected return on plan assets, will be recorded on a quarterly basis as ongoing pension expense.

The change in accounting method has been reported through retrospective application of the new method to all periods presented. For additional information, see Note 3, "Change in Pension Accounting Method" to the unaudited consolidated financial statements in this Quarterly Report.

Goodwill

We perform our annual impairment test of goodwill for all our reporting units in the second quarter or more frequently if events or circumstances indicate a potential impairment. The annual impairment test is a two-step process. The first step in the impairment test requires us to compare the fair value of the reporting units to the carrying value of the assets assigned to those reporting units, including goodwill. If the fair value exceeds the carrying value, goodwill is not impaired and no further testing is performed. If the carrying amount of a reporting unit exceeds the estimated fair value, step two is completed to determine the amount of the impairment loss.

Quoted stock market prices are not available for our reporting units. Therefore, we follow an income approach utilizing a discounted cash flow methodology in order to determine the fair value of our reporting units. This approach requires us to make significant estimates and assumptions, including revenue growth rates and operating margins used to calculate projected future cash flows, risk-adjusted discount rates, and future economic and market conditions. In addition, we make certain judgments and assumptions in allocating shared assets and liabilities to determine the carrying values for each of our reporting units. Though we believe our assumptions are reasonable, actual results could be different from those assumed in our forecasts. Key assumptions used in our fair value calculations include: Revenue and cost assumptions: We use our internal forecasts to estimate future cash flows which are based on both historical information and our most recent view of the long-term outlook for each reporting unit derived from the Company's current strategic plan. We calculate multiple outcomes which are weighted to arrive at an overall projected cash flow. Across all outcomes we assume a terminal growth rate of 0%.

Discount rate determination: We use an industry weighted-average cost of capital that reflects the weighted average return on debt and equity of our peer group from a market participant perspective.

The results of our impairment test indicate that the fair values of our reporting units are greater than their carrying value and no goodwill impairment is indicated. In addition to calculating a range of possible outcomes, sensitivity analysis is performed to

understand the relative impact of the key assumptions used in our calculations. If our estimate of expected cash flows had been 10% lower, or if we increased the discount rate 1%, the expected future cash flows would still have exceeded the carrying value of the assets, including goodwill.

RESULTS OF OPERATIONS

The discussion that follows provides information which we believe is relevant to an understanding of our consolidated results of operations, supplemented by a discussion of segment results where appropriate. We are providing detail of revenue for each of our solutions which we believe is relevant to an understanding of our results of operations. Further discussion of our solutions is contained under the caption "Business" in Item 1 of our 2012 Annual Report.

Two factors that significantly affect the comparability of results of operations are the acquisition of WorkflowOne and the related acquisition, integration, restructuring, and impairment charges recorded in the third quarter of 2013.

WorkflowOne Acquisition

On August 1, 2013, we acquired all of the outstanding membership interests of WorkflowOne, LLC for a total purchase price of one dollar. In connection with the Acquisition, the Company assumed \$210 million of WorkflowOne's existing debt under two secured credit facilities and issued warrants that were subsequently converted into 2.6 million shares of the Company's Common Stock in October 2013 through a cashless exercise. In conjunction with the Acquisition, we recorded approximately \$75.7 million of goodwill and \$53.7 million of intangible assets. The purchase price allocation is preliminary and is subject to change. We are in the process of gathering and assessing the information necessary to determine the required fair value measures.

We expect to incur substantial transaction and integration expenses in connection with the Acquisition, including the necessary costs associated with integrating the operations of the two companies. Acquisition-related transaction costs are not included as a component of consideration transferred, but are accounted for as an expense in the period in which the costs are incurred. While we have assumed a certain level of expenses will be incurred, there are many factors that could affect the total amount or the timing of these expenses, and many of the expenses are, by their nature, difficult to estimate. All such costs are included in acquisition and integration costs in the accompanying Consolidated Statements of Income. Except for an immaterial amount of integration costs in the three-month period ended September 29, 2013, the balances in the table below consist of acquisition transaction costs that primarily include advisory, legal, accounting, valuation, and other professional fees. We expect to incur approximately \$8,500 over the next two years for technology and facility integration costs that do not qualify as restructuring and other exit costs under U.S. GAAP.

WorkflowOne provides printing, document management, distribution and marketing services to a large customer base. The acquisition advances the Company's revenue position, enhances its product and solutions portfolio, broadens its customer base, improves its cost structure, and provides greater financial flexibility and stability. Results of operations for WorkflowOne are included in our consolidated financial statements from the date of acquisition and were integrated into our Healthcare and Business Solutions segments. Throughout this section we will include discussion of the impact of the acquisition to our results. These amounts represent revenue and costs incurred by WorkflowOne with no additional costs allocated from the consolidated company. The results of the acquisition shown on a pro forma basis can be found in Note 4 to the consolidated financial statements.

Consolidated Results

The following table presents "Adjusted EBITDA," which is a non-GAAP financial measure and represents net income excluding income taxes, interest expense, depreciation and amortization, restructuring and impairment charges, acquisition and integration costs, pension (benefit) cost, certain acquisition-related fair value adjustments, share-based compensation, and other costs. Generally, a non-GAAP financial measure is a numerical measure of a company's performance, financial position, or cash flows where amounts are either excluded or included not in accordance with generally accepted accounting principles. The presentation of non-GAAP information is not meant to be considered in isolation or as a substitute for results prepared in accordance with accounting principles generally accepted in the United States. We believe that this non-GAAP financial measure provides a more complete understanding of our current underlying operating performance, a clearer comparison of current period results with past reports of financial performance, and greater transparency regarding information used by management in its decision making. This

presentation is similar to the manner in which our Board of Directors internally evaluates performance. The Company's debt covenants under the First and Second Lien Term Debt are also based on the Adjusted EBITDA calculation.

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The following table reconciles our consolidated net (loss) income to net income presented on a non-GAAP basis (dollars in millions):

| | 13 Weeks Ended | | | 39 Weeks Ended | | | |
|------------------------------------|--------------------|------------------------|----------|--------------------|------------------------|----------|----|
| | September 29, 2013 | September 30, 2012 (1) | % Change | September 29, 2013 | September 30, 2012 (1) | % Change | |
| Revenue | \$199.4 | \$145.7 | 36.9% | \$477.8 | \$458.4 | 4.2 | % |
| Cost of sales | 145.7 | 103.7 | 40.5% | 343.2 | 321.6 | 6.7 | % |
| Gross margin | 53.7 | 42.0 | 27.9% | 134.6 | 136.8 | (1.6) |)% |
| Gross margin % of sales | 26.9 | % 28.8 | % | 28.2 | % 29.8 | % | |
| SG&A expense | 54.4 | 37.7 | 44.3% | 124.5 | 123.4 | 0.9 | % |
| Acquisition and integration | 6.2 | 0.3 | | 8.0 | 0.6 | | |
| Restructuring | 11.1 | 0.7 | | 11.9 | 3.3 | | |
| Asset impairments | 1.3 | — | | 1.3 | — | | |
| Other expense, net | 3.7 | 0.6 | | 4.7 | 2.0 | | |
| (Loss) income before taxes | (23.0) | 2.7 | | (15.8) | 7.5 | | |
| Income tax expense | 0.2 | 0.2 | | 0.7 | 0.7 | | |
| Net (loss) income | \$(23.2) | \$2.5 | | \$(16.5) | \$6.8 | | |
| Adjusted EBITDA | | | | | | | |
| Net (loss) income | \$(23.2) | \$2.5 | | \$(16.5) | \$6.8 | | |
| Adjustments: | | | | | | | |
| Income taxes | 0.3 | 0.2 | | 0.7 | 0.7 | | |
| Interest | 3.7 | 0.7 | | 4.9 | 2.1 | | |
| Depreciation and amortization | 7.8 | 4.9 | | 17.8 | 16.8 | | |
| EBITDA | (11.4) | 8.3 | | 6.9 | 26.4 | | |
| Adjustments: | | | | | | | |
| Restructuring and asset impairment | 12.3 | 0.7 | | 13.1 | 3.3 | | |
| Acquisition and integration costs | 6.2 | 0.3 | | 8.0 | 0.6 | | |
| Pension (benefit) cost | (0.5) | — | | (1.5) | 0.9 | | |
| Fair value adjustments | 1.4 | — | | 1.4 | — | | |
| Share-based compensation | 0.7 | 0.7 | | 1.6 | 2.0 | | |
| Other | (0.1) | 0.1 | | 0.3 | 0.3 | | |
| Adjusted EBITDA | 8.6 | 10.1 | | 29.8 | 33.5 | | |

(1) Adjusted for accounting method change for pension benefit plans. See Note 3 of the Notes to the Consolidated Financial Statements

Revenue

The following table quantifies, on a percentage basis, the estimated impact of key factors that contribute to the increase or decrease in consolidated revenue:

| Percent Change Q3 2013 vs. Q3 2012 | | | | Percent Change YTD 2013 vs. YTD 2012 | | | |
|------------------------------------|---------------------|-------------|-------|--------------------------------------|---------------------|-------------|-------|
| Units | Price & Product Mix | Acquisition | Total | Units | Price & Product Mix | Acquisition | Total |
| (8)% | (2)% | 47% | 37% | (9)% | (2)% | 15% | 4% |

Revenue for WorkflowOne was \$68.3 million for both the third quarter and year-to-date 2013, which led to an overall increase in revenue for the Company. Excluding the impact of the acquisition, revenue declined \$14.6 million and \$48.9 million for the the quarter and year-to date, respectively.

The decline in revenue during the quarter and year-to-date is primarily due to the net unit decrease. This is occurring most prominently within marketing solutions and document management. Our transactional documents and clinical forms along with the related freight and storage services, which are generally included within document management, continue to see decline in demand. In addition, a previously discussed financial customer is significantly impacting marketing communications and document management through a decrease in order volume of \$5.4 million in the third quarter \$16.8 million year-to-date when compared to the same periods in 2012. In our 2012 10-K we estimated the 2013 decline for this financial customer to be \$18-20 million for the entire year. Revenue from marketing communications was impacted by a decline in same customer sales year-to-date, including decreases due to one-time sales in the first two quarters of 2012.

The company is experiencing continued growth from our patient information solutions due to additional sales of SMARTworks® Clinical Enterprise and iMedConsent as well as other new technology sales.

The following table quantifies the changes in consolidated revenue for each of our solutions (dollars in millions):

| | Quarter | | | Year-to-Date | | |
|-----------------------------------|---------|-------|---------|--------------|--------|---------|
| | 2013 | % Chg | 2012 | 2013 | % Chg | 2012 |
| Marketing Communications | \$49.8 | 29.0% | \$38.6 | \$124.2 | (2.5)% | \$127.4 |
| Customer Communications | 13.3 | 66.3% | 8.0 | 28.2 | 17.0% | 24.1 |
| Product Marking and Labeling | 26.8 | 25.2% | 21.4 | 70.6 | 6.5% | 66.3 |
| Patient Identification and Safety | 9.2 | 5.7% | 8.7 | 25.1 | (3.5)% | 26.0 |
| Patient Information Solutions | 4.3 | 7.5% | 4.0 | 12.6 | 12.5% | 11.2 |
| Document Management | 96.0 | 47.7% | 65.0 | 217.1 | 6.7% | 203.4 |
| | \$199.4 | 36.9% | \$145.7 | \$477.8 | 4.2% | \$458.4 |

Cost of Sales and Gross Margin

Cost of sales for both the third quarter and year-to-date includes \$50.0 million from acquired operations. Excluding this amount, cost of sales decreased both in the third quarter and year-to-date 2013 when compared with the same periods of 2012, primarily due to lower unit sales volume. Gross margin as a percent of revenue decreased during the quarter and year-to-date due to lower unit volume reducing the absorption of fixed costs, pricing pressures, product mix, and temporarily higher costs associated with fair value adjustments to WorkflowOne's finished goods inventory. The fair value adjustment resulted in approximately \$1.4 million being charged to cost of sales in the third quarter, with an additional \$0.6 million expected in the fourth quarter. We are also experiencing some increased costs in the current quarter and year-to-date in our new Jeffersonville digital print and distribution facility as we ramp-up operations. These impacts are being partially offset by savings from our restructuring activities as well ongoing cost saving initiatives, which have allowed us to more closely match our cost structure to our reduced volume.

Selling, General and Administrative Expense

SG&A expense for the third quarter of 2013 and year-to-date includes \$18.9 million of expense incurred by WorkflowOne. Excluding the effect of the acquisition, SG&A for the current quarter declined \$2.2 million and \$17.8 million year-to-date over the same periods in 2012. This decrease in the current quarter reflects the savings from our 2011 restructuring plan as well as additional cost saving initiatives. We are seeing savings primarily in the areas of compensation and employee-related expenses, benefits, and facility costs. The rate of savings in the current quarter has slowed as the Company approaches completion of this plan and is only in the beginning stages of the integration restructuring. As our restructuring plan for the integration of WorkflowOne accelerates, the Company will see additional savings in SG&A.

Restructuring and Other Exit Costs and Asset Impairment

On September 26, 2013, the Company's Board of Directors approved a strategic restructuring program in connection with the recent acquisition of WorkflowOne and the integration of the two companies. Total costs of the restructuring program, which is expected to continue through the end of 2015, are expected to be approximately \$29.8 million. Included in this amount is \$9.6 million of involuntary termination costs for employee-related severance; \$7.0 million of contract termination costs, primarily from exiting leased facilities; and \$13.2 million of other associated costs, including fees to a third party to assist with the implementation of our plan, costs to consolidate facilities and relocate equipment and inventory, costs to consolidate our headquarters, and costs associated with the write-off of inventory.

Except for approximately \$0.5 million of inventory write-offs, which will be recorded to cost of sales, the balance of the restructuring charges will result in cash expenditures. The Company expects to achieve approximately \$40.0 million in annual savings when the integration of the two companies is complete. As a result of the plan, restructuring actions not yet initiated from previous restructuring plans are now integrated into our current plan. In the current period we recognized \$12.0 million of expense related to this plan, \$9.6 million of which was employee-related costs.

In late 2011, we developed a strategic restructuring program that was announced in January 2012. Costs of the two-year program included employee separation costs for severance related to the workforce reductions, contract exit and termination costs related to lease terminations, and other associated exit costs that included fees to third parties to assist with the program implementation and certain costs related to implementation of an ERP system that would replace select software applications. In 2013, we reversed a portion of previously accrued severance due to lower than expected costs.

During the third quarter we recorded a \$1.3 million asset impairment charge related to technology assets. The impairment is due to changes made to our future technology plans as a result of alternatives available to us from the acquisition.

Acquisition and Integration Costs

We recorded \$6.2 million of acquisition and integration costs in the third quarter of 2013 and \$8.0 million year-to-date. Of this amount, \$7.8 million was acquisition costs, primarily for advisory, legal, accounting, valuation, and other professional fees. In previous quarters these amounts were categorized as selling, general, and administrative expense. We expect to incur a total of approximately \$8.5 million of integration-related costs over the next two years in connection with the acquisition, of which \$0.2 was recorded in the current quarter.

Income Taxes

Because of the valuation allowance against our deferred tax assets, there was no federal or state income-based tax expense or benefit. Tax expense for 2013 and 2012 reflects foreign taxes in Mexico and state tax liabilities derived from a tax base other than net income.

Segment Operating Results

The following table presents Revenue and Operating Income for each of our reportable segments (dollars in millions):

| | 13 Weeks Ended | | | 39 Weeks Ended | | | | |
|------------------------------|--------------------|--------|--------------------|--------------------|--------|--------------------|--------|------|
| | September 29, 2013 | % Chg | September 30, 2012 | September 29, 2013 | % Chg | September 30, 2012 | | |
| Revenue | | | | | | | | |
| Healthcare | \$62.9 | 22.1% | \$51.5 | \$160.6 | (1.7)% | \$163.3 | | |
| Business Solutions | 136.5 | 44.9% | 94.2 | 317.2 | 7.5% | 295.1 | | |
| Consolidated Revenue | \$199.4 | 36.9% | \$145.7 | \$477.8 | 4.2% | \$458.4 | | |
| | | % Rev | | % Rev | | % Rev | | |
| Operating Income (Loss) | | | | | | | | |
| Healthcare | \$2.1 | 3.3% | \$2.3 | 4.5% | \$6.0 | 3.7% | \$8.6 | 5.3% |
| Business Solutions | (1.5) | (1.1)% | 2.3 | 2.4% | 2.3 | 0.7% | 5.6 | 1.9% |
| Segment Operating Income (1) | \$0.6 | 0.3% | \$4.6 | 3.2% | \$8.3 | 1.7% | \$14.2 | 3.1% |

(1) A reconciliation of segment operating income to consolidated (loss) income before income taxes is provided in Note 12 - Segment Reporting of the Notes to Financial Statements.

Healthcare

Revenue

The following table quantifies, on a percentage basis, the estimated impact of key factors that contribute to the increase or decrease in revenue:

Percent Change Q3 2013 vs. Q3 2012

| Units | Price & Product Mix | Acquisition | Total |
|-------|---------------------|-------------|-------|
| (9)% | 1% | 30% | 22% |

Percent Change YTD 2013 vs. YTD 2012

| Units | Price & Product Mix | Acquisition | Total |
|-------|---------------------|-------------|-------|
| (10)% | (1)% | 9% | (2)% |

The most significant impact to the Healthcare segment during the quarter and year-to-date is the acquisition of WorkflowOne. Total revenue for Healthcare increased by \$15.3 million for both the quarter and year-to-date as a

result of the acquisition. Excluding this impact, Healthcare revenue for the quarter declined a total of \$4.0 million when compared with the same quarter in 2012 and \$18.1 million year-to-date primarily due to a net unit decrease. Revenue from document management, which is largely made up of clinical paper documents and administrative forms as well as the related freight and storage services, drove

the unit decline. Excluding the impact of WorkflowOne's revenue, document management decreased 13.5% in the third quarter and 18.4% for the year over the same periods in 2012. Similarly, patient identification and safety declined \$1.3 million during the quarter and \$2.7 million year-to-date over the same periods in 2012 excluding the impact from the Acquisition. As more hospitals progress in their adoption of electronic health records, we will continue to see decline in document management as well as in portions of patient identification and safety that are form-related.

Excluding the impact of revenue from the acquisition, marketing communications offset a portion of our year-to-date decline with an increase of 2.4% for the third quarter when compared to the same period in 2012. This is an improvement over previous quarters due primarily to one-time sales in the first and second quarters of 2012.

Additionally, we continue to see increases in revenue from our patient information solutions due to the continued growth of SMARTworks® Clinical Enterprise and iMedConsent as well as other new technology sales. The increase does not reflect any impact from the Acquisition as patient information solutions are not in WorkflowOne's product offerings.

The following table quantifies the changes in revenue for each of this segment's solutions:

| | Quarter | | | Year-to-Date | | |
|-----------------------------------|---------|-------|---------|--------------|--------|---------|
| | 2013 | % Chg | 2012 | 2013 | % Chg | 2012 |
| Marketing Communications | \$ 18.9 | 35.0% | \$ 14.0 | \$47.5 | 6.3% | \$44.7 |
| Patient Identification and Safety | 9.2 | 5.7% | 8.7 | 25.1 | (3.5)% | 26.0 |
| Patient Information Solutions | 4.3 | 7.5% | 4.0 | 12.6 | 12.5% | 11.2 |
| Document Management | 30.5 | 23.0% | 24.8 | 75.4 | (7.4)% | 81.4 |
| | \$62.9 | 22.1% | \$51.5 | \$160.6 | (1.7)% | \$163.3 |

Operating income

Operating income declined by \$0.2 million in the third quarter and \$2.6 million year-to-date when compared to the same periods in 2012. The impact of the acquisition to these amounts was not significant. Savings from the restructuring program and other cost savings initiatives have allowed us to more closely match our cost structure to the expected changes in revenue, which has helped offset the declines we have experienced in revenue outside of the acquisition.

Business Solutions

Revenue

The following table quantifies, on a percentage basis, the estimated impact of key factors that contribute to the increase or decrease in revenue:

| Percent Change Q3 2013 vs. Q3 2012 | | | | Percent Change YTD 2013 vs. YTD 2012 | | | |
|------------------------------------|---------------------|-------------|-------|--------------------------------------|---------------------|-------------|-------|
| Units | Price & Product Mix | Acquisition | Total | Units | Price & Product Mix | Acquisition | Total |
| (8)% | (3)% | 56% | 45% | (8)% | (2)% | 18% | 8% |

As a result of the Acquisition of WorkflowOne, an additional \$52.9 million of revenue was recorded for both the third quarter and year-to-date 2013 when compared with the same periods in 2012. This amount includes \$5.7 million of promotional product sales. Excluding the impact of the Acquisition, Business Solutions revenue declined \$10.8 million during the quarter and \$30.8 million year-to-date when compared with the same period of 2012.

A large portion of this decline is a unit decrease from a previously discussed significant financial customer. In our 2012 10-K we estimated the 2013 decline for this financial customer to be \$18-20 million, and year-to-date the decline totaled \$16.8 million and \$5.4 million for the quarter when compared with the same periods in 2012. The decline almost exclusively impacts in marketing communications and document management.

Outside of this significant customer, the largest decline in units came from marketing communications and document management excluding the impact from acquisition revenue. In both the third quarter and year-to-date, this decline is primarily the result of decreases in same-customer sales. Document management and product marking and labeling continue to be impacted by a decline in demand for transactional documents as well as the related form labels.

The following table quantifies the changes in revenue for each of this segment's solutions:

| | Quarter | | | Year-to-Date | | |
|------------------------------|---------|-------|--------|--------------|--------|---------|
| | 2013 | % Chg | 2012 | 2013 | % Chg | 2012 |
| Marketing Communications | \$30.9 | 25.6% | \$24.6 | \$76.7 | (7.3)% | \$82.7 |
| Customer Communications | 13.3 | 66.3% | 8.0 | 28.2 | 17.0% | 24.1 |
| Product Marking and Labeling | 26.8 | 25.2% | 21.4 | 70.6 | 6.5% | 66.3 |
| Document Management | 65.5 | 62.9% | 40.2 | 141.7 | 16.1% | 122.0 |
| | \$136.5 | 44.9% | \$94.2 | \$317.2 | 7.5% | \$295.1 |

Operating income

The impact of the acquisition to operating income for both the quarter and year-to-date was a loss of \$0.7 million. Outside of this impact, operating income declined \$3.1 million in the third quarter and \$4.0 million for the year when compared with the same periods in 2012. Much of this decline is due to the decline in volume when compared with 2012, which results in lower fixed cost absorption. Additionally, the Company has made planned investments in our Jeffersonville facility which are impacting third quarter costs.

LIQUIDITY AND CAPITAL RESOURCES

Our discussion of liquidity also presents a financial measure that is considered non-GAAP. Because our credit facility is borrowed under a revolving credit agreement which currently permits us to borrow and repay at will up to a balance of \$125 million (subject to limitations related to receivables, inventories, and letters of credit), we measure cash flow performance prior to borrowing or repayment of the credit facility. In effect, we evaluate cash flow as the change in net debt (credit facility less cash and cash equivalents).

Cash Flows

Overall, cash flow on a net debt basis was negative by \$6.6 million for the first nine months of 2013. Summarized Statements of Cash Flows are presented below:

| | 39 Weeks Ended | |
|---|-----------------------|-----------------------|
| | September 29, 2013 | September 30, 2012 |
| Net cash provided by operating activities | \$5.3 | \$10.2 |
| Net cash used in investing activities | (7.2) | (2.3) |
| Net cash provided by (used in) financing activities | 3.7 | (8.4) |
| Effect of exchange rate on changes in cash | — | 0.2 |
| Net change in cash | \$1.8 | \$(0.4) |
| Memo: | | |
| Add back credit facility (borrowed) repaid | (8.4) | 4.4 |
| Cash flow on a net debt basis | \$(6.6) | \$4.0 |

Operating activities

Net cash provided by operating activities was lower in the first nine months of 2013 due to reduced operating profit as well as increased working capital requirements. While payments for restructuring have slowed, we expect spending to increase going forward due to our restructuring plan related to the acquisition.

Contributions to the Company's qualified pension plan were \$18.8 million in the first nine months of 2013 compared to \$18.7 million in the same period of 2012. The minimum funding requirement for 2013 is \$26.8 million, of which \$2.0 million was contributed in 2012, allowing us to lower our cash outlay in 2013.

Investing activities

Net cash used in investing activities was primarily driven by \$9.1 million of capital expenditures. Capital expenditures in 2013 are chiefly related to a new marketing logistics center and planned upgrades and changes to our IT infrastructure necessary to grow and support our solutions.

Offsetting this was cash acquired in the Acquisition of \$1.7 million.

Financing activities

Net cash provided by financing activities was higher in 2013 due to additional draws on our credit facility to meet the needs of the combined company, including deal costs incurred due to the Acquisition. This was offset by payments toward the credit facility and capital leases, as well incurring \$2.4 million of debt issuance costs related to the credit facility amendment described below and the term loans assumed through the Acquisition.

On August 1, 2013, the Company entered into an amended and restated loan and security agreement (Revolving Credit Facility) which amended the terms of the Company's existing \$100 million senior secured revolving credit facility that would have matured in March 2014. The Revolving Credit Facility provides for borrowings up to \$125 million through August 1, 2018. At the time of amendment of the Company's existing revolving credit facility, \$47.1 million was outstanding. This amount was immediately transferred to the Revolving Credit Facility.

The Revolving Credit Facility is secured by accounts receivable, inventories, fixed assets, and certain other assets. The Revolving Credit Facility contains a fixed charge coverage covenant test that becomes applicable if the sum of available unborrowed credit plus certain cash balances falls below 12.5% of aggregate commitments or \$12.5 million, whichever is greater.

The Revolving Credit Facility provides for the payment of interest on amounts borrowed under both London Interbank Offered Rate (LIBOR) contracts and base rate loans. Payment of interest on LIBOR contracts is at an annual rate equal to the LIBOR rate plus 1.75% to 2.25% based on our level of liquidity. Payment of interest on base rate loans is based on the prime rate plus .75% to 1.25% based upon our level of liquidity. The weighted average interest rate, including the spread, was 2.25% at September 29, 2013. We are also required to pay a fee on the unused portion of the Revolving Credit Facility payable at an annual rate of .25% if the unused portion is less than 50% of the aggregate commitment or .375% if the unused portion is greater than or equal to 50% of the aggregate commitment. As part of the acquisition, the Company assumed debt of \$210 million previously held by WorkflowOne. Debt assumed under the First Lien Term Loan was approximately \$124 million and is secured by accounts receivable, inventories, fixed assets, and certain other assets. Quarterly payments of \$2.5 million are due beginning September 2014 with additional mandatory payments due based on a percentage of excess cash flow and certain other events. The full unpaid principal amount is due on August 1, 2018. The debt will bear interest at an adjusted LIBOR plus 7.00%. At September 29, 2013, the interest rate, including the spread, was 7.5%.

Debt assumed under the Second Lien Term Loan was approximately \$86 million and is secured by accounts receivable, inventories, fixed assets, and certain other assets. Upon the termination of the First Lien Term Loan, mandatory payments are due based on a percentage of excess cash flow and certain other events. The full unpaid principal amount is due on February 1, 2020. The debt will bear interest at an adjusted LIBOR plus 8.65%. At September 29, 2013, the interest rate, including the spread, was 9.15%.

The First and Second Lien Term Loans require the Company to be in compliance with specified financial covenants, the levels of which will change periodically. The covenants include a required minimum earnings level, a total leverage ratio, and a fixed charge coverage ratio that becomes effective in September 2014.

We believe that the combination of internally-generated funds, available cash, and available funds under our Revolving Credit Facility will be sufficient to fund our operations, including restructuring payments, capital expenditures, and investments in growth initiatives over the next year. We believe our major long-term cash requirements consist of funding our pension plan, mandatory debt payments, and necessary investments aimed at transforming our combined product portfolio. While we have taken steps to enable us to adequately fund these items, actual amounts required may be higher than estimated due to the uncertainty in determining the exact amounts needed.

Item 3 – QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

Not applicable

Item 4 – CONTROLS AND PROCEDURES

Evaluation of Disclosure Controls and Procedures

We conducted an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures over financial reporting (Disclosure Controls) as of September 29, 2013. The evaluation was carried out under the supervision, and with the participation, of our management including our Chief Executive Officer (CEO) and Chief Financial Officer (CFO).

Based on that evaluation, our CEO and CFO have concluded that as of the end of the period covered by this Quarterly Report on Form 10-Q, our Disclosure Controls were effective to provide reasonable assurance that information required to be disclosed in our Exchange Act reports is recorded, processed, summarized, and reported within the time periods specified by the SEC and that material information relating to The Standard Register Company is made known to management, including the CEO and CFO, particularly during the period when our periodic reports are being prepared.

Changes in Internal Control

During the third quarter of fiscal 2013, there have been no significant changes in our internal controls or in other factors that could significantly affect these controls, and no corrective actions taken with regard to material weaknesses in such controls except those described below.

On August 1, 2013, the Company completed the acquisition of WorkflowOne. The Company is currently integrating policies, processes, people, technology, and operations for the combined Company. Management will continue to evaluate the Company's internal controls over financial reporting as it continues its integration work.

PART II – OTHER INFORMATION

Item 1 – LEGAL PROCEEDINGS

There have been no material legal proceedings within the reporting period that the Company has been involved with beyond those conducted in a normal course of business.

Item 1A – RISK FACTORS

Not applicable

Item 2 – UNREGISTERED SALES OF EQUITY SECURITIES AND USE OF PROCEEDS

Not applicable.

Item 3 – DEFAULTS UPON SENIOR SECURITIES

Not applicable

Item 4 – MINE SAFETY DISCLOSURES

Not applicable

Item 5 – OTHER INFORMATION

None.

Item 6 – EXHIBITS

Exhibit # Description

- 2.1 Membership Interest Purchase Agreement, dated as of August 1, 2013, by and among The Standard Register Company, Workflow Holdings, LLC and WorkflowOne, LLC incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 4.1 Form of Warrant, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.1 Amendment and Restatement Agreement, dated as of August 1, 2013, by and among The Standard Register Company, Workflow Holdings, LLC, WorkflowOne, LLC, the subsidiary guarantors named therein, Silver Point Capital, L.P, Silver Point Finance, LLC and the lenders named therein, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.2 First Lien Credit Agreement, dated as of August 1, 2013, by and among The Standard Register Company, WorkflowOne, LLC, the subsidiary guarantors named therein, Silver Point Finance, LLC, as administrative agent, and the lenders named therein, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.3 Second Lien Credit Agreement, dated as of August 1, 2013, by and among The Standard Register Company, WorkflowOne, LLC, the subsidiary guarantors named therein, Silver Point Finance, LLC, as administrative agent, and the lenders named therein, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.4 Amended and Restated Loan and Security Agreement, dated as of August 1, 2013, by and among The Standard Register Company, WorkflowOne, LLC, the subsidiary guarantors named therein, Bank of America, N.A., as administrative agent, and the lenders named therein, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.5 Shareholders Agreement, dated as of August 1, 2013, by and among The Standard Register Company, the shareholders named therein and Silver Point Finance, L.P., incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.6 Registration Rights Agreement, dated as of August 1, 2013, by and among The Standard Register Company, the shareholders named therein and Silver Point Finance, L.P., incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.7 Form of Voting Agreement, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.8 Form of Amended and Restated Executive Severance Agreement, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 10.9 Form of Performance Restricted Stock Grant Agreement, incorporated by reference to the Company’s current report on Form 8-K dated August 1, 2013.
- 18 Preferability letter from Independent Registered Public Accounting Firm

| | |
|------|--|
| 23 | Consent of Independent Registered Public Accounting Firm |
| 31.1 | Certification of Chief Executive Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 31.2 | Certification of Chief Financial Officer pursuant to Section 302 of the Sarbanes-Oxley Act of 2002. |
| 32 | Certifications pursuant to 18 U.S.C. Section 1350, as adopted pursuant to Section 906 of the Sarbanes-Oxley Act of 2002. |
| 99.1 | Report of Independent Registered Public Accounting Firm |
| 101 | The following financial information from The Standard Register Company Quarterly Report on Form 10-Q for the quarter ended September 29, 2013 formatted in XBRL (eXtensible Business Reporting Language): Consolidated Statements of Income, Consolidated Statements of Comprehensive Income, Consolidated Balance Sheets, Consolidated Statements of Cash Flows, and Notes to Consolidated Financial Statements |
| 30 | |

SIGNATURE

Pursuant to the requirement of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned thereunto duly authorized.

Date: November 12, 2013

THE STANDARD REGISTER COMPANY
(REGISTRANT)

/S/ ROBERT M. GINNAN

By: Robert M. Ginnan, Executive Vice President, Treasurer,
Chief Financial Officer and Chief Accounting Officer
(On behalf of the Registrant and as Chief Accounting Officer)