STANDARD REGISTER CO
Form 10-Q
November 12, 2013

UNITED STATES SECURITIES AND EXCHANGE COMMISSION
WASHINGTON, D.C. 20549
FORM 10-Q
[X] QUARTERLY REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES EXCHANGE ACT OF 1934
For the quarterly period ended 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 incorporation or organization)	(I.R.S. Employer 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 [X] No[ ]
Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes [X] No[ ]
Indicate by check mark 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. [X]
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 [X]

Indicate by check mark whether the Registrant is a shell company (as defined in Rule 12b-2 of the Act). Yes [ ] No [X]
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 September 29, 2013	September 30, 2012	39 Weeks Ended 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 September 29, 2013	September 30, 2012	39 Weeks Ended 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.

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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.

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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.

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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.

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.

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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:

	13 Weeks Ended		39 Weeks Ended	
(Shares in thousands)	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		