STANDARD REGISTER CO
Form 10-K
March 09, 2006

UNITED STATES SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-K

[X] ANNUAL REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the fiscal year ended January 1, 2006

OR

[ ] TRANSITION REPORT PURSUANT TO SECTION 13 OR 15(d) OF THE SECURITIES

EXCHANGE ACT OF 1934

For the transition period from ________ to ________

Commission file number 0-01097

THE STANDARD REGISTER COMPANY

(Exact name of Registrant as specified in its charter)

OHIO	**31-0455440**
(State or other jurisdiction of Incorporation or organization)	(I.R.S. Employer Identification No.)
600 ALBANY STREET, DAYTON OHIO	**45408**
(Address of principal executive offices)	(Zip Code)

(937) 221-1000

(Registrant s telephone number, including area code)

SECURITIES REGISTERED PURSUANT TO SECTION 12(b) OF THE ACT

Title of each class	Name of each exchange on which registered
Common stock $1.00 par value	New York Stock Exchange

SECURITIES REGISTERED PURSUANT TO SECTION 12(g) OF THE ACT

None

Indicate by check mark if the Registrant is a well-known seasoned issuer, as defined in Rule 405 of the Securities Act. Yes[ ] No[X]

Indicate by check mark if the Registrant is not required to file reports pursuant to Section 13 or Section 15(d) of the Act. Yes[X] No[ ]

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 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 checkmark whether the Registrant is a large accelerated filer, an accelerated filer, or a non-accelerated filer. See definition of accelerated filer and large accelerated filer in Rule 12b-2 of the Exchange Act.

Large accelerated filer [ ]

Accelerated filer [X]

Non-accelerated filer [ ]

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

The aggregate market value of all stock held by non-affiliates of the Registrant at July 3, 2005 was approximately $192,605,035 based on a closing sales price of $15.97 per share on July 3, 2005.

At January 29, 2006, the number of shares outstanding of the issuer s classes of common stock is as follows:

Common stock, $1.00 par value	24,109,331 shares
Class A stock, $1.00 par value	4,725,000 shares

Part III incorporates information by reference from the Proxy Statement for Registrant s Annual Meeting of Shareholders to be held on April 27, 2006.

THE STANDARD REGISTER COMPANY

FORM 10-K

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PART I

Item 1 BUSINESS

COMPANY OVERVIEW

The Standard Register Company (referred to in this report as the Company, we, us, our, or Standard Register) is publicly traded company that began operations in 1912 in Dayton, Ohio. Our common stock is traded on the New York Stock Exchange (NYSE) under the symbol SR. Our principal executive offices are located at 600 Albany Street, Dayton, Ohio 45408 (telephone number: 937-221-1000).

Standard Register, a leading document services provider, uses its extensive industry expertise to help organizations manage, control, and source their document and print-related spending. We have spent the last 90 years helping organizations better manage information and improve business processes in what was largely a paper-driven world. Now we re leveraging this expertise with the latest digital printing, Internet and supply-chain technologies to help organizations drive greater operational efficiencies, reduce supply chain costs, improve customer service, and gain a stronger position in an increasingly competitive, global economy. We offer consulting, technology, design, printing, and staffing services to address document needs across a customer s enterprise from the desktop, to the data center and centralized print shop, to externally-sourced printing. Our products and services provide our customers the means to create, manage, and distribute documents. We are able to address our customers current needs as well as guide them into the future with solutions for reducing costs, migrating to more efficient digital technologies, fulfilling compliance requirements, and driving business growth.

OUR INDUSTRIES

We primarily serve the healthcare, financial services, insurance, pharmaceutical, manufacturing, and transportation industries. We are a leading provider of products and services to the majority of the acute care hospitals as well as the majority of the largest financial institutions in the United States.

OUR PRODUCTS AND SERVICES

Our strategy is to provide a full spectrum of solutions from print to digital that help organizations effectively capture, manage, and use information to improve their business results. Our customers leverage our deep industry expertise and innovative solutions to increase efficiency, reduce cost, enhance security, and strengthen customer loyalty. We provide our customers the knowledge and means to discover what they spend company-wide on documents and printing.

Our Enterprise Document Management approach includes analysis of where, how and even if documents are printed. This document study includes everything from forms, stationery, and reports to four-color marketing collateral and also addresses what is printed internally, as well as externally. By improving the efficiency of these processes and applying appropriate sourcing strategies, customers are able to save on their entire document-related supply chain.

Our solutions give customers the tools to manage the entire lifecycle of their documents from concept to delivery to archiving. We are a document services company entrusted to manage business-critical documents with a variety of products and professional services including the following:

Document Printing Solutions

We provide the following document solutions that help customers find the most cost-effective way to format, print, manage, and distribute information, while using advanced security measures to protect the confidentiality of their printed and electronic communications.

Document Management

We offer a comprehensive solution to help organizations manage all aspects of their communications, plus a nation-wide network of Web-connected printing and warehousing centers. This solution includes:

- Statements and invoices
- Payroll and expense checks
- Purchase orders and shipping documents
- Product and compliance labels
- Letterhead and envelopes
- Marketing, investor and employee communications.

Digital Printing Solutions

We combine Web technologies and state-of-the-art digital printing to enable our customers to print what they need, when they need it, and in the exact quantities they need. Just-in-time digital printing provides organizations with significant economic benefits. It eliminates the costs associated with warehousing and helps them avoid the cost and risks associated with document obsolescence. With an extensive network of digitally-enabled production facilities, we provide a broad capability and a layer of disaster recovery security. Our capabilities include:

- Black and white reprographic printing
- Digital color printing
- Tabs
- Binding, including perfect, tape, comb and coil
- Folding, cutting, trimming
- Perforating, punching, drilling
- Laminating
- Kit-building
- Fulfillment services.

Intelligent Printing Solutions

We provide the ability to link customers data with our systems to deliver documents on demand. By integrating existing print streams to server- or PC-resident digital forms designs, customers achieve flexibility as they move to less paper. Whether the customer s application is payroll, grade reports, or patient documentation, we work with their existing data without costly reprogramming. Secure printing applications and bar code applications can also be converted into intelligent printing solutions.

Warehouse and Distribution Services

With Web-enabled distribution warehouses across the country, we are positioned to not only print, but also warehouse and manage all documents and other items used by a company. We offer a cost-effective solution that enables customers to store items near their locations. Our distribution services help customers eliminate the administrative burdens of processing and tracking large numbers of purchase orders, acknowledgements, packing lists, invoices, and statements. We offer services in consolidation and direct-to-end-user shipping of combined document and product bundles saving our customers the complexity of multiple-vendor receiving, sorting, consolidation and forwarding. Our experienced logistics team helps manage time-sensitive events and corporate document conversions.

Secure Document Solutions

We provide customers with document security solutions to protect against loss due to fraud. No single security feature is fully effective alone, but through a combination of specialized inks, secure papers, unique construction, and proprietary security features, we can help protect checks and other vital documents from copying, altering, and other types of fraud. Our intelligent printing solution, LinkUp®, creates secure disbursements easily. It can be used as a stand-alone system or attached to a network and can process thousands of documents per month with efficiency, flexibility and security. It is a total solution that includes both technical support and supplies.

Bar codes and data encryption offer an added layer of fraud protection for secure document processing. With expertise in the leading bar code, radio frequency identification (RFID), and other automated identification technologies, we provide our customers with a comprehensive solution for securely producing and managing vital documents, as well as tracking and controlling high-value, high-demand items, such as pharmaceuticals, tickets for sporting and entertainment events, and jewelry that are often targets for counterfeiting.

Label and Tag Solutions

Labels and tags perform vital functions in business and industry. They are at the core of process management, helping to convey information and ultimately drive revenue, safeguard assets, and mitigate risk. We have broad design and production capabilities, plus expertise in workflow management to help customers address virtually any application need. We provide innovative solutions to meet our customers requirements including specially-formulated adhesives and substrates to withstand environmental stresses; highly specialized inks and patterns to provide the necessary level of security; smart chips to add intelligence and flexibility; and unique design configurations to eliminate redundancy, streamline processes and reduce costs. We also provide a total integrated solution that includes printers, applications, readers, and software to coordinate and process information.

Identification

These solutions assist with a broad scope of identification requirements - products, parts labeling, assets, personnel - integrating information, branding, security, and bar-coding. Some of our customized identification solutions include:

- Wristbands for patient identification
- Clean release™ tags for membership and identification cards
- Nameplates and serial plates
- Vehicle and watercraft stickers.

Instruction

We produce a wide range of instructional labels, such as wiring diagrams, installation, operating and service instructions - designing them for the life of the product. We have competency in more than 30 languages and are able to support global identification needs by providing translation services to complement our design and production capabilities.

Tracking

As the basis of automated identification and data capture, labels play an essential role in the flow of information. Leveraging our process management and technology expertise, we help customers migrate from today s ink-on-paper solutions to more efficient technologies that help streamline processes, improve accuracy and productivity while gaining greater control over operations.

Bar Code Solutions

Bar codes have made an indelible mark on supply chain operations. We help companies leverage bar code technologies to introduce greater accuracy, productivity, and control into target areas. We provide a comprehensive solution including:

- Workflow analysis
- Labels and forms
-

Application software

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Data capture solutions

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Printers and printer applicators

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Conveyor controls, sorting and manifesting systems

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Integration and implementation services

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Training and service support.

Logistics

Labels are a crucial link in a company s supply chain. Working with our label team, customers can introduce new efficiencies to their production line, reduce costs, and streamline the shipping process. Labeling kits integrate all product-specific labels identification, serial numbers, hazard warnings, and inspection labels onto a single sheet for easier application, simplified inventory management and reduced inventory expense. Three-in-one shipping labels combine packing list, shipping label and envelope into one, helping to reduce errors, processing time and costs.

Compliance

Many industries, including manufacturing, healthcare, pharmaceutical, and financial services, are challenged to meet both regulatory requirements and industry standards. Our design team is conversant with current standards and requirements and is a vital resource to customers engineering, marketing, and compliance teams. We focus on the details, providing the appropriate symbology and specifications for compliant labels, tags, plates, and wristbands.

Product Configuration Control

In the manufacturing industry, product warning, identification and other labels are a vital part of the assembly process and are critical parts of the finished product. Many product design changes result in frequent label design changes. Our Manufacturing Label Solutions offering, combining world-class durable label manufacturing capability with our Label Management Information System, provides our manufacturing customers with a simple solution for managing and simplifying all of their critical product labeling needs. At the same time, the system and our expertise ensure continual compliance with regulatory and quality management system requirements, regardless of the dynamics of product design.

Security

As a leader in document security, we assist customers with introducing greater security to product tags and labels, vehicle stickers, as well as personal ID cards. We develop customized solutions that utilize specialized inks, secure stocks, proprietary features, and the newest technologies along with secure systems and procedures to help minimize risk exposure.

Multi-Purpose Solutions

As a strategic partner with our customers in improving processes, we help streamline workflow and reduce the total cost of labeling operations. We audit current labels in use, look at processes, and identify opportunities to combine functions into a single document. Examples of such solutions include:

- The Total Scripts™ solution combines a prescription label, patient advisory and promotional information into a single, cost-effective form.

- The 2-in-1 Enrollment solution combines a welcome letter with identification cards, perfect for membership programs, new employee kits and insurance programs.

Print-On-Demand Solutions

Combining our expertise in data processing and digital printing with our broad experience with both traditional and Internet methods of delivery, we offer products and services to assist our customers in developing an integrated solution for managing and delivering communications to their customers, investors, employees, and any other stakeholders. Our solutions are as varied as our customers   communication needs and range from the simple to the complex:

- Booklets and manuals

- Personalized information kits

- Single and multi-part mailings

- Bills and statements

- Privacy and other regulatory notifications.

One-to-One Communications

Using our customers own data, we help them customize their communication programs to maximize the impact of their message by giving them the means to communicate one-to-one with targeted individuals. We assist with the creation of relevant, customized messages for specific individuals.

Complete Campaign Management

This is an end-to-end solution that includes data management, printing, kit-building, mailing, and archiving. This offering can be used to manage one-time distributions or on-going marketing campaigns. With four fulfillment centers strategically located around the United States, we are able to produce and distribute mailings on a timely, cost-effective basis.

Secure Confidential Environment

Recent regulations such as the Sarbanes-Oxley Act, the Health Insurance Portability and Accountability Act, and the Gramm-Leach Bliley Act, have created an increased focus on internal controls, security, and privacy issues. We understand the need to maintain the confidentiality of our customers data and have put the secure controls and safeguards in place to host or process our customers and their customers data.

Marketing StoreFront

Our Marketing StoreFront provides users throughout a company s enterprise with a central e-library of all their marketing materials that they can easily search, view and order. Customers can catalog both static and variable materials for print on demand as well as inventoried items. It is digital asset management providing an automated method of version control and gives customers the ability to catalog and manage:

- Product literature
- Presentations
- Campaign kits
- Signage
- Promotional items
- Commercially-printed items

- Business cards and stationery.

Within the Marketing StoreFront, our customers have access to the QuickPrint, DesignOnDemand®, and Dynamic Communications modules, giving them the flexibility to configure and order personalized collateral and manage ongoing campaigns.

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QuickPrint is a print fulfillment tool that automates the entire printing process from conception to specification, estimating and ordering. Documents can be printed as they are needed and usage and spending is easily monitored.

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DesignOnDemand is a marketing solution that enables users to create, order, and mail high impact, personalized communications to customers in as little as 48 hours. Leveraging SMARTworks® content-management technology, it simplifies creation of marketing literature, presentations, proposals and direct-mail campaigns while maintaining brand integrity. Users select the communications template they need, personalize it with industry-specific text, graphic images from their repository, and variable information from their own data sources. Within a matter of minutes, they are ready to review an online proof and dispatch their order to one of our digital printing centers or launch the communication electronically.

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Standard Register s Dynamic Communications is a Web-based solution for creating and managing complex documents, information kits and marketing campaigns that can help customers dramatically improve communications while reducing cycle time and costs. Driven by rules-based software and the content placed in a digital repository, Dynamic Communications allows customers to create and assemble booklets, letters and kits fully personalized for each recipient. It gives them the capability to create and distribute those materials in up to 14 languages, electronically via the Internet, in print or both. The rules-based matrix assures each recipient receives only the information relevant to him or her in the right language and the preferred medium.

Internet Presentment

In moving from printed to online communications, customers can substantially reduce costs, broaden their marketing capability, and improve the experience for the growing number of customers, investors and employees who prefer receiving their communications electronically.

Standard Register has the technology, resources and secure environment to support electronic presentment of bills, statements and other communications. We provide complete e-services, including:

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Document conversion from print to PDF or HTML

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Electronic document presentment

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Encrypted e-mail statement delivery

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Hosted archiving and e-notification

•

Electronic payment

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CD-ROM production and archiving services.

Our solutions are designed to integrate with a variety of systems, including several online payment services, to provide a truly paperless system. We can customize a solution to fit a specific business need or provide a standard package.

Electronic Bill Payment

Our electronic payment solution simplifies the payment process for customers while helping them secure payments on a timelier basis and reduce the need for collection calls and notices. A company s customers can manage their accounts, view payment history, contact customer service and pay electronically or by phone via check, credit or debit card. Even their customers who opt to receive statements by traditional mail can pay electronically or by phone.

Document and Marketing Automation

We use our document management and digital asset management technologies to simplify the process of creating and managing marketing communications while improving their effectiveness with full personalization. Built on our SMARTworks technology platform, our Web-based and software solutions offer companies decentralized content management with centralized brand control and ability to create one-to-one communications.

Workflow Automation

Our SMARTworks technology platform allows customers to manage a specific process across their enterprise. Currently used for marketing automation, print management and E-procurement applications, this powerful Web-based solution allows customers to manage processes from their desktop, providing complete searching, tracking, and reporting capability. It is a comprehensive business process management tool, helping to reduce processing costs, errors, and cycle time while tracking spending.

Data Capture Solutions

Standard Register is transforming data capture with an emerging technology solution - ExpeData™ digital pen and paper. Combining the simplicity of paper with the power of digital, this innovative technology gives organizations the ability to capture information simply and naturally - as it is handwritten - automatically converting the writing into a digital format, verifying it, and making it available to back-end systems such as customer relationship management, inventory management, and patient records.

Aimed at streamlining workflow and accelerating the flow of information, the ExpeData solution helps reduce errors commonly experienced in manual processing, while eliminating the time and costs associated with data entry, mailing, scanning and indexing. It helps establish greater accountability and control by providing an exact image of the handwritten document and a secure audit trail. Because pen and paper fit naturally with the way people work, the technology is readily accepted by even the most inexperienced users with minimal training.

Output Management Solutions

Standard Register s LinkUp® Enterprise (LUE) is electronic forms software that streamlines document production, access and administration. It works within a customer s existing enterprise to retrieve and intelligently route data to printers, faxes, PCs - wherever needed - delivering hardcopy forms, electronic documents or e-mail messages in the formats needed by users.

Widely used in check disbursement applications such as payroll and accounts payable, this versatile output management solution can be used in virtually any document management application. In automating forms, LUE helps reduce the errors and costs associated with manual processing and it enables customers employees to spend less time on documentation and more time on critical business tasks. By printing documents on demand, it facilitates the elimination of costly inventories of preprinted forms. Moreover, this cost-effective automation software provides a secure document production platform to help establish needed controls over confidential information and vital documents. A similar software solution, Patient Linkup® Enterprise system, is available for hospitals.

Document Automation for the Insurance Industry

Standard Register also provides document automation solutions specifically tailored for the insurance industry through our subsidiary, InSystems™. Their powerful Calligo® suite automates creation, production and distribution of complex, customized documents such as correspondence, policies and certificates. InSystems also offers a solution to automate product development and compliance filings.

Consulting

In addition to the products and services discussed above, our customers can choose to use our consulting services to help them transform their document-intensive processes and reduce the total cost of ownership. While we have been helping companies organize, manage and distribute information for nearly a century, we are also taking a proactive role in helping businesses migrate from paper-based to digital processes.

Digitization

We provide a structured approach to automation, examining an organization s total print spend - both promotional and operational - cataloging paper and electronic documents, documenting processes, then identifying opportunities to standardize, consolidate, streamline, and eliminate obsolescence or duplication. With a full audit of a company s documents and processes, we work with them to develop a migration strategy to introduce greater levels of automation and efficiency.

Process Re-Engineering & Document Automation

Applying Six Sigma and Lean Manufacturing methodologies, we help streamline processes and develop an enterprise-wide document strategy to improve quality and throughput, reduce cycle times and reduce costs. We show customers how to organize, standardize and consolidate documents, recommend cost-effective alternatives for managing and producing documents, and chart a path that steadily migrates them from paper to more cost-efficient digital media. Moreover, we build in the controls and measurements to identify opportunities for ongoing process improvement.

Print Supply Chain Management

With a blend of paper and digital documents, day-to-day management of document production and distribution of documents is particularly challenging. Identifying the appropriate technologies and suppliers is crucial to cost-effective management and ensuring the right information gets to the right people in the right format just in time. We can map a strategy that addresses production and distribution of all documents in a company s supply chain to help reduce inventories and obsolescence while meeting the needs of internal and external customers. We can establish relationships with best-of-class suppliers to help further reduce expenses and enhance operating efficiencies. We supplement these services with a broad offering of supplies, including:

- Printer supplies
- Computer supplies and accessories
- Fax machines and supplies
- Copier supplies
- Labels.

Document Security Analysis

We seek to gain a system-wide understanding of the threats and risks that a given document will face. We conduct a comprehensive analysis of an organization s practices and procedures, document creation, authentication, tracking and reconciliation systems as well as the actual documents. We then work with the customer to develop a multi-level solution that addresses the document and the document management process to provide an effective deterrent to fraud and loss.

Technology Planning and Integration

Today s automated identification and data capture technologies offer a viable means of streamlining workflows and introducing greater efficiency, integrity and security to a wide range of applications. Conversant with multiple technologies, we assist companies in evaluating their strengths, limitations, applicability and value to their application. We will collaborate with the customers to define goals, analyze workflow and processes, and define output and environmental requirements. We will then evaluate which methods of data capture, identification and materials handling will best suit their application and how they can be integrated with their infrastructure and assist with both evaluation and integration.

Outsourcing and Managed Services

We offer a wide range of on-site and off-site managed services to help companies improve the way business gets done. We leverage leading technologies to manage both paper-based and digital document systems, helping to improve our customers service to their internal and external customers while reducing the total cost of their business processes.

Commercial Printing Services

We source high-quality commercial printing and provide supply-chain-management services to produce high-end, high-volume marketing collateral and business communications. We supplement our in-house printing capabilities with an extensive network of commercial printers throughout North America and abroad. By leveraging these relationships, our industry expertise, and e-procurement technologies, we deliver value for the full breadth of our customers business communication needs, including:

- Annual reports
- Brochures, sell sheets, catalogs, directories
- Letterhead, business cards, envelopes
- Magazines, newsletters, books, pamphlets, manuals
- Point-of-purchase materials
- Direct mail pieces, postcards
- Posters, signs, displays
- Pocket folders.

Contracted Print Services

We offer contracted print services beyond traditional facilities management models. Using the expertise of our PrintConcierge® group and a nationwide network of certified printing facilities, we help our customers determine how to free up space, people and assets related to document management. We can establish relationships with best-of-class suppliers to help reduce print spend and enhance operating efficiencies. Moreover, our associates can organize and manage companies inventories of documents and digital assets, helping to substantially reduce the total cost of document management.

Document Outsourcing

We offer a comprehensive fulfillment capability for managing business communications, eliminating the need for dedicated resources or equipment investment. Companies can leverage our people and expertise in data processing, digital printing and distribution to manage and deliver all types of communication - via the Web or traditional delivery methods.

Conversion Management

Acquisitions offer a tremendous opportunity for organizations to expand their market presence and generate new revenue. We provide both the manpower and experience to successfully plan and implement new store or branch openings and conversions, assuming responsibility for new signage, fixtures and furniture, new forms and supplies, and marketing materials. With expertise in conversion workflow, technology, standards, compliance, and how to work with people in a changing environment, we will help organizations meet critical timelines and make a seamless transition.

OUR BUSINESS SEGMENTS

Our four reportable segments are Document and Label Solutions, POD Services, InSystems, and Digital Solutions.

You can read additional information related to products and services, revenues, operating profit, identifiable assets, financial information by geographic area, and capital expenditures of each reportable segment for years 2003 through 2005 in Note 17 Segment Reporting in the Notes to Consolidated Financial Statements.

Document and Label Solutions

Document and Label Solutions accounted for 68.7%, 69.0%, and 69.5% of our consolidated revenues in 2005, 2004, and 2003. Primary markets are large- and middle-market companies in the healthcare, financial services, manufacturing, and distribution/logistics industries.

Market Trends Excess production capacity and price competition are prevalent in the Document and Label Solutions segment. The introduction of alternative technologies has reduced industry demand for traditional custom-printed business documents while a very competitive market has led to price competition. In spite of these challenges, we believe there is opportunity to increase our market share if we effectively carry out our sales strategies and offer an increasing array of application software and professional services.

Driven by an increase in both consumer and industrial end-use applications, the market for pressure-sensitive labels in North America is projected to exhibit steady growth. Companies in the industry will increasingly need to incorporate technologies such as bar code technology, RFID, Internet-based commerce, digital presses, and environmentally-friendly adhesives and inks. All of these factors will make the industry more efficient allowing us to compete for new markets with alternative technologies.

Other market trends include:

- Organizations believe that documents that touch their customers are strategic to their business
- Customers are migrating to fewer suppliers and more strategic relationships

- Paper-based documents and workflow are increasingly being automated and migrated to digital form
- Demand for RFID, linerless, laser, thermal, and on-press adhesives is increasing
- Media recommendations by printer manufacturers are influencing designs
- Customers are buying labels as part of a package with printers, software, and services
- Customers are increasing their use of variable data
- Use of removable adhesive is growing
- Electronic commerce is driving an increase in shipping label demand as more businesses and individuals buy goods online.

Competition Our principal competitors include R. R. Donnelley & Sons Company and WorkflowOne. These companies offer products and services similar to ours. In addition, we compete against local and regional manufacturers, brokers, and distributors. We believe we have several strategic advantages over our competitors including:

- We are recognized as a leader in secure documents, particularly in the healthcare and financial services markets.
- We have knowledge and experience in document workflow management, a strong national reputation, excellent domestic geographic coverage, and a complete line of products from paper to digital.
- We have developed proprietary total-solutions offerings, such as our Manufacturing Label Solutions software, process management, and labels program.

Backlog Document and Label Solutions backlog of custom-printing orders at January 29, 2006 was approximately $39.1 million compared to $47.3 million at January 30, 2005. We expect to fill all orders in 2006.

POD Services

Print-on-Demand (POD) Services accounted for 26.4%, 27.0%, and 26.4% of our consolidated revenues in 2005, 2004, and 2003.

Market Trends We expect the overall market for document outsourcing and POD to grow as companies seek outside help in creating and delivering business communications with more impact, while reducing print inventory levels and related costs. The POD market is one that permeates all industries and is a natural extension of our core business because it is a transaction-intensive market that we already serve with our core products. Increasingly, companies strive to reach their customers with targeted, customized, and personalized messages in order to maximize their sales and marketing investments. The ability to print and distribute these communications on demand will also fuel growth in this area. Our focus remains on growing digital color in support of the print-on-demand business.

Competition Our principal competitors include R. R. Donnelley & Sons Company, Kinko s, and Xerox.

Backlog POD Service s backlog of orders at January 29, 2006 and January 30, 2005 was approximately $5.5 million. We expect to fill all orders in 2006.

InSystems

InSystems accounted for 1.2%, 1.3%, and 2.1% of our consolidated revenues in 2005, 2004, and 2003.

Market Trends InSystems focuses on the financial services industry. Industry analysts predict modest growth in information technology spending for financial services organizations in general and specifically for insurance, with expected increases of at least 3% for large insurance carriers and higher for mid-size carriers forecast for the year ahead. These industries have historically been highly information technology intensive with an above average percentage of revenues being spent on information technology. Market trends include increased emphasis on regulatory compliance, pressures to accelerate bringing new products to market, security, customer and distribution channel loyalty, and the migration from paper to digital solutions.

Competition Our competitors include in-house development by insurance companies and other companies that offer document automation and document management solutions, such as Docucorp and Document Sciences Corporation.

Backlog Our backlog of professional services and software maintenance contracted for, but not yet performed, as of January 29, 2006 is approximately $5.6 million, compared to $6.4 million as of January 30, 2005. Of this, approximately $0.3 million is not expected to be realized in 2006.

Digital Solutions

Digital Solutions accounted for less than 1% of our consolidated revenues in 2005. Digital Solutions is a start-up software and services venture based on the application of digital pen and paper technology which enables a user to directly transfer handwriting on a paper document to digital format as input to a software application. Standard Register is using its forms and business process improvement expertise to assemble new information and capture technologies that ease its customers transition from paper to the digital world.

Market Trends The ExpeData digital writing solution is commercially available and deployed in several markets including pharmaceutical, healthcare, field service, transportation and others, both domestically and internationally. ExpeData expects to see the use of the Bluetooth® digital writing solution on the rise as the Mobile and Wireless markets continue to grow. With the use of Bluetooth, handwritten information is transmitted through cell phones and/or BlackBerry® devices, providing virtual real-time data transfer and two-way communication, essential for the mobile workers.

Competition In the emerging marketplace for digital solutions, there are offerings similar to our solutions. There are, however, no clear leaders in the marketplace. In addition to competition from other companies, there is also competition from competing technologies such as PDAs, laptop computers, tablet PCs, and custom input devices.

Backlog Digital Solutions backlog of orders at January 29, 2006 was approximately $0.1 million. There was no backlog for Digital Solutions orders at January 30, 2005.

OUR MARKETING AND DISTRIBUTION

We utilize several sales channels that are devoted to selling a variety of our solutions and products as part of an enterprise solution or single product offering. These channels are primarily organized based upon a combination of their sales objective, market segmentation, and account segmentation as follows:

- A geographically-based, direct sales channel that focuses on the retention, expansion, and acquisition of primarily middle-market to larger accounts across all industries that we serve

- A strategic account sales organization that serves those customers that buy a breadth of our products and views the Company as a partner in the development of their enterprise business solutions; these customers tend to be in the financial, manufacturing, and distribution/logistics segments

- An inside-sales channel that is focused on the retention and expansion of business supplies and specialized product offerings targeted to smaller accounts or remote geographies where our direct sales force cannot be cost effective

- A business development group that focuses on the acquisition of new business

- A healthcare sales group that supports our direct sales channel; this group also directs the sale of, and provides specialized support for, selling software and systems integration

- A technical sales group that supports our direct and strategic accounts   sales organizations in the expansion and acquisition of POD products, professional consulting services, and commercial print applications to our larger accounts.

We support our sales channels with a centralized marketing organization that provides product support, strategic marketing, alliance development and marketing communications. In addition, we utilize a direct client care organization that uses customer relationship management systems to improve sales productivity by automating repetitive and administrative tasks, reducing selling costs and enhancing account management. We plan to continue to invest in strategic marketing tools to help in our account management and satisfaction systems, one-to-one marketing, and e-business efforts.

Documents are printed at 36 geographically disbursed locations in the United States. Documents are shipped directly to customers or are stored by us in warehouses for subsequent on-demand delivery. The management of document inventories to provide just-in-time delivery is a major element of customer service.

OUR RAW MATERIALS

We purchase raw paper in a wide variety of weights, grades, and colors from various paper mills in the United States and Canada. Carbonless paper, inks, and printing supplies are available nationally and are purchased from leading vendors. We continuously ensure that we have adequate supplies to meet present and future sales objectives. We generally order from suppliers with whom we have long-standing relationships.

OUR RESEARCH AND DEVELOPMENT

During 2005, we spent $11.0 million on research and development compared to $12.9 million and $17.2 million in 2004 and 2003. Research and development is primarily focused on two areas: the design and development of new products, services, software and technologies, and process improvement activities. The design and development of new products and technologies also includes equipment design and development used in production as well as the integration of new technologies available in the marketplace.

OUR INTELLECTUAL PROPERTY

We have many patents related to documents, equipment, systems, labels, and security products that provide a competitive advantage or generate license income. None of these, individually, have a material effect upon the business.

SEASONALITY

No material portion of our business could be considered seasonal.

OUR CUSTOMERS

The business of the Company taken as a whole, or by individual business segments, is not dependent upon any single customer or a few customers. No single customer accounts for 10% or more of total consolidated revenue.

GOVERNMENTAL AND ENVIRONMENTAL REGULATION

We have no significant exposure with regard to the renegotiation or termination of government contracts. Any expenditure made to comply with federal, state, or local provisions of environmental protection have not had a material effect upon our capital expenditures, earnings, or competitive position.

OUR EMPLOYEES

At January 1, 2006, we had approximately 4,000 employees compared to 4,100 at January 2, 2005 and 5,000 at December 28, 2003.

OUR WEBSITE

Our Internet website is www.standardregister.com. Our annual reports on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K, and all amendments to these reports are available, without charge, on the website as soon as reasonably practicable after we file these reports with the SEC. You can also obtain these reports, free of charge, by contacting Investor Relations, Standard Register, Corporate Offices, P.O. Box 1167, Dayton, Ohio 45401, E-mail: investor@standardregister.com, phone: 937-221-1304. You can also obtain these reports and other information, free of charge, at www.sec.gov. You may also read and copy materials we file with the SEC at the SEC s Public Reference Room at 450 Fifth Street, NW, Washington, D.C. 20549. Information on the operation of the Public Reference Room may be obtained by calling the SEC at 800-732-0330.

We are not including the information contained in our website as part of, or incorporating it by reference to, this Annual Report on Form 10-K.

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. All statements regarding our expected future financial condition, revenues or revenue growth, projected costs or cost savings, cash flows and future cash obligations, dividends, capital expenditures, business strategy, competitive positions, growth opportunities for existing products or products under development, and objectives of management are forward-looking statements that involve certain risks and uncertainties. In addition, 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 tre future events. These forward-looking statements are based on current expectations and estimates; we cannot assure you 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.

Because such statements deal with future events, actual results for fiscal year 2006 and beyond could differ materially from our current expectations depending on a variety of factors including, but not limited to, the risk factors discussed below.

Item 1a RISK FACTORS

Risk Factors

Investment in any business involves inherent risks and uncertainties. In addition to the other information presented in this Annual Report on Form 10-K, and beyond the risks and uncertainties of ordinary business operations, important factors that could cause our actual results to differ materially from those contained in this Annual Report on Form 10-K include the following.

Digital technologies may continue to erode the demand for our printed business documents.

Many of our custom-printed documents help companies control their internal business processes and facilitate the flow of information. The increasing sophistication of software, intranets, and our customers general preference for a paperless office environment will continue to reduce the number of printed documents sold. Moreover, the documents that will continue to coexist with software applications will likely contain less value-added print content.

Many documents we sell to customers, such as purchase orders, checks, and statements, serve to facilitate transactions between businesses. These applications will increasingly be conducted over the internet or through other electronic payment systems.

The predominant method of our clients communication to their customers is by printed information mailed to their homes or offices. As the customers become more accepting of internet communications, our clients may increasingly opt for the less costly electronic option, which would reduce our revenue.

The pace of these and other technology substitutions is difficult to predict. These factors will tend to reduce the industry-wide demand for printed documents and require us to gain market share to maintain or increase our current level of print-based revenue.

For reasons discussed below, we operate in a very competitive industry and we may not be successful in gaining market share in which case the rate of decline in revenue could outpace our rate of cost reduction, lowering our margins.

The document printing industry is likely to continue to be oversupplied and highly price competitive, which may reduce our gross margins.

Flat-to-declining market demand for many printed products, steady advances in manufacturing productivity, and the absence of meaningful industry consolidation may prolong or even worsen the current overcapacity situation within the industry, further weakening market pricing and lowering our margins. The increasing use of reverse auctions or other bidding tools may also contribute to lower prices for our printed products.

Although we have endeavored in the past to continually improve productivity and reduce our cost structure in an effort to maintain a competitive position, there is no guarantee that we would be able to do so successfully in the future. Consequently, our margins could be unfavorably impacted.

Our plans to deal with the threats and opportunities brought by digital technology may not be successful.

Digital technologies pose a significant threat to many of the printed documents that have been the mainstay of our historical profit and cash flow. In 2000, we embarked on a multi-year restructuring program to maintain our competitive position in our traditional markets, invest in existing products and services not threatened by technology and add new offerings with future growth potential.

We have eliminated unprofitable business and aggressively reduced costs in an effort to maintain a competitive position. These actions produced significant restructuring and impairment charges as we reduced staffing levels, excess production capacity and other operating costs.

It is likely that market forces will require us to continue to improve our productivity and cost structure, possibly resulting in additional restructuring charges. Margins on traditional products could suffer if we do not successfully realize market share gains or productivity improvements in the future to offset the effects of declining unit sales and weaker pricing.

Digital technology poses less of a threat to some of our traditional products other than printed documents, such as labels and secure documents, and we will invest in an effort to grow the sales of these products. We plan to open a manufacturing plant in Mexico to supply labels to our customers who manufacture there. We have limited experience in operating a manufacturing facility outside of the United States and may have difficulty with the cultural and administrative aspects of this venture, which could unfavorably impact our margins.

As our traditional printed products come under increasing pricing pressure, we will endeavor to separately price and sell related software and services. These include document design, application software, software support, consulting, program management and other services that we believe our customers need and will value. Some of these services have traditionally been bundled into the value of the product; others have been sold at a highly discounted price. Our success in this initiative will require a change in behavior on the part of our sales representatives and our customers, and accordingly it is difficult to predict the rate of adoption. There is no guarantee that will get the increase in margins we need to offset potentially weaker product margins.

We are also investing to bring our customers new services which we believe have future growth potential. Among these are Print on Demand Services, PathForward Consulting Services, ExpeData digital pen and paper, and our Commercial Print Exchange. These initiatives depend heavily upon our ability to develop and deploy software that will streamline order workflow, enrich the customer experience and differentiate us from the competition. Our success will depend upon our ability to invest the required capital and attract and retain experienced talent. Given the challenging market dynamics for each of these services, there is no guarantee that we will be successful and we may incur operating losses as we progress through the learning curve.

A significant downturn in the general economy could adversely affect our revenue, gross margin and earnings.

Our business could be unfavorably affected by changes in national or global economic conditions, including inflation, interest rates, availability of capital markets, consumer spending rates and the effects of governmental plans to manage economic conditions. The demand for many of our printed documents, and hence our revenue and gross margin, is strongly correlated with general economic conditions and with the level of business activity of our customers. Economic weakness and constrained customer spending has resulted in the past, and may result in the future, in decreased revenue, gross margin, earnings, or growth rates. We also have experienced, and may experience in the future, gross margin declines reflecting the effects of increased pressure for price concessions as our customers attempt to lower their cost structures. In this environment, we may not be able to reduce our costs sufficiently to maintain our margins which, in the case of severe financial difficulty, may affect our ability to pay dividends for a period of time.

We may not be able to pass through increases in our paper costs or may experience several quarters of delay in recovering higher paper costs.

Paper is a commodity that is subject to periodic increases or decreases in price, with all major paper mills setting their prices within a narrow band at any point in time. There is no effective futures market to cost-effectively insulate us against unexpected changes in price, and corporate-negotiated purchase contracts provide only limited protection against price increases.

When paper prices are increased, we attempt to recover the higher costs by raising the prices of our products to our customers. Since each order is custom printed to each customer s specification, the price increase varies by product and customer and is accomplished by individual negotiation between the sales representative and the buyer.

In the price-competitive marketplace in which we operate, the sales representative may not be able to pass through any or all of the higher paper cost, or more likely, may experience some negotiated delay in achieving the higher price. In addition, we have contracts with some customers that limit the amount and frequency of price increases. To the extent we cannot recover the full cost increase, our gross margins would be reduced. We have generally been successful in the past in recovering higher paper costs, albeit with some delay; there is no guarantee, however, that this experience will be repeated in the future.

We may make larger contributions to our pension plans in the future, diverting cash from other corporate purposes.

Our qualified defined benefit pension plan has shifted from over funded to under funded, largely as a result of poor stock market returns in years 2001 and 2002 that reduced the market value of our pension plan assets, and lower interest rates which increased the present value of future benefit obligations.

We have been making voluntary contributions to our pension plan over the last four years, averaging approximately $15 million annually. Although subject to change, we expect to make voluntary contributions of approximately $20 million annually which would bring the plan to a fully-funded position in about six years based on current actuarial assumptions.

Competing legislative proposals are pending in the United States Senate and House of Representatives that would, among other things, require more rapid funding of underfunded plans in order to improve the funded position of pension plans. We expect a compromise bill to emerge from committee and be passed in 2006, but we cannot be certain that the amount of the future contributions we currently expect to make will comply with the new legislation. Also, if our actuarial assumptions are not realized we may have to increase our contributions to our pension plan, diverting cash from capital expenditures or other important corporate purposes, or perhaps increasing the level of our long-term debt. For more information related to our actuarial assumptions and pension obligations, see Management s Discussion and Analysis of Financial Condition and Results of Operations Critical Accounting Estimates.

Our investment in digital pen and digital paper may not be successful.

We are investing in the development of software and services to serve the emerging digital pen and paper market. Our solution translates handwriting on a custom-printed paper document to digital format for automatic input to a customer s software application. Digital Solutions operates primarily as a web-based Application Service Provider (ASP). In addition to ASP services, this segment markets custom-designed and printed digital documents, software, digital pens, and professional services.

Our technology solution has been successfully demonstrated in customer pilot tests and is now in full operation with several customers. Our offering is being primarily marketed through third-party channels, both in the United States and abroad, with which we have limited past experience. Because this is a relatively new application, it is difficult to judge the size of the potential market and the rate of adoption.

Our development and marketing costs have been substantial and have produced operating losses for this segment of our business. We are encouraged by the progress we have made, but are not yet certain that the market will develop successfully. We may continue to incur operating losses over the near term as we pursue our product development and marketing plans. We will continue to evaluate the future costs and benefits of this program.

Failure to attract and retain qualified personnel may result in difficulties in managing our business effectively and meeting revenue growth objectives.

Our success in efforts to grow our business depends on the contributions and abilities of key executives, operating officers and other personnel. If we are unable to retain and motivate our existing employees and attract qualified personnel to fill key positions, we may not be able to manage our business effectively including the development of both existing and new products and services. Success in meeting our revenue and margin objectives also depends in large part on our ability to attract, motivate, and retain highly qualified personnel in sales and information management positions. Competition for such personnel is intense and there can be no assurance that we will be successful in attracting, motivating and retaining such personnel. Any inability to hire and retain salespeople or any other qualified personnel, or any loss of the services of key personnel, could harm our business.

Steps that have been or may be taken to restructure our business and align our resources with market opportunities may not be effective or could disrupt our business.

Over the past several years, we have undertaken several actions designed to restructure our business and to reduce future operating costs and dispose of excess assets. These actions have included reductions in workforce, dispositions of assets, and plant and office closures and internal reorganizations of our sales force to better match our resources with market opportunities. The completion of these activities or the introduction of additional restructuring programs could be disruptive to our business. Reductions to headcount and other cost cutting measures could result in the loss of technical expertise that could adversely affect our plans for growth and development of new and existing products and services.

Any additional restructuring efforts to reduce components of operating expense that may occur in the future would most likely result in additional restructuring or asset impairment charges. If this were to occur, our earnings per share or net loss per share would be adversely affected in such period.

There are inherent limitations in all control systems, and misstatements due to error or fraud may occur and may not be detected.

While we continue to take action to ensure compliance with the disclosure controls and other requirements of the Sarbanes-Oxley Act of 2002 and the related SEC and NYSE rules, there are inherent limitations in our ability to control all circumstances. Our management, including our Chief Executive Officer and Chief Financial Officer, does not expect that any company s controls, including our own, will prevent all error and all fraud. A control system, no matter how well conceived and operated, can provide only reasonable, not absolute, assurance that the objectives of the control system are met. In addition, the design of a control system must reflect the fact that there are resource constraints and the benefit of controls must be evaluated in relation to their costs. Because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that all control issues and instances of fraud, if any, in our Company have been detected. These inherent limitations include the realities that judgments in decision making can be faulty and that breakdowns can occur because of simple error or mistake. Further, controls can be circumvented by individual acts of some persons, by collusion of two or more persons, or by management override of the controls. The design of any system of controls also is based in part upon certain assumptions about the likelihood of future events, and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Over time, a control may be inadequate because of changes in conditions or the degree of compliance with the policies or procedures may deteriorate. Because of inherent limitations in a cost-effective control system, misstatements due to error or fraud may occur and not be detected.

Other Risk Factors

There are numerous other factors, many of which are outside of our control, which could adversely impact our financial condition, cash flows, and results of operations. Such factors include: adverse events such as natural disasters; large scale medical outbreaks; acts of international or domestic terrorism; and international, political and military developments. Among other things, such factors could provoke economic uncertainty which could reduce demand for, and consumer spending on, our products; price increases in commodities such as paper, which would increase our product costs; and legal and regulatory developments that could impact how we operate. Any of these factors could have a material adverse effect on our business.

Item 1b UNRESOLVED STAFF COMMENTS

None

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Item 2 PROPERTIES

Our corporate offices are located in Dayton, Ohio. InSystems is located in Toronto, Ontario, Canada. The following table is a list of our major production facilities:

Location	Square Footage	Business Segment	Type of Facility
Fayetteville, Arkansas	146,349	Document and Label Solutions	Continuous, Form Labels
Middlebury, Vermont	115,698	Document and Label Solutions	Continuous, Form Labels, 50" Rolls
Murfreesboro, Tennessee	82,209	Document and Label Solutions	Short-run Continuous
Salisbury, Maryland	114,607	Document and Label Solutions	Continuous, Form Labels, 50" Rolls
Shelbyville, Indiana	60,930	Document and Label Solutions	Short-run Zipsets and Cut Sheets
York, Pennsylvania	214,110	Document and Label Solutions	Zipset, MICR Cut Sheet, Laser Forms
Radcliff, Kentucky	79,000	Document and Label Solutions	Custom, Labels, Matchweb Labels, and Doculabels II Labels
Tampa, Florida	39,634	Document and Label Solutions	Custom Labels and Roll Labels
Terre Haute, Indiana	53,757	Document and Label Solutions	Custom Labels and Specialty Labels
Charlotte, North Carolina	57,191	POD Services	Document Outsourcing, Imprinting, Digital Color
Sacramento, California	51,760	POD Services	Document Outsourcing, Kitting/Digital Color
Tolland, Connecticut	56,159	POD Services	Document Outsourcing, Kitting/Imprinting, Financial Forms
Carrollton, Texas	81,435	POD Services	Document Outsourcing, Imprinting, Digital Color

Sacramento, California; Tampa, Florida; Carrollton, Texas; and Tolland, Connecticut are leased facilities. In addition, we operate 23 smaller Stanfast Print Centers. In most cases these facilities are located in major metropolitan cities in the United States and are leased.

Our current capacity, with modest capital additions, is expected to be sufficient to meet production requirements for the near future. Utilization by press varies significantly, averaging an estimated 66% overall. We believe our production facilities are suitable and can meet our future production needs.

Item 3 LEGAL PROCEEDINGS

a)

We have no material claims or litigation pending against us.

b)

Standard Register has been named as a potentially responsible party by the U.S. Environmental Protection Agency or has received a similar designation by state environmental authorities in several situations. None of these matters have reached the stage where a significant liability has been assessed against the Company. We have evaluated each of these matters and believe that none of them individually, nor all of them in the aggregate, would give rise to a material charge to earnings or a material amount of capital expenditures. This assessment is notwithstanding our ability to recover on existing insurance policies or from other parties that we believe would be held as joint and several obligors under any such liabilities. However, since these matters are in various stages of process by the relevant environmental authorities, future developments could alter these conclusions. However, currently we do not believe that there is a likelihood of a material adverse effect on our financial condition in these circumstances.

Item 4 SUBMISSION OF MATTERS TO A VOTE OF SECURITY HOLDERS

During the fourth quarter of fiscal 2005, no matters were submitted to a vote of our shareholders.

Executive Officers of the Registrant

The following is a list of our executive officers, their ages as of January 29, 2006, their current titles, and any positions they held during at least the last five years:

Name	Age	Office and Experience	Officer Since
Donna L. Beladi	56	Vice President, Chief Strategy Officer. Ms. Beladi has served in this position since September 2005. From January 2004 to September 2005, she served as Vice President, Chief Marketing Officer, and as Vice President, Business Development, from January 2000 to December 2003.	2000
Craig J. Brown	56	Senior Vice President, Treasurer and Chief Financial Officer. Mr. Brown has served in his current position since March 1995, having previously served as Vice President, Finance and Treasurer from April 1987 to March 1995.	1987
Paul H. Granzow	78	Chairman, Board of Directors. Mr. Granzow has served as Chairman of the Board of Directors since January 1984. He is co-trustee of the John Q. Sherman Trust.	1984
Kathryn A. Lamme	59	Vice President, General Counsel and Secretary. Ms. Lamme was appointed to this position in April 2002, having previously served as Vice President, Secretary and Deputy General Counsel of Standard Register from April 1998 to April 2002.	1998
Joseph P. Morgan, Jr.	46	Vice President, Chief Technology Officer and General Manager, On Demand Solutions Group. Mr. Morgan has served in this position since January 2003, having previously served as President and Chief	2003

		Executive Officer of the Company s wholly-owned subsidiary, SMARTworks, LLC, from July 2001 to January 2003. Prior to joining Standard Register, from January 2001 to July 2001, he was President and Chief Executive Officer of Transvision, Inc. and served as President and Chief Operating Officer of eflatbed.com from February 2000 to January 2001.	
Dennis L. Rediker	62	President and Chief Executive Officer. Mr. Rediker has served in his current position since June 2000. Prior to joining Standard Register, he was elected Chief Executive Officer of English China Clays plc in 1996. He led the merger with Imerys in 1999 then and then was named Chief Executive Officer of Imerys' Pigments and Additives Group in 1999. He has served on The Standard Register Company's Board of Directors since 1995.	2000

There are no family relationships among any of the officers. Officers are elected at the annual organizational meeting of the Board of Directors, which is held immediately after the annual meeting of shareholders, to serve at the pleasure of the Board.

PART II

Item 5 MARKET FOR THE REGISTRANT S COMMON STOCK AND RELATED SHAREHOLDER MATTERS

a)

Market Price

The following table lists the high and low market prices as reported on the NYSE and cash dividends paid per share:

		2005		
Quarter	**Dividend**	**High**	**Low**	**Last**
1st	$ 0.23	$ 14.44	$ 11.90	$ 12.22
2nd	$ 0.23	$ 16.15	$ 11.67	$ 15.97
3rd	$ 0.23	$ 16.98	$ 13.66	$ 14.95
4th	$ 0.23	$ 16.86	$ 13.62	$ 15.81

		2004		
Quarter	**Dividend**	**High**	**Low**	**Last**
1st	$ 0.23	$ 20.00	$ 14.85	$ 15.29
2nd	$ 0.23	$ 16.40	$ 11.09	$ 11.48
3rd	$ 0.23	$ 12.19	$ 10.27	$ 10.49
4th	$ 0.23	$ 14.35	$ 10.14	$ 14.12

b)

Approximate Number of Holders of Common Stock

On January 29, 2006, there were approximately 2,665 shareholders of record of our common stock. This number includes restricted shares, but excludes individual holders whose shares are held by nominees. There are also 16 holders of Class A stock.

c)

Dividends

We expect to continue paying quarterly cash dividends in the future; however, the amounts paid will be dependent upon earnings and the future financial condition of the Company.

Information regarding our equity compensation plans is in Item 12 on page 81 and is incorporated by reference into this section of Item 5.

Item 6 - SELECTED FINANCIAL DATA

THE STANDARD REGISTER COMPANY
SIX YEAR FINANCIAL SUMMARY
(Dollars in thousands except per share amounts)

	2005 (b)	*2004 (a,b)*	*2003 (b)*	*2002 (b,c)*	*2001 (b)*	*2000 (b)*
SUMMARY OF OPERATIONS						
Revenue	$ 901,915	$ 890,249	$ 894,270	$ 1,003,676	$ 1,151,142	$ 1,326,188
Cost of sales	583,303	565,980	552,867	601,252	750,676	864,387
Gross margin	318,612	324,269	341,403	402,424	400,466	461,801
Research and development	11,041	12,900	17,236	17,865	14,385	10,289
Selling, general and administrative	254,956	276,995	300,598	274,915	304,499	354,542
Depreciation and amortization	39,217	42,909	46,145	46,451	45,063	54,476
Goodwill impairment	-	47,059	-	-	-	-
Asset impairments	303	1,418	15,910	-	41,512	80,738
Restructuring charges (reversals)	2,266	13,609	19,951	(1,837)	64,038	14,064
Interest expense	2,483	2,646	4,055	13,324	12,755	12,691
Investment and other income (expense)	560	209	982	(605)	3,171	2,750
Income taxes (benefit)	8,057	(28,362)	(23,533)	20,903	(32,702)	(23,794)
Income (loss) from continuing operations	849	(44,696)	(37,977)	30,198	(45,913)	(38,455)
Income (loss) from discontinued operations	-	1,658	(1,090)	2,383	2,592	3,659
Gain on sale of discontinued operations	550	12,820	-	-	-	-

Net income (loss)	$ 1,399	$ (30,218)	$ (39,067)	$ 32,581	$ (43,321)	$ (34,796)
DILUTED PER SHARE DATA						
Income (loss) from continuing operations	$ 0.03	$ (1.57)	$ (1.34)	$ 1.06	$ (1.66)	$ (1.40)
Income (loss) from discontinued operations	-	0.06	(0.04)	0.08	0.09	0.13
Gain on sale of discontinued operations	0.02	0.45	-	-	-	-
Net income (loss)	$ 0.05	$ (1.06)	$ (1.38)	$ 1.14	$ (1.57)	$ (1.27)
Dividends paid	$ 0.92	$ 0.92	$ 0.92	$ 0.92	$ 0.92	$ 0.92
Book value per share	$ 6.02	$ 7.21	$ 8.73	$ 11.10	$ 15.03	$ 17.70
YEAR-END FINANCIAL DATA						
Current ratio	2.1 to 1	1.3 to 1	2.8 to 1	3.6 to 1	3.9 to 1	4.3 to 1
Working capital	$ 113,855	$ 63,216	$ 184,083	$ 283,096	$ 362,917	$ 367,106
Plant and equipment	$ 129,989	$ 147,160	$ 165,538	$ 206,222	$ 225,216	$ 307,771
Total assets	$ 475,912	$ 542,973	$ 628,957	$ 754,864	$ 837,783	$ 894,147
Long-term debt	$ 34,379	$ 867	$ 125,000	$ 200,010	$ 202,300	$ 202,930
Shareholders' equity	$ 173,452	$ 205,405	$ 248,588	$ 312,480	$ 415,290	$ 488,142
OTHER DATA						
Number of shares outstanding at year-end	28,833,939	28,494,239	28,468,455	28,145,272	27,634,864	27,575,804
Number of employees	4,000	4,100	5,000	5,681	5,692	8,022
Capital expenditures	$ 20,224	$ 23,228	$ 18,343	$ 28,220	$ 25,647	$ 65,792

(a) Reflects the gain on sale of the equipment service business on December 31, 2004.

(b) Reflects income (losses) from discontinued operations as a result of the sale of the equipment service business on December 31, 2004.

(c) Reflects the acquisitions of InSystems and PlanetPrint on July 2, 2002 and July 12, 2002, respectively.

Item 7 - MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS *(Dollars in Millions, Except Per Share Amounts)*

This Management s Discussion and Analysis provides material historical and prospective disclosures intended to enable investors and other users to assess our financial condition and results of operations. Statements that are not historical are forward-looking and involve risks and uncertainties, including those discussed under the caption Risk Factors in Item 1A of this Annual Report on Form 10-K and elsewhere in this report. These risks could cause our actual results to differ materially from any future performance suggested below.

OVERVIEW

The Company We are a leading document services provider that helps our customers manage, control and source their document and print-related spending. We primarily serve the healthcare, financial services, insurance, pharmaceutical, manufacturing, and transportation industries.

We are a document services company entrusted by our customers to manage business-critical documents with a variety of products and professional services. As a strategic partner in migrating companies from paper-based to digital processes, our strategy is to provide a full spectrum of solutions including printing solutions, label and tag solutions, print-on-demand services, document and marketing automation, outsourcing and managed services, and professional services. Standard Register s solutions give customers the tools to manage the entire lifecycle of their documents from concept to delivery to archiving.

Our Enterprise Document Management approach includes analysis of where, how - and even if - documents are printed. This document study includes everything from forms, stationery and reports to four-color marketing collateral and also addresses what is printed internally as well as externally. By improving the efficiency of these processes and applying appropriate sourcing strategies, customers are able to save on their entire document-related supply chain.

Our operations include four reportable segments: Document and Label Solutions, Print-on-Demand (POD) Services, InSystems, and Digital Solutions.

Our Business Challenges The market for many of our traditional printed products is very price competitive. In order to maintain or improve our margins in these segments, we must execute our plans to gain market share, improve productivity, and increase the sale of related value-added software and services.

Paper prices have risen in recent months, reflecting higher energy costs, lower pipeline inventories, and high paper mill operating rates achieved in part as a result of lowered capacity. These industry conditions are expected to continue through 2006, which may support additional paper price increases. We have raised our target selling prices to recover the most recent round of paper cost increases and will likely do so again in 2006 should paper prices increase further. Given our price-competitive marketplace and the custom nature of our product, the recovery of paper cost increases requires individual customer negotiation and is challenging, often taking several quarters to achieve and reducing margins in the interim.

We fully expect the increasing use of reverse auctions and other bidding tools will gain in popularity and will most likely lower our prices for our printed products.

Our pension plan became underfunded in late 2002, primarily as a result of weak stock market returns in 2001 and 2002. The amortization of these and other actuarial losses has resulted in significant expense in subsequent years equivalent to $0.40 per share in 2005 and $0.50 per share expected for 2006. We have continued to make voluntary cash contributions to our qualified pension plan, averaging approximately $15 million annually over the last four years; we plan to make a $20 million voluntary contribution in 2006.

Our Digital Solutions segment has produced operating losses in recent periods, reflecting software development and other investments made to bring our digital pen and paper technology and services solution to market. We have been encouraged by the results of our pilot tests and by our initial customer installations late in 2005. Our challenge will be to translate existing pilots and prospects into a meaningful level of revenue in 2006 that demonstrates the viability of this newly emerging application.

Our Focus Our objective is to continue to improve the sales trend in our core document business by taking market share in targeted accounts and vertical markets where we have a strong reputation and value proposition. We will continue to reduce costs and improve productivity in order to stay cost competitive.

We plan to address the large and growing market to provide for digital print-on-demand output, including color and variable print. Services that provide the customer with added convenience, design capability and control over the process are expected to be a strong differentiator. We plan to step up the level of investment in our POD Services business in order to ensure that we catch the building market momentum in this important growth segment. This will translate into higher capital expenditures and selling, general and administrative expenses in the coming quarters.

We intend to continue to bring our customers products and services that improve their ability to capture, manage and move information in their business processes. We also offer a portfolio of Standard Register managed services that help our customers reduce costs and improve their business processes allowing them to concentrate on their core competencies. Over time, services will become an increasing source of our revenue stream. Our strategy is beginning to resonate with customers and we have successfully completed implementation of these offerings.

We previously announced an objective to improve our pretax operating profit before restructuring and impairment charges by five percentage points as a percent of revenue, from the first half of 2004 to the second half of 2005. Late in 2005, we stated that our outlook indicated we might fall short of our five-percentage point goal as a result of investments in our Digital Pen and Paper and POD Services initiatives. We did achieve a 3.6 percentage point improvement in 2005 and will continue to focus on improving the performance of operations that currently do not make a sufficient contribution to profit and on improving our overall productivity and return on invested capital.

Digital Pen and Paper is an emerging market that shows promise. Although the initial adoption rate is proving slower than originally expected, we are encouraged by the results of our initial installations, customer pilots, and the growing interest among prospects in the technology and its application. There are seven pilots currently running and we reported revenue in this segment for the first time in the fourth quarter of 2005. We will continue to invest in product and market development in 2006 in this segment.

We expect to continue to focus on generating positive cash flow and maintaining our current strong financial condition.

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

In preparing our financial statements and accounting for the underlying transactions and balances, we applied the accounting policies disclosed in the Notes to the Consolidated Financial Statements. Preparation of our 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.

We consider the estimates discussed below as critical to an understanding of our financial statements because they place the most significant demands on management s judgment about the effect of matters that are inherently uncertain and the impact of different estimates or assumptions is material to our financial condition or results of operations. Specific risks for these critical accounting estimates are described in the following paragraphs. The impact and any associated risks related to these estimates are discussed throughout this discussion and analysis where such estimates affect reported and expected financial results. The impact of changes in the estimates and assumptions pertaining to impairments and contingent liabilities are directly reflected in the financial results of the individual segment. The impact of changes in estimates and assumptions related to pension and postretirement healthcare benefit plans, deferred taxes and LIFO reserves generally do not affect segment results.

For a detailed discussion of the application of these and other accounting policies, see Significant Accounting Policies in the Notes to the Consolidated Financial Statements. Management has discussed the development and selection of the critical accounting policies and the related disclosure included herein with the Audit Committee of the Board of Directors.

Pension and Postretirement Healthcare Benefit Plan Assumptions

We have defined benefit pension plans covering eligible U.S. employees. We also have a postretirement benefit plan that provides certain healthcare benefits for eligible retired employees.

Included in our financial results are significant pension and postretirement obligations and benefit costs and credits which are measured using actuarial valuations. The use of actuarial models requires us to make certain assumptions concerning future events that will determine the amount and timing of the benefit payments. Such assumptions include the discount rate, the expected long-term rate of return on plan assets, the rate of future compensation increases and the healthcare cost trend rate. In addition, the actuarial calculation includes subjective factors, such as withdrawal and mortality rates, to estimate the projected benefit obligation. The actuarial assumptions used may differ materially from actual results due to changing market and economic conditions, higher or lower withdrawal rates, or longer or shorter life spans of participants. These differences may result in a significant impact on the amount of pension or postretirement obligations and benefit expense recorded in future periods.

Discount rate One of the principal components of calculating the projected benefit obligation, the accumulated benefit obligation and certain components of pension and postretirement healthcare benefit expense is the assumed discount rate. The discount rate is the assumed rate at which future pension and postretirement healthcare benefits could be effectively settled. The discount rate established at fiscal year-end for the benefit obligations is also used in the calculation of the interest component of benefit expense for the following year. Discount rates are established based on prevailing market rates for high-quality, fixed-income instruments with maturities equal to the future cash flows to pay the benefit obligations when due.

Expected long-term rate of return on plan assets One of the principal components of the net periodic pension cost calculation is the expected long-term rate of return on plan assets. The required use of an expected long-term rate of return on plan assets may result in recognized pension income that is greater or less than the actual returns of those plan assets in any given year. Over time, however, the expected long-term returns are designed to approximate the actual long-term returns and therefore result in a pattern of income and expense recognition that more closely matches the pattern of the services provided by our employees. Our qualified defined benefit pension plan s assets are invested in a broadly-diversified portfolio consisting primarily of publicly-traded common stocks and fixed-income securities. We use long-term historical actual return experience and estimates of future long-term investment return with consideration to the expected investment mix of the plan s assets to develop our expected rate of return assumption used in the net periodic pension cost calculation. Differences between actual and expected returns are recognized in the pension cost calculation over five years using a five-year, market-related asset value method of amortization. The amortization of these differences has, and could continue to have, a significant effect on net periodic pension cost.

Our non-qualified pension and postretirement healthcare benefit plans are unfunded plans and have no plan assets. Therefore, the expected long-term rate of return on plan assets is not a factor in accounting for these benefit plans.

Assumptions regarding mortality One of the assumptions made in the calculation of the projected benefit obligation is an estimate of mortality rates for the population of pension participants. Our actuaries use mortality tables, which include death rates for each age, in estimating the amount of pension benefits that will become payable. The mortality tables include the proportion of the number of deaths in a specified group to the number living at the beginning of the period in which the deaths occur. We currently use the 1983 Group Annuity Mortality Table (GAM-83) and the 1994 Group Annuity Reserving Table (GAR 94) is used to value lump sum distributions. Updated mortality tables, such as the RP-2000 Mortality Table and the 1994 Group Annuity Mortality Table (GAM-94), were recently made available for use by companies. We are evaluating the effects of changing to the new table or an internally-developed mortality table. If we make a change to the RP-2000 mortality assumption for fiscal 2006, it would increase our pension benefit obligation by approximately $11 million and our postretirement healthcare benefit obligation by approximately $0.5 million. Such a change would increase our pension expense by approximately $2 million and our postretirement benefit expense by approximately $0.1 million.

Rate of future compensation increases The rate of anticipated future compensation increases is another significant assumption used in the actuarial model for pension accounting and is determined based upon our long-term plans for such increases.

Healthcare cost trend rate One of the principal components of calculating the projected benefit obligation, as well as the net periodic benefit cost for our postretirement healthcare plan, is the healthcare cost trend rate. We review external data and our own historical trends for healthcare costs to determine the healthcare cost trend rates used for the benefit obligation and expense.

We review the assumptions used to account for pension and postretirement healthcare benefit obligations and cost each fiscal year-end.

Weighted-average Assumptions

Projected benefit obligation	***2005***	*2004*	*2003*
Discount rate	**5.75%**	6.00%	6.00%
Future compensation increase rate			
- current year	**3.50%**	3.50%	0.00%
- subsequent years	**3.50%**	3.50%	3.50%

The discount rate used to value plan liabilities decreased from 6.00% to 5.75% in 2005. This change increased pension benefit and postretirement benefit obligations by approximately $15 million and $0.4 million, respectively.

In addition, pension plan liabilities as of January 1, 2006 were determined using the assumption that active participants eligible for retirement benefits elect lump sum distributions. Historically, we used the assumption that active employees eligible for retirement benefits would elect monthly annuities. This change increased pension obligations by approximately $4 million.

Holding all other assumptions constant, a one percent increase or decrease in the discount rate would decrease or increase the pension and postretirement obligation recorded by approximately $60 million and $1.5 million, respectively. A one percent increase in the assumed healthcare cost trend rate would increase the postretirement healthcare benefit obligation recorded by approximately $1.5 million, and a one percent decrease would reduce the obligation by $1.4 million.

Net periodic benefit cost	***2005***	*2004*	*2003*
Discount rate	**6.00%**	6.00%	6.75%
Expected long-term rate of return on plan assets	**8.75%**	8.75%	9.00%
Healthcare cost trend rate assumed for next year	**8.00%**	9.00%	10.00%
Rate to which the cost trend rate is assumed to			
decline (the ultimate trend rate)	**4.75%**	4.75%	5.00%
Year that the rate reaches the ultimate trend rate	**2012**	2010	2009

The change in the ultimate trend rate increased 2005 postretirement healthcare benefit cost by $0.2 million. There were no changes in the assumptions used for the net periodic benefit cost of the pension plans. Holding all other assumptions constant, a one percent increase or decrease in the discount rate would increase or decrease pension cost by approximately $8 million and would have an immaterial impact on the postretirement benefit cost.

Amortization of differences between the expected and actual returns on the plan assets, including those resulting from losses in 2002 and 2001, will continue to impact our pension cost. The long-term rate of return on plan assets that we expect to use to determine fiscal 2006 net periodic pension cost is 8.75%, the same as 2005. The amortization of past market losses and other probable changes in actuarial assumptions is expected to increase 2006 pension cost by approximately $5 million over the 2005 amount. Total 2006 pension expense is expected to increase over the 2005 amount by approximately $7 million.

On December 8, 2003, President George W. Bush signed the Medicare Prescription Drug, Improvement and Modernization Act of 2003 (the Act) into law. The Act introduced a prescription drug benefit under Medicare (Medicare Part D) as well as a federal subsidy to sponsors of retiree healthcare benefit plans that provide a benefit that is at least actuarially equivalent to Medicare Part D. The effect was a $9.3 million unrecognized net actuarial gain reflected in the postretirement benefit obligation that will be amortized to income in future periods.

The postretirement benefit cost for 2004 includes a favorable impact from the effect of the subsidy including a reduction of interest cost and a reduction of amortization of the net loss from prior periods. Postretirement benefit cost for 2003 did not include any impact from the effect of the subsidy. The reduction in postretirement benefit cost in 2004 is also due to plan amendments late in 2003 which reduced benefits and a reduction in the number of retirees.

During 2005 the Company determined that the prescription benefits offered under Medicare Part D were more favorable to its retirees than the rates offered under the Company s Postretirement Healthcare Benefit Plan. As a result, effective January 1, 2006, the plan was amended to discontinue prescription benefits offered under the plan. The effect of this change reduced the benefit obligation at January 1, 2006 by $13.4 million and will reduce postretirement benefit cost in 2006 by approximately $1.9 million.

Impairment of Long-Lived Assets

We assess the impairment of long-lived assets, which include intangible assets, goodwill, and plant and equipment, whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors considered important that could trigger an impairment review include, but are not limited to, the following:

•

Sustained underperformance relative to expected historical or projected future operating results

•

Changes in the manner of use of the assets, their physical condition or the strategy for the Company s overall business

•

Negative industry or economic trends

•

Declines in stock price of an investment for a sustained period

•

The Company s market capitalization relative to net book value

•

A more-likely-than-not expectation that a reporting unit or a significant portion of a reporting unit, or a long-lived asset will be sold or otherwise disposed of, significantly before the end of its previously estimated useful life

•

A significant decrease in the market price of a long-lived asset

•

A significant adverse change in legal factors or in the business climate that could affect the value of a long-lived asset, including an adverse action or assessment by a regulator

•

An accumulation of costs significantly in excess of the amount originally expected for the acquisition or construction of a long-lived asset

•

A current period operating or cash flow loss combined with a history of operating or cash flow losses or a projection or forecast that demonstrates continuing losses associated with the use of a long-lived asset

•

Unanticipated competition

•

A loss of key personnel.

Goodwill and indefinite-lived intangibles are required to be evaluated for impairment on an annual basis, or more frequently if impairment indicators arise, using a fair-value-based test that compares the fair value of the asset to its carrying value. Fair values are typically calculated using discounted expected future cash flows using a risk-adjusted discount rate.

PlanetPrint Goodwill

During the second quarter of 2004 and 2005, we performed the annual impairment test for goodwill related to the PlanetPrint acquisition. The tests were performed at the reporting unit level using a fair-value-based test that compares the fair value of the asset to its carrying value. Based upon the test results, we determined that the discounted sum of the expected future cash flows from the assets exceeded the carrying value of those assets; therefore, no impairment of goodwill was recognized.

In performing the tests for impairment, we made assumptions about future sales and profitability that required significant judgment. In estimating expected future cash flows for the 2005 test, we used internal forecasts that were based upon actual results assuming flat to slightly increasing revenue, substantial cost and gross margin improvement due to a higher mix of more profitable products and improved operations. At the time of the 2005 impairment test, the carrying value of net assets for PlanetPrint was $9.5 million. The most critical estimates used in determining the expected future cash flows were the revenue and cost assumptions and the terminal value assumed. If our estimate of expected future cash flows had been 10% lower, or if either of these two assumptions changed by 10%, the expected future cash flows would still have exceeded the carrying value of the assets, including goodwill.

InSystems Goodwill

During the third quarter of 2003, we performed the annual test for goodwill impairment related to the InSystems acquisition. The test was performed at the reporting unit level and was conducted with the assistance of independent valuation consultants. Based upon the results of the impairment test, no impairments were indicated.

In the fourth quarter of 2003, we saw a need for a change in strategic direction for InSystems in order to improve their earnings performance for 2004. The strategic direction of InSystems was changed to focus on penetrating markets with existing products and canceling all plans related to its eXterity™ software, which resulted in a restructuring. As a result of these actions, in the fourth quarter of 2003, we performed an additional impairment test of goodwill and tested other intangible assets and capitalized software development costs related to InSystems for impairment. The change in strategic direction significantly reduced our forecast of future estimated revenues. The discounted sum of the expected future cash flows from the assets in this test also exceeded the carrying value of those assets, although by a much smaller margin. Although there was no impairment of goodwill required, we did recognize a $4.5 million impairment charge related to capitalized software development costs due to the cancellation of all plans related to the use of InSystems eXterity software platform.

The most critical estimates, in order of significance, used in the impairment test included: (1) estimated revenue in year five, (2) the weight of probability given to each business case, (3) the terminal value assumed, (4) the amount of research and development spending, (5) the foreign exchange rate used, and (6) the discount rate applied. We disclosed that a 10% change in any one of these assumptions, of which revenue in year five had the most significant impact, would have required us to record an impairment. At that time, if InSystems was unable to achieve its business plans, the likelihood of future goodwill impairment would have increased.

A significant restructuring at InSystems during the third quarter of 2004 was considered to be a triggering event that indicated that goodwill possibly was impaired. Accordingly, we performed an evaluation of the recoverability of InSystems goodwill in advance of the annual test that would otherwise have been conducted in the fourth quarter of 2004.

The goodwill impairment test was a two-step process that was performed at the reporting unit level using a fair-value-based test that compares the fair value of the asset to its carrying value. Under the first step, we calculated the fair value of InSystems based on discounted expected future cash flows, using a risk-adjusted discount rate, and a terminal value based on a multiple of earnings before interest, depreciation, taxes and amortization. We utilized five-year forecasts that were based on management s best estimate of future sales, future investments and profitability. These estimates were based primarily on expected license revenue, service revenue, and maintenance revenue and reflected routine enhancements for its document automation software and a modest recovery in the general economy. These estimates contained more modest projections for revenue growth and recovery in the insurance market from those used in earlier impairment tests. These estimates were reviewed and approved by senior management.

The results of the first step indicated that the carrying value of the InSystems assets exceeded their fair value. The analysis showed that a majority of the reduction in fair value since the test at the end of 2003 was caused by the reduction in earnings multiples that occurred in the software industry over the last nine months. Additionally, delays in the timing of expected recovery in the insurance market, and a lower base for revenue growth stemming from recent restructuring actions at InSystems and decreased revenue in 2004, both contributed to a reduced earnings forecast.

We retained a third-party valuation firm to assist in calculating the fair values included in the determination of the implied value of goodwill used in the second step of the impairment test. We concluded that goodwill was impaired, and we recorded an impairment charge of $47.1 million which represents all of the goodwill for InSystems. In conjunction with the goodwill impairment test, we performed impairment tests of InSystems intangible assets and they were found not to be impaired.

The most critical estimates, in order of significance, used in the impairment test included: (1) estimated revenue in year five, (2) the terminal value assumed, (3) the discount rate applied, and (4) the weight of probability given to each business case. In developing each business case, the estimates were primarily based on expected license revenue, service revenue, maintenance revenue, recovery in the general economy allowing increased capital spending in the insurance market, and development of new functionality and uses for our document automation software. A positive change in any of these assumptions would have reduced the amount of the impairment recorded. A 10% increase in our year-five revenue estimate would have increased our total expected future cash flows by approximately $12 million on an undiscounted basis. A 10% increase in the earnings multiple would have increased our expected future cash flows by approximately $0.3 million on an undiscounted basis.

Deferred Taxes

We record income taxes under the asset and liability method. Significant management judgment is required in determining our provision for income taxes, our deferred tax assets and liabilities, and any valuation allowance recorded against our deferred tax assets.

At January 1, 2006, we have net deferred tax assets of $99.9 million attributable to temporary differences between the financial statement carrying amounts of existing assets and liabilities and their respective tax bases and to operating loss and tax credit carryforwards. We base our estimate of deferred tax assets and liabilities on current tax laws and rates and, in certain cases, business plans, tax planning strategies and other expectations about future outcomes. Since the effect of a change in tax rates is recognized in earnings in the period when the changes are enacted, changes in existing tax laws or rates could affect actual tax results and future business results may affect the amount of deferred tax liabilities or the valuation of deferred tax assets over time.

Our ability to realize deferred tax assets is primarily dependent on the future taxable income of the taxable entity to which the deferred tax asset relates. We evaluate all available evidence to determine whether it is more likely than not that some portion or all of the deferred income tax asset will not be realized.

Ohio Tax Law Change - Ohio corporate tax legislation enacted on June 30, 2005 phases out the Ohio Corporate Franchise Tax and phases in a new gross receipts tax called the Commercial Activity Tax. The Corporate Franchise Tax was generally based on federal taxable income, but the Commercial Activity Tax is based on current year sales in Ohio. This change in tax legislation resulted in a net charge of $2.9 million in the second quarter of 2005. The deferred tax asset previously established for net operating losses in Ohio and other deferred tax assets, primarily related to employee benefit plans, are not expected to be realized because of the phase out of the Ohio Franchise Tax.

Valuation Allowances - The decision to record a valuation allowance requires varying degrees of judgment based upon the nature of the item giving rise to the deferred tax asset. As a result of operating losses incurred by InSystems, and uncertainty as to the timing of profitability in future periods, we have established a valuation allowance against all Canadian deferred tax assets as it is more likely than not that the tax benefit of these items will not be realized in Canada. We also established a valuation allowance for U.S. capital loss carryforwards that we believe will not be utilized before the expiration period. Should future taxable income be materially different from our estimates, changes in the valuation allowance could occur that would impact our tax expense in the future.

Inventories

Substantially all inventories are valued at the lower of cost or market and are stated using the last-in, first-out (LIFO) dollar value method. We subcontract, store, and later distribute finished goods to fulfill certain customer orders. Such subcontracted finished goods inventories are recorded at cost on a first-in, first-out (FIFO) basis and amounts related to such subcontracted finished goods inventories are excluded from our LIFO calculation. At January 1, 2006 and January 2, 2005, the amounts excluded for subcontracted finished goods inventories were $23.3 million and $23.0 million, respectively.

We believe the LIFO method more fairly presents the results of operations by more closely matching current costs with current revenues. Under the LIFO method, the cost assigned to items sold is based on the cost of the most recent items purchased. As a result, the costs of the first items purchased remain in inventory and are used to value ending inventory. The excess of our estimated current costs over LIFO carrying value, or the LIFO reserve, was approximately $33.9 million and $33.5 million at January 1, 2006 and January 2, 2005, respectively.

Under the dollar value LIFO method, similar items of inventory are aggregated to form inventory "pools." Increases and decreases in a pool are identified and measured in terms of the total dollar value - not the quantity of physical items - of inventory in the pool. The use of indices is an integral part of the dollar value LIFO method. Using the link-chain technique, a cumulative index is used to convert (deflate) year-end inventories priced at current cost to base-year cost and to convert (inflate) an increment stated at base-year cost back to LIFO cost. Under both techniques, indices are developed by pricing all inventory items twice. In other words, inventory quantities on hand at the end of the current year are priced at current year current costs and at prior year current costs. This ratio of costs is then used to adjust the cumulative index at the end of the preceding year to a new cumulative index. The total current cost of current year-end inventories is next converted to total base-year cost by means of the new cumulative index. The net change in inventory is then determined by comparing the total inventory at base-year cost at the beginning and the end of the current year. LIFO values are determined, by layer, by applying the applicable cumulative index to the increments stated at base-year cost.

We evaluate the LIFO calculation each quarter and record an adjustment each quarter, if necessary, for the expected annual effect of inflation, and these estimates are adjusted to actual results determined at year-end. We determine the LIFO cost on an interim basis by estimating annual inflation trends, annual purchases and ending inventory levels for the fiscal year. We apply internally-developed indices that we believe more consistently measure inflation or deflation in the components of our inventories and product mix and its our merchandise mix. We believe the internally-developed indices more accurately reflect inflation or deflation in our own prices than the U.S. Bureau of Labor Statistics producer price indices or other published indices. Should actual annual inflation rates and inventory balances as of the end of any fiscal year differ materially from our interim estimates, changes could occur that would materially affect our Consolidated Statement of Income for that year.

At January 1, 2006, a 10% increase in our 2005 cumulative index would have increased our LIFO expense approximately $1.2 million, or approximately $0.7 million after tax. Conversely, a 10% decrease in our 2005 cumulative index would have decreased our LIFO expense by approximately $2.5 million, or approximately $1.5 million after tax.

Contingent Liabilities

Accruals for contingent liabilities are recorded when it is probable that a liability has been incurred and the amount can be reasonably estimated. At January 1, 2006, our total liability for unclaimed funds was $4.2 million, including an estimate of the liability for the results of an ongoing audit related to numerous states for years prior to 2002. We believe this is a critical accounting estimate because of the considerable uncertainty surrounding estimation, including the outcome of the ongoing audit. The calculation is based upon the evaluation of information currently available to us, prior experience in settling state audits, an estimate for any interest and penalties, as well as any liability for states not involved in the audit. Actual results could differ from the expected results used in determining the estimate.

RESULTS OF OPERATIONS

Discontinued Operations

In December 2004, we sold selected assets and transferred selected liabilities of our former equipment service business to Pitney Bowes for approximately $16.8 million in cash and retained $2.4 million of equipment service business accounts receivable. The transaction was completed on December 31, 2004 and resulted in a gain of $12.8 million after tax, equivalent to $0.45 per share. In 2005, we finalized the working capital adjustment with Pitney Bowes related to the sale of the service business. The net impact of this adjustment and the adjustment of related reserves resulted in a $0.5 million increase in the gain on sale, net of income taxes of $0.4 million, equal to $0.02 per share.

The sale of the equipment service business, a component of the Document and Label Solutions segment, met the criteria to be accounted for as a discontinued operation under Statement of Financial Accounting Standards (SFAS) No. 144, Accounting for the Impairment or Disposal of Long-Lived Assets and the results of operations have been excluded from continuing operations in the accompanying Consolidated Statements of Income for 2004 and 2003. Revenue of the equipment service business included in discontinued operations was $22.9 million and $22.1 million for 2004 and 2003.

Continuing Operations

The following discussion and analysis provides information which management believes is relevant to an understanding of our consolidated results of operations and financial condition, supplemented with a discussion of segment results where appropriate. This discussion and analysis should be read in conjunction with the accompanying consolidated financial statements and notes thereto.

This discussion also presents information that excludes restructuring and impairment expense, pension settlement expense, pension loss amortization, the Ohio Tax Law Change, and the InSystems deferred tax adjustment. These financial measures are considered non-GAAP. 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 (GAAP). We believe that this information will enhance an overall understanding of our financial performance due to the non-operational nature of these items and the significant change from period to period. This presentation is consistent with the manner in which our Board of Directors internally evaluates performance. The presentation of non-GAAP information is not meant to be considered in isolation or as a substitute for results prepared in accordance with principles generally accepted in the United States.

Unless otherwise noted, references to 2005, 2004, and 2003 refer to the 52-week period ended January 1, 2006, the 53-week period ended January 2, 2005 and the 52-week period ended December 28, 2003.

The following table presents an analysis of operations for each of the respective years:

	2005	*2004*	*2003*
Revenue	**$ 901.9**	$ 890.2	$ 894.3
% Change	***1.3%***	*-0.4%*	*-10.9%*
Gross Margin	**&n**		