CENVEO, INC
Form 10-Q
August 02, 2005

UNITED STATES
SECURITIES AND EXCHANGE COMMISSION

WASHINGTON, D.C. 20549

FORM 10-Q

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

FOR THE QUARTERLY PERIOD ENDED JUNE 30, 2005

COMMISSION FILE NUMBER 1-12551

CENVEO, INC.
(Exact name of Registrant as specified in its charter.)

COLORADO	84-1250533
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)
8310 S. VALLEY HIGHWAY, #400 ENGLEWOOD, CO	80112
(Address of principal executive offices)	(Zip Code)

303-790-8023
(Registrant's telephone number, including area code)

Indicate by check mark whether the Registrant (1) has filed all reports required to be filed by Section 13 or 15(d) of the Securities Exchange Act of 1934 during the preceding 12 months (or for such shorter period that the Registrant was required to file such reports), and (2) has been subject to such filing requirements for the past 90 days. Yes /X/ No / /

Indicate by check mark whether the registrant is an accelerated filer (as defined in Exchange Act Rule 12b-2). Yes /X/ No / /

The aggregate market value of the voting stock held by non-affiliates of the Registrant as of July 29, 2005 was $264,448,081.

As of July 29, 2005 the Registrant had 50,735,041 shares of Common Stock, $0.01 par value, outstanding.

CENVEO, INC. AND SUBSIDIARIES

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PART I--FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

CENVEO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED BALANCE SHEETS
(dollars in thousands)
(Unaudited)

	JUNE 30, 2005	DECEMBER 31
ASSETS		

CURRENT ASSETS:		
Cash and cash equivalents	$ 1,844	$ 7
Accounts receivable	226,951	252,7
Inventories	113,585	112,2
Other current assets	46,881	46,0
TOTAL CURRENT ASSETS	389,261	411,7
Property, plant and equipment, net	345,061	367,2
Goodwill	307,627	308,9
Other intangible assets, net	29,853	28,7
Other assets	56,417	58,0
TOTAL ASSETS	$1,128,219	$1,174,7
LIABILITIES AND SHAREHOLDERS' EQUITY		
CURRENT LIABILITIES:		
Accounts payable	$ 150,600	$ 172,7
Accrued compensation and related liabilities	60,249	58,6
Other current liabilities	57,070	64,7
Current maturities of long-term debt	2,841	2,2
TOTAL CURRENT LIABILITIES	270,760	298,3
Long-term debt, less current maturities	780,734	767,4
Other liabilities	48,644	51,5
TOTAL LIABILITIES	1,100,138	1,117,3
Commitments and contingencies		
SHAREHOLDERS' EQUITY:		
Preferred stock, $0.01 par value; 25,000 shares authorized, none issued	--	
Common stock, $0.01 par value; 100,000,000 shares authorized, 50,557,649 and 48,702,832 shares issued and outstanding as of June 30, 2005 and December 31, 2004, respectively	505	4
Paid-in capital	224,100	214,9
Accumulated deficit	(203,205)	(170,0
Deferred compensation	(2,885)	(2,0
Accumulated other comprehensive income	9,566	14,0
TOTAL SHAREHOLDERS' EQUITY	28,081	57,3
TOTAL LIABILITIES AND SHAREHOLDERS' EQUITY	$1,128,219	$1,174,7

See notes to condensed consolidated financial statements.

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CENVEO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS
(in thousands, except earnings per share amounts)
(Unaudited)

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS END JUNE 30,	
	2005	2004	2005	
Net sales	$421,736	$409,396	$871,338	$8
Cost of sales	338,428	325,762	701,275	6
Gross profit	83,308	83,634	170,063	1
Operating expenses:				
Selling, general and administrative expenses	64,559	66,415	137,224	1
Amortization of intangible assets	1,276	1,396	2,606	
Loss on sale of non-strategic businesses	539	--	1,260	
Restructuring, impairment and other charges	4,922	1,018	12,990	
Operating income	12,012	14,805	15,983	
Other expenses:				
Interest expense	18,802	17,513	36,995	
Loss from the early extinguishment of debt	--	--	--	
Other	445	527	434	
Loss from continuing operations before income taxes	(7,235)	(3,235)	(21,446)	(
Income tax expense (benefit)	3,374	61	11,721	
Loss from continuing operations	(10,609)	(3,296)	(33,167)	(
Gain on disposal of discontinued operations, net of taxes of $770	--	1,230	--	
Net loss	$(10,609)	$ (2,066)	$(33,167)	$(
Earnings (loss) per share--basic and diluted:				
Continuing operations	$ (0.22)	$ (0.07)	$ (0.69)	$
Discontinued operations	--	0.03	--	
Loss per share--basic and diluted	$ (0.22)	$ (0.04)	$ (0.69)	$
Weighted average shares--basic and diluted	48,804	47,740	48,292	

See notes to condensed consolidated financial statements.

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CENVEO, INC. AND SUBSIDIARIES

CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS
(in thousands)
(Unaudited)

	SIX MONTHS ENDED JUNE 30, 2005	SIX MONTHS ENDED JUNE 30, 2004
Cash flows from operating activities:		
Net loss from continuing operations......................	$ (33,167)	$ (19,831)
Adjustments to reconcile net loss from continuing operations to net cash used in operating activities:		
Depreciation..	23,289	22,841
Amortization..	4,896	5,093
Asset impairment charges............................	7,689	--
Loss on sale of non-strategic businesses............	1,260	--
Write-off of deferred financing fees................	--	4,220
Deferred income tax expense (benefit)...............	456	(7,949)
Loss on disposal of assets..........................	77	240
Other non-cash charges, net.........................	(703)	(366)
Changes in operating assets and liabilities, excluding the effects of operations acquired and sold:		
Accounts receivable.................................	25,723	4,210
Inventories...	(2,247)	(20,011)
Accounts payable and accrued compensation...........	(20,077)	7,686
Income taxes payable................................	(476)	(991)
Other working capital changes.......................	(9,415)	211
Other, net..	(6,877)	(76)
Net cash used in operating activities.............	(9,572)	(4,723)
Cash flows from investing activities:		
Aquisitions, net of cash acquired....................	(3,995)	--
Capital expenditures.................................	(12,652)	(12,460)
Proceeds from divestitures...........................	4,158	2,000
Proceeds from sales of property, plant and equipment...	284	346
Net cash used in investing activities.............	(12,205)	(10,114)
Cash flows from financing activities:		
Increase in borrowings under credit facility..........	14,824	6,806
Proceeds from issuance of long-term debt.............	--	320,000
Repayments of long-term debt.........................	(1,018)	(302,809)
Proceeds from issuance of common stock...............	9,082	46
Capitalized loan fees................................	--	(8,936)
Net cash provided by financing activities...........	22,888	15,107
Effect of exchange rate changes on cash and cash equivalents...	(63)	(412)
Net increase (decrease) in cash and cash equivalents......................................	1,048	(142)
Cash and cash equivalents at beginning of year.............	796	307
Cash and cash equivalents at end of quarter................	$ 1,844	$ 165

See notes to condensed consolidated financial statements.

CENVEO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS
(UNAUDITED)

1. BASIS OF PRESENTATION

The accompanying unaudited condensed consolidated financial statements of Cenveo, Inc. and subsidiaries (collectively, "Cenveo", or the "Company") have been prepared in accordance with generally accepted accounting principles for interim financial statements and with the instructions to Form 10-Q and Article 10 of Regulation S-X. Accordingly, they do not include all of the information and footnotes required by generally accepted accounting principles for complete financial statements. In the opinion of management, the accompanying unaudited condensed consolidated financial statements reflect all adjustments, consisting only of normal recurring adjustments, necessary to present fairly the financial position of Cenveo at June 30, 2005, the results of operations for the three and six months ended June 30, 2005, and the cash flows for the six months ended June 30, 2005. Operating results for the six months ended June 30, 2005 are not necessarily indicative of the results that may be expected for the year ending December 31, 2005. The condensed consolidated balance sheet at December 31, 2004 has been derived from the audited financial statements at that date but does not include all of the information and footnote disclosures required by generally accepted accounting principles for complete financial statements.

It has been our practice to close our quarters on the Saturday closest to the last day of the calendar month so that each quarter has the same number of days and 13 full weeks. The financial statements and other financial information in this report are presented using a calendar convention. The reporting periods, which consist of 13 and 26 weeks ending on July 2, 2005 and June 26, 2004, are reported as ending on June 30, 2005 and 2004, respectively. The effects of this practice are generally not significant.

The financial statements and other financial information presented in this report should be read in conjunction with the financial statements contained in our Annual Report on Form 10-K for 2004.

2. STOCK-BASED COMPENSATION

We account for our fixed stock option plans under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees ("APB 25"). Under APB 25, we are not required to recognize compensation expense on the stock options granted under our plans since the options are granted with an exercise price equal to the market value of the underlying stock on the grant date.

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payments: an amendment of FASB Statements No. 123 and 95 ("SFAS No. 123R"). SFAS No. 123R requires all share-based payments to employees, including grants of stock options, to be recognized in the financial statements based on their fair value. The Company expects to implement SFAS 123R in the first quarter of 2006 and use the modified-prospective transition method of implementation. Under the modified-prospective transition method, the Company will recognize compensation expense in the financial statements issued subsequent to the date of adoption, which will be January 1, 2006, for all share-based payments granted, modified or settled after January 1, 2006 as well as for any awards that were granted prior to January 1, 2006 for which the requisite service has not been provided as of January 1, 2006. The Company will recognize compensation expense on awards granted subsequent to January 1, 2006 using the fair values determined by a valuation model prescribed by SFAS 123R. The compensation expense on awards granted prior to January 1, 2006 will be recognized using the fair values determined for the pro forma disclosures on stock-based compensation. The amount of compensation expense that will be recognized on awards that have not fully vested will exclude the compensation expense cumulatively recognized in the pro forma disclosures on stock-based compensation. The Company has not determined the impact of its adoption of SFAS No. 123R.

CENVEO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

2. STOCK-BASED COMPENSATION (CONTINUED)

If we were to apply the fair value recognition provisions of Statement of Financial Accounting Standards No. 123, Accounting for Stock-Based Compensation, the Company's reported and pro forma net loss and loss per share would have been as follows (in thousands, except per share data):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS EN JUNE 30,	
	2005	2004	2005	
Net loss, as reported	$(10,609)	$(2,066)	$(33,167)	$
Adjustment for stock-based compensation expense (expense reversal) included in reported net loss	(939)	165	(747)	
Less: stock-based compensation expense determined under fair value method for all awards	(77)	(805)	(1,381)	
Pro forma net loss	$(11,625)	$(2,706)	$(35,295)	$
Loss per share--basic and diluted:				
As reported	$ (0.22)	$ (0.04)	$ (0.69)	$
Pro forma	$ (0.24)	$ (0.06)	$ (0.73)	$

3. INVENTORIES

Inventories consist of the following (in thousands):

	JUNE 30, 2005	DECEMBER 31, 2004
Raw materials	$ 35,173	$ 36,440
Work in process	28,064	30,357
Finished goods	55,338	50,122

	118,575	116,919
Reserves	(4,990)	(4,700)
	$ 113,585	$ 112,219

4. PROPERTY, PLANT AND EQUIPMENT

Property, plant and equipment consists of the following (in thousands):

	JUNE 30, 2005	DECEMBER 31, 2004
Land and land improvements	$ 18,820	$ 19,457
Buildings and building improvements	109,330	109,889
Machinery and equipment	524,184	532,470
Furniture and fixtures	14,016	13,997
Construction in progress	9,734	9,806
	676,084	685,619
Accumulated depreciation	(331,023)	(318,359)
	$ 345,061	$ 367,260

CENVEO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

5. COMPREHENSIVE LOSS

A summary of the comprehensive loss is as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS EN JUNE 30,	
	2005	2004	2005	
Net loss	$ (10,609)	$ (2,066)	$(33,167)	$
Other comprehensive loss:				
Currency translation adjustment	(2,837)	(3,150)	(4,441)	
Comprehensive loss	$ (13,446)	$ (5,216)	$(37,608)	$

6. LONG-TERM DEBT

At June 30, 2005 and December 31, 2004, long-term debt consisted of the following (in thousands):

	JUNE 30, 2005	DECEMBER 31, 2004
Senior Secured Credit Facility, due 2008	$ 93,265	$ 78,441
Senior Notes, due 2012	350,000	350,000
Senior Subordinated Notes, due 2013	320,000	320,000
Other	20,310	21,328
	783,575	769,769
Less current maturities	(2,841)	(2,270)
Long-term debt	$780,734	$767,499

As of June 30, 2005, the Company was in compliance with all of the covenants of its various debt agreements.

7. INCOME TAXES

Since our U.S. operations have incurred substantial net operating losses over the last four years, we have recorded a valuation allowance to offset the estimated tax benefit from the net operating loss incurred by our U.S. operations in the three and six months ended June 30, 2005. The tax expense reported for the three and six months ended June 30, 2005 relates to our Canadian operations which are expected to generate taxable income in 2005. In addition, a valuation allowance of $3.7 million was recorded in the first quarter for foreign tax credits generated that are not likely to be used.

8. RESTRUCTURING, IMPAIRMENT AND OTHER CHARGES

A summary of the restructuring, impairment and other charges recorded in the three and six months ended June 30, 2005 follows:

	THREE MONTHS ENDED JUNE 30, 2005	SIX MONTHS JUNE 30, 2
Restructuring charges		
Employee termination and related expenses	$3,962	$ 4,357
Other	(180)	356
Impairment charges		
Commercial	--	7,137
Resale	552	552
Other charges	588	588

	$4,922	$12,990
	======	=======

In June 2005, we announced a corporate-wide initiative to reduce selling, general and administrative expenses by $20 million. We recorded employee separation and related expenses of $4.0 million in the second quarter as a result of the elimination of 114 jobs. There will be additional charges of approximately $1.0 million related to this initiative in the third quarter.

In the first quarter of 2005, the commercial segment began the closure of a small printing operation located in Phoenix, Arizona and the consolidation of its production into our Los Angeles, California printing plant. We have incurred employee separation and related expenses of $0.3 million to cover the separation of 45 employees, and $0.3 million of other closure costs associated with the shut-down of this plant which was completed during the second quarter. In addition, we have completed the consolidation of our printing operations in Seattle, Washington and San Francisco, California. The restructuring expenses incurred to complete these consolidations totaled $0.2 million.

In July 2005, we began evaluating other opportunities to optimize capacity and reduce operating expenses. We anticipate additional restructuring charges during the remainder of 2005.

During the three months ended June 30, 2005, we determined the value of certain equipment used in the resale segment for production of traditional business documents to be impaired. This equipment will be taken out of service during the second half of 2005 or the first quarter of 2006. The commercial asset impairment charges relate to certain operations that operated at a loss throughout 2004 and have continued to perform poorly in 2005. It became apparent early in 2005 that the plans that had been developed to make these operations profitable were not likely to be successful as quickly as we expected. In the first quarter of 2005, we determined the value of certain assets at these operations to be impaired since it was more likely than not that these assets would be sold or otherwise disposed of significantly before the end of their estimated useful lives. These impairment charges are based on management's best estimates. Additional impairment and restructuring charges may be required prior to the end of 2005.

Other charges include investment banking and legal fees incurred during the second quarter of 2005 in connection with the evaluation of the Company's strategic alternatives and in connection with the special meeting of shareholders called by a dissident shareholder group. The evaluation has not been completed and the proxy contest in connection with the special meeting is ongoing; accordingly, additional expenses will be incurred during the remainder of 2005.

8. RESTRUCTURING, IMPAIRMENT AND OTHER CHARGES (CONTINUED)

The 2001 and 2002 restructuring plans have been completed. The following is a summary of the activity charged to the 2002 restructuring liability for the six months ended June 30, 2005:

	COMMERCIAL	RESALE	T
Balance, December 31, 2004	$ 653	$ 14	$
Payments for lease termination and property exit costs	(428)	--	
Payments for other exit costs	(127)	--	
Reversal of unused accrual	--	(14)	
Balance, June 30, 2005	$ 98	$ --	$

A summary of the activity charged to the 2001 restructuring liability during the six months ended June 30, 2005 is as follows (in thousands):

	COMMERCIAL
Balance, December 31, 2004	$ 426
Payments for lease termination and property exit costs	(128)
Balance, June 30, 2005	$ 298

9. LOSS ON SALE OF NON-STRATEGIC BUSINESSES

The following is a summary of the loss recognized as a result of the sale of non-strategic businesses during the three and six months ended June 30, 3005 (in thousands):

	THREE MONTHS ENDED JUNE 30, 2005	SIX MONTHS JUNE 30, 2
Commercial		
Printing operations in Riviera Beach, FL and Osage Beach, MO	$313	$ 864
Envelope jet printing operation in Canada	--	170
Resale		
Mailing supplies business	226	226
	$539	$1,260

The net proceeds as a result of these divestitures totaled $4.2 million. The following table summarizes the net sales and operating losses of these businesses that are included in the condensed consolidated statements of operations:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS E JUNE 30,	
	2005	2004	2005	
Net sales....................................	$1,709	$6,735	$7,443	$
Operating losses............................	$ (90)	$ (142)	$ (630)	$

The Company has ongoing supply agreements with these entities; accordingly, the dispositions of these non-strategic businesses have not been accounted for as discontinued operations in the condensed consolidated statements of operations.

10. PENSION PLANS

The components of the net periodic pension expense for the Company's pension plans and the supplemental executive retirement plans are as follows (in thousands):

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS EN JUNE 30,	
	2005	2004	2005	
Service cost................................	$ 650	$ 521	$ 1,309	$
Interest cost...............................	890	765	1,719	
Expected return on plan assets...............	(970)	(812)	(1,899)	
Net amortization and deferral................	125	50	300	
Net periodic pension expense.................	$ 695	$ 524	$ 1,429	$

We expect to contribute $2.8 million to the Company's pension plans in 2005. As of June 30, 2005, contributions of $1.4 million had been made.

11. LOSS PER SHARE

Basic loss per share excludes dilution and is computed by dividing net loss by the weighted average number of common shares outstanding for the period. Diluted loss per share reflects the potential dilution that could occur if securities or other contracts to issue common stock were exercised or converted into common stock. A reconciliation of the amounts included in the computation of basic loss per share and diluted loss per share is as follows (in thousands, except per share amounts):

	THREE MONTHS ENDED JUNE 30, 2005	THREE MONTHS ENDED JUNE 30, 2004	SIX MONTHS END JUNE 30, 2005	
Numerator:				
Numerator for basic and diluted loss per share--net loss..........................	$(10,609)	$(2,066)	$(33,167)	$(
Denominator:				
Denominator for basic and diluted loss per share--weighted average shares............	48,804	47,740	48,292	
Loss per share--basic and diluted........	$ (0.22)	$ (0.04)	$ (0.69)	$

In the three and six months ended June 30, 2005 and 2004, outstanding options and shares of restricted stock in the amount of 4,644,000 and 7,330,000, respectively, were excluded from the calculation of diluted earnings per share because the effect would be antidilutive.

12. SEGMENT INFORMATION

The commercial segment specializes in printing annual reports, car brochures, brand marketing collateral, financial communications and general commercial printing and the manufacturing and printing of customized envelopes for billing and remittance and direct mail advertising. The commercial segment also offers services such as design, fulfillment, eCommerce and inventory management. These products and services are sold directly to national and local customers.

The resale segment produces business documents and labels, custom and stock envelopes, and specialty packaging and mailers. These products are generally sold through professional print distributors, business forms suppliers, office-products retail chains and the Internet.

12. SEGMENT INFORMATION (CONTINUED)

Operating income of each segment includes all costs and expenses directly related to the segment's operations. Corporate expenses include corporate general and administrative expenses. Inter-company sales for the three months ended June 30, 2005 and 2004 were $6.9 million and $6.2 million, respectively. Inter-company sales for the six months ended June 30, 2005 and 2004 were $12.9 and $11.5 million, respectively. These amounts were eliminated in consolidation and excluded from reported net sales.

The following tables present certain segment information for the three and six months ended June 30, 2005 and 2004 (in thousands):

	THREE MONTHS ENDED JUNE 30,	SIX MONTHS END JUNE 30,

	2005	2004	2005	
Net sales:				
Commercial.........................	$320,195	$307,583	$666,603	$6
Resale.............................	101,541	101,813	204,735	2
Total..............................	$421,736	$409,396	$871,338	$8
Operating income (expense):				
Commercial.........................	$ 7,918	$ 9,920	$ 10,181	$
Resale.............................	9,321	12,359	18,059	
Corporate..........................	(5,227)	(7,474)	(12,257)	(
Total..............................	$ 12,012	$ 14,805	$ 15,983	$
Restructuring, impairment and other charges included in operating income:				
Commercial.........................	$ 2,422	$ 1,018	$ 10,505	$
Resale.............................	1,676	--	1,661	
Corporate..........................	824	--	824	
Total..............................	$ 4,922	$ 1,018	$ 12,990	$
Net sales by product line:				
Commercial printing................	$188,748	$186,873	$399,125	$3
Envelopes..........................	183,322	172,077	373,093	3
Business documents and labels.......	49,666	50,446	99,120	1
Total..............................	$421,736	$409,396	$871,338	$8

In July 2005, we reorganized our management structure and our manufacturing operations. We anticipate a change in our operating segments as a result of this reorganization.

ITEM 2. MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS

BUSINESS OVERVIEW

Cenveo is one of North America's leading providers of visual communication solutions delivered through print and electronic media. Our products include offset and digital printing, custom and stock envelopes, and business documents and labels. We also provide communications consulting, end-to-end project management and eServices. We have production facilities and fulfillment and distribution centers strategically located throughout North America. We are organized into two business segments--commercial and resale.

Our commercial segment specializes in printing annual reports, car brochures, brand marketing collateral, financial communications and general commercial printing and in the manufacturing and printing of customized envelopes for billing and remittance and direct mail advertising. The commercial segment also offers services such as design, fulfillment, eCommerce and inventory management. These products and services are provided directly to national and local customers. Our commercial segment consists of 34 printing plants, 27 envelope plants and five distribution and fulfillment centers.

Our resale segment produces business documents and labels, custom and stock envelopes, and specialty packaging and mailers. These products are generally sold through professional print distributors, business forms suppliers, office products retail chains and the Internet. The resale segment operates 18 manufacturing facilities.

Management's Discussion and Analysis of Financial Condition and Results of Operations is intended to provide an update on the financial condition of Cenveo since December 31, 2004 and to discuss operating trends to the extent known and considered relevant. This discussion should be read in conjunction with the consolidated financial statements and related notes and Management's Discussion and Analysis of Financial Condition and Results of Operations included in our Annual Report on Form 10-K for the year ended December 31, 2004.

REVIEW OF RESULTS

The discussion and analysis of the results of operations includes an overview of our consolidated results for the second quarter and the first six months of 2005 followed by a discussion of the results of our two business segments.

A summary of our consolidated statements of operations is presented below. The summary presents reported net sales and operating income as well as the net sales and operating income data of our business segments used internally to assess operating performance of our business segments. Division sales exclude sales of divested operations and division operating income excludes the costs associated with our corporate headquarters, operating losses of divested operations, losses incurred on the divestitures of non-strategic businesses, charges related to restructuring and impairments and expenses incurred that are unrelated to operations.

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS END JUNE 30,	
(IN THOUSANDS, EXCEPT PER SHARE AMOUNTS)	2005	2004	2005	
Division net sales	$420,027	$402,661	$863,895	$8
Divested operations	1,709	6,735	7,443	
Net sales	$421,736	$409,396	$871,338	$8
Division operating income	$ 21,965	$ 23,439	$ 42,296	$
Unallocated corporate expenses	(4,402)	(7,474)	(11,433)	(
Restructuring, impairment and other charges	(4,922)	(1,018)	(12,990)	
Divested operations	(90)	(142)	(630)	
Loss on sale of non-strategic businesses	(539)	--	(1,260)	
Operating income	12,012	14,805	15,983	

Interest expense	18,802	17,513	36,995	
Loss on early extinguishment of debt	--	--	--	
Other non operating expenses	445	527	434	
Loss before income taxes	(7,235)	(3,235)	(21,446)	(
Income tax expense (benefit)	3,374	61	11,721	
Loss from continuing operations	(10,609)	(3,296)	(33,167)	(
Gain from discontinued operations	--	1,230	--	
Net loss	$(10,609)	$ (2,066)	$(33,167)	$(
Loss per share--diluted	$ (0.22)	$ (0.04)	$ (0.69)	$

NET SALES

Consolidated net sales in the second quarter of 2005 were 3% higher than the second quarter of 2004. For the first six months of 2005, consolidated net sales increased 5% over the comparable period of 2004. Growth of division net sales was slightly better. Our strategy of offering the full range of our products and services is continuing to drive the sales performance of the commercial segment. Sales growth in our resale segment has been dampened in 2005 by a decline in sales of traditional business documents, especially continuous forms.

OPERATING INCOME

Consolidated operating income in the second quarter of 2005 declined $2.8 million compared to the second quarter of 2004 and declined $17.7 million in the first six months of 2004 compared to the corresponding period of 2004.

DIVISION OPERATING INCOME. Division operating income declined $1.5 million in the second quarter of 2005 and $4.8 million in the first half of 2005 compared to the corresponding periods of 2004. These reductions in profitability were primarily the result of the following:

* As expected, the profits of our resale segment were lower during the first half of 2005 compared to the first half of 2004 due to the pricing concessions made in the second half of 2004 to defend and grow our share of the office products markets.

* The cost of the paper used to produce envelopes increased approximately 9% at the beginning of 2005. This increase in the cost of paper has had a negative impact on the margins of our envelope products in 2005 as we experienced delays in passing the higher cost of raw materials to our customers.

* Management incentives have been accrued in 2005. The accrual required for incentive compensation was not significant in the first six months of 2004 since, under the plan in effect during 2004, the incentives had not been earned.

UNALLOCATED CORPORATE EXPENSES. Unallocated corporate expenses include the costs of our corporate headquarters and certain expenses not allocated to our segments. Unallocated corporate expenses in 2005 were lower than

2004, because unallocated corporate expenses in the second quarter of 2004 reflected a $2.0 million charge related to a change in our estimate of the cost of workers' compensation claims incurred prior to 2004. As a result of the change in our chief executive officer we incurred expenses totaling approximately $2.1 million. The majority of these expenses were incurred in the first quarter of the year.

RESTRUCTURING, IMPAIRMENT AND OTHER CHARGES. A summary of the restructuring, impairment and other charges recorded in the second quarter and first six months of 2005 follows:

	THREE MONTHS ENDED JUNE 30, 2005	SIX MONTHS JUNE 30, 2
Restructuring charges		
Employee termination and related expenses..........	$3,962	$ 4,357
Other..	(180)	356
Impairment charges		
Commercial.....................................	--	7,137
Resale...	552	552
Other charges..	588	588
	$4,922	$12,990

In June 2005, we announced a corporate-wide initiative to reduce selling, general and administrative expenses by $20 million. We recorded employee separation and related expenses of $4.0 million in the second quarter as a result of the elimination of 114 jobs. We estimate the annual savings from the elimination of these positions as well as other actions taken as of June 30, 2005 will be approximately $17.1 million. There will be additional charges of approximately $1.0 million in the third quarter to coincide with the remaining actions to be taken to complete this initiative which will bring the total annual savings to $20.0 million.

In the first quarter of 2005, the commercial segment began the closure of a small printing operation in Phoenix, Arizona and the consolidation of its production in our Los Angeles, California printing plant. We have incurred employee separation and other related expenses of $0.3 million to cover the separation of 45 employees and $0.3 million of other closure costs associated with the shut-down of this plant which was completed during the second quarter. In addition, we have completed the consolidations of our printing operations in Seattle, Washington and San Francisco, California during the first quarter of 2005. The cost incurred to complete these consolidations was $0.2 million.

In July 2005, we began evaluating other opportunities to optimize capacity and reduce operating expenses. We anticipate additional restructuring charges during the remainder of 2005.

In the second quarter of 2005, we determined the value of certain equipment used in the resale segment for the production of traditional business documents to be impaired. This equipment will be taken out of service during the second half of 2005 or the first quarter of 2006. In the first quarter, we determined the value of the equipment at certain operations in our commercial segment that operated at a loss throughout 2004 and continued to perform poorly in 2005 to be impaired. It became apparent in early 2005 that the plans that had been developed to make these operations profitable were not likely to be successful. We intend to exit these businesses by the end of 2005 and have written down the carrying value of equipment that will be held and used until the operations are either sold or closed.

Other charges include investment banking and legal fees incurred during the second quarter of 2005 in connection with the evaluation of the Company's strategic alternatives and in connection with the special meeting of shareholders called by a dissident shareholder group. The evaluation has not been completed and the proxy contest in connection with the special meeting is ongoing; accordingly, additional expenses will be incurred during the remainder of 2005.

LOSS ON SALE OF NON-STRATEGIC BUSINESSES

In the second quarter of 2005, the resale segment sold its mailing supplies business. In the first quarter of 2005, the commercial segment sold its printing operations in Riviera Beach, Florida and Osage Beach, Missouri and a jet printing operation in Canada. The net sales and the operating income of these businesses were as follows:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS E JUNE 30,	
	2005	2004	2005	
Sales..	$1,709	$6,735	$7,443	$
Operating income.............................	(90)	(142)	(630)	

The total loss of $1.3 million recorded as a result of the divestitures of these non-strategic businesses was primarily due to the write-off of the goodwill allocated to these businesses as required by Statement of Financial Accounting Standards No. 142, Goodwill and Other Intangible Assets.

INTEREST EXPENSE

Interest expense increased $1.3 million to $18.8 million in the second quarter of 2005 from $17.5 million in the second quarter of 2004. Interest expense in the second quarter reflects average outstanding debt of $817.7 million during the quarter and a weighted average interest rate of 8.3% compared to average outstanding debt of $807.1 million during the second quarter of 2004 and a weighted average interest rate of 8.06%.

Interest expense increased $1.1 million to $37.0 million during the first six months of 2005 compared to the first six months of 2004. Interest expense during this period reflects our average outstanding debt of $822.9 million and a weighted average interest rate of 8.25% compared to the average outstanding debt of $812.4 million and a weighted average interest rate of 8.19% during the first six months of 2004.

LOSS FROM THE EARLY EXTINGUISHMENT OF DEBT

In January 2004, we sold $320 million of 7 7/8% senior subordinated notes due 2013. The proceeds from the sale of these notes were used to redeem our 8 3/4% senior subordinated notes due 2008. The premium paid to redeem the 8 3/4% notes and the unamortized debt issuance costs on the 8 3/4% notes, which were written off, totaled $17.7 million.

INCOME TAXES

Since our U.S. operations have incurred substantial net operating losses over the last four years, we have recorded a valuation allowance to offset the estimated tax benefit from the net operating losses incurred by our U.S. operations. The tax expense reported for 2005 relates to our Canadian operations which are expected to generate taxable income in 2005. In addition, a valuation allowance of $3.7 million was recorded in the first quarter of 2005 for foreign tax credits generated that are not likely to be used.

GAIN ON DISPOSAL OF DISCONTINUED OPERATIONS

In September 2000, we sold the extrusion coating and laminating business segment of American Business Products, Inc., a company we acquired in February 2000. The consideration received for this business included an unsecured note which was fully reserved at the time of the sale. This note was redeemed by the issuer in June 2004 for $2.0 million. The proceeds, net of tax, were recorded as a gain on disposal of discontinued operations.

NET LOSS AND NET LOSS PER SHARE

The net loss of $10.6 million, or $0.22 per share, for the second quarter of 2005 and the net loss of $33.2 million, or $0.69 per share, for the first six months of 2005 reflect lower division operating income, higher restructuring and impairment charges, higher interest expense and higher tax expense than during the comparable periods of 2004.

RELEVANT NON-GAAP MEASURE--EBITDA

We use EBITDA, a non-GAAP measure, internally to monitor our overall performance and the performance of our segments. We define EBITDA as earnings before interest, taxes, depreciation, amortization, impairment charges, and losses on the sale of non-strategic businesses. Additionally, we exclude the impacts of restructuring and related charges and the EBITDA of divested operations. In 2004, we excluded the loss incurred on the early extinguishment of debt. We believe EBITDA, as defined, provides useful supplemental information for comparative purposes since it excludes the impact of investing and financing transactions as well as the effect of asset impairments and restructuring and related charges on our operating results. A reconciliation of net income to EBITDA, as defined, is presented below:

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS END JUNE 30,
	2005	2004	2005

Net loss	$(10,609)	$(2,066)	$(33,167)	$(
Interest	18,802	17,513	36,995	
Income taxes	3,374	61	11,721	
Depreciation	11,640	11,375	23,289	
Amortization	1,306	1,416	2,667	
Retructuring, impairment and other charges	4,922	1,018	12,990	
Loss on sale of non-strategic businesses	539	--	1,260	
Divested operations	71	(86)	442	
Loss from the early extinguishment of debt	--	--	--	
Gain on discontinued operations	--	(1,230)	--	
EBITDA, as defined	$ 30,045	$28,001	$ 56,197	$
EBITDA, as defined, by segment:				
Commercial	$ 21,436	$21,419	$ 43,513	$
Resale	13,496	14,409	24,618	
Corporate	(4,887)	(7,827)	(11,934)	(
	$ 30,045	$28,001	$ 56,197	$

SEGMENT OPERATIONS

Our chief executive officer monitors the performance of the ongoing operations of each of our business segments. The summaries of sales and operating income of our two segments have been presented to show each segment without the sales of divested operations ("Division net sales") and to show the operating income of each segment without the operating income of divested operations, restructuring and impairment charges and the losses incurred on divestitures ("Division operating income"). Net sales and operating income of the operations divested, restructuring and impairment charges and the losses incurred on divestitures have been included in the tables that follow to reconcile segment sales and segment operating income reported in Note 12 to our condensed consolidated financial statements to division net sales and division operating income on which our segments are evaluated.

COMMERCIAL

	THREE MONTHS ENDED JUNE 30,		SIX MONTHS END JUNE 30,	
(IN THOUSANDS)	2005	2004	2005	
Segment sales	$320,195	$307,583	$666,603	$6
Divested operations	--	(3,294)	(3,285)	
Division net sales	$320,195	$304,289	$663,318	$6

Segment operating income....................	$ 7,918	$ 9,920	$ 10,181	$
Restructuring and impairment charges....	2,422	1,018	10,505	
Loss on sale of non-strategic businesses............................	313	--	1,034	
Divested operations.....................	--	377	353	
Division operating income..................	$ 10,653	$ 11,315	$ 22,073	$
Division operating income margin............	3%	4%	3%	

Net sales of our commercial segment increased $12.6 million, or 4%, in the second quarter of 2005 compared to the second quarter of 2004. Division net sales increased $15.9 million, or 5%. Net sales increased $35.2 million, or 6%, in the first six months of 2005 compared to the corresponding period of 2004. Division net sales increased $38.8 million, or 6%. Division net sales for the second quarter of 2005 and the first six months of the year reflect the following:

* Sales to our strategic accounts grew 34% in the second quarter and 24% during the first half of the year.

* Sales in our local markets declined 1.3% in the second quarter and were less than 1% lower on a year-to-date basis.

* There was a favorable foreign exchange impact on sales of $4.0 million in the second quarter of 2005 and $7.7 million for the first six months of the year. This trend could reverse in the second half of 2005 since the Canadian dollar has declined since the end of 2004.

Operating income of the commercial segment declined $2.0 million in the second quarter of 2005 and $11.7 million in the first six months of 2005 when compared to the corresponding periods of 2004. These declines in profitability were driven primarily by restructuring and asset impairment charges and losses on the sale of non-strategic businesses. Despite the increase in sales, division operating income declined $0.7 million in the second quarter of 2005 and $1.4 million in the first six months of 2005. The significant factors contributing to this performance were as follows:

* Due to contractual commitments and competitive pressures, we have not fully recovered the higher cost of paper and other materials used to produce our envelope products. We estimate the negative impact of the lower margins of our envelope products to have been approximately $2.2 million in the second quarter of 2005 which is less than the impact of $4.1 million estimated in the first quarter.

* The results at three plants that performed poorly in 2004 improved in the second quarter of 2005 compared to the second quarter of 2004; however, for the first six months of 2005, the results at these plants have been $1.4 million lower than the first six months of 2004.

* Results in 2005 include higher incentive accruals than the results reported in 2004.

RESALE

(IN THOUSANDS)	THREE MONTHS ENDED JUNE 30, 2005	2004	SIX MONTHS END JUNE 30, 2005	
Segment sales	$101,541	$101,813	$204,735	$2
Divested operations	(1,709)	(3,441)	(4,158)	
Division net sales	$ 99,832	$ 98,372	$200,577	$1
Segment operating income	$ 9,321	$ 12,359	$ 18,059	$
Restructuring and impairment charges	1,676	--	1,661	
Loss on sale of non-strategic business	226	--	226	
Divested operations	90	(235)	277	
Division operating income	$ 11,313	$ 12,124	$ 20,223	$
Division operating income margin	11%	12%	10%	

Net sales of our resale segment were slightly lower in the second quarter of 2005 than the second quarter of 2004 due primarily to lower sales of the mailing supplies business that was sold during the quarter. Division net sales increased $1.5 million. For the first six months of 2005, net sales increased $3.0 million compared to 2004, while division net sales increased $4.6 million. Division net sales for the second quarter of 2005 and the first six months of the year reflect the following:

* Sales of office products to our retail, wholesale and trade customers grew 17% in the second quarter of 2005 and 20% in the first six months of 2005. Lower net pricing, however, reduced our overall revenue growth in these markets to $3.0 million in the second quarter and $6.7 million in the first six months of 2005.

* Sales of labels, documents and envelopes to our distribution customers declined $1.7 million in the second quarter of 2005 and $2.3 million for the first six months of 2005. These declines were primarily due to lower sales of traditional business documents, specifically continuous forms, and lower prices for our specialty forms.

The operating income of the resale segment declined $3.0 million, or 25%, in the second quarter of 2005. Division operating income declined $0.8 million, or 7%. For the first six months of 2005 operating income declined $5.8 million, or 24%, while division operating income declined $3.5 million, or 15%. The declines in division operating income were primarily due to lower net selling prices for office products and higher distribution expenses in the retail and wholesale market segment. Higher incentive accruals in 2005 also contributed to lower operating income in 2005. Operating income of our operations selling labels, documents and envelopes through distributors has improved in 2005 despite lower sales. This improvement was achieved by controlling manufacturing costs and reducing selling, general and administrative expenses.

LIQUIDITY AND CAPITAL RESOURCES

Our cash flows from operating, investing and financing activities, as reflected in the consolidated statements of cash flows, are summarized as follows:

(IN THOUSANDS)	SIX MONTHS ENDED JUNE 30, 2005	2004
Cash provided by (used for):		
Operating activities..................................	$ (9,572)	$ (4,723)
Investing activities..................................	(12,205)	(10,114)
Financing activities..................................	22,888	15,107
Effect of exchange rate changes on cash................	(63)	(412)
Net increase (decrease) in cash and cash equivalents........	$ 1,048	$ (142)

OPERATING ACTIVITIES. During the first six months of 2005, our operations used $6.3 million more cash than in the first six months of 2004. This increased use of cash was primarily due to payments made to customers for rebates earned in 2004, a payment made related to a long-term customer contract and deferred compensation payments.

INVESTING ACTIVITIES. Capital expenditures were $12.7 million in the first six months of 2005 compared to $12.5 million in the first six months of 2004. Proceeds from divestitures were $4.2 million in 2005 compared to $2.0 million in 2004. Acquisition spending in 2005 included a $1.4 million payment on an acquisition completed in 2004 and $2.5 million paid to acquire a small operation that has been consolidated with our printing operation in Philadelphia, Pennsylvania.

FINANCING ACTIVITIES. Our outstanding debt was $783.6 million at June 30, 2005, an increase of $13.8 million from December 31, 2004. Proceeds received from the exercise of stock options during the six months ended June 30, 2005 totaled $9.1 million.

On June 30, 2005, we had outstanding letters of credit of approximately $25.2 million related to performance and payment guarantees. In addition, we have issued letters of credit of $1.0 million as credit enhancements in conjunction with other debt. Based on our experience with these arrangements, we do not believe that any obligations that may arise will be significant.

Our current credit ratings are as follows:

REVIEW AGENCY	SENIOR SECURED CREDIT FACILITY	SENIOR NOTES	SENIOR SUBORDINATED NOTES	LA
Standard & Poor's..................	BB-	B+	B	Dec
Moody's............................	Ba3	B1	B3	Ap

The terms of our existing debt do not have any rating triggers, and we do not believe that our current ratings will impact our ability to raise additional capital.

We expect internally generated cash flow and the financing available under our senior secured credit facility will be sufficient to fund our working capital needs and long-term growth; however, this cannot be assured. Based on the certificate filed July 22, 2005, we had $97.3 million of unused credit available under our senior secured credit facility.

CRITICAL ACCOUNTING ESTIMATES

In preparing the consolidated condensed financial statements, we make estimates based on assumptions that affect the reported amounts of assets and liabilities and the disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting periods. We evaluate these estimates on an ongoing basis. We base our

estimates on historical experience and various other assumptions that are considered reasonable in view of relevant facts and circumstances. Because these accounting estimates and assumptions inherently involve significant judgments and the most uncertainty, the nature of these accounting estimates and assumptions are important to an understanding of our financial statements. Because future events rarely develop exactly as anticipated, even the best estimates routinely require adjustment.

There were no significant changes in the application of the critical accounting policies and estimates in preparing our consolidated condensed financial statements for the second quarter of 2005 from those disclosed in our Annual Report on Form 10-K for the year ended December 31, 2004. The critical accounting policies and estimates disclosed in the Management's Discussion and Analysis of Financial Condition and Results of Operations were allowances for losses on accounts receivable, impairment of long-lived assets, goodwill, self-insurance and accounting for income taxes.

NEW ACCOUNTING STANDARDS

In December 2004, the FASB issued SFAS No. 123 (revised 2004), Share-Based Payments: an amendment of FASB Statements No. 123 and 95 ("SFAS No. 123R"). SFAS No. 123R requires all share-based payments to employees, including grants of stock options, to be recognized in the financial statements based on their fair value. The Company expects to implement SFAS 123R in the first quarter of 2006 and use the modified-prospective transition method of implementation. Under the modified-prospective transition method, the Company will recognize compensation expense in the financial statements issued subsequent to the date of adoption, which will be January 1, 2006, for all share-based payments granted, modified or settled after January 1, 2006 as well as for any awards that were granted prior to January 1, 2006 for which the requisite service has not been provided as of January 1, 2006. The Company will recognize compensation expense on awards granted subsequent to January 1, 2006 using the fair values determined by a valuation model prescribed by SFAS 123R. The compensation expense on awards granted prior to January 1, 2006 will be recognized using the fair values determined for the pro forma disclosures on stock-based compensation. The amount of compensation expense that will be recognized on awards that have not fully vested will exclude the compensation expense cumulatively recognized in the pro forma disclosures on stock-based compensation. The Company has not determined the impact of its adoption of SFAS No. 123R.

SEASONALITY AND ENVIRONMENT

Our commercial segment experiences seasonal variations. Revenues from annual reports are generally concentrated from February through April. Revenues associated with holiday catalogs and automobile brochures tend to be concentrated from July through October. As a result of these seasonal variations, some of our commercial printing operations are at or near capacity at certain times during these periods.

In addition, several envelope market segments and certain segments of the direct mail market experience seasonality, with a higher percentage of the volume of products sold to these markets occurring during the fourth quarter of the year. This seasonality is due to the increase in sales to the direct mail market due to holiday purchases.

The mailer operations of our resale segment are at or near capacity at times during the fourth quarter.

Seasonality is offset by the diversity of our other products and markets, which are not materially affected by seasonal conditions.

Environmental matters have not had a material financial impact on our historical operations and are not expected to have a material impact in the future.

AVAILABLE INFORMATION

Our Internet address is: www.cenveo.com. We make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such documents are filed electronically with the Securities and Exchange Commission. In addition, our earnings conference calls are archived for replay on our website and presentations to securities analysts are also included on our website.

LEGAL PROCEEDINGS

From time to time we may be involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or lawsuits have been provided for to the extent that losses are deemed probable and can be estimated. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, it is our opinion that the disposition or ultimate determination of such claims or lawsuits will not have a material adverse effect on us.

CAUTIONARY STATEMENTS

Certain statements in this report, and in particular, statements found in Management's Discussion and Analysis of Financial Condition and Results of Operations, constitute forward-looking statements within the meaning of the Private Securities Litigation Reform Act of 1995. We believe these forward-looking statements are based upon reasonable assumptions within the bounds of our knowledge of Cenveo. All such statements involve risks and uncertainties, and as a result, actual results could differ materially from those projected, anticipated or implied by these statements. Such forward-looking statements involve known and unknown risks, including but not limited to, general economic, business and labor conditions; the ability to be profitable on a consistent basis; the impact of a new CEO and changes in management and strategic direction that may be made; the impact of a special shareholders' meeting to be held September 14, 2005 called by a dissident shareholder group to replace the current board of directors and the potential triggering of certain change of control provisions under our debt instruments as a result thereof; the ability to effectively execute cost reduction programs and management reorganizations; dependence on sales that are not subject to long-term contracts; dependence on suppliers; the ability to recover the rising cost of key raw materials in markets that are highly price competitive; the ability to meet customer demand for additional value-added products and services; fluctuations in currency exchange rates, particularly with respect to the Canadian dollar; the ability to timely or adequately respond to technological changes in the industry; the impact of the Internet and other electronic media on the demand for envelopes and printed material; postage rates; the ability to manage operating expenses; the ability to manage financing costs and interest rate risk; a decline in business volume and profitability that could result in a further impairment of goodwill; the ability to retain key management personnel; the ability to identify, manage or integrate future acquisitions; the costs associated with and the outcome of outstanding and future litigation; and changes in government regulations.

In view of such uncertainties, investors should not place undue reliance on our forward-looking statements since such statements speak only as of the date when made. We undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

ITEM 3. QUANTITATIVE AND QUALITATIVE DISCLOSURES ABOUT MARKET RISK

We are exposed to market risks such as changes in interest and foreign currency exchange rates, which may adversely affect results of our operations and our financial position. Risks from interest and foreign currency exchange rate fluctuations are managed through normal operating and financing activities. We do not utilize derivatives for speculative purposes, nor have we hedged interest rate

exposure through the use of swaps and options or foreign exchange exposure through the use of forward contracts.

Exposure to market risk from changes in interest rates relates primarily to our variable rate debt obligations. The interest on this debt is the London Interbank Offered Rate ("LIBOR") plus a margin. At June 30, 2005, we had variable rate debt outstanding of $107.4 million. A 1% increase in LIBOR on the maximum amount of debt subject to variable interest rates, which was $314.2 million, would increase our annual interest expense by $3.1 million.

We have operations in Canada, and thus are exposed to market risk for changes in foreign currency exchange rates of the Canadian dollar. In the three and six months ended June 30, 2005, a uniform 10% strengthening of the U.S. dollar relative to the Canadian dollar would have resulted in a decrease in sales of approximately $4.7 million and $10.0 million, respectively, and a decrease in net income of approximately $0.5 and $1.1 million, respectively. The effects of foreign currency exchange rates on future results would also be impacted by changes in sales levels or local currency prices.

ITEM 4. CONTROLS AND PROCEDURES

EVALUATION OF DISCLOSURE CONTROLS AND PROCEDURES. The Company's management, including the Chief Executive Officer and Chief Financial Officer, evaluated the effectiveness of the design and operation of the Company's disclosure controls and procedures (as defined in Rule 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended (the "Exchange Act")) as of the end of the period covered by this report. Based upon that evaluation, the Company's management, including the Chief Executive Officer and Chief Financial Officer, concluded that the Company's disclosure controls and procedures are effective in timely alerting them to any material information relating to the Company and its subsidiaries required to be included in the Company's Exchange Act filings.

CHANGES IN INTERNAL CONTROLS. There were no changes made in the Company's internal controls over financial reporting that occurred during the Company's most recent fiscal quarter that have materially affected, or are reasonably likely to materially affect, the Company's internal controls over financial reporting.

PART II

ITEM 2. ISSUER PURCHASES OF EQUITY SECURITIES

PERIOD	(a) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED*	(b) AVERAGE PRICE PAID PER SHARE (OR UNIT)	(c) TOTAL NUMBER OF SHARES (OR UNITS) PURCHASED AS PART OF PUBLICLY ANNOUNCED PLANS OR PROGRAMS	(SHA MA U
05/01/05 - 05/31/05	24,733	$7.56/share		
06/01/2005 - 06/30/2005				
07/01/2005 - 07/31/2005				
TOTAL	24,733	$7.56/SHARE		