CLARCOR INC
Form 10-Q
September 25, 2006

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SECURITIES AND EXCHANGE COMMISSION
Washington, D. C. 20549

FORM 10-Q
QUARTERLY REPORT

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

For the quarter ended September 2, 2006

REGISTRANT: CLARCOR Inc. (Delaware)

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

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

For the quarterly period ended September 2, 2006

OR

o **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 1-11024

CLARCOR Inc.

(Exact name of registrant as specified in its charter)

DELAWARE	36-0922490
(State or other jurisdiction of incorporation or organization)	(I.R.S. Employer Identification No.)

840 Crescent Centre Drive, Suite 600, Franklin, Tennessee 37067
(Address of principal executive offices)

Registrant s telephone number, including area code 615-771-3100

No Change
(Former name, former address and former fiscal year, if changed since last report.)

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 þ No o

Indicate by check mark 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 þ Accelerated filer o Non-accelerated filer o

Indicate by check mark whether the registrant is a shell company (as defined in Exchange Act Rule 12b-2) Yes o No þ

Indicate the number of shares outstanding of each of the issuer s classes of common stock, as of the latest practicable date.

As of September 2, 2006, 51,022,996 common shares with a par value of $1 per share were outstanding

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Part I
Item 1

CLARCOR Inc.
CONSOLIDATED CONDENSED BALANCE SHEETS
(Dollars in thousands)

	September 2, 2006 (unaudited)	December 3, 2005
ASSETS		
Current assets:		
Cash and cash equivalents	$ 25,026	$ 18,502
Short-term investments	19,500	10,400
Accounts receivable, less allowance for losses of $12,849 for 2006 and $9,775 for 2005	153,643	152,755
Inventories:		
Raw materials	47,091	42,205
Work in process	21,012	17,057
Finished products	60,635	58,246
Total inventories	128,738	117,508
Prepaid expenses and other current assets	7,047	7,253
Deferred income taxes	18,261	18,515
Total current assets	352,215	324,933
Plant assets at cost,	359,315	355,216
less accumulated depreciation	(213,960)	(205,711)
	145,355	149,505
Goodwill	115,691	114,278
Acquired intangibles, less accumulated amortization	53,553	53,898
Pension assets	22,567	22,069
Deferred income taxes	521	521
Other noncurrent assets	10,769	10,068
	$ 700,671	$ 675,272
LIABILITIES		
Current liabilities:		
Current portion of long-term debt	$ 62	$ 233
Accounts payable	49,353	49,239
Income taxes	11,020	12,544
Accrued employee compensation	22,496	24,281
Other accrued liabilities	34,106	35,173

Total current liabilities	117,037	121,470
Long-term debt, less current portion	15,963	16,009
Postretirement health care benefits	4,599	4,239
Long-term pension liabilities	19,998	16,287
Deferred income taxes	25,228	26,184
Other long-term liabilities	4,601	6,267
Minority interests	1,573	1,983
Contingencies		
SHAREHOLDERS EQUITY		
Capital stock	51,023	51,595
Capital in excess of par value	1,891	21,458
Accumulated other comprehensive earnings	(1,138)	(4,637)
Retained earnings	459,896	414,417
	511,672	482,833
	$ 700,671	$ 675,272

See Notes to Consolidated Condensed Financial Statements

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CLARCOR Inc.
CONSOLIDATED CONDENSED STATEMENTS OF EARNINGS
(Dollars in thousands except per share data)
(Unaudited)

	Quarter Ended		Nine Months Ended	
	September 2, 2006	August 27, 2005	September 2, 2006	August 27, 2005
Net sales	$ 231,510	$ 216,403	$ 671,769	$ 632,450
Cost of sales	159,689	149,003	469,057	441,945
Gross profit	71,821	67,400	202,712	190,505
Selling and administrative expenses	36,742	36,348	115,539	110,820
Operating profit	35,079	31,052	87,173	79,685
Other income (expense):				
Interest expense	(174)	(164)	(564)	(460)
Interest income	468	267	1,194	556
Other, net	(198)	175	(510)	(225)
	96	278	120	(129)
Earnings before income taxes and minority interests	35,175	31,330	87,293	79,556
Provision for income taxes	12,087	10,292	30,939	27,801
Earnings before minority interests	23,088	21,038	56,354	51,755
Minority interests in earnings of subsidiaries	(125)	(183)	(385)	(400)
Net earnings	$ 22,963	$ 20,855	$ 55,969	$ 51,355
Net earnings per common share:				
Basic	$ 0.45	$ 0.40	$ 1.08	$ 0.99
Diluted	$ 0.44	$ 0.40	$ 1.07	$ 0.98

Average number of common shares outstanding:				
Basic	51,414,083	51,866,491	51,691,685	51,650,585
Diluted	51,981,546	52,678,124	52,390,283	52,328,384
Dividends paid per share	$ 0.0675	$ 0.0638	$ 0.2025	$ 0.1913

See Notes to Consolidated Condensed Financial Statements

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CLARCOR Inc.
CONSOLIDATED CONDENSED STATEMENTS OF CASH FLOWS
(Dollars in thousands)
(Unaudited)

	Nine Months Ended	
	September 2, 2006	August 27, 2005
Cash flows from operating activities:		
Net earnings	$ 55,969	$ 51,355
Depreciation	16,036	15,038
Amortization	1,636	944
Stock-based compensation expense	2,194	662
Tax benefits from stock-based compensation	(3,312)	
Changes in assets and liabilities	(21,133)	(19,521)
Other, net	629	279
Net cash provided by operating activities	52,019	48,757
Cash flows from investing activities:		
Business acquisitions, net of cash acquired	(4,627)	(3,512)
Additions to plant assets	(11,416)	(16,847)
Other, net	1,130	561
Net cash used in investing activities	(14,913)	(19,798)
Cash flows from financing activities:		
Net payments under line of credit		(7,500)
Payments on long-term debt	(555)	(860)
Sale of capital stock under stock option and employee purchase plans	5,362	5,655
Tax benefits from stock-based compensation	3,312	
Purchase of treasury stock	(28,909)	(1,986)
Cash dividends paid	(10,490)	(9,893)
Other, net		(9,332)
Net cash used in financing activities	(31,280)	(23,916)
Net effect of exchange rate changes on cash	698	(623)
Net change in cash and cash equivalents	6,524	4,420

Cash and cash equivalents, beginning of period	18,502	17,420
Cash and cash equivalents, end of period	$ 25,026	$ 21,840
Cash paid during the period for:		
Interest	$ 565	$ 458
Income taxes	$ 30,043	$ 14,796

See Notes to Consolidated Condensed Financial Statements

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CLARCOR Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)
(Unaudited)

1. CONSOLIDATED FINANCIAL STATEMENTS

The consolidated condensed balance sheet as of September 2, 2006, the consolidated condensed statements of earnings and the consolidated condensed statements of cash flows for the periods ended September 2, 2006, and August 27, 2005, have been prepared by the Company without audit. The financial statements have been prepared on the same basis as those in the Company s December 3, 2005 annual report on Form 10-K (2005 Form 10-K). The December 3, 2005 consolidated balance sheet data was derived from CLARCOR s year-end audited financial statements as presented in the 2005 Form 10-K but does not include all disclosures required by accounting principles generally accepted in the United States of America. In the opinion of management, all adjustments (which include only normal recurring adjustments) necessary to present fairly the financial position, results of operations, and cash flows have been made. The results of operations for the period ended September 2, 2006 are not necessarily indicative of the operating results for the full year.

As discussed in the 2005 Form 10-K, at fiscal year end 2005 the Company revised its presentation of short-term investments on its Consolidated Balance Sheets and Consolidated Statements of Cash Flows, which were presented as cash and cash equivalents in previous years, to present them in accordance with their contractual maturities. The amount revised in the Consolidated Condensed Statement of Cash Flows totaled $19,350 for the first nine months of fiscal 2005. The purchases and sales related to the investments have been presented on the Consolidated Statements of Cash Flows in the operating activities section. This revision had no impact on the Consolidated Statements of Earnings.

2. STOCK-BASED COMPENSATION

Effective December 4, 2005, the Company adopted Statement of Financial Accounting Standards No. 123R, Share-Based Payment (SFAS No. 123R), using the modified prospective transition method. Under this method, stock-based compensation expense is recognized using the fair-value based method for all awards granted on or after the date of adoption. Compensation expense for unvested stock options and awards that were outstanding on December 4, 2005 will be recognized over the requisite service period based on the grant-date fair value of those options and awards as previously calculated under the pro forma disclosures under SFAS No. 123. The Company determined the fair value of these awards using the Black-Scholes option pricing model. The Company also adopted the non-substantive vesting period approach for attributing stock compensation to individual periods for awards with retirement eligibility options, which requires recognition of compensation expense immediately for grants to retirement eligible employees or over the period from the grant date to the date retirement eligibility is achieved. This change will not affect the overall amount of compensation expense recognized and had an immaterial effect on the amount recorded in the quarter and nine months ended September 2, 2006. Prior to adoption, the Company used the intrinsic value method under Accounting Principles Board Opinion No. 25, Accounting for Stock Issued to Employees, and related Interpretations and provided the disclosure-only provisions of SFAS No. 123 applying the nominal vesting period approach. Therefore, the Company did not recognize compensation expense prior to fiscal 2006 in association with options granted.

As a result of adopting the standard, the Company recorded pretax compensation expense related to stock options of $611 and $1,628 and related tax benefits of $217 and $578 for the

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CLARCOR Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)
(Unaudited) Continued

2. STOCK-BASED COMPENSATION (Continued)

quarter and nine months ended September 2, 2006, respectively. This reduced net earnings by $394 and $1,050 and diluted earnings per share (EPS) by less than $0.01 and by approximately $0.02 for the quarter and for the nine months ended September 2, 2006, respectively. The Company also recorded $161 and $566 in pretax compensation expense related to its restricted share units for the quarter and nine months ended September 2, 2006. The tax benefits associated with tax deductions that exceed the amount of compensation expense recognized in the financial statements related to stock option exercises was $320 and $3,312 for the quarter and nine months ended September 2, 2006, respectively. This reduced cash flows from operating activities and increased cash flows from financing activities compared to amounts that would have been reported if the standard had not been adopted.

On November 18, 2005, the Board of Directors approved a grant of 386,375 options that were fully vested on the date of grant. Approximately $3,000 of pretax compensation expense was included in the determination of pro forma earnings during 2005 that otherwise would have been recorded as stock option expense in accordance with SFAS No. 123R over future years had the options been granted with a four-year vesting period similar to prior grants. On March 22, 2005, the Compensation Committee of the Board of Directors approved accelerating the vesting of nonqualified stock options granted on December 12, 2004 to current employees, including executive officers. All of these options had an exercise price greater than the then-market price per share and provided for vesting at the rate of 25% per year beginning on the first anniversary of the date of grant. Approximately $3,000 of pretax compensation expense was included in the determination of pro forma earnings during 2005 that otherwise would have been recorded as stock option expense in accordance with SFAS No. 123R over future years. Together these events reduced the amount of pre-tax compensation that would have been recorded related to these two grants in the quarter and nine months ended September 2, 2006 by approximately $375 and $1,125, respectively.

If the Company had determined compensation expense for its stock-based compensation plans based on the fair value at the grant dates for the prior fiscal year, the Company s pro forma net earnings and basic and diluted EPS would have been as follows:

	Quarter Ended August 27, 2005	Nine Months Ended August 27, 2005
Net earnings, as reported	$ 20,855	$ 51,355
Add stock-based compensation expense, net of tax, included in net earnings	137	420
Less total stock-based compensation expense under the fair value-based method, net of tax	(2,308)	(6,020)
Pro forma net earnings	$ 18,684	$ 45,755
Basic EPS, as reported	$ 0.40	$ 0.99
Pro forma basic EPS	$ 0.36	$ 0.89
Diluted EPS, as reported	$ 0.40	$ 0.98
Pro forma diluted EPS	$ 0.35	$ 0.87

The following is a description and summary of the key provisions of the stock-based compensation plans.

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CLARCOR Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)
(Unaudited) Continued

2. STOCK-BASED COMPENSATION (Continued)

On March 24, 2003, the shareholders of CLARCOR approved the 2004 Incentive Plan, which replaced the 1994 Incentive Plan on its termination date of December 14, 2003. The 2004 Incentive Plan allows the Company to grant stock options, restricted stock and performance awards to officers, directors and key employees of up to 3,000,000 shares. Upon share option exercise or restricted share unit conversion, the Company issues new shares unless treasury shares are available.

Stock Options

Under the 2004 Incentive Plan, nonqualified stock options may only be granted at the fair market value at the date of grant. All outstanding stock options have been granted at the fair market value on the date of grant, which is the date the Board of Directors approves the grant and the participants receive it. The Company s Board of Directors determines the vesting requirements for stock options at the time of grant and may accelerate vesting as occurred during 2005. Excluding the grants awarded in fiscal 2005, options granted to key employees vest 25% per year beginning at the end of the first year; therefore, they become fully exercisable at the end of four years. Vesting may be accelerated in the event of retirement, disability or death of a participant or change in control of the Company. Options granted to non-employee directors vest immediately. All options expire ten years from the date of grant unless otherwise terminated. The options granted in fiscal 2005 are fully vested as discussed above.

The following table summarizes the activity for the nine months ended September 2, 2006 under the nonqualified stock option plans and includes options granted under both the 1994 Incentive Plan and the 2004 Incentive Plan.

	Shares Granted under Incentive Plans	Weighted Average Exercise Price
Outstanding at beginning of year	3,885,915	$20.63
Granted	61,550	35.08
Exercised	(572,117)	16.72
Surrendered	(41,875)	20.60
Outstanding at September 2, 2006	3,333,473	$21.56
Options exercisable at September 2, 2006	3,009,561	$21.63

At September 2, 2006, there was $1,220 of unrecognized compensation cost related to nonvested option awards which the Company expects to recognize over a weighted-average period of 1.2 years.

	Quarter Ended		Nine Months Ended	
	September 2, 2006	August 27, 2005	September 2, 2006	August 27, 2005

Fair value of options exercised	$ 339	$ 2,381	$2,377	$ 3,392
Total intrinsic value of options exercised	1,035	12,346	9,923	17,802
Cash received upon exercise of options	515	948	3,529	3,493
Tax benefit realized from exercise of options	367	4,658	3,365	6,727

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CLARCOR Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)
(Unaudited) Continued
2. STOCK-BASED COMPENSATION (Continued)

The following table summarizes information about the options at September 2, 2006.

		Options Outstanding			Options Exercisable	
Range of Exercise Prices		Number	Weighted Average Exercise Price	Weighted Average Remaining Life in Years	Number	Weighted Average Exercise Price
$ 7.21	$ 9.79	356,626	$ 9.15	3.26	356,626	$ 9.15
$10.53	$15.15	267,263	$13.22	4.97	267,263	$13.22
$16.01	$22.80	1,409,443	$20.37	5.53	1,093,331	$20.27
$25.89	$35.66	1,300,141	$27.97	7.77	1,292,341	$27.95
		3,333,473	$21.56	6.11	3,009,561	$21.63

At September 2, 2006, the aggregate intrinsic value of options outstanding and exercisable was $27,623 and $24,751, respectively.
The weighted average fair value per option at the date of grant for options granted during the nine-month periods of 2006 and 2005 was $10.53 and $7.13, respectively. The fair value of each option grant is estimated on the date of grant using the Black-Scholes option pricing model with the following weighted average assumptions. The expected life selected for options granted during the nine-month periods represents the period of time that the options are expected to be outstanding based on historical data of option holder exercise and termination behavior. Expected volatilities are based upon historical volatility of the Company s monthly stock closing prices over a period equal to the expected life of each option grant. The risk-free interest rate was selected based on yields from U.S. Treasury zero-coupon issues with a remaining term approximately equal to the expected term of the options being valued.

	Nine Months Ended September 2, 2006	Year Ended December 3, 2005
Risk-free interest rate	4.74%	4.05%
Expected dividend yield	0.96%	1.06%
Expected volatility factor	20.72%	21.48%
Expected option term (in years):		
Original grants without reloads	6.9	6.4
Original grants with reloads	n/a	5.0

Restricted Share Unit Awards

The Company s restricted share unit awards are considered nonvested share awards as defined under SFAS No. 123R. No restricted share units were granted during the nine months ended September 2, 2006. During the nine months ended August 27, 2005, the Company granted 32,144 restricted units of Company common stock with a fair value of $26.08 per unit, the market price of the stock at the date granted. The restricted share units require no payment from the employee and compensation cost is recorded based on the market price on the

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CLARCOR Inc.
NOTES TO CONSOLIDATED CONDENSED FINANCIAL STATEMENTS
(Dollars in thousands, except per share data)
(Unaudited) Continued

2. STOCK-BASED COMPENSATION (Continued)

grant date and is recorded equally over the vesting period of four years. During the vesting period, officers and key employees receive compensation equal to dividends declared on common shares. Upon vesting, the employee may elect to defer receipt of their shares. Compensation expense related to vesting of restricted stock awards totaled $161 and $566 for the quarter and nine months ended September 2, 2006, respectively, and $217 and $662 for the quarter and nine months ended August 27, 2005, respectively. The following table summarizes the restricted share unit awards.

	Units	Weighted Average Grant Date Fair Value					
Nonvested at beginning of year	110,441	$ 23.32					
Granted)	(1,002)						
Average tangible common equity (b)	541,898	342,616	273,092	244,058	249,514	336,183	248,484
Add back: Average preferred stock	78,573	78,221	78,126	78,038	7,805	78,241	1,962
Average tangible shareholders' equity (c)	620,471	420,837	351,218	322,096	257,319	414,424	250,446
Total shareholders' equity	675,167	670,626	446,636	353,760	348,327	675,167	348,327
Less:							
Preferred stock	(79,195)	(78,271)	(78,173)	(78,075)	(78,019)	(79,195)	(78,019)
Goodwill	(51,908)	(51,908)	(28,261)	(28,261)	(28,261)	(51,908)	(28,261)
Intangible assets	(7,461)	(8,094)	(465)	(500)	(1,002)	(7,461)	(1,002)
Tangible common equity (d)	536,603	532,353	339,737	246,924	241,045	536,603	241,045
Add back: Preferred	79,195	78,271	78,173	78,075	78,019	79,195	78,019

stock							
Tangible shareholders' equity (e)	615,798	610,624	417,910	324,999	319,064	615,798	319,064
Total assets	6,681,123	7,257,706	3,783,353	3,809,196	3,699,142	6,681,123	3,699,142
Less:							
Goodwill	(51,908)	(51,908)	(28,261)	(28,261)	(28,261)	(51,908)	(28,261)
Intangible assets	(7,461)	(8,094)	(465)	(500)	(1,002)	(7,461)	(1,002)
Ending tangible assets (f)	6,621,754	7,197,704	3,754,627	3,780,435	3,669,879	6,621,754	3,669,879
Risk-weighted assets (g)	3,908,225	4,014,662	3,076,042	2,951,721	2,878,548	3,908,225	2,878,548
Total average assets	6,863,923	4,508,809	3,784,458	3,777,510	3,566,051	4,741,514	3,426,275
Less:							
Goodwill	(51,908)	(51,908)	(28,261)	(28,261)	(28,261)	(51,908)	(28,261)
Intangible assets	(7,461)	(8,094)	(465)	(500)	(1,002)	(7,461)	(1,002)
Average tangible assets (h)	6,804,554	4,448,807	3,755,732	3,748,749	3,536,788	4,682,145	3,397,012
Ending common shares outstanding (i)	51,433,821	51,431,422	51,434,346	37,474,422	37,481,201	51,433,821	37,481,201
Ratios							
Return on average tangible common shareholders' equity (a)/(b)	9.37%	260.04%	0.66%	8.57%	3.32%	72.27%	9.24%
Ending tangible common equity as a percent of:							
Ending tangible assets (d)/(f)	8.10%	7.40%	9.06%	6.54%	6.57%	8.10%	6.57%
Risk-weighted assets (d)/(g)	13.73%	13.26%	11.05%	8.38%	8.37%	13.73%	8.37%

Average tangible common equity as a percent of average tangible assets (b)/(h)		7.96%		7.70%		7.27%		6.51%		7.05%		7.18%	7.31%
Tangible book value per common share (d)/(i)	$	10.43	$	10.35	$	6.61	$	6.59	$	6.43	$	10.43	$ 6.43
Ending tangible shareholders' equity to ending tangible assets (e)/(f)		9.30%		8.48%		11.14%		8.60%		8.70%		9.30%	8.70%
Average tangible shareholders' equity to average tangible assets (c)/(h)		9.12%		9.46%		9.35%		8.59%		7.28%		8.85%	7.37%

First Financial Bancorp. does not intend for this Item 2.02 or Exhibit 99.1 to be treated as “filed” for purposes of the Securities Exchange Act of 1934, as amended (the “Exchange Act”), or incorporated by reference into its filings under the Securities Act of 1933, as amended (the “Securities Act”).   However, First Financial Bancorp, does intend for Exhibit 99.2 to be treated as “filed” for purposes of the Exchange Act, and therefore, incorporated by reference into its filings under the Securities Act.

Item 9.01 Exhibits.

(d) Exhibits:

The following exhibits shall not be deemed to be "filed" for purposes of the Securities Act.

99.1 First Financial Bancorp. Press Release dated January 26, 2010.

The following exhibit shall be deemed to be "filed", not "furnished" for purposes of the Exchange Act.

99.2 Financial information to accompany First Financial Bancorp. Press Release dated January 26, 2010.

SIGNATURES

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

FIRST FINANCIAL BANCORP.

By: /s/ J. Franklin Hall
Franklin Hall
Executive Vice President and
Chief Financial Officer

Date: January 26, 2010

Form 8-K First Financial Bancorp.

Exhibit Index

Exhibit No.	Description
99.1	First Financial Bancorp. Press Release dated January 26, 2010.
99.2	Financial information to accompany First Financial Bancorp. Press Release dated January 26, 2010.