
**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**
Washington, D.C. 20549

FORM 8-K

CURRENT REPORT
Pursuant to Section 13 OR 15(d)
of the Securities Exchange Act of 1934

Date of Report (Date of earliest event reported) July 29, 2014

MATTHEWS INTERNATIONAL CORPORATION
(Exact name of registrant as specified in its charter)

Pennsylvania
(State or other jurisdiction
of incorporation)

0-09115
(Commission
File Number)

25-0644320
(IRS Employer
Identification No.)

Two Northshore Center, Pittsburgh, PA
(Address of principal executive offices)

15212
(Zip Code)

Registrant's telephone number, including area code **(412) 442-8200**

(Former name or former address, if changed since last report.)

Check the appropriate box below if the Form 8-K filing is intended to simultaneously satisfy the filing obligation of the registrant under any of the following provisions (see General Instruction A.2. below):

- Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 1.01. Entry into Material Definitive Agreement

On July 29, 2014, Matthews International Corporation ("Matthews") entered into the First Amendment and the Second Amendment (together, the "Amendments") to that certain First Amended and Restated Loan Agreement, dated July 18, 2013 (the "Loan Agreement"), by and among Matthews, the financial institutions listed on the signature pages thereof (the "Banks"), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, as administrative agent for the Banks, and PNC Bank, National Association, a national banking association, in its capacity as syndication agent for the Banks.

The Amendments provide for, among other things, (i) an increase in the revolving credit facility from an aggregate principal amount not to exceed \$500,000,000 to an aggregate principal amount not to exceed \$900,000,000 and (ii) an increase in the amount of additional revolving commitments Matthew may request from \$200,000,000 to up to \$650,000,000. In connection with the Amendments Matthews and certain of its United States subsidiaries granted pledges of and security interests in the equity interests of their respective subsidiaries that are organized in the United States and certain of their first tier foreign subsidiaries.

On July 29, 2014, Matthews drew approximately \$395 million under the amended loan facility to finance the cash consideration payable to the stockholders of Schawk, Inc. ("SGK") pursuant to the merger agreement described under Item 2.01 below and to pay off certain indebtedness and expenses of SGK that became due as a result of the merger.

The First Amendment and the Second Amendment to the Loan Agreement are attached as Exhibits 10.1 and 10.2, respectively, and are incorporated herein by reference.

Item 2.01. Completion of Acquisition or Disposition of Assets

On July 29, 2014, Matthews completed its previously announced acquisition of SGK.

Pursuant to the terms of the Agreement and Plan of Merger and Reorganization, dated as of March 16, 2014, between Matthews, Moonlight Merger Sub Corp., a Delaware corporation and a wholly-owned subsidiary of Matthews ("Merger Sub"), Moonlight Merger Sub LLC, a Delaware limited liability company and a wholly owned subsidiary of Matthews ("Merger Sub 2") and SGK (the "Merger Agreement"), Merger Sub merged with and into SGK (the "Merger"), with SGK continuing as the surviving corporation and a wholly-owned subsidiary of Matthews. Immediately after the completion of the Merger, SGK merged with and into Merger Sub 2 (the "Second Merger", and together with the Merger, the "Mergers"), with Merger Sub 2 continuing as the surviving entity and a wholly-owned subsidiary of Matthews. Merger Sub 2 has been renamed SGK LLC. The Mergers are intended to qualify as a "reorganization" within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended.

Under the terms of the Merger Agreement, each outstanding share of SGK Class A common stock (other than those held by SGK as treasury stock) was cancelled and converted into the right to receive (i) 0.20582 of a share of Matthews Class A common stock, par value \$1.00 per share ("Matthews common stock") and (ii) \$11.80 in cash. In connection with the Merger, Matthews will issue approximately 5.4 million shares of Matthews common stock and pay an aggregate of approximately \$309.0 million in cash to former SGK stockholders in exchange for their shares of SGK Class A common stock.

Upon the closing of the Merger, the shares of SGK Class A common stock, which previously traded under the ticker symbol "SGK" on the New York Stock Exchange (the "NYSE"), ceased trading on and were delisted from the NYSE

The foregoing summary of the Merger Agreement and the transactions contemplated thereby does not purport to be complete and is subject to, and qualified in its entirety by, the full text of the Merger Agreement, which is attached as Exhibit 2.1 to Matthews' Current Report on Form 8-K filed with the Securities and Exchange Commission (the "SEC") on March 19, 2014 and is incorporated herein by reference.

Item 5.02 Departure of Directors or Certain Officers; Election of Directors; Appointment of Certain Officers; Compensatory Arrangements of Certain Officers.

(d) In connection with the execution of the Merger Agreement, Matthews entered into a Shareholders' Agreement with certain stockholders of SGK who are members of the Schawk family or trusts for the benefit of members of the Schawk family (the "Schawk Family Stockholders") and David A. Schawk, in his capacity as the SGK family representative (the "Shareholders' Agreement").

Pursuant to the Shareholders' Agreement Matthews' board of director increased the number of directors constituting the class whose three year term expires in 2017 by one and, effective as of the closing, appointed David A. Schawk to such class as the initial designee of the Schawk Family Stockholders.

The Shareholders' Agreement provides that, subject to certain conditions and for so long as the Schawk Family Stockholders beneficially own at least 7.5% of the shares of Matthews common stock, at each meeting of its shareholders at which the 2017 class directors are to be elected, it will nominate and use its reasonable best efforts to cause the shareholders of Matthews to elect to its board a designee of the Schawk Family Stockholders.

The Shareholders' Agreement is attached as Exhibit 2.3 to Matthews' Current Report on Form 8-K filed with the SEC on March 19, 2014 and is incorporated herein by reference.

Mr. Schawk served as Chief Executive Officer of SGK since February 1993 until its acquisition by Matthews and as President of SGK from February 1993 until July 2012. He served as Chief Operating Officer of SGK from September 1992 through February 2004. Mr. Schawk also served on the board of directors of SGK since September 1992.

Item 8.01 Other Events

On July 29, 2014, Matthews issued a press release announcing that it completed its acquisition of SGK. A copy of the press release is attached hereto as Exhibit 99.1 and is incorporated herein by reference.

Item 9.01 Financial Statements and Exhibits

(a) Financial statements of businesses acquired.

The consolidated balance sheets of Schawk, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013, and notes related thereto, are included as Exhibit 99.2 to this Current Report on Form 8-K and are incorporated herein by reference.

The Report of Independent Registered Public Accounting Firm dated March 5, 2014 issued by Ernst & Young LLP relating to the consolidated balance sheets of Schawk, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013, is included as part of Exhibit 99.2 to this Current Report on Form 8-K and is incorporated herein by reference.

The unaudited consolidated balance sheets of Schawk, Inc. as of March 31, 2014 and December 31, 2013, and the related consolidated statements of comprehensive income (loss) and cash flows for each of the three months ended March 31, 2014 and 2013, and notes related thereto, are included as Exhibit 99.3 to this Current Report on Form 8-K and are incorporated herein by reference.

(b) Pro forma financial information.

The unaudited pro forma condensed combined statements of income for the fiscal year ended September 30, 2013 and the six month period ended March 31, 2014 and the unaudited pro forma condensed combined balance sheet as of March 31, 2014, together with the related notes to such unaudited pro forma condensed combined financial statements, required by Section 9.01(b) of Form 8-K are included as Exhibit 99.4 to this Current Report on Form 8-K and are incorporated herein by reference.

(d) Exhibits

Exhibit No.	Description
2.1	Agreement and Plan of Merger and Reorganization, dated as of March 16, 2014, by and among Matthews International Corporation, Moonlight Merger Sub Corp., Moonlight Merger Sub LLC and Schawk, Inc., (filed as Exhibit 2.1 of Matthews International Corporation's Current Report on Form 8-K filed on March 19, 2014 and incorporated herein by reference).
10.1	First Amendment to the First Amended and Restated Loan Agreement, dated July 18, 2013 (the "Loan Agreement"), by and among Matthews, the financial institutions listed on the signature pages thereof (the "Banks"), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, as administrative agent for the Banks, and PNC Bank, National Association, a national banking association, in its capacity as syndication agent for the Banks.
10.2	Second Amendment to the Loan Agreement.
10.3	Shareholders' Agreement, dated as of March 16, 2014, by and among Matthews International Corporation, the Shareholders named therein and David A. Schawk, in his capacity as the Family Representative. (filed as Exhibit 10.2 of Matthews International Corporation's Current Report on Form 8-K filed on March 19, 2014 and incorporated herein by reference).
23.1	Consent of Ernst & Young LLP.
99.1	Press Release dated July 29, 2014.
99.2	Audited consolidated balance sheets of SGK as of December 31, 2013 and 2012 and the consolidated statements of operations, equity and cash flows of SGK for each of the three years in the period ended December 31, 2013.
99.3	Unaudited consolidated balance sheet of SGK as of March 31, 2014, the related unaudited consolidated statements of operations, equity and cash flows of SGK for three month periods ended March 31, 2014 and March 31, 2013, and the related notes to such unaudited consolidated financial statements.
99.4	(i) Unaudited pro forma condensed combined statements of income for the fiscal year ended September 30, 2013 and the six month period ended March 31, 2014 (ii) Unaudited pro forma condensed combined balance sheet as of March 31, 2014 (iii) The related notes to the unaudited pro forma condensed combined financial statements

SIGNATURE

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.

Date: July 31, 2014

MATTHEWS INTERNATIONAL CORPORATION

By: /s/ Joseph C. Bartolacci
Joseph C. Bartolacci
President and Chief Executive Officer

MATTHEWS INTERNATIONAL CORPORATION

EXHIBIT INDEX

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EXHIBIT 10.1

FIRST AMENDMENT TO FIRST AMENDED AND RESTATED LOAN AGREEMENT

First Amendment to First Amended and Restated Loan Agreement, dated the 29th day of July, 2014, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as defined in the Loan Agreement (as hereinafter defined)), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as administrative agent for the Banks (in such capacity, the "Agent"), and PNC Bank, National Association, a national banking association, in its capacity as syndication agent for the Banks (in such capacity, the "Syndication Agent") (this "First Amendment").

W I T N E S S E T H:

WHEREAS, pursuant to that certain First Amended and Restated Loan Agreement, dated July 18, 2013, by and among the Borrower, the Banks, the Agent, and the Syndication Agent (as amended, modified, supplemented or restated from time to time, the "Loan Agreement"), the Banks agreed, among other things, to extend a revolving credit facility to the Borrower in an aggregate principal amount not to exceed Five Hundred Million and 00/100 Dollars (\$500,000,000.00); and

WHEREAS, the Borrower desires to amend certain provisions of the Loan Agreement and the Banks, the Agent and the Syndication Agent desire to permit such amendments pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. All capitalized terms used herein which are defined in the Loan Agreement shall have the same meaning herein as in the Loan Agreement unless the context clearly indicates otherwise.

2. Section 1.01 of the Loan Agreement is hereby amended by inserting the following definitions in the appropriate alphabetical order:

"Additional Increase" and/or "Additional Increases" shall mean that as set forth in Section 2.21 hereof.

"Additional Increase Amendment" shall mean that as set forth in Section 2.21 hereof.

"Additional Revolving Credit Increase" shall mean that as set forth in Section 2.21 hereof.

"First Amendment Closing Date" shall mean July 29, 2014.

"Incremental Term Loan" and/or "Incremental Term Loans" shall mean that as set forth in Section 2.21 hereof.

3. Section 2.21 of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

2.21 Increase of Revolving Credit Facility Commitment.

If at any time after the First Amendment Closing Date, and so long as no Event of Default or Potential Default has occurred and is continuing, the Borrower desires to increase the Revolving Credit Facility Commitment, (each, an "Additional Revolving Credit Increase") and/or, at the Borrower's option, request to add term loans (each, an "Incremental Term Loan" and collectively, the "Incremental Term Loans") (each Additional Revolving Credit Increase and each Incremental Term Loan are each, an "Additional Increase" and collectively, the "Additional Increases") the Borrower shall notify the Agent in writing, who will promptly notify each Bank thereof, provided that any such Additional Increase shall be in a minimum of Ten Million and 00/100 Dollars (\$10,000,000.00) and the aggregate of all such Additional Increases shall not exceed Six Hundred Fifty Million and 00/100 Dollars (\$650,000,000.00). The existing Banks shall have the right at any time within fourteen (14) days following such notice to increase their respective Commitment by providing written notice of the same to the Agent so as to provide such additional Commitment pro-rata in accordance with such Bank's Pro Rata Share, and any portion of such Additional Increase which is not provided by any such existing Bank shall be available to the other existing Banks; provided, that if more than one existing Bank desires to increase its Commitment in respect of the portion of such Additional Increase not provided by an existing Bank, such participating Banks shall provide such portion of the additional Commitments on a pro rata basis in accordance with the proportion that their Pro Rata Share bears to each other, and thereafter, to the extent not provided by existing Banks, to any additional lending institution or institutions proposed by the Borrower and which is approved by the Agent (which approval will not be unreasonably withheld, conditioned or delayed) and which becomes a party to this Agreement pursuant to documentation reasonably acceptable to the Agent and prepared at the Borrower's expense, which documentation may be executed by the Borrower and the Agent (as agent for the Banks) without further consent or action of the Banks, such consent hereby deemed to be irrevocably given to the Agent by the Banks; provided, however, that the Borrower shall have the right to have the entire amount of each Additional Increase provided by such approved additional lending institution or institutions if all the existing Banks decline to increase their Commitments to accommodate any such Additional Increase. In the event of any such Additional Increase in the aggregate Commitments and in the Commitment of any Bank effected pursuant to the terms of this Section 2.21, new Notes shall, to the extent deemed reasonably necessary or appropriate by the Agent, be executed and delivered by the Borrower, and the affected Banks shall promptly surrender and cancel the existing Notes; and the Borrower shall execute and deliver such additional documentation setting forth the new Commitments and Pro Rata Shares as the Agent shall reasonably request in accordance with the provisions of this Section 2.21 (each, an "Additional Increase Amendment"). Each Additional Increase Amendment (i) with respect to any Additional Revolving Credit Increase, shall be executed by the Borrower and the Agent (as agent for the Banks) without further consent or action of the Banks, such consent herein is deemed to be irrevocably given to the Agent by the Banks and (ii) with respect to any Incremental Term Loan, (A) shall be executed by the Borrower, the Banks providing such Incremental Term Loan and the Agent without further consent of any of the Banks not providing any portion of such Incremental Term Loan, such consent herein is deemed to be irrevocably given to the Agent by the Banks not providing any portion of such Incremental Term Loan, (B) may contain any amendments to this Agreement and the other Loan Documents as may be reasonably necessary or appropriate, in the opinion of the Agent, to effect the provisions of this Section 2.21 to, among other things, include such Incremental Term Loan and/or the effect thereof in the definitions of "Commitments", "Loans", "Majority Banks", "Notes", "Total Commitment Amount" and (C) shall set forth the terms and conditions applicable to such Incremental Term Loan as agreed to among the Borrower, the Banks providing such Incremental Term Loan and the Agent; provided, however, that the maturity date of such Incremental Term Loan shall not be earlier than the Expiry Date.

4. The provisions of Section 2 through 3 of this First Amendment shall not become effective until the Agent has received the following, each in form and substance acceptable to the Agent:

- (a) this First Amendment, duly executed by the Borrower and the Banks;
- (b) the documents listed in the Preliminary Closing Checklist set forth on Exhibit A attached hereto and made a part hereof; and
- (c) such other documents as may be reasonably requested by the Agent.

5. The Borrower hereby reconfirms and reaffirms all representations and warranties, agreements and covenants made by and pursuant to the terms and conditions of the Loan Agreement, except as such representations and warranties, agreements and covenants may have heretofore been amended, modified or waived in writing in accordance with the Loan Agreement, and except any such representations or warranties made as of a specific date or time, which shall have been true and correct in all material respects as of such date or time.

6. The Borrower acknowledges and agrees that each and every document, instrument or agreement which at any time has secured payment of the Borrower's Indebtedness under the Loan Agreement including, but not limited to, (i) the Loan Agreement and (ii) the Guaranty Agreements continue to secure prompt payment when due of the Borrower's Indebtedness under the Loan Agreement.

7. The Borrower hereby represents and warrants to the Banks and the Agent that (i) the Borrower has the legal power and authority to execute and deliver this First Amendment; (ii) the officers of the Borrower executing this First Amendment have been duly authorized to execute and deliver the same and bind the Borrower with respect to the provisions hereof; (iii) the execution and delivery hereof by the Borrower and the performance and observance by the Borrower of the provisions hereof and of the Loan Agreement and all documents executed or to be executed therewith, do not violate or conflict with the organizational documents of the Borrower or any Law applicable to the Borrower or result in a breach of any provision of or constitute a default which would have a Material Adverse Effect under any other agreement, instrument or document binding upon or enforceable against the Borrower and (iv) this First Amendment, the Loan Agreement and the documents executed or to be executed by the Borrower in connection herewith or therewith constitute valid and binding obligations of the Borrower in every respect, enforceable in accordance with their respective terms.

8. The Borrower represents and warrants that (i) no Event of Default exists under the Loan Agreement, nor will any occur as a result of the execution and delivery of this First Amendment or the performance or observance of any provision hereof; (ii) except as amended pursuant to this First Amendment, the Schedules attached to and made part of the Loan Agreement are true and correct as of the date hereof in all material respects and there are no material modifications or supplements thereto; and (iii) it presently has no claims or actions of any kind at law or in equity against the Banks or the Agent arising out of or in any way relating to the Loan Agreement or the other Loan Documents.

9. Each reference to the Loan Agreement that is made in the Loan Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Loan Agreement as amended hereby.

10. The agreements contained in this First Amendment are limited to the specific agreements made herein. Except as amended hereby, all of the terms and conditions of the Loan Agreement shall remain in full force and effect. This First Amendment amends the Loan Agreement and is not a novation thereof.

11. This First Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

12. This First Amendment shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles or the conflicts thereof. The Borrower hereby consents to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or mentioning this First Amendment.

[INTENTIONALLY LEFT BLANK]

IN WITNESS WHEREOF, and intending to be legally bound, the parties hereto, have caused this First Amendment to be duly executed, as a document under seal, by their duly authorized officers on the day and year first above written.

ATTEST

Matthews International Corporation

By: /s/ _____
Name: _____
Title: _____

By: /s/ _____
Name: _____
Title: _____

Citizens Bank of Pennsylvania, as Agent and for itself as a Bank

By: /s/ _____
Name: _____
Title: _____

PNC Bank, National Association, as Syndication Agent and for itself as a Bank

By: /s/ _____
Name: _____
Title: _____

Fifth Third Bank, as a Bank

By: /s/ _____
Name: _____
Title: _____

HSBC Bank USA, National Association, as a Bank

By: /s/ _____
Name: _____
Title: _____

The Huntington National Bank, as a Bank

By: /s/ _____
Name: _____
Title: _____

First Commonwealth Bank, as a Bank

By: _____
Name: Stephen P. Moynihan
Title: Senior Vice President

First National Bank of Pennsylvania, as a Bank

By: /s/ _____
Name: _____
Title: _____



The Northern Trust Company, as a Bank

By: /s/ _____ -
Name: _____
Title: _____

MUFG Union Bank, N.A. f/k/a Union Bank, N.A., as a Bank

By: /s/ _____ -
Name: Carlos Cruz
Title: Vice President

Consented to the ____ day of _____, 2014:

ATTEST The York Group, Inc.

By: /s/ _____ By: /s/ _____ Name: _____
Name: _____ Title: _____
Title: _____

ATTEST Milso Industries Corporation

By: /s/ _____ By: /s/ _____ Name: _____
Name: _____ Title: _____

Title: _____

SECOND AMENDMENT TO FIRST AMENDED AND RESTATED LOAN AGREEMENT

Second Amendment to First Amended and Restated Loan Agreement, dated the 29th day of July, 2014, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as defined in the Loan Agreement (as hereinafter defined)), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as administrative agent for the Banks (in such capacity, the "Agent"), and PNC Bank, National Association, a national banking association, in its capacity as syndication agent for the Banks (in such capacity, the "Syndication Agent") (this "Second Amendment").

WITNESSETH:

WHEREAS, pursuant to that certain First Amended and Restated Loan Agreement, dated July 18, 2013, by and among the Borrower, the Banks party thereto, the Agent, and the Syndication Agent, as amended by that certain First Amendment to First Amended and Restated Loan Agreement, dated July 29, 2014, by and among the Borrower, the Banks party thereto, the Agent, and the Syndication Agent (as further amended, modified, supplemented or restated from time to time, the "Loan Agreement"), the Banks agreed, among other things, to extend a revolving credit facility to the Borrower in an aggregate principal amount not to exceed Five Hundred Million and 00/100 Dollars (\$500,000,000.00);

WHEREAS, the Borrower has notified the Agent that it desires to increase (the "Current Increase") the Revolving Credit Facility Commitment pursuant to Section 2.21 of the Loan Agreement by an amount equal to Four Hundred Million and 00/100 Dollars (\$400,000,000.00) such that immediately after giving effect to such increase the Total Commitment Amount shall be Nine Hundred Million and 00/100 Dollars (\$900,000,000.00); and

WHEREAS, Wells Fargo Bank, N.A., JPMorgan Chase Bank, N.A., Bank of America, N.A., SunTrust Bank, and TD Bank, N.A. (each, a "New Bank" and collectively, the "New Banks") desire to provide a portion of the Current Increase and join the Loan Agreement as "Banks"; and

WHEREAS, in connection with the Current Increase, the Borrower, the Banks, the Agent and the Syndication Agent desire to give effect to the Current Increase and to amend certain provisions of the Loan Agreement pursuant to the terms and conditions set forth herein.

NOW, THEREFORE, in consideration of the premises contained herein and other valuable consideration, the receipt and sufficiency of which are hereby acknowledged, and intending to be legally bound hereby, the parties hereto agree as follows:

1. All capitalized terms used herein which are defined in the Loan Agreement shall have the same meaning herein as in the Loan Agreement unless the context clearly indicates otherwise.

2. The cover page to the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the cover page attached hereto as Exhibit A.

3. The introductory recital paragraph of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

First Amended and Restated Loan Agreement, dated the 18th day of July, 2013, by and among Matthews International Corporation, a Pennsylvania corporation (the "Borrower"), the Banks (as hereinafter defined), Citizens Bank of Pennsylvania, a Pennsylvania banking institution, in its capacity as administrative agent for the Banks (in such capacity, the "Agent"), and PNC Bank, National Association, a national banking association, in its capacity as syndication agent for the Banks (in such capacity, the "Syndication Agent").

4. The reference in (iii) of the second WHEREAS clause of the Loan Agreement to "Acquisitions" is hereby deleted in its entirety and in its stead is inserted a reference to "Permitted Acquisitions (including, without limitation, the Schawk Acquisition)".

5. Section 1.01 of the Loan Agreement is hereby amended by deleting the following definitions in their entirety and in their stead inserting the following:

"Bank-Provided Hedge" shall mean a Hedging Agreement which is provided by any Bank and with respect to which the Agent confirms meets the following requirements: such Hedging Agreement (i) is documented in a standard International Swap Dealer Association Agreement, (ii) provides for the method of calculating the reimbursable amount of the provider's credit exposure in a reasonable and customary manner, and (iii) is entered into for hedging (rather than speculative) purposes. The liabilities of the Loan Parties to the provider of any Bank-Provided Hedge shall be "Indebtedness" hereunder, guaranteed Indebtedness under the Guaranty Agreements and secured Indebtedness under the Pledge Agreements. Notwithstanding the foregoing provisions in this definition, Bank-Provided Hedge shall not

include Excluded Swap Obligations and any such Excluded Swap Obligations shall not be "Indebtedness" hereunder and guaranteed Indebtedness under the Guaranty Agreements.

"EBIT" shall mean, for the period of determination, (i) Net Income, plus (ii) Interest Expense, plus (iii) all income taxes included in Net Income plus, in each case to the extent deducted in determining Net Income, (iv) all other non-cash expenses or losses included in Net Income (excluding depreciation, depletion and amortization), (v) losses from asset dispositions (for all transactions greater than Three Million and 00/100 Dollars (\$3,000,000.00)), (vi) other extraordinary charges, non-recurring losses and/or non-recurring expenses (including, without limitation, the costs incurred to achieve synergies), (vii) and non-cash losses from discontinued operations, minus, in each case to the extent added in determining Net Income, (viii) non-cash gains or credits to income, (ix) gains from asset dispositions (for all transactions greater than Three Million and 00/100 Dollars (\$3,000,000.00)), (x) non-cash gains from discontinued operations and (xi) other extraordinary, non-recurring income, in each case determined and Consolidated for the Borrower and its Subsidiaries in accordance with GAAP; provided, however, subject in all respects to the approval of the Agent, in its sole but reasonable discretion, in the event of an acquisition or disposition of a Subsidiary or material line of business or a material division during the period of determination and solely for the purposes of determining the Applicable Rate and/or the Leverage Ratio, as the case may be, such calculation shall (a) in the case of such a disposition, exclude for the period of determination, EBIT attributable to the disposed of Subsidiary, line of business, or division as if such disposition had occurred at the beginning of such period of determination and (b) in the case of such an acquisition, include for the period of determination the EBIT attributable to the acquired Subsidiary, line of business, or division as if such acquisition had occurred at the beginning of such period of determination.

"Guarantor" or "Guarantors" shall mean, singularly or collectively, as the context may require, Milso, York Group, IDL Worldwide, Schawk Holdings, Schawk Worldwide, Schawk USA and any other Person that executes and delivers a Guaranty Agreement to the Agent for the ratable benefit of the Banks on or after the Closing Date.

"Guaranty Agreement" or "Guaranty Agreements" shall mean, singularly or collectively, as the context may require, the Milso Guaranty, the York Group Guaranty, the IDL Worldwide Guaranty, the Schawk Holdings Guaranty, the Schawk Worldwide Guaranty, the Schawk USA Guaranty and any other Guaranty and Suretyship Agreement executed and delivered to the Agent for the ratable benefit of the Banks on or after the date hereof substantially in the form of Exhibit "E" attached hereto and made a part hereof.

"Libor Rate" shall mean, for any Interest Period, a fixed rate per annum (rounded upwards to the next higher whole multiple of 1/100% if such rate is not such a multiple) equal at all times during such Interest Period to the quotient of (a) the rate per annum determined in good faith by the Agent in accordance with its customary procedures (which determination shall be conclusive absent manifest error) to be the average of the rates per annum (rounded upwards to the next higher whole multiple of 1/100% if such rate is not such a multiple) at which deposits in immediately available United States Dollars or an Optional Currency, as applicable, are offered at 11:00 a.m. (London, England time) (or as soon thereafter as is reasonably practicable) to major money center banks by prime banks in the London interbank eurodollar market three (3) Business Days prior to the first day of such Interest Period in an amount and maturity equal to the amount and maturity of such Libor Rate Loan, divided by (b) a number equal to 1.00 minus the aggregate (without duplication) of the rates (expressed as a decimal fraction) of the Libor Reserve Requirements. If, at any time, the Agent and all of the Banks approve an additional Optional Currency pursuant to Section 2.17(d), any reference in this Agreement to the Libor Rate applicable to any Optional Currency Loan in such additional Optional Currency shall be a reference to a rate to be mutually agreed upon between the Agent and the Borrower.

"Loan Document" or "Loan Documents" shall mean, singularly or collectively as the context may require, (i) this Agreement, (ii) the Notes, (iii) the Notice of Waiver of Rights, (iv) the Guaranty Agreements, (v) the Pledge Agreements, (vi) the Letters of Credit, (vii) the Letter of Credit Related Documents and (viii) any and all other documents, instruments, certificates and agreements executed and delivered in connection with this Agreement, as any of them may be amended, modified, extended or supplemented from time to time.

"Revolving Credit Facility Commitment" shall mean Nine Hundred Million and 00/100 Dollars (\$900,000,000.00) or such greater amount as may be applicable in accordance with the provisions of Section 2.21 hereof.

"Total Commitment Amount" shall mean the obligation of the Banks hereunder to make Loans (other than Swing Line Loans) and to issue Letters of Credit up to the maximum aggregate principal Dollar Equivalent amount of Nine Hundred Million and 00/100 Dollars (\$900,000,000.00) or such greater amount as may be applicable in accordance with the provisions of Section 2.21 hereof.

"Treasury Management Agreements" shall mean agreements or other arrangements under which any Bank or Affiliate of any Bank provides any of the following products or services to any of the Loan Parties: (a) credit cards, (b) credit card processing services, (c) debit cards, (d) purchase cards, (e) ACH transactions, (f) cash management, including controlled disbursement, accounts or services or (g) foreign currency exchange, whether arising after the Closing Date or prior to the Closing Date, to the extent such arrangements with any applicable Bank or Affiliate are designated as such under the Existing Loan Agreement. The liabilities of the Loan Parties to the provider of any service or product under any applicable Treasury Management Agreement shall be "Indebtedness" hereunder and guaranteed Indebtedness under the Guaranty Agreements and secured Indebtedness under the Pledge Agreements.

6. Section 1.01 of the Loan Agreement is hereby amended by inserting the following definitions in the appropriate alphabetical order:

"Acquisition Agreement" shall mean that certain Agreement and Plan of Merger and Reorganization, dated as of March 16, 2014, by and among the Borrower, Moonlight Merger Sub Corp., Moonlight Merger Sub LLC and Schawk, Inc., together with all schedules and exhibits thereto, as the same may be amended, modified or waived prior to the Second Amendment Closing Date, to the extent such amendment, modification or waiver is either not materially adverse to the interests of the Agent and/or any Bank, as determined by the Agent in its reasonable discretion, or such amendment, modification or waiver has been consented to in writing by the Agent (such consent to not be unreasonably withheld, conditioned or delayed).

"Foreign Subsidiary" means a Subsidiary which is not a Domestic Subsidiary.

"Foreign Subsidiary Holding Company" shall mean a Domestic Subsidiary all or substantially all of the assets of which consist of equity interests in one or more Foreign Subsidiaries or a Domestic Subsidiary that is disregarded as an entity separate from its owner for U.S. federal tax purposes and owns an equity interest in any Foreign Subsidiary.

"IDL Worldwide" shall mean IDL Worldwide, Inc., a Pennsylvania corporation.

"IDL Worldwide Guaranty" shall mean the Guaranty and Suretyship Agreement, dated the Second Amendment Closing Date, executed and delivered by IDL Worldwide to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time to time.

"Permitted Acquisitions" shall mean that as set forth in Section 6.06.

"Pledge Agreement" or "Pledge Agreements" shall mean, singularly or collectively, as the context may require, (i) the Pledge Agreement, dated the Second Amendment Closing Date, executed and delivered by the Borrower to the Agent for the ratable benefit of the Banks, and (ii) any other Pledge Agreement executed and delivered by SGK LLC, a Delaware limited liability company and/or any Loan Party to the Agent for the ratable benefit of the Banks on or after the Second Amendment Closing Date hereof substantially in the form of Exhibit "F" attached hereto and made a part hereof.

"Release Trigger Condition" shall mean the condition that the Borrower has submitted compliance certificates for two (2) consecutive fiscal quarters each evidencing a Leverage Ratio of less than 3.00 to 1.00; provided, that the last day of such period of two (2) consecutive fiscal quarters shall not be earlier than March 31, 2016.

"Schawk Acquisition" shall mean the acquisition by the Borrower of Schawk Inc. pursuant to the Acquisition Agreement, which acquisition shall occur through the merger of Moonlight Merger Sub Corp., a Delaware corporation and wholly-owned Subsidiary of the Borrower, with and into Schawk Inc. on the Second Amendment Closing Date simultaneously with the closing of this Second Amendment.

"Schawk Holdings" shall mean Schawk Holdings Inc., a Delaware corporation.

"Schawk Holdings Guaranty" shall mean the Guaranty and Suretyship Agreement, dated the Second Amendment Closing Date, executed and delivered by Schawk Holdings to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time to time.

"Schawk Inc." shall mean Schawk, Inc., a Delaware corporation.

"Schawk USA" shall mean Schawk USA Inc., a Delaware corporation.

"Schawk USA Guaranty" shall mean the Guaranty and Suretyship Agreement, dated the Second Amendment Closing Date, executed and delivered by Schawk USA to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time to time.

"Schawk Worldwide" shall mean Schawk Worldwide Holdings Inc., a Delaware corporation.

"Schawk Worldwide Guaranty" shall mean the Guaranty and Suretyship Agreement, dated the Second Amendment Closing Date, executed and delivered by Schawk Worldwide to the Agent for the ratable benefit of the Banks, as amended, modified or supplemented from time to time.

"Second Amendment Closing Date" shall mean July 29, 2014.

"Specified Event of Default" shall mean the occurrence of an Event of Default under (i) Section 7.01(a), (ii) Section 7.01(b), (iii) Section 7.01(c) and/or (iv) 7.01(e) solely as a result of a default in the performance of any covenant contained in Section 5.14 of this Agreement.

7. Section 2.03(a)(i) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(i) Subject to the terms and conditions of this Agreement, on the Second Amendment Closing Date and through the day immediately preceding the first (1st) Incentive Pricing Effective Date occurring after the end of the first full Fiscal Quarter ending after the Second Amendment Closing Date, (x) Revolving Credit Loans which are Base Rate Loans shall bear interest for each day at a rate per annum equal to the Base Rate plus the applicable margin corresponding to Tier V as set forth below and (y) Revolving Credit Loans which are Libor Rate Loans shall bear interest during each applicable interest period at a rate per annum equal to the Libor Rate plus the Applicable Libor Margin corresponding to Tier V set forth below;

8. The table in Section 2.03(a)(ii) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

Tier	Leverage Ratio	Applicable Libor Margin	Applicable Base Rate Margin	Applicable L/C Fee Percentage	Applicable Commitment Fee Percentage
I	< 1.00	.75%	0.00%	.75%	0.15%
II	³ 1.00 < 2.00	1.00%	0.00%	1.00%	0.20%
III	³ 2.00 < 2.50	1.25%	0.25%	1.25%	0.25%
IV	³ 2.50 < 3.00	1.50%	0.50%	1.50%	0.25%
V	³ 3.00 < 3.50	1.75%	0.75%	1.75%	0.25%
VI	³ 3.50	2.00%	1.00%	2.00%	0.25%

9. Section 2.05(i) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(i) A commitment fee in Dollars on the unused portion of the amount of the Revolving Credit Facility Commitment during the period from the date of this Agreement to the Expiry Date, payable quarterly in arrears beginning on October 1, 2013 and continuing on the first (1st) day of each January, April, July and October thereafter and on the Expiry Date. Such fee shall be calculated daily, and shall equal the amount by which the amount of the Revolving Credit Facility Commitment has exceeded the closing principal balance of the sum of the outstanding Dollar Equivalent principal balance of the Revolving Credit Loans (for purposes of this computation the Swing Line Lender's Swing Line Loans shall be deemed to be borrowed amounts under its Revolving Credit Commitment) and the Dollar Equivalent amount of Letters of Credit Outstanding on each day, multiplied by the applicable percentage with respect to commitment fees for such day determined by reference to the Borrower's Leverage Ratio as set forth in Section 2.03(a)(ii) hereof (the "Applicable Commitment Fee Percentage"); provided, however, that any commitment fee accrued with respect to the Revolving Credit Facility Commitment of an Impacted Bank during the period prior to the time such Bank became an Impacted Bank and unpaid at such time shall not be payable by the Borrower so long as such Bank shall be an Impacted Bank except to the extent that such commitment fee shall otherwise have been due and payable by the Borrower prior to such time; and provided, further, that no commitment fee shall accrue with respect to the Revolving Credit Facility Commitment of an Impacted Bank so long as such Bank shall be an Impacted Bank; provided, further, that on the Second Amendment Closing Date and through the day immediately preceding the first (1st) Incentive Pricing Effective Date occurring after the end of the first full Fiscal Quarter ending after the Second Amendment Closing Date, the Applicable Commitment Fee Percentage shall be determined by reference to the applicable margin corresponding to Tier V;

10. The reference in (ii) of Section 3.15 of the Loan Agreement to "Acquisitions" is hereby deleted in its entirety and in its stead is inserted a reference to "Permitted Acquisitions (including, without limitation, the Schawk Acquisition)".

11. Section 5.14(a) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(a) Leverage Ratio. The Borrower and its Subsidiaries shall maintain a Leverage Ratio, (i) as of June 30, 2014, and as of the last day of each Fiscal Quarter thereafter through and including March 31, 2015, for the period equal to the four (4) consecutive Fiscal Quarters then ending, less than or equal to 4.00 to 1.0, (ii) as of June 30, 2015, and as of the last day of each Fiscal Quarter thereafter through and including December 31, 2015, for the period equal to the four (4) consecutive Fiscal Quarters then ending, less than or equal to 3.75 to 1.0, and (iii) as of March 31, 2016, and as of the last day of each Fiscal Quarter thereafter, for the period equal to the four (4) consecutive Fiscal Quarters then ending, less than or equal to 3.50 to 1.0.

12. Section 5.15 of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

5.15 Subsidiary Guaranty Agreements and Pledge Agreements.

(a) Subsidiary Guaranty Agreements. Each Domestic Subsidiary (excluding any Securitization Entity or a Foreign Subsidiary Holding Company) of a Loan Party created or acquired subsequent to the Closing Date shall immediately execute and deliver to the Agent a Guaranty Agreement, along with such corporate governance and authorization documents as may be deemed reasonably necessary or advisable by the Agent; provided, however, that a Domestic Subsidiary shall not be required to execute such Guaranty Agreement so long as (i) the total assets (excluding all loans and advances made to such Subsidiary from a Loan Party or a Subsidiary of a Loan Party) of such Domestic Subsidiary are less than Fifty Million and 00/100 Dollars (\$50,000,000.00), and (ii) the aggregate of the total assets (excluding all loans and advances made to such Subsidiary from a Loan Party or a Subsidiary of a Loan Party) of all such Domestic Subsidiaries with total asset values (excluding all loans and advances made to such Subsidiary from a Loan Party or a Subsidiary of a Loan Party) of less than Fifty Million and 00/100 Dollars (\$50,000,000.00) does not exceed the aggregate amount of One Hundred Twenty-Five Million and 00/100 Dollars (\$125,000,000.00). In the event that the total assets of any Subsidiary (excluding any Securitization Entity or a Foreign Subsidiary Holding Company) which is not a Domestic Subsidiary or a Guarantor are at any time equal to or greater than Twenty Million and 00/100 Dollars (\$20,000,000.00), the Borrower shall provide the Agent and the Banks with prompt written notice of such asset value.

(b) Pledge Agreements. As of the Second Amendment Closing Date and at all times prior to the satisfaction of the Release Trigger Condition, the Borrower and/or such other applicable Loan Party shall pledge its equity interests in its Domestic Subsidiaries and its material first-tier Foreign Subsidiaries and Foreign Subsidiary Holding Companies owned as of the Second Amendment Closing Date (including Schawk) and/or created or acquired subsequent to the Second Amendment Closing Date; provided, however, that with respect to such pledge of the material first-tier Foreign Subsidiaries and Foreign Subsidiary Holding Companies, the Borrower and/or the applicable Loan Party shall only be required to effectuate such pledge if such pledge would not be unlawful and would not cause any adverse tax consequences to the Borrower; provided, further, that with respect to such pledge of the material first-tier Foreign Subsidiaries and Foreign Subsidiary Holding Companies, such pledge shall be limited to a pledge of sixty-six percent (66%) of the equity interests of such Foreign Subsidiary and/or Foreign Subsidiary Holding Company owned by the Borrower or such applicable Loan Party.

13. Section 6.01(a) of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

(a) Liens of any Loan Party or any Subsidiary of a Loan Party existing on the Second Amendment Closing Date and described in Schedule 6.01 to this Agreement;

following:
14. Clause (iii) of Section 6.04 of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the

(iii) the sale, transfer or lease of assets by (A) a Subsidiary of a Loan Party to a Loan Party, (B) a Loan Party to another Loan Party, (C) a Subsidiary that is not a Loan Party to another Subsidiary that is not a Loan Party or (D) a Loan Party of all but not less than all of its equity interests in a Foreign Subsidiary to Schawk Holdings (Gibraltar) Limited or a wholly-owned (whether directly or indirectly) Subsidiary of Schawk Holdings (Gibraltar) Limited,

15. Section 6.06 of the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the following:

6.06 Partnerships; Mergers or Consolidation; Acquisitions.

No Loan Party nor any Subsidiary of a Loan Party shall form a partnership, limited liability company or joint venture, merge or consolidate with or into any other Person, consummate any Acquisitions, or agree to do any of the foregoing, except as follows:

(i) a Subsidiary which is not a Loan Party may merge or consolidate with or into another Subsidiary which is not a Loan Party, or with and into a Loan Party so long as a Loan Party is the surviving entity;

(ii) a Loan Party may merge or consolidate with or into another Loan Party provided that if the Borrower is a party to such merger or consolidation, the Borrower is the surviving entity; and

(iii) any Loan Party and any Subsidiary of a Loan Party may complete Acquisitions provided that, each of the following requirements is met (each, a "Permitted Acquisition"):

(A) no Event of Default shall exist immediately prior to and after giving effect to such Permitted Acquisition;

(B) if a Loan Party is acquiring the ownership interests in such Person, (i) such Person shall, to the extent required by Section 5.15(a), become a Guarantor in accordance with the terms and provisions of Section 5.15(a) and (ii) such Loan Party shall, to the extent required by Section 5.15(b), pledge its ownership interests in such Person in accordance with the terms and provisions of Section 5.15(b), in each case promptly but in any event within five (5) Business Days following the closing of such Permitted Acquisition;

(C) in the case of a merger, consolidation or other combination involving a Loan Party, a Loan Party shall be the continuing and surviving entity; and

(D) after giving effect to such Permitted Acquisition and the incurrence of any Loans, other Indebtedness or contingent obligations in connection therewith, the pro forma Leverage Ratio is not greater than the ratio that is .25x less than the Leverage Ratio required under Section 5.14(a) hereof as of the applicable date of determination.

16. The following is hereby added as new Section 6.09 to the Loan Agreement:

6.09 Dividends and Distributions.

The Borrower shall not, and shall not permit any of its Subsidiaries to, make or pay, or agree to become or remain liable to make or pay, any dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests or on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests; provided, however, that the Borrower or any Subsidiary may declare or pay (i) distributions to a Loan Party or from a Subsidiary that is not a Loan Party to another Subsidiary that is not a Loan Party, (ii) dividends or other distributions made solely in capital stock or other equity interests, (iii) distributions in the form of repurchases of capital stock or other equity interests from employees pursuant to a plan or other employment arrangement; provided, that if an Uncured Specified Event of Default exists, then such distributions shall not exceed, singularly or in the aggregate, Ten Million and 00/100 Dollars (\$10,000,000.00) in any fiscal year, and (iv) so long as no Uncured Specified Event of Default is then continuing or a Specified Event of Default would occur as a result thereof, the Borrower may make or pay, or agree to become or remain liable to make or pay, any other dividend or other distribution of any nature (whether in cash, property, securities or otherwise) on account of or in respect of its shares of capital stock, partnership interests or limited liability company interests or on account of the purchase, redemption, retirement or acquisition of its shares of capital stock (or warrants, options or rights therefor), partnership interests or limited liability company interests. As used herein, "Uncured Specified Event of Default" means (x) a Specified Event of Default which has not been waived in writing by the Agent or Majority Banks, as applicable, (y) a Specified Event of Default under Sections 7.01(b) or (c) which remains uncured for five (5) days, or (z) any other Specified Event of Default that remains uncured to the reasonable satisfaction of the Agent and the Majority Banks.

17. The reference in Section 7.01(i) of the Loan Agreement to "One Million and 00/100 Dollars (\$1,000,000.00)" is hereby deleted in its entirety and in its stead is inserted a reference to "Fifteen Million and 00/100 Dollars (\$15,000,000.00) (to the extent not covered by independent third-party insurance as to which the insurer has been notified of such judgment or order and has not denied coverage thereof)".

18. The reference in Section 7.01(j) of the Loan Agreement to "One Hundred Thousand and 00/100 Dollars (\$100,000.00)" is hereby deleted in its entirety and in its stead is inserted a reference to "an unbonded amount of One Million and 00/100 Dollars (\$1,000,000.00)".

19. Schedule 1 to the Loan Agreement are hereby deleted in their entirety and replaced by Schedule 1 attached hereto.

20. Schedules 3.10, 3.12, 3.13, 3.14, 3.21, 4.03(f) and 6.01 to the Loan Agreement are hereby deleted in their entirety and replaced by Schedules 3.10, 3.12, 3.13, 3.14, 3.21, 4.03(f) and 6.01 attached hereto.

21. Exhibit C to the Loan Agreement is hereby deleted in its entirety and in its stead is inserted the Exhibit C to the Loan Agreement attached hereto.

22. The Exhibit F to the Loan Agreement that is attached hereto is hereby inserted as Exhibit F to the Loan Agreement.

23. The provisions of Section 2 through 22 of this Second Amendment shall not become effective until the Agent has received the following, each in form and substance acceptable to the Agent:

- (a) this Second Amendment, duly executed by the Borrower and the Banks;
 - (b) the documents listed in the Preliminary Closing Checklist set forth on Exhibit B attached hereto and made a part hereof; and
 - (c) such other documents as may be reasonably requested by the Agent.
-

24. The Borrower hereby reconfirms and reaffirms all representations and warranties, agreements and covenants made by and pursuant to the terms and conditions of the Loan Agreement, except as such representations and warranties, agreements and covenants may have heretofore been amended, modified or waived in writing in accordance with the Loan Agreement, and except any such representations or warranties made as of a specific date or time, which shall have been true and correct in all material respects as of such date or time.

25. The Borrower acknowledges and agrees that each and every document, instrument or agreement which at any time has secured payment of the Borrower's Indebtedness under the Loan Agreement including, but not limited to, (i) the Loan Agreement and (ii) the Guaranty Agreements continue to secure prompt payment when due of the Borrower's Indebtedness under the Loan Agreement.

26. The Borrower hereby represents and warrants to the Banks and the Agent that (i) the Borrower has the legal power and authority to execute and deliver this Second Amendment; (ii) the officers of the Borrower executing this Second Amendment have been duly authorized to execute and deliver the same and bind the Borrower with respect to the provisions hereof; (iii) the execution and delivery hereof by the Borrower and the performance and observance by the Borrower of the provisions hereof and of the Loan Agreement and all documents executed or to be executed therewith, do not violate or conflict with the organizational documents of the Borrower or any Law applicable to the Borrower or result in a breach of any provision of or constitute a default which would have a Material Adverse Effect under any other agreement, instrument or document binding upon or enforceable against the Borrower and (iv) this Second Amendment, the Loan Agreement and the documents executed or to be executed by the Borrower in connection herewith or therewith constitute valid and binding obligations of the Borrower in every respect, enforceable in accordance with their respective terms.

27. The Borrower represents and warrants that (i) no Event of Default exists under the Loan Agreement, nor will any occur as a result of the execution and delivery of this Second Amendment or the performance or observance of any provision hereof; (ii) except as amended pursuant to this Second Amendment, the Schedules attached to and made part of the Loan Agreement are true and correct as of the date hereof in all material respects and there are no material modifications or supplements thereto; and (iii) it presently has no claims or actions of any kind at law or in equity against the Banks or the Agent arising out of or in any way relating to the Loan Agreement or the other Loan Documents.

28. By executing and delivering this Second Amendment, each New Bank agrees that, effective as of the date hereof, it shall become, and shall be deemed to be, a "Bank" under the Loan Agreement and each of the other Loan Documents and agrees that, from the date hereof and so long as it remains a party to the Loan Agreement, it shall assume the obligations of a "Bank" under and perform, comply with and be bound by each of the provisions of the Loan Agreement which are stated to apply to a Bank and shall be entitled to the benefits, rights and remedies set forth therein and in each of the other Loan Documents. In addition, by executing and delivering this Second Amendment, each New Lender confirms to and agrees with the Agent and each of the other Banks as follows: (i) it confirms that it has received a copy of the Loan Agreement, together with copies of such financial statements and such other documents and information as it has deemed appropriate to make its own credit analysis and decision to enter into this Second Amendment; (ii) it will, independently and without reliance upon Agent or any other Bank and based on such documents and information as it shall deem appropriate at the time, continue to make its own credit decisions in taking or not taking action under the Loan Agreement; (iii) it appoints and authorizes the Agent to take such action as agent on its behalf and to exercise such powers under the Loan Agreement as are delegated to the Agent by the terms thereof; (iv) it represents and warrants to the Agent, the other Banks and the Borrower that it is either (x) entitled to the benefits of an income tax treaty with the United States of America that provides for an exemption from the United States withholding tax on interest and other payments made by Loan Parties under the Loan Agreement and the other Loan Documents or (y) is engaged in trade or business within the United States of America.

29. The Agent and the Banks, by their execution of this Second Amendment, hereby expressly consent to the Schawk Acquisition and agree and affirm that the Schawk Acquisition is a Permitted Acquisition for all purposes of the Loan Agreement and agree and affirm that EBIT and/or EBITDA, as applicable, shall include the EBIT and the depreciation, depletion and amortization, as applicable, attributable to the entities, lines of business and/or division(s) acquired pursuant to the Schawk Acquisition.

30. Each reference to the Loan Agreement that is made in the Loan Agreement or any other document executed or to be executed in connection therewith shall hereafter be construed as a reference to the Loan Agreement as amended hereby.

31. The agreements contained in this Second Amendment are limited to the specific agreements made herein. Except as amended hereby, all of the terms and conditions of the Loan Agreement shall remain in full force and effect. This Second Amendment amends the Loan Agreement and is not a novation thereof.

32. This Second Amendment may be executed in any number of counterparts and by the different parties hereto on separate counterparts each of which, when so executed, shall be deemed an original, but all such counterparts shall constitute but one and the same instrument.

33. This Second Amendment shall be governed by, and shall be construed and enforced in accordance with, the Laws of the Commonwealth of Pennsylvania without regard to the principles or the conflicts thereof. The Borrower hereby consents to the jurisdiction and venue of the Court of Common Pleas of Allegheny County, Pennsylvania and the United States District Court for the Western District of Pennsylvania with respect to any suit arising out of or mentioning this Second Amendment.

[INTENTIONALLY LEFT BLANK]

By: /s/ _____
Name: _____
Title: _____

TD Bank, N.A., as a Bank

By: /s/ _____
Name: _____
Title: _____

MUFG Union Bank, N.A. f/k/a Union Bank, N.A., as a Bank

By: /s/ _____
Name: Carlos Cruz
Title: Vice President

First National Bank of Pennsylvania, as a Bank

By: _____
Name: _____
Title: _____

The Northern Trust Company, as a Bank

By: /s/ _____
Name: _____
Title: _____

First Commonwealth Bank, as a Bank

By: /s/ _____
Name: _____
Title: _____

EXHIBIT A
Cover Page to the Loan Agreement

See Attached

FIRST AMENDED AND RESTATED

LOAN AGREEMENT

by and among

MATTHEWS INTERNATIONAL CORPORATION

and

THE BANKS PARTY HERETO,

CITIZENS BANK OF PENNSYLVANIA, as Administrative Agent,

RBS Citizens, N.A., Joint Lead Arranger and Joint Bookrunner,

PNC CAPITAL MARKETS LLC, as Joint Lead Arranger and Joint Bookrunner

HSBC BANK USA, NATIONAL ASSOCIATION, as Co-Documentation Agent

WELLS FARGO BANK, NATIONAL ASSOCIATION, as Co-Documentation Agent

and

PNC BANK, NATIONAL ASSOCIATION, as Syndication Agent

Dated July 18, 2013

Schedule 1

Schedule of Banks and Commitments

Bank	Commitment For Revolving Credit Loans	Commitment Percentage
Citizens Bank of Pennsylvania 525 William Penn Place Pittsburgh, PA 15219 Attn: Philip R. Medsger	\$140,000,000.00	15.5555555555556%
PNC Bank, National Association Three PNC Plaza 225 Fifth Avenue Pittsburgh, PA 15222 Attn: Troy Brown	\$125,000,000.00	13.8888888888889%
Wells Fargo Bank, N.A. Four Gateway Center 444 Liberty Avenue, Ste 1400 Pittsburgh, PA 15222 Attn: J. Barrett Donovan	\$85,000,000.00	9.4444444444444%
HSBC Bank USA, N.A. 95 Washington Street Buffalo, NY 14203 Attn: Christopher S. Helmecci	\$85,000,000.00	9.4444444444444%
JPMorgan Chase Bank, N.A. Corporate Client Banking 270 Park Avenue, 43 rd Floor New York, NY 10017 Attn: Joon Hur	\$65,000,000.00	7.2222222222222%
Bank of America, N.A. 1600 J F Kennedy Blvd. 11 th Floor Philadelphia, PA 19103 Attn: Kenneth G. Wood	\$65,000,000.00	7.2222222222222%
Fifth Third Bank 707 Grant Street Pittsburgh, PA 15219 Attn: Michael S. Barnett	\$65,000,000.00	7.2222222222222%
SunTrust Bank 3333 Peachtree Road, NE 7 th Floor Atlanta, GA 30326 Attn: Johnetta Bush	\$55,000,000.00	6.1111111111111%
The Huntington National Bank 125 South Wacker Drive Suite 2840 Chicago, IL 60606 Attn: Michael Kiss	\$50,000,000.00	5.5555555555556%
TD Bank, N.A. 2005 Market Street 2 nd Floor Philadelphia, PA 19103 Attn: Craig Welch	\$45,000,000.00	5.0000000000000%

MUFG Union Bank, N.A. f/k/a Union Bank, N.A. 1251 Avenue of the Americas 11-B New York, NY 10020 Attn: Rich Rizzo	\$40,000,000.00	4.44444444444444%
First National Bank of Pennsylvania One Northshore Center, Suite 500 12 Federal Street Pittsburgh, PA 15212 Attn: Robert E. Heuler	\$35,000,000.00	3.88888888888889%
The Northern Trust Company 50 South LaSalle Street Chicago, IL 60603 Attn: Andrew D. Holtz	\$25,000,000.00	2.77777777777777%
First Commonwealth Bank 437 Grant Street, Suite 1600 Pittsburgh, PA 15219 Attn: Stephen J. Orban	\$20,000,000.00	2.22222222222222%
Total Commitment Amount	<u><u>\$900,000,000.00</u></u>	<u><u>100%</u></u>

EXHIBIT 23.1

Consent of Independent Registered Public Accounting Firm

We consent to the use of our report dated March 5, 2014, (a) included in this Current Report on Form 8-K of Matthews International Corporation, with respect to the consolidated financial statements of Schawk, Inc. for the year ended December 31, 2013, (b) incorporated by reference in the Registration Statement Form S-8 (Nos. 333-190366, 333-83731, 333-131496, 333-157132, 33- 57793, 33-57795, 333-194456, and 33-57797) of Matthews International Corporation, with respect to the consolidated financial statements of Schawk, Inc. for the year ended December 31, 2013, included in this Current Report on Form 8-K.

/s/ Ernst & Young LLP

Chicago, Illinois
July 31, 2014

EXHIBIT 99.1

Matthews International Corporation Announces the Completion of the Acquisition of Schawk, Inc.

PITTSBURGH, July 29, 2014 (GLOBE NEWSWIRE) -- Matthews International Corporation (MATW) ("Matthews or the "Company") today announced the completion of its acquisition of Schawk, Inc. ("SGK") (SGK). SGK is a leading global brand development, activation and brand deployment company. SGK reported sales of \$443 million for 2013 and has approximately 3,600 employees in over 20 countries.

Under the terms of the transaction, SGK stockholders receive \$11.80 cash and 0.20582 shares of Matthews' common stock for each SGK share held. Based on the closing price of Matthews' stock on July 28, 2014, the transaction represents an implied price of \$20.74 for each SGK.

In addition, David A. Schawk, who served as Chief Executive Officer of SGK, was elected as a member of Matthews' Board of Directors.

Joseph C. Bartolacci, President and Chief Executive Officer of Matthews, stated: "Our new organization under the Matthews umbrella, creates one organization that has over 9,500 employees, with over 100 offices in more than 25 countries. On a combined basis, our revenues were approximately \$1.4 billion over the last twelve months."

"For over 100 years, we have been a leader in the graphics imaging and technology marketplace. This merger builds upon that legacy, doubles the size of our Brand Solutions business and positions us as the global powerhouse in the industry. I truly believe we are building a one-of-a-kind global offering for our clients by providing a full spectrum of brand solutions services. Together, we are the only brand company that develops, deploys and delivers brands all over the world to help clients drive brand performance."

"Through integration efforts, we expect to achieve significant cost-savings, building an even stronger and more competitive business in the global brand solutions market, which is also expected to drive revenue growth. We have a well-defined implementation plan and process for the achievement of these cost savings."

Mr. Bartolacci further stated: "David Schawk will lead our combined comparable brand solutions businesses. SGK has done a tremendous job of establishing their brands, including Schawk!, Anthem and Brandimage. The combination of these brands with our well-established Matthews' brands will all be branded under the SGK name. Under his leadership, I am confident that we will continue to expand our global reach, further strengthen our relationships with branding clients and achieve our synergy objectives."

Mr. Schawk stated: "We are excited to be joining with Matthews, adding to our 60 year rich history of supplying the world's best brands with products and services that helped our clients improve brand performance. We look forward to capitalizing on the opportunities this transaction will create. With Matthews' trusted reputation in Europe and ours in North America, Europe and Asia Pacific, this merger is expected to form a stronger global offering and provide greater value to our clients and the markets we serve, along with enhancing our ability to expand into key brand delivery markets. We also are extremely pleased that this transaction will provide our stockholders significant value for their shares, along with the opportunity to participate in the combined company going forward."

Matthews International Corporation, headquartered in Pittsburgh, Pennsylvania, is a designer, manufacturer and marketer principally of memorialization products and brand solutions. Memorialization products consist primarily of bronze and granite memorials and other memorialization products, caskets and cremation equipment for the cemetery and funeral home industries. Brand solutions include graphics imaging products and services, marking and fulfillment systems, and merchandising solutions. The Company's products and services include cast bronze and granite memorials and other memorialization products; caskets; cast and etched architectural products; cremation equipment and cremation-related products; mausoleums; brand management; printing plates and cylinders, pre-press services and imaging services for the primary packaging and corrugated industries; marking and coding equipment and consumables, industrial automation products and order fulfillment systems for identifying, tracking, picking and conveying consumer and industrial products; and merchandising display systems and marketing and design services.

SGK is a leading global brand development, activation and deployment company that drives brand performance. By creating brands, helping sell brands, producing brand assets and protecting brand equities, SGK helps clients achieve higher brand performance. SGK's global footprint spans more than 20 countries. SGK was formerly marketed as Schawk, Inc.

Any forward-looking statements contained in this press release are included pursuant to the "safe harbor" provisions of the Private Securities Litigation Reform Act of 1995. Such forward-looking statements involve known and unknown risks and uncertainties that may cause the Company's actual results in future periods to be materially different from management's expectations. Factors which could have a material adverse effect on our operations and future prospects or which could cause events or circumstances to differ from the forward-looking statements include, but are not limited to, risks relating to the merger; unanticipated difficulties and/or expenditures relating to the merger; litigation relating to the merger; the impact of the transaction on relationships with customers, employees and third parties; and the inability to obtain, or delays in obtaining cost savings and synergies from the Merger; as well as other risks detailed in our Registration Statement on Form S-4 that was filed in connection with the merger and from time to time in our other filings with the Securities and Exchange Commission (the "SEC"), including our Annual Report on Form 10-K and Quarterly Reports on Form 10-Q. We expressly disclaim any obligation to release publicly any updates or revisions to any forward-looking statements contained herein to reflect any change in our expectations with regard thereto or change in events, conditions or circumstances on which any statement is based.

Contact:

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Chief Financial Officer, Secretary & Treasurer

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Director, Change Management and Communications

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Report of Independent Registered Public Accounting Firm

To the Board of Directors and Stockholders of Schawk, Inc.

We have audited the accompanying consolidated balance sheets of Schawk, Inc. as of December 31, 2013 and 2012, and the related consolidated statements of comprehensive income (loss), stockholders' equity, and cash flows for each of the three years in the period ended December 31, 2013. These financial statements are the responsibility of Schawk Inc.'s management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with the standards of the Public Company Accounting Oversight Board (United States). Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audits provide a reasonable basis for our opinion.

In our opinion, the financial statements referred to above present fairly, in all material respects, the consolidated financial position of Schawk, Inc. at December 31, 2013 and 2012, and the consolidated results of its operations and its cash flows for each of the three years in the period ended December 31, 2013, in conformity with U.S. generally accepted accounting principles.

/s/ Ernst & Young LLP

Chicago, Illinois
March 5, 2014

Schawk, Inc.
Consolidated Balance Sheets
(In thousands, except share amounts)

	December 31, 2013	December 31, 2012
Assets		
Current assets:		
Cash and cash equivalents	\$ 6,171	\$ 9,651
Trade accounts receivable, less allowance for doubtful accounts of \$2,040 in 2013 and \$2,052 in 2012	96,559	91,234
Unbilled services	18,095	20,924
Prepaid expenses and other current assets	8,584	10,100
Income tax receivable	2,053	3,032
Deferred income taxes	1,227	235
Current assets of discontinued operations	--	3,854
Total current assets	132,689	139,030
Property and equipment, net	59,003	60,583
Goodwill, net	201,913	211,903
Other intangible assets, net:		
Customer relationships	24,035	28,781
Other	461	633
Deferred income taxes	4,218	5,983
Other assets	8,222	6,771
Long term assets of discontinued operations	--	5,137
Total assets	\$ 430,541	\$ 458,821
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 17,132	\$ 17,833
Accrued expenses	51,137	55,218
Deferred income taxes	215	2,175
Income taxes payable	3,902	609
Current portion of long-term debt	1,266	4,262
Current liabilities of discontinued operations	--	1,134
Total current liabilities	73,652	81,231
Long-term liabilities:		
Long-term debt	56,636	78,724
Deferred income taxes	8,759	2,044
Other long-term liabilities	40,647	44,875
Long-term liabilities of discontinued operations	--	1,164
Total long-term liabilities	106,042	126,807
Stockholders' equity:		
Common stock, \$0.008 par value, 40,000,000 shares authorized, 31,321,010 and 31,172,666 shares issued at December 31, 2013 and 2012, respectively, 26,226,303 and 26,113,544 shares outstanding at December 31, 2013 and 2012, respectively	229	227
Additional paid-in capital	213,247	209,556
Retained earnings	92,000	93,897
Accumulated other comprehensive income, net	10,605	11,859
Treasury stock, at cost, 5,094,707 and 5,059,122 shares of common stock at December 31, 2013 and 2012, respectively	(65,234)	(64,756)
Total stockholders' equity	250,847	250,783
Total liabilities and stockholders' equity	\$ 430,541	\$ 458,821

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Schawk, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(In thousands, except per share amounts)

	Years Ended December 31,		
	2013	2012	2011
Net revenues	\$ 442,640	\$ 441,282	\$ 427,421
Operating expenses:			
Cost of services (excluding depreciation and amortization)	270,559	279,901	265,333
Selling, general, and administrative expenses (excluding depreciation and amortization)	118,706	120,006	107,534
Depreciation and amortization	18,136	17,416	16,331
Business and systems integration expenses	7,488	12,086	8,467
Acquisition integration and restructuring expenses	1,774	5,256	1,438
Foreign exchange loss	1,286	1,823	1,112
Impairment of long-lived assets	502	4,281	40
Multiemployer pension withdrawal expense	--	31,480	1,846
Operating income (loss)	<u>24,189</u>	<u>(30,967)</u>	<u>25,320</u>
Other income (expense):			
Interest income	255	129	59
Interest expense	<u>(4,324)</u>	<u>(3,652)</u>	<u>(5,270)</u>
Income (loss) from continuing operations before income taxes	20,120	(34,490)	20,109
Income tax provision (benefit)	<u>6,902</u>	<u>(10,872)</u>	<u>697</u>
Income (loss) from continuing operations	13,218	(23,618)	19,412
Income (loss) from discontinued operations, net of tax	<u>(6,693)</u>	<u>202</u>	<u>1,199</u>
Net income (loss)	<u>\$ 6,525</u>	<u>\$ (23,416)</u>	<u>\$ 20,611</u>
Earnings (loss) per share:			
Basic:			
Income (loss) from continuing operations	\$ 0.50	\$ (0.91)	\$ 0.75
Income (loss) from discontinued operations	<u>(0.25)</u>	<u>0.01</u>	<u>0.05</u>
Net income (loss) per common share	\$ 0.25	\$ (0.90)	\$ 0.80
Diluted:			
Income (loss) from continuing operations	\$ 0.50	\$ (0.91)	\$ 0.74
Income (loss) from discontinued operations	<u>(0.25)</u>	<u>0.01</u>	<u>0.05</u>
Net income (loss) per common share	\$ 0.25	\$ (0.90)	\$ 0.79
Weighted average number of common and common equivalent shares outstanding:			
Basic	26,286	25,924	25,790
Diluted	26,354	25,924	26,080
Dividends per Class A common share	\$ 0.32	\$ 0.32	\$ 0.32
Net income (loss)	\$ 6,525	\$ (23,416)	\$ 20,611
Foreign currency translation adjustments	(1,117)	2,779	(2,167)
Pension liability adjustments	<u>(137)</u>	<u>--</u>	<u>--</u>
Comprehensive income (loss)	<u>\$ 5,271</u>	<u>\$ (20,637)</u>	<u>\$ 18,444</u>

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Schawk, Inc.
Consolidated Statements of Cash Flows
(In thousands)

	Years Ended December 31,		
	2013	2012	2011
Cash flows from operating activities			
Net income (loss)	\$ 6,525	\$ (23,416)	\$ 20,611
Adjustments to reconcile net income to cash provided by operating activities:			
Depreciation	14,713	13,709	12,892
Amortization	4,108	5,208	5,165
Impairment of long-lived assets	502	4,356	40
Non-cash restructuring charge	--	246	287
Deferred income taxes	4,123	(10,524)	(1,159)
Amortization of deferred financing fees	262	301	606
Accretion of discount on multiemployer pension liability	833	--	--
Loss on sale of property and equipment	88	23	137
Loss realized from sale of business	6,251	--	--
Stock-based compensation expense	1,644	3,129	2,098
Tax benefit from stock options exercised	(247)	(244)	(293)
Changes in operating assets and liabilities, net of effects from acquisitions:			
Trade accounts receivable	(7,264)	7,471	(349)
Unbilled services	2,792	2,769	(2,393)
Prepaid expenses and other current assets	863	1,234	(818)
Trade accounts payable, accrued expenses and other liabilities	(8,631)	(5,669)	(17,387)
Multiemployer pension plan withdrawal liability	--	29,837	(7,004)
Income taxes refundable (payable)	4,621	2,626	(2,926)
Net cash provided by operating activities	31,183	31,056	9,507
Cash flows from investing activities			
Proceeds from sale of business	8,247	--	--
Proceeds from sales of property and equipment	412	31	157
Purchases of property and equipment	(13,211)	(19,764)	(24,721)
Acquisitions, net of cash acquired	--	2,449	(25,232)
Net cash used in investing activities	(4,552)	(17,284)	(49,796)
Cash flows from financing activities			
Issuance of common stock	1,802	2,374	1,216
Proceeds from issuance of long-term debt	170,463	220,965	220,868
Payments of long-term debt including current portion	(195,337)	(233,362)	(192,257)
Tax benefit from stock options exercised	247	244	293
Payment of deferred financing fees	--	(857)	(21)
Cash dividends paid	(8,368)	(8,252)	(8,199)
Purchase of common stock	--	--	(4,053)
Net cash (used in) provided by financing activities	(31,193)	(18,888)	17,847
Effect of foreign currency rate changes	1,082	1,035	(715)
Net decrease in cash and cash equivalents	(3,480)	(4,081)	(23,157)
Cash and cash equivalents beginning of period	9,651	13,732	36,889
Cash and cash equivalents end of period	\$ 6,171	\$ 9,651	\$ 13,732
Supplementary cash flow disclosures:			
Dividends issued in the form of Class A common stock	\$ 54	\$ 54	\$ 51
Cash paid for interest	\$ 3,006	\$ 3,778	\$ 3,840
Cash paid (refunds received) for income taxes, net	\$ (1,400)	\$ (3,524)	\$ 5,224

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements

Schawk, Inc.
Consolidated Statements of Stockholders' Equity
Years Ended December 31, 2011, 2012 and 2013
(In thousands, except share amounts)

	Class A Common Shares Outstanding	Class A Common Stock	Additional Paid-In Capital	Retained Earnings	Accumulated Other Comprehensive Income (Loss)	Treasury Stock	Total Stockholders Equity
Balance at December 31, 2010	25,761,334	\$ 224	\$ 200,205	\$ 113,258 20,611	\$ 11,247	\$ (60,808)	\$ 264,126 20,611
Net income	--	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	(2,167)	--	(2,167)
Sale of Class A common stock	226,917	1	783	--	--	--	784
Tax benefit from stock options exercised	--	--	293	--	--	--	293
Stock issued under employee stock purchase plan	33,348	--	432	--	--	--	432
Stock-based compensation expense	--	--	2,098	--	--	--	2,098
Purchase of Class A treasury stock	(322,241)	--	--	--	--	(4,053)	(4,053)
Issuance of Class A common stock under dividend reinvestment program	3,767	--	--	(51)	--	51	--
Cash dividends	--	--	--	(8,199)	--	--	(8,199)
Balance at December 31, 2011	25,703,125	225	203,811	125,619 (23,416)	9,080	(64,810)	273,925 (23,416)
Net loss	--	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	2,779	--	2,779
Sale of Class A common stock	373,091	2	1,969	--	--	--	1,971
Tax benefit from stock options exercised	--	--	244	--	--	--	244
Stock issued under employee stock purchase plan	33,058	--	403	--	--	--	403
Stock-based compensation expense	--	--	3,129	--	--	--	3,129
Issuance of Class A common stock under dividend reinvestment program	4,270	--	--	(54)	--	54	--
Cash dividends	--	--	--	(8,252)	--	--	(8,252)
Balance at December 31, 2012	26,113,544	227	209,556	93,897 6,525	11,859	(64,756)	250,783 6,525
Net income	--	--	--	--	--	--	--
Foreign currency translation adjustment	--	--	--	--	(1,117)	--	(1,117)
Pension liability adjustment	--	--	--	--	(137)	--	(137)
Sale of Class A common stock	120,133	2	1,447	--	--	--	1,449
Tax benefit from stock options exercised	--	--	247	--	--	--	247
Stock issued under employee stock purchase plan	28,211	--	353	--	--	--	353
Stock-based compensation expense	--	--	1,644	--	--	--	1,644
Purchase of Class A treasury stock	(39,739)	--	--	--	--	(532)	(532)
Issuance of Class A common stock under dividend reinvestment program	4,154	--	--	(54)	--	54	--
Cash dividends	--	--	--	(8,368)	--	--	(8,368)
Balance at December 31, 2013	<u>26,226,303</u>	<u>\$ 229</u>	<u>\$ 213,247</u>	<u>\$ 92,000</u>	<u>\$ 10,605</u>	<u>\$ (65,234)</u>	<u>\$ 250,847</u>

The Notes to Consolidated Financial Statements are an integral part of these financial statements.

Schawk, Inc.
Notes to Consolidated Financial Statements
(In thousands, except per share data)

Note 1 - Significant Accounting Policies

Basis of Presentation

The Company's consolidated financial statements have been prepared pursuant to the rules and regulations of the Securities and Exchange Commission ("SEC"). Certain previously reported immaterial amounts have been reclassified to conform to the current-period presentation. Other than as disclosed, there have been no material events subsequent to the balance sheet date that would have affected the amounts recorded or disclosed in the Company's financial statements.

Principles of Consolidation

The consolidated financial statements include the accounts of all wholly and majority owned subsidiaries. All intercompany accounts and transactions have been eliminated in consolidation.

Cash Equivalents

Cash equivalents include highly liquid debt instruments and time deposits having an original maturity at the date of purchase of three months or less. Cash equivalents are stated at cost, which approximates fair value.

Accounts Receivable and Concentration of Credit Risk

The Company sells its products to a wide range of clients in the consumer products, retail and advertising industries. The Company performs ongoing credit evaluations of its clients and does not require collateral. An allowance for doubtful accounts and credit memos is maintained at a level management believes is sufficient to cover potential losses. The Company evaluates the collectability of its accounts receivable based on the length of time the receivable is past due and its historic experience of write-offs. Trade accounts receivable are charged to the allowance when the Company determines that the receivable will not be collectible. Trade accounts receivable balances are determined to be delinquent when the amount is past due, based on the payment terms with the customer. An allowance for credit memos is maintained based upon historical credit memo issuance.

Unbilled Services

The Company's unbilled services include made-to-order graphic designs, images and text for a variety of media in the consumer products and retail and advertising industries. The costs of unbilled services consist primarily of deferred labor, overhead costs, and production supplies that are direct and incremental relating to customer arrangements, and realizable based on projected net revenues to be recognized on completion of the services underlying the arrangement. The overhead pool of costs includes costs associated with direct labor employees (including direct labor costs not chargeable to specific jobs, which are also consider a direct cost of production) and all indirect costs associated with the production/creative design process, excluding any selling, general and administrative costs.

Property and Equipment

Property and equipment is stated at cost, less accumulated depreciation and amortization, and is being depreciated and amortized using the straight-line method over the estimated useful lives of the assets or the term of the leases, ranging from three to thirty years.

Goodwill

Acquired goodwill is subject to an annual impairment test and subject to testing at other times during the year if certain events occur indicating that the carrying value of goodwill may be impaired. Goodwill must be tested for impairment at the reporting unit level. For the purposes of the goodwill impairment test, the reporting units of the Company are defined on a geographic basis corresponding to the Company's operating and reportable segments: Americas, Europe and Asia Pacific.

If the carrying amount of the reporting unit is greater than the fair value, goodwill impairment may be present. The Company measures the goodwill impairment based upon the fair value of the underlying assets and liabilities of the reporting unit and estimates the implied fair value of goodwill. Fair value is determined considering both the income approach (discounted cash flow), and the market approach. An impairment charge is recognized to the extent the recorded goodwill exceeds the implied fair value of goodwill.

The Company performs its annual goodwill impairment test as of October 1 each year. The Company performed its 2013 and 2012 goodwill test as of October 1, 2013 and 2012, respectively, and determined that no potential impairment of goodwill was indicated.

Software Developed for Internal Use

The Company capitalizes certain direct development costs associated with internal-use computer software. These costs are incurred during the application development stage of a project and include external direct costs of services and payroll costs for employees devoting time to the software projects principally related to software coding, designing system interfaces and installation and testing of the software. The costs capitalized are primarily employee compensation and outside consultant fees incurred to develop the software prior to implementation. These costs are recorded as fixed assets in computer software and licenses and are amortized over a period of from three to seven years beginning when the asset is substantially ready for use. Costs incurred during the preliminary project stage, as well as maintenance and training costs, are expensed as incurred.

Software Developed for Sale to Customers

All costs incurred to establish the technological feasibility of a computer software product to be sold, leased, or otherwise marketed are charged to expense when incurred. The costs of producing product masters incurred subsequent to establishing technological feasibility are capitalized. Those costs include coding and testing performed subsequent to establishing technological feasibility.

Long-lived Assets

The recoverability of long-lived assets, including amortizable intangibles, is evaluated by comparing their carrying value to the expected future undiscounted cash flows to be generated from such assets when events or circumstances indicate that impairment may have occurred. The Company also re-evaluates the periods of amortization of long-lived assets to determine whether events and circumstances warrant revised useful lives. If impairment has occurred, the carrying value of the long-lived asset is adjusted to its fair value, generally equal to the future estimated discounted cash flows associated with the asset.

Revenue Recognition

The Company derives revenue primarily from providing products and services to its clients on a custom-job basis using the completed performance method. Revenue is recognized when persuasive evidence of an arrangement exists, delivery has occurred or services performed, the fee is fixed or determinable, and collectability is reasonably assured. The Company records a revenue accrual entry at each month-end for jobs that meet these four criteria, but which have not yet been invoiced to the client. Revenue for services is recognized when the services are provided to the customer.

The Company also derives revenue through its Digital Solutions businesses from the sale of software, software implementation services, technical support services and managed application service provider services. The Company allocates revenue in an arrangement using its best estimate of selling price if neither vendor specific objective evidence "VSOE" nor third party evidence of selling price exists. In multiple-element software arrangements, the Company allocates revenue to each element based on its relative fair value. The fair value of any undelivered element is determined using VSOE or, in the absence of VSOE for all elements, the residual method when VSOE exists for all of the undelivered elements. In the absence of fair value for a delivered element, the Company first allocates revenue based on VSOE of the undelivered elements and the residual revenue to the delivered elements. Where VSOE of the undelivered elements cannot be determined, which is the case for the majority of the Company's software revenue arrangements, the Company defers revenue for the delivered elements until undelivered elements are delivered and revenue is recognized ratably over the term of the underlying client contract, when obligations have been satisfied. For services performed on a time and materials basis where no other elements are included in the client contract, revenue is recognized upon performance once the revenue recognition criteria has been met.

Vendor Rebates

The Company has entered into agreements with several of its major suppliers for fixed rate discounts and volume discounts, primarily received in cash, on materials used in its production process. Some of the discounts are determined based upon a fixed discount rate, while others are determined based upon the purchased volume during a given period, typically one year. The Company recognizes the amount of the discounts as a reduction of the cost of materials either included in Unbilled services or as a credit to Cost of services to the extent that the product has been sold to a client. The Company recognizes the amount of volume discounts based upon an estimate of purchasing levels for a given period, typically one year, and past experience with a particular vendor. Some rebate payments are received monthly while others are received quarterly. Historically, the Company has not recorded significant adjustments to estimated vendor rebates.

Customer Rebates

The Company has rebate agreements with certain clients. The agreements offer discount pricing based on volume over a multi-year period. The Company accrues the estimated rebates over the term of the agreement. The Company accounts for changes in the estimated rebate amounts when it has been determined that the estimated sales for the rebate period have changed.

Shipping and Handling Fees and Costs

Shipping and handling fees billed to customers for product shipments are recorded in Net revenues in the Consolidated Statements of Comprehensive Income (Loss). Shipping and handling costs are included in unbilled services for jobs-in-progress and included in Cost of services in the Consolidated Statements of Comprehensive Income (Loss) when jobs are completed and revenue is recognized.

Income Taxes

Income taxes are accounted for using the asset and liability approach. Deferred tax assets and liabilities are determined based on the difference between the financial statement and tax basis of assets and liabilities using enacted tax rates in effect for the year in which the differences are expected to reverse. A valuation allowance is provided if, based on available evidence, it is more likely than not that some portion of the deferred tax assets will not be realized.

Foreign subsidiaries are taxed according to regulations existing in the countries in which they do business. Provision has not been made for United States income taxes on certain earnings of foreign subsidiaries that are considered to be permanently reinvested overseas.

The Company, like other multi-national companies, is regularly audited by federal, state and foreign tax authorities, and tax assessments may arise several years after tax returns have been filed. The Company addresses the determination of whether tax benefits claimed or expected to be claimed on a tax return should be recorded in the financial statements. The Company may recognize the tax benefit from an uncertain tax position only if it is more likely than not that the tax position will be sustained on examination by the taxing authorities, based on the technical merits of the position. The tax benefits recognized in the financial statements from such a position should be measured based on the largest benefit that has a greater than fifty percent likelihood of being realized upon ultimate settlement. The Company follows applicable guidance on de-recognition, classification, interest and penalties on income taxes, accounting in interim periods and disclosures of unrecognized tax benefits.

Use of Estimates

The preparation of financial statements in conformity with accounting principles generally accepted in the United States requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Foreign Currency Translation

The Company's foreign subsidiaries use the local currency as their functional currency. Accordingly, foreign currency assets and liabilities are translated at the rate of exchange existing at the balance sheet date and income and expense amounts are translated at the average of the monthly exchange rates. Adjustments resulting from the translation of foreign currency financial statements into United States dollars are included in Accumulated other comprehensive income, net as a component of Stockholders' equity.

Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

- Level 1 – Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- Level 2 – Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily-available pricing sources for comparable instruments.
- Level 3 – Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

For purposes of financial reporting, the Company has determined that the fair value of financial instruments including cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates carrying value at December 31, 2013 and 2012, except as follows:

(in thousands)	December 31,	
	2013	2012
Fair value of fixed-rate notes payable	\$ 26,707	\$ 30,392
Carrying value of fixed-rate notes payable	\$ 26,229	\$ 29,301

The carrying value of amounts outstanding under the Company's revolving credit agreement is considered to approximate fair value as interest rates vary, based on prevailing market rates. The fair value of the Company's fixed rate notes payable is based on quoted market prices (Level 1 within the fair value hierarchy). Entities are permitted to choose to measure many financial instruments and certain other items at fair value. The Company did not elect the fair value measurement option for any of its financial assets or liabilities.

The Company's multiemployer pension withdrawal liability is recorded at fair value and is categorized as Level 3 within the fair value hierarchy. The fair value of the multiemployer pension withdrawal liability was estimated using a present value analysis as of December 31, 2013. See Note 20 – Multiemployer Pension Plans for more information regarding the multiemployer pension withdrawal liability.

The following table summarizes the fair value as of December 31, 2013:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Multiemployer pension withdrawal liability	\$ --	\$ --	\$ 32,516	\$ 32,516

The following table summarizes the changes in the fair value of the Company's multiemployer pension withdrawal liability during 2013:

	<u>Fair Value</u>
Liability balance at January 1, 2013	\$ 31,683
Accretion of present value discount	833
Liability balance at December 31, 2013	<u>\$ 32,516</u>

During 2013 and 2012, the Company has undertaken restructuring activities, as discussed in Note 4 – Acquisition Integration and Restructuring, tested its goodwill as discussed in Note 8 – Goodwill and Other Intangible Assets, and recorded certain asset impairments as discussed in Note 7 – Impairment of Long-Lived Assets. These activities required the Company to perform fair value measurements, based on Level 3 inputs, on a non-recurring basis, on certain asset groups to test for potential impairment. Certain of these fair value measurements indicated that the asset groups were impaired and, therefore, the assets were written down to fair value. Once an asset has been impaired, it is not remeasured at fair value on a recurring basis; however, it is still subject to fair value measurements to test for recoverability of the carrying amount.

Derivative Financial Instruments and Hedging Activities

To mitigate the risk of fluctuations associated with certain balance sheet items, the Company has implemented a derivative financial instruments management strategy that incorporates the use of derivative instruments to minimize significant unplanned fluctuations in earnings caused by volatility. The Company's goal is to manage volatility by modifying the re-pricing characteristics of certain balance sheet items so that fluctuations are not, on a material basis, adversely affected by movements in the underlying factors. The Company may designate hedge accounting, for qualifying hedging instruments, based on the facts and circumstances surrounding a derivative financial instrument. In general, a derivative financial instrument is reported as an asset or a liability at its fair value. Changes in a derivative financial instrument's fair value are reported in earnings unless the derivative has been designated in a qualifying hedging relationship for accounting purposes. During 2012, the Company entered into several forward contracts designated as fair value hedges at inception; however, as of May 2012, the Company discontinued its use of forward contracts and does not presently have hedges in place with regard to foreign currency.

Stock Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments, over the requisite service period, based upon the grant date fair value of those awards.

Recent Accounting Pronouncements

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740)*. The amendments in ASU 2013-11 provide guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments in ASU 2013-11 are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company will be adopting ASU 2013-11 effective January 1, 2014. The adoption of this standard is not expected to have a material impact on the Company's consolidated financial statements.

In February 2013, the FASB issued ASU No. 2013-02, *Comprehensive Income (Topic 220)*. The amendments in ASU 2013-02 supersede and replace the presentation requirements for reclassifications out of accumulated other comprehensive income in ASU 2011-05 and ASU 2011-12 for all public and private organizations. The amendments would require an entity to provide additional information about reclassifications out of accumulated other comprehensive income. The amendments in ASU 2013-02 are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2012. The Company adopted ASU 2013-02 effective January 1, 2013. The adoption of this standard did not have a material impact on the Company's consolidated financial statements.

Note 2 - Acquisitions

Lipson Associates, Inc. and Laga, Inc.

Effective October 19, 2011, the Company acquired substantially all of the domestic assets and assumed certain trade account and business related liabilities of Lipson Associates, Inc. and Laga, Inc., as well as the stock of their foreign operations. Lipson Associates, Inc. and Laga, Inc. does business as Brandimage – Desgrippes & Laga ("Brandimage").

Brandimage is a leading branding and design network specializing in providing services that seek to engage and enhance the brand experience, including brand positioning and strategy, product development and structural design, package design and environmental design. Brandimage has operations in Chicago, Cincinnati, Paris, Shanghai, and Hong Kong. The net assets and results of operations of Brandimage are included in the Consolidated Financial Statements as of October 19, 2011 in all three of the Company's operating segments: Americas, Europe and Asia Pacific. The Brandimage business was acquired to enhance the Company's service offerings related to branding and design and operates in conjunction with the Company's legacy brand development capabilities, which include its Anthem brand.

The purchase price of \$24,562 consisted of \$27,011 paid in cash at closing, less \$2,449 received in 2012 for a net working capital adjustment. The Company recorded a final purchase price allocation in 2012 based on a fair value appraisal performed by an independent consulting company. In 2013, the Company corrected the purchase price allocation, reflecting the reversal of a liability and a reduction in goodwill, in the amount of \$1,436. The goodwill ascribed to this acquisition consists largely of expected profitability from future services and is deductible for tax purposes to the extent related to the U.S. assets acquired.

A summary of the final fair values assigned to the acquired assets is as follows:

Accounts receivable	\$ 4,939
Inventory	4,117
Prepaid expenses and other current assets	1,365
Income tax receivable	8
Property and equipment	482
Goodwill	17,494
Customer relationships	5,457
Trade name	729
Other assets	241
Trade accounts payable	(3,247)
Accrued expenses	(7,192)
Notes payable	(23)
Deferred income taxes	(247)
Other long term liabilities	<u>(1,522)</u>
Total cash paid, net of \$1,961 cash acquired	<u>\$ 22,601</u>

The weighted average amortization periods of the customer relationships intangible asset and the trade name intangibles asset is 8.0 years and 5.0 years, respectively. The intangible asset amortization expense related to the customer relationships intangible asset and the trade name intangible asset was \$901, \$830 and \$250 for the years ended December 31, 2013, December 31, 2012, and December 31, 2011, respectively. The intangible asset amortization expense will be approximately \$823 in 2014 and 2015, \$794 in 2016 and \$679 in both 2017 and 2018. Supplemental pro-forma information is not presented because the acquisition is considered to be immaterial to the Company's consolidated financial statements.

Exit Reserves from Prior Acquisitions

The Company recorded exit reserves related to its acquisitions of Weir Holdings Limited and Seven Worldwide Holdings, Inc., which occurred in 2004 and 2005, respectively. The major expenses included in the exit reserves were employee severance and lease termination expenses. The exit reserve balances related to employee severance were paid in prior years. The exit reserve for lease termination expenses related to a facility with a lease expiring in 2014. During 2013, the Company reached an agreement with the landlord for an early termination of the lease and the remaining reserve balance was reversed.

The following table summarizes the reserve activity from 2011 through 2013:

	<u>Beginning of Period</u>	<u>Adjustments</u>	<u>Payments</u>	<u>End of Period</u>
2011	\$ 780	\$ (246)	\$ (167)	\$ 367
2012	\$ 367	\$ 44	\$ (87)	\$ 324
2013	\$ 324	\$ (283)	\$ (41)	\$ --

Note 3 - Sale of Business and Discontinued Operations

On July 3, 2013, the Company completed the sale of various assets comprising its large-format printing business located in Los Angeles, California. The net assets of the large format printing business were considered to be held for sale as of June 30, 2013. The large-format printing business was considered to be outside of the Company's core business and was included in the Americas segment. The aggregate selling price for the business was \$10,444, comprised of \$8,247 in cash, \$2,000 in a secured subordinated note and \$197 accrued as a receivable from the buyer for an estimated net working capital adjustment, which was settled in the first quarter of 2014. The results of operations of the business sold are reported as discontinued operations for all periods presented in this annual report and the assets and liabilities of the discontinued operation, prior to disposal, have been segregated in the Consolidated Balance Sheets.

The Company recorded a loss of \$6,251 on the sale of the business during 2013, which is included in Income (loss) from discontinued operations on the Company's Consolidated Statements of Comprehensive Income (Loss). Included in the net loss is a goodwill allocation of \$7,000, representing a portion of the Company's Americas reporting segment goodwill which was allocated to the large-format printing business.

The carrying amounts of the assets and liabilities sold, excluding allocated goodwill, were as follows:

Trade accounts receivable	\$ 3,956
Unbilled services	945
Prepaid expenses and other current assets	58
Current assets of discontinued operations	<u>4,959</u>
Property and equipment, net	<u>4,360</u>
Long term assets of discontinued operations	<u>4,360</u>
Trade accounts payable	205
Accrued expenses	670
Current liabilities of discontinued operations	<u>875</u>
Net assets of discontinued operations	<u>\$ 8,444</u>

Operating results for the discontinued operations for the periods presented in this annual report are as follows:

	Years ended December 31,		
	2013	2012	2011
Net revenues	\$ 8,772	\$ 19,448	\$ 27,872
Operating expenses:			
Cost of services (excluding depreciation and amortization)	6,113	13,795	18,352
Selling, general and administrative expenses (excluding depreciation and amortization)	1,864	3,889	6,171
Depreciation and amortization	685	1,268	1,319
Acquisition integration and restructuring expenses	4	114	32
Impairment of long-lived assets	--	75	--
Loss on sale of business	6,251	--	--
Operating income (loss)	<u>\$ (6,145)</u>	<u>\$ 307</u>	<u>\$ 1,998</u>
Income (loss) before income taxes	\$ (6,145)	\$ 307	\$ 1,998
Income tax provision	548	105	799
Income (loss) from discontinued operations, net of tax	<u>\$ (6,693)</u>	<u>\$ 202</u>	<u>\$ 1,199</u>

	December 31, 2012
Trade accounts receivable, net	\$ 2,462
Unbilled services	1,197
Prepaid expenses and other current assets	56
Income tax receivable	139
Current assets of discontinued operations	<u>3,854</u>
Property and equipment, net	4,908
Other assets	229
Long term assets of discontinued operations	<u>5,137</u>
Trade accounts payable	304
Accrued expenses	523
Deferred income taxes	307
Current liabilities of discontinued operations	<u>1,134</u>
Deferred income taxes	1,164
Long-term liabilities of discontinued operations	<u>1,164</u>
Net assets of discontinued operations	<u>\$ 6,693</u>

Note 4 - Acquisition Integration and Restructuring

In 2008, the Company initiated a cost reduction and restructuring plan involving a consolidation and realignment of its workforce and incurred costs for employee terminations, obligations for future lease payments, fixed asset impairments, and other associated costs. The Company continued its cost reduction efforts and incurred additional costs for facility closings and employee termination expenses during the years 2009 through 2013.

The following table summarizes the accruals recorded, adjustments, and the cash payments during the years ended December 31, 2013, 2012, and 2011 related to the cost reduction actions initiated during the years 2008 through 2013. The adjustments are comprised of reversals of previously recorded expense accruals and foreign currency translation adjustments. The remaining reserve balance of \$3,719 is included on the Consolidated Balance Sheets at December 31, 2013 as follows: \$3,155 in Accrued expenses and \$564 in Other long-term liabilities.

	<u>Employee Terminations</u>	<u>Lease Obligations</u>	<u>Total</u>
Actions Initiated in 2008			
Liability balance at December 31, 2010	\$ 142	\$ 3,368	\$ 3,510
New accruals	--	--	--
Adjustments	4	108	112
Cash payments	(146)	(687)	(833)
Liability balance at December 31, 2011	--	2,789	2,789
New accruals	--	--	--
Adjustments	--	562	562
Cash payments	--	(590)	(590)
Liability balance at December 31, 2012	--	2,761	2,761
New accruals	--	--	--
Adjustments	--	346	346
Cash payments	--	(850)	(850)
Liability balance at December 31, 2013	<u>\$ --</u>	<u>\$ 2,257</u>	<u>\$ 2,257</u>
Actions Initiated in 2009			
Liability balance at December 31, 2010	\$ 104	\$ --	\$ 104
New accruals	21	--	21
Adjustments	(1)	--	(1)
Cash payments	(124)	--	(124)
Liability balance at December 31, 2011	--	--	--
New accruals	--	--	--
Adjustments	--	--	--
Cash payments	--	--	--
Liability balance at December 31, 2012	--	--	--
New accruals	--	--	--
Adjustments	--	--	--
Cash payments	--	--	--
Liability balance at December 31, 2013	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

	<u>Employee Terminations</u>	<u>Lease Obligations</u>	<u>Total</u>
Actions Initiated in 2010			
Liability balance at December 31, 2010	\$ 570	\$ --	\$ 570
New accruals	13	--	13
Adjustments	(37)	--	(37)
Cash payments	<u>(138)</u>	<u>--</u>	<u>(138)</u>
Liability balance at December 31, 2011	408	--	408
New accruals	10	--	10
Adjustments	8	--	8
Cash payments	<u>(24)</u>	<u>--</u>	<u>(24)</u>
Liability balance at December 31, 2012	402	--	402
New accruals	--	--	--
Adjustments	(8)	--	(8)
Cash payments	<u>(394)</u>	<u>--</u>	<u>(394)</u>
Liability balance at December 31, 2013	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>
Actions Initiated in 2011			
Liability balance at December 31, 2010	\$ --	\$ --	\$ --
New accruals	957	--	957
Adjustments	(15)	--	(15)
Cash payments	<u>(817)</u>	<u>--</u>	<u>(817)</u>
Liability balance at December 31, 2011	125	--	125
New accruals	--	--	--
Adjustments	(7)	--	(7)
Cash payments	<u>(103)</u>	<u>--</u>	<u>(103)</u>
Liability balance at December 31, 2012	15	--	15
New accruals	--	--	--
Adjustments	(15)	--	(15)
Cash payments	<u>--</u>	<u>--</u>	<u>--</u>
Liability balance at December 31, 2013	<u>\$ --</u>	<u>\$ --</u>	<u>\$ --</u>

	<u>Employee Terminations</u>	<u>Lease Obligations</u>	<u>Total</u>
Actions Initiated in 2012			
Liability balance at December 31, 2011	\$ --	\$ --	\$ --
New accruals	3,006	1,535	4,541
Adjustments	(26)	219	193
Cash payments	<u>(1,594)</u>	<u>(567)</u>	<u>(2,161)</u>
Liability balance at December 31, 2012	1,386	1,187	2,573
New accruals	50	--	50
Adjustments	(63)	214	151
Cash payments	<u>(1,347)</u>	<u>(744)</u>	<u>(2,091)</u>
Liability balance at December 31, 2013	<u>\$ 26</u>	<u>\$ 657</u>	<u>\$ 683</u>
Actions Initiated in 2013			
Liability balance at December 31, 2012	\$ --	\$ --	\$ --
New accruals	1,144	384	1,528
Adjustments	--	--	--
Cash payments	<u>(669)</u>	<u>(80)</u>	<u>(749)</u>
Liability balance at December 31, 2013	<u>\$ 475</u>	<u>\$ 304</u>	<u>\$ 779</u>

The combined expenses for the cost reduction and restructuring actions initiated in 2008 through 2011, shown in the tables above, were \$1,050 for the year ended December 31, 2011. In addition, the Company recorded \$388 for impairment charges, relocation expenses, and legal fees related to the Company's restructuring activities during the year. For the year ended December 31, 2011, the total expense of \$1,438 is presented as Acquisition integration and restructuring expense in the Consolidated Statements of Comprehensive Income (Loss).

The combined expenses for the cost reduction and restructuring actions initiated in 2008 through 2012, shown in the tables above, were \$5,307 for the year ended December 31, 2012. In addition, the Company recorded \$246 related to leasehold improvements at facilities being combined or closed, \$197 for consulting, retention and other costs associated with facilities being combined or closed, and reversed reserves totaling \$494 related to unfavorable leases and accrued property tax. For the year ended December 31, 2012, the total expense of \$5,256 is presented as Acquisition integration and restructuring expense in the Consolidated Statements of Comprehensive Income (Loss).

The combined expenses for the cost reduction and restructuring actions initiated in 2008 through 2013, shown in the above table, were \$2,052 for the year ended December 31, 2013. In addition, the Company recorded legal costs of \$19 and reversed \$40 related to a facility closure. For the year ended December 31, 2013, the total expense of \$2,031 is presented in the Consolidated Statements of Comprehensive Income (Loss) as follows: \$1,774 as Acquisition integration and restructuring expense and \$257 as Interest expense.

The expense for the years 2008 through 2013 and the cumulative expense since the cost reductions program's inception was recorded in the following operating segments:

Year ended December 31,	Americas	Europe	Asia Pacific	Corporate	Total
2013	\$ 1,376	\$ 293	\$ 104	\$ 1	\$ 1,774
2012	4,245	881	129	1	5,256
2011	777	586	--	75	1,438
2010	1,136	555	(70)	493	2,114
2009	3,398	1,400	992	453	6,243
2008	5,460	3,552	248	889	10,149
Cumulative since program inception	\$ 16,392	\$ 7,267	\$ 1,403	\$ 1,912	\$ 26,974

Note 5 – Unbilled Services

Unbilled services consist of the following:

	December 31,	
	2013	2012
Unbilled services	\$ 16,476	\$ 19,187
Production supplies	1,619	1,737
Total	\$ 18,095	\$ 20,924

Note 6 - Property and Equipment

Property and equipment consists of the following:

	Useful Life	December 31,	
		2013	2012
Land and improvements	10-15 years	\$ 5,853	\$ 6,295
Buildings and improvements	15-30 years	18,035	17,917
Machinery and equipment	3-7 years	76,751	77,808
Leasehold improvements	Life of lease	22,174	21,478
Computer software and licenses	3-7 years	54,123	49,157
		176,936	172,655
Accumulated depreciation and amortization		(117,933)	(112,072)
Total		\$ 59,003	\$ 60,583

Computer software and licenses includes \$195 and \$846 of interest capitalized by the Company during 2013 and 2012, respectively, in connection with its information technology and business process improvement initiative.

Note 7 - Impairment of Long-lived Assets

The following table summarizes the impairment of long-lived assets by asset category for the periods presented in this Form 10-K:

	Years Ended December 31,		
	2013	2012	2011
Intangible assets, other than goodwill	\$ 502	\$ 3,763	\$ --
Land and buildings	--	518	--
Other fixed assets	--	--	40
Total	\$ 502	\$ 4,281	\$ 40

For the year ended December 31, 2013, impairment charges of \$502 related to intangible assets are included in Impairment of long-lived assets on the Consolidated Statements of Comprehensive Income (Loss). The intangible asset impairment charge is comprised of \$466 in the Americas operating segment for a customer relationship intangible asset for which future cash flows do not support the carrying value and \$36 for customer relationship and trade name assets in the Asia Pacific operating segment, reflecting the Company's decision to close the Seoul, Korea office acquired in its 2011 Brandimage acquisition.

For the year ended December 31, 2012, impairment charges of \$4,281 are included in Impairment of long-lived assets on the Consolidated Statements of Comprehensive Income (Loss). The impairment of long-lived assets includes \$3,763 related to impairments of intangible assets and \$518 related to impairment of fixed assets. The intangible asset impairment charges were for customer relationship intangible assets at Company locations being restructured for which projected cash flows did not support the carrying values. The Company recorded the customer relationship impairment charges in the Americas and Europe operating segments in the amounts of \$2,350 and \$1,413, respectively. The fixed asset impairment charge of \$518 related to Company-owned real estate in the Corporate segment which was written down to its estimated market value in 2012, in anticipation of a sale which was finalized in 2013.

In addition, for the year ended December 31, 2012, impairment charges of \$246 are included in Acquisition integration and restructuring expenses on the Consolidated Statements of Comprehensive Income (Loss). These impairment charges relate to building improvements at Company facilities in the Americas operating segment that were combined with other operating facilities or shut-down and relate to the Company's ongoing restructuring and cost reduction initiatives. See Note 4 – Acquisition Integration and Restructuring for further information.

During 2011, \$40 was recorded for the impairment of various fixed assets. The expense for these write-downs is included in Impairment of long-lived assets in the Consolidated Statements of Comprehensive Income (Loss) in the Americas operating segment. In addition, there were \$287 of impairments, primarily for leasehold improvements related to the Company's cost reduction and capacity utilization initiatives which are included in Acquisition integration and restructuring expenses on the Consolidated Statements of Comprehensive Income (Loss). These charges were principally incurred in the Americas operating segment. Refer to Note 4 – Acquisition Integration and Restructuring for further information.

Note 8 - Goodwill and Other Intangible Assets

The Company's intangible assets not subject to amortization consist entirely of goodwill. Under current accounting guidance, the Company's goodwill is not amortized throughout the period, but is subject to an annual impairment test. The Company performs an impairment test annually, or when events or changes in business circumstances indicate that the carrying value may not be recoverable. The Company performs its annual impairment test as of October 1 each year.

The Company performed the required goodwill impairment tests for 2013 and 2012 as of October 1 of each year. The Company allocated its goodwill on a geographic basis to its operating segments, which were determined to be its reporting units for goodwill impairment testing. Using projections of operating cash flow for each reporting unit, the Company performed a step one assessment of the fair value of each reporting unit as compared to the carrying value of each reporting unit. The step one impairment analysis indicated no potential impairment of the assigned goodwill for either year.

The estimates and assumptions used by the Company to test its goodwill are consistent with the business plans and estimates used to manage operations and to make acquisition and divestiture decisions. The use of different assumptions could impact whether an impairment charge is required and, if so, the amount of such impairment. If the Company fails to achieve estimated volume and pricing targets, experiences unfavorable market conditions or achieves results that differ from its estimates, then revenue and cost forecasts may not be achieved, and the Company may be required to recognize impairment charges. Additionally, future goodwill impairment charges may be necessary if the Company's market capitalization decreases due to a decline in the trading price of the Company's common stock.

On July 3, 2013, the Company sold the operating assets, net of certain liabilities, of its large format printing business located in Los Angeles, California. The net assets of the large format printing business were considered to be held for sale as of June 30, 2013 and a portion of the goodwill in the Americas reporting unit was allocated to the business held for sale in the quarter ended June 30, 2013. The amount allocated to the large format printing business was \$7,000 and this pretax amount is included in Income (loss) from discontinued operations, net of tax on the Consolidated Statements of Comprehensive Income (Loss) for the year ended December 31, 2013.

The changes in the carrying amount of goodwill by operating segment during the years ended December 31, 2013 and 2012 were as follows:

	Americas	Europe	Asia Pacific	Total
Cost:				
December 31, 2011	\$ 198,510	\$ 40,364	\$ 10,037	\$ 248,911
Acquisitions	673	--	--	673
Additional purchase accounting adjustments	4,301	1,368	(430)	5,239
Foreign currency translation	503	1,293	223	2,019
December 31, 2012	203,987	43,025	9,830	256,842
Goodwill allocated to business sold	(7,000)	--	--	(7,000)
Additional purchase accounting adjustments	--	(1,436)	--	(1,436)
Foreign currency translation	(1,512)	1,096	(1,066)	(1,482)
December 31, 2013	<u>\$ 195,475</u>	<u>\$ 42,685</u>	<u>\$ 8,764</u>	<u>\$ 246,924</u>
Accumulated impairment:				
December 31, 2011	\$ (14,422)	\$ (27,878)	\$ (1,246)	\$ (43,546)
Foreign currency translation	(118)	(1,251)	(24)	(1,393)
December 31, 2012	(14,540)	(29,129)	(1,270)	(44,939)
Foreign currency translation	355	(610)	183	(72)
December 31, 2013	<u>\$ (14,185)</u>	<u>\$ (29,739)</u>	<u>\$ (1,087)</u>	<u>\$ (45,011)</u>
Net book value:				
December 31, 2011	<u>\$ 184,088</u>	<u>\$ 12,486</u>	<u>\$ 8,791</u>	<u>\$ 205,365</u>
December 31, 2012	<u>\$ 189,447</u>	<u>\$ 13,896</u>	<u>\$ 8,560</u>	<u>\$ 211,903</u>
December 31, 2013	<u>\$ 181,290</u>	<u>\$ 12,946</u>	<u>\$ 7,677</u>	<u>\$ 201,913</u>

The Company's other intangible assets subject to amortization are as follows:

	Weighted Average Life	December 31, 2013		
		Cost	Accumulated Amortization	Net
Customer relationships	13.9 years	\$ 55,377	\$ (31,342)	\$ 24,035
Digital images	5.0 years	450	(450)	--
Developed technologies	3.0 years	712	(712)	--
Non-compete agreements	3.6 years	827	(790)	37
Trade names	3.9 years	1,434	(1,010)	424
Contract acquisition cost	3.0 years	1,220	(1,220)	--
	13.1 years	<u>\$ 60,020</u>	<u>\$ (35,524)</u>	<u>\$ 24,496</u>

	Weighted Average Life	December 31, 2012		
		Cost	Accumulated Amortization	Net
Customer relationships	13.7 years	\$ 57,343	\$ (28,562)	\$ 28,781
Digital images	5.0 years	450	(450)	--
Developed technologies	3.0 years	712	(712)	--
Non-compete agreements	3.6 years	877	(821)	56
Trade names	3.9 years	1,469	(892)	577
Contract acquisition cost	3.0 years	1,220	(1,220)	--
	13.0 years	<u>\$ 62,071</u>	<u>\$ (32,657)</u>	<u>\$ 29,414</u>

Other intangible assets were recorded at fair market value as of the dates of the acquisitions based upon independent third party appraisals. The fair values and useful lives assigned to customer relationship assets are based on the period over which these relationships are expected to contribute directly or indirectly to the future cash flows of the Company. The acquired companies typically have had key long-term relationships with Fortune 500 companies lasting 15 years or more. Because of the custom nature of the work that the Company does, it has been its experience that clients are reluctant to change suppliers.

During the year ended December 31, 2013, the Company recorded impairment charges of \$502, comprised of a charge of \$466 in the Americas operating segment for a customer relationship intangible asset for which future cash flows did not support the carrying value and a charge of \$36 for customer relationship and trade name assets in the Asia Pacific operating segment, reflecting the Company's decision to close the Seoul, Korea office acquired in its 2011 Brandimage acquisition.

During 2012, the Company recorded impairment charges of \$2,350 and \$1,413, in the Americas and Europe operating segments, respectively, for customer relationship assets for which projected cash flows did not support the carrying values. The impairment charges are included in Impairment of long-lived assets in the Consolidated Statements of Comprehensive Income (Loss). See Note 7 – Impairment of Long-lived Assets for more information.

Amortization expense for continuing operations was \$4,089, \$5,170 and \$5,127 for 2013, 2012 and 2011, respectively. Amortization expense for each of the next five years is expected to be approximately \$3,933 for 2014, \$3,746 for 2015, \$3,696 for 2016, \$3,508 for 2017 and \$3,434 for 2018.

Note 9 - Accrued Expenses

Accrued expenses consist of the following:

	December 31,	
	2013	2012
Accrued employee compensation	\$ 15,539	\$ 14,689
Other payroll-related expenses	9,980	12,085
Deferred revenue	8,813	10,229
Restructuring reserves	3,155	3,814
Accrued professional fees	2,624	3,066
Accrued customer rebates	1,629	2,154
Accrued sales and use taxes	1,564	1,729
Multiemployer pension withdrawal	1,261	--
Vacant property reserve	725	1,535
Deferred lease costs	607	700
Accrued property taxes	575	568
Accrued interest	228	257
Facility exit reserve	--	120
Other	4,437	4,272
Total	\$ 51,137	\$ 55,218

Note 10 - Other Long-Term Liabilities

Other long-term liabilities consist of the following:

	December 31,	
	2013	2012
Multiemployer pension withdrawal	\$ 31,255	\$ 31,683
Deferred compensation	4,239	3,574
Reserve for uncertain tax positions	1,826	2,343
Deferred lease costs	904	1,339
Vacant property reserve	885	880
Restructuring reserve	564	1,941
Reserve for filing penalties	--	1,379
Employment tax reserve	520	1,018
Deferred revenue	380	439
Facility exit reserve	--	204
Other	74	75
Total	\$ 40,647	\$ 44,875

During 2013 and 2012, the Company recorded adjustments to several vacant property and exit reserves. The adjustments reflect changes in the projections of future costs for the vacant facilities due to reoccupation of vacated space, new sublease agreements executed and other changes in future cost and sublease income assumptions. During 2013, the Company recorded a \$204 credit to income for the net effect of vacant property and exit reserve adjustments compared to expense of \$476 recorded during 2012.

Note 11 - Debt

Debt obligations consist of the following:

	<u>December 31,</u>	
	<u>2013</u>	<u>2012</u>
Revolving credit agreement	\$ 31,580	\$ 52,495
Series A senior note payable - Tranche A	--	1,843
Series A senior note payable - Tranche B	1,229	2,458
Series F senior note payable	25,000	25,000
Other	93	1,190
Total	<u>57,902</u>	<u>82,986</u>
Less amounts due in one year or less	<u>(1,266)</u>	<u>(4,262)</u>
Long-term debt	<u>\$ 56,636</u>	<u>\$ 78,724</u>

Annual maturities of debt obligations at December 31, 2013 are as follows:

2014	\$ 1,266
2015	37
2016	19
2017	31,580
2018	--
Thereafter	<u>25,000</u>
	<u>\$ 57,902</u>

Credit Facility and Senior Notes

Revolving Credit Facility

Amended and Restated Credit Facility. On January 27, 2012, the Company entered into a Second Amended and Restated Credit Agreement (the "2012 Credit Agreement"), among the Company, certain subsidiary borrowers of the Company, the financial institutions party thereto as lenders, JPMorgan Chase Bank, N.A., on behalf of itself and the other lenders as agent, and PNC Bank, National Association, on behalf of itself and the other lenders as syndication agent, in order to amend and restate the Company's prior credit agreement that was scheduled to terminate on July 12, 2012.

The 2012 Credit Agreement provides for a five-year unsecured, multicurrency revolving credit facility in the principal amount of \$125,000 (the "Credit Facility"), including a \$10,000 swing-line loan subfacility and a \$10,000 subfacility for letters of credit. The Company may, at its option and subject to certain conditions, increase the amount of the Credit Facility by up to \$50,000 by obtaining one or more new commitments from new or existing lenders to fund such increase. Loans under the Credit Facility generally bear interest at a LIBOR or Federal funds rate plus a margin that varies with the Company's cash flow leverage ratio, in addition to applicable commitment fees, with a maximum rate of LIBOR plus 225 basis points. At closing, the applicable margin on LIBOR-based loans was 175 basis points. The unutilized portion of the Credit Facility will be used primarily for general corporate purposes, such as working capital and capital expenditures, and, to the extent opportunities arise, acquisitions and investments.

At December 31, 2013, there was \$25,000 outstanding under the LIBOR portion of the U.S. facility at an interest rate of approximately 1.88 percent. At the Company's option, loans under the facility can bear interest at prime plus 1.5 percent. At December 31, 2013, there was \$6,300 of prime rate borrowing outstanding at an interest rate of 4.00 percent. The Company's Canadian subsidiary borrowed under the revolving credit facility in the form of bankers' acceptance agreements and prime rate borrowings. At December 31, 2013, there was \$280 outstanding under prime rate borrowings at an interest rate of approximately 3.75 percent.

The 2012 Credit Agreement contains various customary affirmative and negative covenants and events of default. Under the terms of the 2012 Credit Agreement, the Company is no longer subject to restrictive covenants on permitted capital expenditures. Certain restricted payments, such as regular dividends and stock repurchases, are permitted provided that the Company maintains compliance with its minimum fixed-charge coverage ratio (with respect to regular dividends) and a specified maximum cash-flow leverage ratio (with respect to other permitted restricted payments). Other covenants include, among other things, restrictions on the Company's and in certain cases its subsidiaries' ability to incur additional indebtedness; dispose of assets; create or permit liens on assets; make loans, advances or other investments; incur certain guarantee obligations; engage in mergers, consolidations or acquisitions, other than those meeting the requirements of the 2012 Credit Agreement; engage in certain transactions with affiliates; engage in sale/leaseback transactions; and engage in certain hedging arrangements. The 2012 Credit Agreement also requires compliance with specified financial ratios and tests, including a minimum fixed-charge coverage ratio and a maximum cash-flow ratio.

Amendment to the 2012 Credit Agreement. On September 12, 2012, the Company entered into Amendment No. 1 (the "Credit Agreement Amendment") to the 2012 Credit Agreement. The Credit Agreement Amendment amended the definition of "EBITDA" in the 2012 Credit Agreement to permit the Company, for purposes of calculating EBITDA for financial covenant compliance, to add back certain expenses associated with the Company's enterprise resource planning system up to certain amounts as specified in the Credit Agreement Amendment.

Senior Notes

In 2003, the Company entered into a private placement of debt to provide long-term financing in which it issued senior notes pursuant to note purchase agreements, which have since been amended as further discussed below. The senior note that was outstanding at December 31, 2013 bears interest at 8.98 percent. The remaining aggregate balance of the note, \$1,229, is included in Current portion of long-term debt on the December 31, 2013 Consolidated Balance Sheets.

Amended and Restated Private Shelf Agreement. Concurrently with its entry into the 2012 Credit Agreement, on January 27, 2012, the Company entered into an Amended and Restated Note Purchase and Private Shelf Agreement with Prudential Investment Management, Inc. ("Prudential") and certain existing noteholders and note purchasers named therein (the "Private Shelf Agreement"), which provides for a \$75,000 private shelf facility for a period of up to three years (the "Private Shelf Facility"). At closing, the Company issued \$25,000 aggregate principal amount of its 4.38% Series F Senior Notes due January 27, 2019 (the "Notes") under the Private Shelf Agreement.

The Private Shelf Agreement contains financial and other covenants that are the same or substantially equivalent to covenants under the 2012 Credit Agreement described above. Notes issued under the Private Shelf Facility may have maturities of up to ten years and are unsecured. Either the Company or Prudential may terminate the unused portion of the Private Shelf Facility prior to its scheduled termination upon 30 days' written notice. Any future borrowings under the Private Shelf Facility may be used for general corporate purposes, such as working capital and capital expenditures.

Amendment to Note Purchase Agreement. Concurrently with the entry into the Private Shelf Agreement, the Company entered into the Fifth Amendment (the "Fifth Amendment") to the Note Purchase Agreement, dated as of December 23, 2003, as amended (the "Note Purchase Agreement"), with the noteholders party thereto (the "Mass Mutual Noteholders"). The Fifth Amendment amended certain financial and other covenants in the Note Purchase Agreement so that such financial and other covenants are the same or substantially equivalent to covenants under the 2012 Credit Agreement described above. The Fifth Amendment also amended certain provisions contained in the Note Purchase Agreement to reflect that amounts due under existing senior notes issued to the Mass Mutual Noteholders are no longer secured.

Amendments to Private Shelf Agreement and Note Purchase Agreement. Concurrently with its entry into the Credit Agreement Amendment, the Company entered into (i) the First Amendment (the "First Amendment") to the Private Shelf Agreement and (ii) the Sixth Amendment (the "Sixth Amendment") to the Note Purchase Agreement. The First Amendment and the Sixth Amendment amend the respective definitions of "EBITDA" in the Private Shelf Agreement and the Note Purchase Agreement to conform to the amended EBITDA definition contained in the Credit Agreement Amendment.

Debt Covenant Compliance and Noteholders Consent

The Company was in compliance with all covenant obligations under the aforementioned credit and note purchase agreements at December 31, 2013. In connection with its compliance with the covenant obligations as of December 31, 2012, the Company received a consent from its lender group to make a partial or complete withdrawal from the GCC/IBT National Pension Plan, and in connection with such withdrawal the Company recorded, as of December 31, 2012, a withdrawal liability with an estimated present value of \$31,683. The lender group agreed to waive any event of default under the credit agreement that might occur as a result of such withdrawal and the incurrence of such withdrawal liability and acknowledged that the withdrawal liability incurred by the Company will not constitute indebtedness. See Note 20 – Multiemployer Pension Plans for more information regarding the withdrawal liability.

Other Debt Arrangements

In July 2013, the Company's Belgium subsidiary entered into a financing arrangement for the purchase of production equipment in the amount of \$110, with monthly payments over a three year period ending in June 2016. The balance outstanding at December 31, 2013 is \$93, of which \$37 is included in Current portion of long-term debt and \$56 is included in Long-term debt.

Deferred Financing Fees

At December 31, 2013, the Company had \$671 of unamortized deferred financing fees related to prior revolving credit facility and note purchase agreement amendments. The total amortization of deferred financing fees was \$262, \$301, and \$606 for the years ended December 31, 2013, December 31, 2012 and December 31, 2011, respectively, and is included in Interest expense on the Consolidated Statements of Comprehensive Income (Loss).

Note 12 - Income Taxes

The domestic and foreign components of income (loss) from continuing operations before income taxes are as follows:

	Years Ended December 31,		
	2013	2012	2011
United States	\$ 13,015	\$ (38,375)	\$ 9,326
Foreign	7,105	3,885	10,783
Total	<u>\$ 20,120</u>	<u>\$ (34,490)</u>	<u>\$ 20,109</u>

The provision (benefit) for income taxes is comprised of the following:

	Years Ended December 31,		
	2013	2012	2011
Current:			
Federal	\$ 505	\$ (2,601)	\$ 104
State	419	484	(299)
Foreign	1,855	2,014	2,335
	<u>2,779</u>	<u>(103)</u>	<u>2,140</u>
Deferred:			
Federal	1,977	(8,676)	3,365
State	905	(2,319)	985
Foreign	1,241	226	(5,793)
	<u>4,123</u>	<u>(10,769)</u>	<u>(1,443)</u>
Total	<u>\$ 6,902</u>	<u>\$ (10,872)</u>	<u>\$ 697</u>

The Company's effective tax rate on continuing operations for the year ended December 31, 2013 is 34.3 percent as compared with 31.5 percent for 2012. The current year's effective tax rate increase over the prior year was primarily the result of changes in valuation allowances offset by the utilization of tax credits during the year.

Reconciliation between the provision (benefit) for income taxes computed by applying the United States ("U.S.") federal statutory tax rate to income (loss) from continuing operations before incomes taxes and the actual provision (benefit) is as follows:

	Years ended December 31,		
	2013	2012	2011
Income taxes at U.S. Federal statutory rate	35.0%	35.0%	35.0%
Foreign rate differential	(15.6)	7.9	(9.4)
Valuation allowances	14.4	(6.1)	(32.0)
Non deductible expenses	6.5	(3.6)	7.2
Tax credits	(4.7)	1.3	(2.2)
Changes in estimates related to prior years	(4.5)	(0.3)	0.4
State income taxes	3.6	3.5	1.9
Uncertain tax positions	(2.6)	(1.3)	0.9
Others, net	2.2	(4.9)	1.7
	<u>34.3%</u>	<u>31.5%</u>	<u>3.5%</u>

Temporary differences and carryforwards giving rise to deferred income tax assets and liabilities are as follows:

	December 31,	
	2013	2012
Deferred income tax assets:		
Operating loss carryforwards	\$ 19,010	\$ 27,492
Multiemployer pension withdrawal liability	12,427	12,075
Income tax credit carryforwards	7,944	8,051
Capital loss carryforwards	5,353	6,029
Accruals and reserves not currently deductible	4,516	3,357
Deferred expenses	1,981	1,701
Restructuring reserves	1,462	2,201
Other	3,125	4,475
Deferred income tax assets	55,818	65,381
Valuation allowances	(23,864)	(36,099)
Deferred income tax assets, net	<u>31,954</u>	<u>29,282</u>
Deferred income tax liabilities:		
Domestic subsidiary stock	(12,525)	(8,208)
Depreciation and amortization	(11,174)	(7,544)
Intangible assets	(6,046)	(5,163)
Inventory	(4,370)	(5,286)
Other	(1,368)	(1,082)
Deferred income tax liabilities	<u>(35,483)</u>	<u>(27,283)</u>
Net deferred tax asset (liability)	<u>\$ (3,529)</u>	<u>\$ 1,999</u>

As of December 31, 2013, the Company has U.S. state net operating loss carryforwards of \$62,488, foreign net operating loss carryforwards of \$62,708, foreign capital loss carryforwards of \$26,639, and various U.S. and non-U.S. income tax credit carryforwards of \$3,164 and \$4,780, respectively, which will be available to offset future income tax liabilities. If not used, state net operating losses will begin to expire in 2017, and foreign net operating losses have no expiration period. Certain of these carryforwards are subject to limitations on use due to tax rules affecting acquired tax attributes, loss sharing between group members, and business continuation, and therefore the Company has established tax-effected valuation allowances against these tax benefits in the amount of \$23,864 at December 31, 2013. The Company has total foreign tax credit carryforwards of \$2,823, offset by a valuation allowance of \$2,035 in 2013. The Company has the ability to claim a deduction for these credits prior to expiration, and thus the net carrying value of the credits of \$788 assumes that a deduction would be claimed instead of a tax credit. If unutilized, these U.S. foreign tax credits will begin to expire in 2016.

The undistributed earnings of foreign subsidiaries were approximately \$59,769 and \$42,943 at December 31, 2013 and 2012, respectively. No income taxes are provided on the undistributed earnings because they are considered permanently reinvested. It is not practicable to estimate the additional income taxes, including applicable withholding taxes, that would be payable if such remittance of undistributed earnings occurred.

It is expected that the amount of unrecognized tax benefits that will change in the next twelve months attributable to the anticipated settlement of examinations or statute closures will be in the range of \$750 to \$1,700. Of the total amount of unrecognized tax benefits of \$1,758, approximately \$1,620 would reduce the effective tax rate.

The Company's U.S. federal income tax returns are open for examination from 2009 forward. State income tax returns are generally subject to examination for a period of 3 to 5 years after filing of the respective return. The impact of any federal changes remains subject to examination by various states for a period of up to one year after formal notification to the states. The Company has various state income tax returns in the process of examination, administrative appeals or litigation.

The Company recognizes accrued interest related to unrecognized tax benefits and penalties in income tax expense in the Consolidated Statements of Comprehensive Income (Loss). During the years ended December 31, 2013 and 2012, the Company recognized \$(176) and \$81 in net interest (benefit) expense, respectively. The Company had approximately \$178 and \$360 of accrued interest expense and penalties for December 31, 2013, and 2012, respectively.

A reconciliation of the beginning and ending amount of gross unrecognized tax benefits is as follows:

	2013	2012	2011
Balance at January 1	\$ 2,093	\$ 1,362	\$ 4,249
Reductions related to settlements	--	(31)	--
Additions related to tax positions in current year	351	--	181
Additions related to tax positions in prior years	162	888	91
Reductions due to statute closures	(383)	(141)	(3,184)
Reductions for tax positions in prior years	(444)	--	--
Foreign currency translation	(21)	15	25
Balance at December 31	<u>\$ 1,758</u>	<u>\$ 2,093</u>	<u>\$ 1,362</u>

Note 13 - Related Party Transactions

The Company leases land and a building from a related party. See Note 14 – Leases.

Note 14 - Leases

The Company leases land and a building in Des Plaines, Illinois from a related party. Total rent expense incurred under this operating lease was \$585 in 2013, \$585 in 2012, and \$583 in 2011.

The Company leases various plant facilities and equipment under operating leases that cannot be cancelled and expire at various dates through September 2023. Some of the leases contain renewal options and leasehold improvement incentives. Leasehold improvement incentives received from landlords are deferred and recognized as a reduction of rent expense over the respective lease term. Rent expense is recorded on a straight-line basis, taking into consideration lessor incentives and scheduled rent increases. Total rent expense incurred under all operating leases was approximately \$13,553, \$14,376, and \$13,325 for the years ended December 31, 2013, 2012 and 2011, respectively.

Future minimum payments under leases with terms of one year or more are as follows at December 31, 2013:

	Operating Leases		
	Gross rents	Subleases	Net rents
2014	\$ 14,127	\$ (1,418)	\$ 12,709
2015	9,844	(641)	9,203
2016	7,630	(609)	7,021
2017	5,474	(429)	5,045
2018	2,903	(179)	2,724
Thereafter	4,455	--	4,455
	<u>\$ 44,433</u>	<u>\$ (3,276)</u>	<u>\$ 41,157</u>

Note 15 - Employee Benefit Plans

The Company has various defined contribution plans for the benefit of its employees. The Company's 401(k) Plan, which covers mainly non-union employees in the United States, provides for a match of employee contributions based on the Company's performance to a target of earnings before interest, taxes, depreciation and amortization. The matching contribution was 1.5 percent of compensation for 2013. Contributions to the plans were \$1,027, \$1,432, and \$1,743 in 2013, 2012 and 2011, respectively. In addition, the Company's European subsidiaries contributed \$898, \$897 and \$816 to several defined-contribution plans for their employees in 2013, 2012 and 2011, respectively. The Company also maintains a defined benefit pension plan covering employees at its Brandimage French subsidiary and has recorded a liability of \$1,128 and \$867, as of December 31, 2013, and December 31, 2012, respectively, for this plan.

The Company established an employee stock purchase plan on January 1, 1999 that permits employees to purchase common shares of the Company through payroll deductions. The number of shares issued for this plan was 28 in 2013, 33 in 2012, and 33 in 2011. The shares were issued at a 5 percent discount from the end-of-quarter closing market price of the Company's common stock. The discount from market value was \$19, \$21 and \$23 in 2013, 2012 and 2011, respectively.

The Company also has a non-qualified income deferral plan for which certain highly-compensated employees are eligible. The plan allows eligible employees to defer a portion of their compensation until retirement or separation from the Company. The plan is unfunded and is an unsecured liability of the Company. The Company's liability under the plan was \$1,697 and \$1,591 at December 31, 2013 and December 31, 2012, respectively, and is included in Other long-term liabilities on the Consolidated Balance Sheets.

The Company has a deferred compensation agreement with the Chairman of the Board of Directors dated June 1, 1983 which was ratified and included in a restated employment agreement dated October 1, 1994. The agreement provides for deferred compensation for 10 years equal to 50 percent of final salary and was modified on March 9, 1998 to determine a fixed salary level for purposes of this calculation. The Company has a deferred compensation liability equal to \$815 at December 31, 2013 and December 31, 2012 which is included in Other long-term liabilities on the Consolidated Balance Sheets. The liability was calculated using the net present value of ten annual payments at a 6 percent discount rate assuming, for calculation purposes only, that payments begin one year from the balance sheet date.

The Company has collective bargaining agreements with production employees representing approximately 7 percent of its workforce. The significant contracts are with local units of the Graphic Communications Conference of the International Brotherhood of Teamsters, the Communications, Energy & Paperworkers Union of Canada and the GPMU union in the UK and expire in 2014 through 2017. The percentage of employees covered by contracts expiring within one year is approximately 2 percent.

The Company is required to contribute to certain union sponsored defined benefit pension plans under various labor contracts covering union employees. Pension expense related to the union plans, which is determined based upon payroll data, was approximately \$602, \$813 and \$912 in 2013, 2012 and 2011, respectively. See Note 20 - Multiemployer Pension Plans for additional information.

Note 16 - Stock Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards.

2006 Long-Term Incentive Plan

Effective May 17, 2006, the Company's stockholders approved the Schawk Inc. 2006 Long-Term Incentive Plan ("2006 Plan"). The 2006 Plan provides for the grant of stock options, stock appreciation rights, restricted stock, restricted stock units, performance-based awards and other cash and stock-based awards to officers, other employees and directors of the Company. Options and stock appreciation rights granted under the plan have an exercise price equal to the market price of the underlying stock at the date of grant and are exercisable for a period of ten years from the date of grant. Options and stock appreciation rights granted pursuant to the 2006 Plan vest over a three-year period. The total number of shares of common stock available for issuance under the 2006 Plan is 1,377 as of December 31, 2013.

The equity compensation grants made by the Company during 2013, with the exception of non-qualified stock options granted to its outside directors, were in the form of stock-settled stock appreciation rights and restricted stock units, rather than stock options and shares of restricted stock, as had been granted in prior periods.

The Company issued 176, 130 and 111 stock options or stock appreciation rights, as well as 145, 149 and 126 restricted shares or restricted stock units, during the years ended December 31, 2013, 2012 and 2011, respectively, under the 2006 Plan.

Options and Stock Appreciation Rights

The Company has granted stock options and stock-settled stock appreciation rights under several stock-based compensation plans. The Company's 2003 Equity Option Plan provides for the granting of options and stock appreciation rights to purchase up to 6,452 shares of Class A common stock to key employees. The Company also adopted an Outside Directors' Formula Stock Option Plan authorizing unlimited grants of options to purchase shares of Class A common stock to outside directors. Options granted under both plans have an exercise price equal to the market price of the underlying stock at the date of grant and are exercisable for a period of ten years from the date of grant. Options and stock appreciation rights granted pursuant to the 2003 Equity Option Plan vest over a three-year period. Options granted pursuant to the Outside Directors Stock Option Plan vest over a two-year period. The Company issues new shares of its Class A common stock for option and stock appreciation rights exercises.

The Company issued 15, 17 and 15 stock options during 2013, 2012 and 2011, respectively, to its directors under the Outside Directors Stock Option Plan.

The Company recorded \$692, \$780 and \$888 of compensation expense relating to outstanding options and stock appreciation rights during the years ended December 31, 2013, 2012, and 2011, respectively.

The Company records compensation expense for employee stock options and stock appreciation rights based on the estimated fair value of the options and stock appreciation rights on the date of grant using the Black-Scholes option-pricing model with the assumptions included in the table below. The Company uses historical data among other factors to estimate the expected price volatility, the expected option life and the expected forfeiture rate. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option.

The following assumptions were used to estimate the fair value of options and stock appreciation rights granted during the years ended December 31, 2013, 2012 and 2011 using the Black-Scholes option pricing model:

	2013		2012		2011
Expected dividend yield	2.78 - 2.84	%	2.73	%	1.57 - 2.66
Expected stock price volatility	54.61 - 56.36	%	53.52 - 57.19	%	48.80 - 53.21
Risk-free interest rate range	1.26 - 1.68	%	1.24 - 1.33	%	1.33 - 2.84
Weighted-average expected life	6.47 - 7.59	years	6.21 - 7.70	years	6.28 - 7.63
Forfeiture rate	1.00 - 2.50	%	1.00 - 3.00	%	1.00 - 3.00
Total fair value of grants	\$ 908		\$ 727		\$ 995

The following table summarizes the Company's activities with respect to its stock options and stock appreciation rights for 2013, 2012 and 2011 (in thousands, except price per share and contractual term):

	Number of Shares	Weighted Average Exercise Price Per Share	Weighted Average Remaining Term	Aggregate Intrinsic Value
Outstanding December 31, 2010	2,054	\$ 13.77	4.85	\$ 13,978
Granted	126	\$ 17.62		
Exercised	(121)	\$ 9.27		
Cancelled	(1)	\$ 8.90		
Outstanding December 31, 2011	2,058	\$ 14.28	3.94	\$ 1,496
Granted	147	\$ 12.00		
Exercised	(272)	\$ 9.39		
Cancelled	(113)	\$ 9.98		
Outstanding December 31, 2012	1,820	\$ 15.08	3.71	\$ 1,520
Granted	191	\$ 11.29		
Exercised	(164)	\$ 10.18		
Cancelled	(316)	\$ 16.51		
Outstanding December 31, 2013	1,531	\$ 14.89	4.26	\$ 2,369
Vested at December 31, 2013	1,204	\$ 15.63		
Exercisable at December 31, 2013	1,204	\$ 15.63	3.03	\$ 1,378

The weighted-average grant-date fair value of options and stock appreciation rights granted during the years ended December 31, 2013, 2012 and 2011 was \$4.75, \$4.95 and \$7.90, respectively. The total intrinsic value for options exercised during the years ended December 31, 2013, 2012 and 2011, respectively, was \$484, \$988 and \$908.

Cash received from option exercises under all plans for the years ended December 31, 2013, 2012 and 2011 was approximately \$1,618, \$2,681 and \$1,073, respectively. The actual tax benefit realized for the tax deductions from option exercises under all plans totaled approximately \$247, \$244 and \$293, respectively, for the years ended December 31, 2013, 2012 and 2011.

The following table summarizes information concerning outstanding and exercisable options and stock appreciation rights at December 31, 2013:

Range of exercise price	Outstanding			Exercisable		
	Number outstanding	Weighted average remaining contractual life (years)	Weighted average exercise price	Number exercisable		Weighted average exercise price
\$ 6.20-\$8.26	116	5.3	\$ 6.96	116	\$	6.96
8.26-10.33	53	9.3	\$ 10.02	--	\$	--
10.33-12.39	255	8.7	\$ 11.58	43	\$	11.72
12.39-14.45	353	1.8	\$ 13.86	337	\$	13.90
14.45-16.52	165	5.2	\$ 15.82	147	\$	15.90
16.52-18.58	213	4.3	\$ 18.09	194	\$	18.08
18.58-20.65	361	2.0	\$ 18.93	352	\$	18.93
20.65-21.08	15	5.8	\$ 21.04	15	\$	21.04
	<u>1,531</u>			<u>1,204</u>		

As of December 31, 2013, 2012 and 2011 there was \$986, \$880 and \$959, respectively, of total unrecognized compensation cost related to nonvested options and stock appreciation rights outstanding. That cost is expected to be recognized over a weighted average period of approximately 1.9 years. A summary of the Company's nonvested option and stock appreciation rights activity for the years ended December 31, 2013, 2012 and 2011 is as follows (in thousands, except price per share and contractual term):

	Number of Shares	Weighted Average Grant Date Fair Value Per Share
Nonvested at January 1, 2011	320	\$ 4.93
Granted	126	\$ 7.90
Vested	(185)	\$ 4.95
Nonvested at December 31, 2011	261	\$ 6.35
Granted	147	\$ 4.95
Vested	(152)	\$ 5.36
Forfeited	(4)	\$ 5.60
Nonvested at December 31, 2012	252	\$ 6.12
Granted	191	\$ 4.75
Vested	(108)	\$ 6.60
Forfeited	(8)	\$ 7.82
Nonvested at December 31, 2013	<u>327</u>	\$ 5.11

Restricted Stock and Restricted Stock Units

As discussed above, the Company's 2006 Long-Term Incentive Plan provides for the grant of various types of stock-based awards, including restricted shares and restricted stock units. Restricted shares and restricted stock units are valued at the price of the common stock on the date of grant and vest at the end of a three-year period. For restricted shares, during the vesting period, the participant has the rights of a shareholder in terms of voting and dividend rights but is restricted from transferring the shares. Holders of restricted stock units do not have voting rights but are entitled to dividend equivalent payments. The expense for both types of grants is recorded on a straight-line basis over the vesting period.

The Company recorded \$952, \$2,349 and \$1,210 of compensation expense relating to restricted stock and restricted stock units during years ended December 31, 2013, 2012 and 2011, respectively. The expense in 2012 reflects an increase in the level of grants and increased expense attributable to retirement-age vesting provisions.

A summary of the restricted share and restricted stock unit activity for the years ended December 31, 2013, 2012 and 2011 is presented below:

	Number of Shares	Weighted Average Grant Date Fair Value per share
Outstanding at January 1, 2011	276	\$ 10.90
Granted	126	\$ 15.86
Vested – restriction lapsed	(59)	\$ 15.90
Outstanding at December 31, 2011	343	\$ 11.86
Granted	149	\$ 11.84
Vested – restriction lapsed	(136)	\$ 6.94
Outstanding at December 31, 2012	356	\$ 13.72
Granted	145	\$ 11.15
Vested – restriction lapsed	(81)	\$ 13.88
Forfeited	(30)	\$ 13.00
Outstanding at December 31, 2013	<u>390</u>	\$ 12.81

As of December 31, 2013, 2012 and 2011, there was \$1,699, \$1,438 and \$1,984, respectively, of total unrecognized compensation cost related to the outstanding restricted shares and restricted stock units that will be recognized over a weighted average period of approximately 1.9 years.

Employee Stock-based Compensation Expense

The Company recorded \$1,644, \$3,129 and \$2,098 for stock-based compensation during years ended December 31, 2013, 2012 and 2011, respectively. The expense is included in selling, general and administrative expenses in the Consolidated Statements of Comprehensive Income (Loss). There were no amounts related to employee stock-based compensation capitalized as assets during the three years ended December 31, 2013.

Note 17 - Earnings Per Share

Basic earnings (loss) per share from continuing operations, discontinued operations and from net income (loss) per common share are computed by dividing income (loss) from continuing operations, income (loss) from discontinued operations and net income (loss), respectively, by the weighted average shares outstanding for the period. Diluted earnings (loss) per share from continuing operations, discontinued operations and from net income (loss) per common share are computed by dividing income (loss) from continuing operations, income (loss) from discontinued operations and net income (loss), respectively, by the weighted average number of common shares, including common stock equivalent shares (stock options and stock-settled stock appreciation rights) outstanding for the period. Certain share-based payment awards which entitle holders to receive non-forfeitable dividends before vesting are considered participating securities and are included in the calculation of basic earnings (loss) per share. There were no reconciling items to net income to arrive at income (loss) available to common stockholders.

The following table sets forth the number of common and common stock equivalent shares used in the computation of basic and diluted earnings (loss) per share:

	Years ended December 31,		
	2013	2012	2011
Income (loss) from continuing operations	\$ 13,218	\$ (23,618)	\$ 19,412
Income (loss) from discontinued operations	(6,693)	202	1,199
Net income (loss)	<u>\$ 6,525</u>	<u>\$ (23,416)</u>	<u>\$ 20,611</u>
Weighted average shares-Basic	26,286	25,924	25,790
Effect of dilutive stock options	68	--	290
Weighted average shares-Diluted	<u>26,354</u>	<u>25,924</u>	<u>26,080</u>
Basic:			
Income (loss) from continuing operations	\$ 0.50	\$ (0.91)	\$ 0.75
Income (loss) from discontinued operations	(0.25)	0.01	0.05
Net income (loss) per common share	<u>\$ 0.25</u>	<u>\$ (0.90)</u>	<u>\$ 0.80</u>
Diluted:			
Income (loss) from continuing operations	\$ 0.50	\$ (0.91)	\$ 0.74
Income (loss) from discontinued operations	(0.25)	0.01	0.05
Net income (loss) per common share	<u>\$ 0.25</u>	<u>\$ (0.90)</u>	<u>\$ 0.79</u>

Since the Company was in a net loss position for the year ended December 31, 2012, there was no difference between the number of shares used to calculate basic and diluted loss per share for the year ended December 31, 2012. There were 121 potentially dilutive stock options not included in the diluted per share calculation because they would be anti-dilutive.

In addition, the following table presents the potentially dilutive outstanding stock options excluded from the computation of diluted earnings per share for each period because they would be anti-dilutive:

	Years ended December 31,		
	2013	2012	2011
Anti-dilutive options	1,356	1,530	782
Exercise price range	\$ 10.02 – 21.08	\$ 11.71 – 21.08	\$ 12.02 – 21.08
Date of last option expiration	December 16, 2023	December 19, 2022	August 17, 2021

Note 18 - Segment and Geographic Reporting

The Company's service offerings include brand development and brand deployment services related to four core competencies: graphic services, brand and package strategy and design, digital promotion and advertising, and software. Graphic services, brand strategy and design and digital promotion and advertising represented approximately 96 percent of the Company's revenues in 2013, with software sales representing the remaining 4 percent. The nature of the Company's core service offerings creates significant overlap across competencies such that it is impracticable to report revenues for each of its service offerings.

These services are provided to clients primarily in the consumer packaged goods, retail and life sciences markets. In 2013 and 2012, the Company's largest client accounted for approximately \$43,872, or 9.9 percent, and \$35,739, or 8.1 percent, respectively, of its total revenues. In 2013 and 2012, the 10 largest clients in the aggregate accounted for 48.4 percent and 46.9 percent, respectively, of revenues. The Company's services are provided with an employment force of approximately 3,600 employees worldwide, of which approximately 7 percent are production employees represented by labor unions. The percentage of employees covered by union contracts that expire within one year is approximately 2 percent.

The Company organizes and manages its operations primarily by geographic area and measures profit and loss of its segments based on operating income (loss). The accounting policies used to measure operating income of the segments are the same as those used to prepare the consolidated financial statements.

Accounting guidance requires that a public business enterprise report financial information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance.

The Company's Americas segment includes all of the Company's operations located in North and South America, including its operations in the United States, Canada, Mexico and Brazil, its U.S. branding and design capabilities and its U.S. digital solutions business. The Company's Europe segment includes all operations located in Europe, including its European branding and design capabilities and its digital solutions business in London. The Company's Asia Pacific segment includes all operations in Asia and Australia, including its Asia Pacific branding and design capabilities. The Company has determined that each of its operating segments is also a reportable segment.

Corporate consists of unallocated general and administrative activities and associated expenses, including executive, legal, finance, information technology, human resources and certain facility costs. In addition, certain costs and employee benefit plans are included in Corporate and not allocated to operating segments.

The Company has disclosed operating income (loss) as the primary measure of segment profitability. This is the measure of profitability used by the Company's CODM and is most consistent with the presentation of profitability reported within the consolidated financial statements.

The segment revenue disclosure for the years ended December 31, 2012 and December 31, 2011 have been reclassified to conform to the current presentation of segment revenue as presented for the year ended December 31, 2013. The Americas segment revenue and intersegment revenue elimination originally reported for the year ended December 31, 2012 and December 31, 2011, have been reduced by \$30,051 and \$25,859, respectively, to reflect the elimination of intra-segment revenue within the Americas segment.

Segment information relating to results of operations from continuing operations was as follows:

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Net revenues:			
Americas	\$ 331,380	\$ 333,494	\$ 330,879
Europe	87,176	85,763	75,877
Asia Pacific	42,454	38,923	33,704
Intersegment revenue elimination	<u>(18,370)</u>	<u>(16,898)</u>	<u>(13,039)</u>
Total	<u>\$ 442,640</u>	<u>\$ 441,282</u>	<u>\$ 427,421</u>
Operating segment income (loss):			
Americas	\$ 57,566	\$ 10,523	\$ 48,628
Europe	5,488	979	6,384
Asia Pacific	3,196	2,124	4,198
Corporate	<u>(42,061)</u>	<u>(44,593)</u>	<u>(33,890)</u>
Operating income (loss)	24,189	(30,967)	25,320
Interest expense, net	<u>(4,069)</u>	<u>(3,523)</u>	<u>(5,211)</u>
Income (loss) from continuing operations, before income taxes	<u>\$ 20,120</u>	<u>\$ (34,490)</u>	<u>\$ 20,109</u>
Depreciation and amortization expense:			
Americas	\$ 9,054	\$ 9,406	\$ 9,287
Europe	2,651	3,206	2,903
Asia Pacific	1,430	1,532	1,292
Corporate	<u>5,001</u>	<u>3,272</u>	<u>2,849</u>
Total	<u>\$ 18,136</u>	<u>\$ 17,416</u>	<u>\$ 16,331</u>

The Corporate operating loss for 2013 includes \$7,488 of business systems integration expense, related to the Company's information technology and business process improvement initiative. In addition, the Corporate operating loss for 2013 includes a credit to income of approximately \$518 for the reversal of a liability recorded in purchase accounting for a recent acquisition that is no longer needed due to statute expiration.

The Americas operating income for 2012 includes \$31,683 of multiemployer pension withdrawal expense. The 2012 expense represents an estimated withdrawal liability recorded at December 31, 2012, pursuant to the Company's decision to withdraw from the GCC/IBT National Pension Fund.

The Corporate operating loss for 2012 includes \$12,086 of business systems integration expense, related to the Company's information technology and business process improvement initiative.

The Corporate operating loss for 2011 includes \$8,467 of business and systems integration expense, related to the Company's information technology and business process improvement initiative, and \$1,846 of multiemployer pension withdrawal expense. Partially offsetting the expense increases were credits to income of \$3,320 for the reduction of contingent consideration payable related to a 2010 acquisition and \$825 related to the reduction of an employment tax reserve for a 2008 acquisition.

Segment information related to total assets and expenditure for long-lived assets was as follows:

	<u>2013</u>	<u>2012</u>
Total Assets:		
Americas (1)	\$ 326,745	\$ 359,014
Europe	57,119	54,746
Asia Pacific	24,813	27,193
Corporate	<u>21,864</u>	<u>17,868</u>
Total	<u>\$ 430,541</u>	<u>\$ 458,821</u>

(1) Decrease in total assets for the Americas segment includes \$8,444 for the sale of net assets of large-format printing operation, \$7,210 for the write-off of goodwill and other intangible assets related to the large-format printing operation and \$7,307 for the transfer of real estate related to the large-format printing operation to the Corporate segment.

	<u>2013</u>	<u>2012</u>	<u>2011</u>
Expenditures for long-lived assets:			
Americas	\$ 5,211	\$ 5,648	\$ 7,176
Europe	2,111	1,256	1,813
Asia Pacific	825	1,611	1,108
Corporate	<u>5,030</u>	<u>9,615</u>	<u>14,546</u>
Total	<u>\$ 13,177</u>	<u>\$ 18,130</u>	<u>\$ 24,643</u>

Summary financial information by geographic location for 2013, 2012 and 2011 is as follows:

	<u>United States</u>	<u>Canada</u>	<u>Europe</u>	<u>Other</u>	<u>Total</u>
2013					
Revenues	\$ 292,215	\$ 29,651	\$ 84,963	\$ 35,811	\$ 442,640
Long-lived assets	\$ 53,972	\$ 2,013	\$ 5,589	\$ 5,651	\$ 67,225
2012					
Revenues	\$ 293,600	\$ 30,570	\$ 83,857	\$ 33,254	\$ 441,282
Long-lived assets	\$ 55,582	\$ 1,812	\$ 4,808	\$ 5,152	\$ 67,354
2011					
Revenues	\$ 294,118	\$ 29,939	\$ 74,741	\$ 28,623	\$ 427,421
Long-lived assets	\$ 50,032	\$ 2,335	\$ 5,008	\$ 5,463	\$ 62,838

Sales are attributed to countries based on the point of origin of the sale. Approximately 9.9 percent of total revenues came from the Company's largest single client for the year ended December 31, 2013.

Long-lived assets include property, plant and equipment assets stated at net book value and other non-current assets that are identified with the operations in each country.

Note 19 - Derivative Financial Instruments

Fair Value Hedge

In order to mitigate foreign exchange rate exposure, the Company entered into several forward contracts during 2011 and 2012. The forward contracts were designated as fair value hedges at inception. The derivative fair value gains or losses from these fair value hedges are recorded as a component of Foreign exchange loss in the Consolidated Statements of Comprehensive Income (Loss). The forward contracts are measured at fair value on a recurring basis and are classified as Level 2 inputs under the fair value hierarchy established in Note 1 – Significant Accounting Policies. In May 2012, the Company discontinued its foreign currency hedging program using forward contracts. There was no effect on earnings related to derivative instruments for the year ended December 31, 2013. The effect on earnings of the derivative instruments on the Consolidated Statements of Comprehensive Income (Loss) for the years ended December 31, 2012 and 2011 was a loss of \$438 and \$868, respectively.

Note 20 - Multiemployer Pension Plans

The Company has participated in the Graphic Communications Conference International Brotherhood of Teamsters National Pension Fund (“NPF”), formerly known as the Graphic Communications Conference International Brotherhood of Teamsters Supplemental Retirement and Disability Fund (“SRDF”), pursuant to collective bargaining agreements at eight locations. In the fourth quarter of 2012, the Company’s Board of Directors executed a resolution to authorize management to enter into good faith negotiations with the local bargaining units to effect a complete withdrawal from the NPF. The negotiations with the local bargaining units continued during 2013, with negotiations for withdrawal completed with all but one bargaining unit by year-end. The decision to exit the NPF was made in order to mitigate potentially greater financial exposure to the Company in the future under the plan, which is significantly underfunded, and to facilitate the consideration of future changes to the Company’s operations in the United States. A withdrawal liability should be recorded if circumstances that give rise to an obligation become probable and estimable. Management concluded that a complete withdrawal from the NPF was both probable and estimable, subject to the Company’s good faith bargaining obligations. Based on an analysis prepared by an independent actuary, the Company recorded an estimated liability for its withdrawal from the NPF of \$31,683, which was the present value of the estimated future payments required for withdrawal. The payments are expected to total approximately \$41,186, payable \$2,059 per year over a 20 year period, with the payments expected to commence on or about May 1, 2014. These payments were discounted at a risk free rate of 2.54 percent. Even after the Company has withdrawn from the plan, if a plan termination or mass withdrawal occurs, the Company’s withdrawal liability may be larger than it is currently estimated. The Company believes the likelihood of a plan termination or mass withdrawal occurring within the next few years to be remote.

The expense of \$31,683 associated with the pension withdrawal liability is reflected in Multiemployer pension withdrawal expense for the year ended December 31, 2012 on the Consolidated Statements of Comprehensive Income (Loss). During 2013, the company accreted \$833 of the present value discount resulting in an estimated liability of \$32,516 at December 31, 2013, which is included on the Consolidated Balance Sheets at December 31, 2013 as follows: \$1,261 in Accrued expenses and \$31,255 in Other long-term liabilities. The expense associated with the accretion of the present value discount is reflected in Interest expense on the Consolidated Statements of Comprehensive Income (Loss).

The Company previously participated in the San Francisco Lithographers Pension Trust (“SF LPT”) pursuant to collective bargaining agreements with the Teamsters Local 853. Effective June 30, 2011, the Company decided to terminate participation in the SF LPT and provided notification that it would no longer be making contributions to the plan. The Company’s decision triggered a withdrawal liability. The Company recorded an estimated liability of \$1,846 as of June 30, 2011 to reflect this obligation. The expense associated with the pension withdrawal liability is reflected in Multiemployer pension withdrawal expense (income) for the year ended December 31, 2011 on the Consolidated Statements of Comprehensive Income (Loss). The Company made a payments totaling \$1,643 during 2012 to settle the liability in full. The \$203 reduction from the initial liability of \$1,846 is recorded as a credit to Multiemployer pension withdrawal expense for the year ended December 31, 2012 on the Consolidated Statements of Comprehensive Income (Loss).

The Company contributes to a number of multiemployer defined benefit pension plans under the terms of collective-bargaining agreements that cover its union-represented employees. The risks of participating in these multiemployer plans are different from single-employer plans in the following aspects:

- a. Assets contributed to the multiemployer plan by one employer may be used to provide benefits to employees of other participating employers.
- b. If a participating employer stops contributing to the plan, the unfunded obligations of the plan may be borne by the remaining participating employers.
- c. If the Company chooses to stop participating in one of its multiemployer plans, it may be required to pay the plan an amount based on the underfunded status of the plan, referred to as withdrawal liability.

The Company's participation in these plans for the annual period ended December 31, 2013, is outlined in the table below. The "EIN/Pension Plan Number" row provides the Employee Identification Number ("EIN") and the three-digit plan number, if applicable. Unless otherwise noted, the most recent Pension Protection Act ("PPA") zone status available in 2013 and 2012 is for the plan's year-end at April 30, 2013 and April 30, 2012, respectively, if applicable. The zone status is based on information that the Company received from the plan and is certified by the plan's actuary. Among other factors, plans in the red zone are generally less than 65 percent funded, plans in the yellow zone are less than 80 percent funded, and plans in the green zone are at least 80 percent funded. The "FIP/RP Status Pending/implemented" row indicates plans for which a financial improvement plan ("FIP") or a rehabilitation plan ("RP") is either pending or has been implemented. The last row lists the expiration dates of the collective-bargaining agreements to which the plans are subject. There have been no significant changes, affecting period-to-period comparability of contributions, to the number of employees covered by the Company's multiemployer plans from 2011 to 2013.

Pension Fund	Graphic Communications Conference International Brotherhood of Teamsters National Pension Fund	CEP Multi-Employer Pension Plan
Country	United States of America	Canada
EIN/Pension Plan Number	52-6118568-001	RN 0542696
Pension Protection Act Zone Status:		
2013	Red	At least 80% funded
2012	Red	At least 80% funded
FIP/RP Status Pending/Implemented	Yes	N/A
Contributions of Schawk, Inc.:		
2013	\$ 527	\$ 76
2012	\$ 686	\$ 85
2011	\$ 844	\$ 85
Surcharge Imposed	No	No
Expiration Dates of Collective-Bargaining Agreements	N/A	May 1, 2014

The Company's contributions did not represent more than five percent of total contributions to the NPF as indicated in the NPF's Form 5500 for the plan year ending April 30, 2012 (the Plan's most recently available annual report). Based on preliminary information, it is anticipated the Company's contributions will not represent more than five percent of total contributions to the NPF for the plan year ending April 30, 2013.

Note 21 - Quarterly Financial Data (unaudited)

Schawk, Inc maintains its financial records on the basis of a fiscal year ending December 31. The unaudited quarterly data for 2013 and 2012 is presented below:

Year 2013 (in thousands, except per share amounts)	March 31, 2013 (1)	
	Previously Reported	Reclassified
Net revenues	\$ 111,003	\$ 107,158
Operating expenses:		
Cost of services (excluding depreciation and amortization)	73,052	68,106
Selling, general and administrative expenses (excluding depreciation and amortization)	33,281	30,521
Depreciation and amortization	--	4,096
Business and systems integration expenses	2,658	2,658
Acquisition integration and restructuring expenses	247	243
Impairment of long-lived assets	36	36
Foreign exchange gain	(242)	(242)
Operating income	1,971	1,740
Other income (expense):		
Interest income	26	26
Interest expense	(1,095)	(1,095)
Income from continuing operations before income taxes	902	671
Income tax benefit	(553)	(651)
Income from continuing operations	1,455	1,322
Income from discontinued operations, net of tax	--	133
Net income	\$ 1,455	\$ 1,455
Earnings per share:		
Basic:		
Income from continuing operations	\$ 0.06	\$ 0.05
Income from discontinued operations	--	0.01
Net income per common share	\$ 0.06	\$ 0.06
Diluted		
Income from continuing operations	\$ 0.06	\$ 0.05
Income from discontinued operations	--	0.01
Net income per common share	\$ 0.06	\$ 0.06

(1) In the second quarter of 2013, the Company reclassified the Consolidated Statements of Comprehensive Income (Loss) to disaggregate the discontinued operations related to the sale of its large format printing operation, which was sold on July 3, 2013. In addition, in the second quarter of 2013, the Company changed the presentation of certain expense items on the Consolidated Statements of Comprehensive Income (Loss). The Company previously presented cost of goods sold with a sub-total for gross profit; however, in order to be consistent with how management views the business, production expenses are now presented as cost of services and the gross profit sub-total has been eliminated. In addition, depreciation and amortization is now excluded from and presented separately for both cost of services and selling, general and administrative expenses. Accordingly, in this Form 10-K, the financial data for quarters which have not previously been reported have been reclassified to conform with the current presentation regarding discontinued operations and the revised expense format.

Year 2013

(in thousands, except per share amounts)

	Quarters ended		
	June 30, 2013	September 30, 2013	December 31, 2013 (2)
Net revenues	\$ 110,510	\$ 110,692	\$ 114,280
Operating expenses:			
Cost of services (excluding depreciation and amortization)	66,569	67,872	68,012
Selling, general and administrative expenses (excluding depreciation and amortization)	30,245	29,448	28,492
Depreciation and amortization	4,680	4,782	4,578
Business and systems integration expenses	1,683	1,992	1,155
Acquisition integration and restructuring expenses	311	674	546
Impairment of long-lived assets	466	--	--
Foreign exchange loss	734	132	662
Operating income	<u>5,822</u>	<u>5,792</u>	<u>10,835</u>
Other income (expense):			
Interest income	21	108	100
Interest expense	(1,135)	(1,073)	(1,021)
Income from continuing operations before income taxes	4,708	4,827	9,914
Income tax provision	2,104	1,291	4,158
Income from continuing operations	<u>2,604</u>	<u>3,536</u>	<u>5,756</u>
Loss from discontinued operations, net of tax	(6,738)	(3)	(85)
Net income (loss)	<u>\$ (4,134)</u>	<u>\$ 3,533</u>	<u>\$ 5,671</u>
Earnings (loss) per share:			
Basic:			
Income from continuing operations	\$ 0.10	\$ 0.13	\$ 0.22
Loss from discontinued operations	(0.26)	--	--
Net income (loss) per common share	<u>\$ (0.16)</u>	<u>\$ 0.13</u>	<u>\$ 0.22</u>
Diluted:			
Income from continuing operations	\$ 0.10	\$ 0.13	\$ 0.22
Loss from discontinued operations	(0.26)	--	(0.01)
Net income (loss) per common share	<u>\$ (0.16)</u>	<u>\$ 0.13</u>	<u>\$ 0.21</u>

(2) Results for the fourth quarter of 2013 were favorably impacted by a credit to income of approximately \$518 for the reversal of a liability recorded in purchase accounting for a recent acquisition that is no longer needed due to statute expiration in the current quarter, and a credit to income of approximately \$425 for net reserve reductions at certain of the Company's vacant leased properties, for which a change in circumstances in the current quarter required a revision in the estimate of future expenses related to the leases. In addition, results in the current quarter were favorably impacted by a credit to income of approximately \$736 for the correction on an error in the valuation of unbilled services that was immaterial to all prior periods presented.

Year 2012	March 31, 2012 (3)	
(in thousands, except per share amounts)	Previously Reported	Reclassified
Net revenues	\$ 112,750	\$ 107,387
Operating expenses:		
Cost of services (excluding depreciation and amortization)	75,750	69,676
Selling, general and administrative expenses (excluding depreciation and amortization)	33,862	30,279
Depreciation and amortization	--	4,349
Business and systems integration expenses	3,170	3,170
Acquisition integration and restructuring expenses	1,084	1,062
Foreign exchange loss	470	470
Operating loss	(1,586)	(1,619)
Other income (expense):		
Interest income	16	16
Interest expense	(842)	(842)
Loss from continuing operations before income taxes	(2,412)	(2,445)
Income tax benefit	(805)	(818)
Loss from continuing operations	(1,607)	(1,627)
Income from discontinued operations, net of tax	--	20
Net loss	\$ (1,607)	\$ (1,607)
Earnings (loss) per share:		
Basic:		
Loss from continuing operations	\$ (0.06)	\$ (0.06)
Income from discontinued operations	--	--
Net loss per common share	\$ (0.06)	\$ (0.06)
Diluted		
Loss from continuing operations	\$ (0.06)	\$ (0.06)
Income from discontinued operations	--	--
Net loss per common share	\$ (0.06)	\$ (0.06)

(3) In the second quarter of 2013, the Company reclassified the Consolidated Statements of Comprehensive Income (Loss) to disaggregate the discontinued operations related to the sale of its large format printing operation, which was sold on July 3, 2013. In addition, in the second quarter of 2013, the Company changed the presentation of certain expense items on the Consolidated Statements of Comprehensive Income (Loss). The Company previously presented cost of goods sold with a sub-total for gross profit; however, in order to be consistent with how management views the business, production expenses are now presented as cost of services and the gross profit sub-total has been eliminated. In addition, depreciation and amortization is now excluded from and presented separately for both cost of services and selling, general and administrative expenses. Accordingly, in this Form 10-K, the financial data for quarters which have not previously been reported have been reclassified to conform with the current presentation regarding discontinued operations and the revised expense format.

Year 2012

(in thousands, except per share amounts)

	Quarters ended	
	June 30, 2012	September 30, 2012
Net revenues	\$ 110,760	\$ 106,009
Operating expenses:		
Cost of services (excluding depreciation and amortization)	70,151	65,829
Selling, general and administrative expenses (excluding depreciation and amortization)	30,548	29,347
Depreciation and amortization	4,451	4,171
Multiemployer pension withdrawal income	--	(203)
Business and systems integration expenses	4,292	2,997
Acquisition integration and restructuring expenses	2,416	1,218
Impairment of long-lived assets	--	4,281
Foreign exchange loss (gain)	90	(12)
Operating loss	<u>(1,188)</u>	<u>(1,619)</u>
Other income (expense):		
Interest income	9	57
Interest expense	(917)	(917)
Loss from continuing operations before income taxes	(2,096)	(2,479)
Income tax benefit	(513)	(184)
Loss from continuing operations	<u>(1,583)</u>	<u>(2,295)</u>
Income from discontinued operations, net of tax	87	82
Net loss	<u>\$ (1,496)</u>	<u>\$ (2,213)</u>
Earnings (loss) per share:		
Basic:		
Loss from continuing operations	\$ (0.06)	\$ (0.09)
Income from discontinued operations	--	--
Net loss per common share	<u>\$ (0.06)</u>	<u>\$ (0.09)</u>
Diluted:		
Loss from continuing operations	\$ (0.06)	\$ (0.09)
Income from discontinued operations	--	--
Net loss per common share	<u>\$ (0.06)</u>	<u>\$ (0.09)</u>

Year 2012

(in thousands, except per share amounts)

	December 31, 2012 (4) (5)	
	Previously Reported	Reclassified
Net revenues	\$ 120,880	\$ 117,126
Operating expenses:		
Cost of services (excluding depreciation and amortization)	79,764	74,245
Selling, general and administrative expenses (excluding depreciation and amortization)	32,380	29,832
Depreciation and amortization	--	4,445
Multiemployer pension withdrawal expense	31,683	31,683
Business and systems integration expenses	1,627	1,627
Acquisition integration and restructuring expenses	596	560
Impairment of long-lived assets	75	--
Foreign exchange loss	1,275	1,275
Operating loss	<u>(26,520)</u>	<u>(26,541)</u>
Other income (expense):		
Interest income	47	47
Interest expense	(976)	(976)
Loss from continuing operations before income taxes	<u>(27,449)</u>	<u>(27,470)</u>
Income tax benefit	(9,349)	(9,357)
Loss from continuing operations	<u>(18,100)</u>	<u>(18,113)</u>
Income from discontinued operations, net of tax	<u>--</u>	<u>13</u>
Net loss	<u>\$ (18,100)</u>	<u>\$ (18,100)</u>
Earnings (loss) per share:		
Basic:		
Loss from continuing operations	\$ (0.69)	\$ (0.69)
Income from discontinued operations	--	--
Net loss per common share	<u>\$ (0.69)</u>	<u>\$ (0.69)</u>
Diluted		
Income (loss) from continuing operations	\$ (0.69)	\$ (0.69)
Income (loss) from discontinued operations	--	--
Net income (loss) per common share	<u>\$ (0.69)</u>	<u>\$ (0.69)</u>

(4) In the second quarter of 2013, the Company reclassified the Consolidated Statements of Comprehensive Income (Loss) to disaggregate the discontinued operations related to the sale of its large format printing operation, which was sold on July 3, 2013. In addition, in the second quarter of 2013, the Company changed the presentation of certain expense items on the Consolidated Statements of Comprehensive Income (Loss). The Company previously presented cost of goods sold with a sub-total for gross profit; however, in order to be consistent with how management views the business, production expenses are now presented as cost of services and the gross profit sub-total has been eliminated. In addition, depreciation and amortization is now excluded from and presented separately for both cost of services and selling, general and administrative expenses. Accordingly, in this Form 10-K, the financial data for quarters which have not previously been reported have been reclassified to conform with the current presentation regarding discontinued operations and the revised expense format.

(5) Results for the fourth quarter of 2012 were unfavorably impacted by the Company's decision to withdraw from the Graphic Communications Conference International Brotherhood of Teamsters National Pension Fund. An estimated withdrawal liability of \$31,683 was recorded in the fourth quarter of 2012.

Schawk, Inc.
Consolidated Balance Sheets
(In thousands, except share amounts)

Exhibit 99.3

	March 31, 2014	December 31, 2013
	(unaudited)	
Assets		
Current assets:		
Cash and cash equivalents	\$ 4,947	\$ 6,171
Trade accounts receivable, less allowance for doubtful accounts of \$2,079 at March 31, 2014 and \$2,040 at December 31, 2013	94,128	96,559
Unbilled services	18,322	18,095
Prepaid expenses and other current assets	13,403	8,584
Income tax receivable	11,076	2,053
Deferred income taxes	1,240	1,227
Total current assets	143,116	132,689
Property and equipment, less accumulated depreciation of \$120,640 at March 31, 2014 and \$117,933 at December 31, 2013	57,098	59,003
Goodwill, net	201,610	201,913
Other intangible assets, net:		
Customer relationships	23,082	24,035
Other	420	461
Deferred income taxes	4,295	4,218
Other assets	8,271	8,222
Total assets	\$ 437,892	\$ 430,541
Liabilities and stockholders' equity		
Current liabilities:		
Trade accounts payable	\$ 16,144	\$ 17,132
Accrued expenses	68,620	51,137
Deferred income taxes	217	215
Income taxes payable	256	3,902
Current portion of long-term debt	1,266	1,266
Total current liabilities	86,503	73,652
Long-term liabilities:		
Long-term debt	60,534	56,636
Deferred income taxes	11,231	8,759
Other long-term liabilities	38,326	40,647
Total long-term liabilities	110,091	106,042
Stockholders' equity:		
Common stock, \$0.008 par value, 40,000,000 shares authorized, 31,324,898 and 31,321,010 shares issued at March 31, 2014 and December 31, 2013, respectively, 26,230,827 and 26,226,303 shares outstanding at March 31, 2014 and December 31, 2013, respectively	229	229
Additional paid-in capital	208,596	213,247
Retained earnings	87,153	92,000
Accumulated other comprehensive income, net	10,541	10,605
Treasury stock, at cost, 5,094,071 and 5,094,707 shares of common stock at March 31, 2014 and December 31, 2013, respectively	(65,221)	(65,234)
Total stockholders' equity	241,298	250,847
Total liabilities and stockholders' equity	\$ 437,892	\$ 430,541

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Schawk, Inc.
Consolidated Statements of Comprehensive Income (Loss)
(Unaudited)
(In thousands, except per share amounts)

	Three Months Ended March 31,	
	2014	2013
Net revenues	\$ 101,886	\$ 107,158
Operating expenses:		
Cost of services (excluding depreciation and amortization)	65,448	68,186
Selling, general and administrative expenses (excluding depreciation and amortization)	28,261	30,441
Merger-related expenses	8,135	--
Depreciation and amortization	4,587	4,096
Business and systems integration expenses	1,608	2,658
Foreign exchange loss (gain)	349	(242)
Acquisition integration and restructuring expenses	345	243
Multiemployer pension withdrawal income	(1,870)	--
Impairment of long-lived assets	--	36
Operating income (loss)	(4,977)	1,740
Other income (expense):		
Interest income	87	26
Interest expense	(902)	(1,095)
Income (loss) from continuing operations before income taxes	(5,792)	671
Income tax benefit	(3,059)	(651)
Income (loss) from continuing operations	(2,733)	1,322
Income from discontinued operations, net of tax	--	133
Net income (loss)	\$ (2,733)	\$ 1,455
Earnings (loss) per share:		
Basic:		
Income (loss) from continuing operations	\$ (0.10)	\$ 0.05
Income from discontinued operations	--	0.01
Net income (loss) per common share	\$ (0.10)	\$ 0.06
Diluted:		
Income (loss) from continuing operations	\$ (0.10)	\$ 0.05
Income from discontinued operations	--	0.01
Net income (loss) per common share	\$ (0.10)	\$ 0.06
Weighted average number of common and common equivalent shares outstanding:		
Basic	26,350	26,154
Diluted	26,350	26,224
Dividends per Class A common share	\$ 0.08	\$ 0.08
Net income (loss)	\$ (2,733)	\$ 1,455
Foreign currency translation adjustments	(64)	(2,341)
Comprehensive loss	\$ (2,797)	\$ (886)

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Schawk, Inc.
Consolidated Statements of Cash Flows
Three Months Ended March 31, 2014 and 2013
(Unaudited)
(In thousands)

	2014	2013
Cash flows from operating activities		
Net income (loss)	\$ (2,733)	\$ 1,455
Adjustments to reconcile net income (loss) to cash (used in) provided by operating activities:		
Depreciation	3,573	3,398
Amortization	1,014	1,049
Impairment of long-lived assets	--	36
Amortization of deferred financing fees	55	62
Accretion of discount on multiemployer pension liability	208	209
Loss (gain) realized on sale of property and equipment	28	(69)
Stock based compensation expense	1,247	416
Tax benefit from stock compensation	(823)	(74)
Changes in operating assets and liabilities, net of acquisitions:		
Trade accounts receivable	2,535	(1,740)
Unbilled services	(280)	439
Prepaid expenses and other current assets	(5,111)	(948)
Trade accounts payable, accrued expenses and other liabilities	6,444	7,661
Income taxes refundable	(9,392)	(1,265)
Net cash (used in) provided by operating activities	(3,235)	10,629
Cash flows from investing activities		
Proceeds from sale of business	197	--
Proceeds from sales of property and equipment	17	8
Purchases of property and equipment	(1,704)	(3,738)
Net cash used in investing activities	(1,490)	(3,730)
Cash flows from financing activities		
Issuance of common stock	733	696
Proceeds from issuance of long-term debt	56,701	36,775
Payments of long-term debt including current portion	(52,843)	(45,871)
Tax benefit from stock compensation	823	74
Cash dividends	(2,101)	(2,090)
Net cash provided by (used in) financing activities	3,313	(10,416)
Effect of foreign currency rate changes	188	(151)
Net decrease in cash and cash equivalents	(1,224)	(3,668)
Cash and cash equivalents at beginning of period	6,171	9,651
Cash and cash equivalents at end of period	\$ 4,947	\$ 5,983

The Notes to Consolidated Financial Statements are an integral part of these consolidated statements.

Schawk, Inc.
Notes to Consolidated Financial Statements
(Unaudited)
(In thousands, except per share data)

Note 1 – Significant Accounting Policies

The significant accounting policies of Schawk, Inc. (“Schawk” or the “Company”) are included in Note 1 to the consolidated financial statements in the Company’s Annual Report on Form 10-K for the year ended December 31, 2013 (“2013 Form 10-K”). There have been no material changes in the Company’s significant accounting policies since December 31, 2013.

Interim Financial Statements

The unaudited consolidated interim financial statements of the Company have been prepared pursuant to the rules and regulations of the United States Securities and Exchange Commission (“SEC”). Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America have been condensed or omitted pursuant to such rules and regulations. Certain previously reported immaterial amounts have been reclassified to conform to the current-period presentation. In the opinion of management, all adjustments necessary for a fair presentation for the periods presented have been recorded.

These financial statements should be read in conjunction with, and have been prepared in conformity with, the accounting principles reflected in the Company’s consolidated financial statements and the notes thereto for the three years ended December 31, 2013, as filed with its 2013 Form 10-K. The results of operations for the three-month period ended March 31, 2014 are not necessarily indicative of the results to be expected for the full fiscal year ending December 31, 2014.

Recent Accounting Pronouncements

In July 2013, the FASB issued ASU No. 2013-11, *Income Taxes (Topic 740)*. The amendments in ASU 2013-11 provide guidance on the presentation of an unrecognized tax benefit when a net operating loss carryforward, a similar tax loss, or a tax credit carryforward exists. The amendments in ASU 2013-11 are effective prospectively for fiscal years, and interim periods within those years, beginning after December 15, 2013. The Company adopted ASU 2013-11 effective January 1, 2014. The adoption of this standard did not have a material impact on the Company’s consolidated financial statements.

Note 2 – Pending Merger

On March 16, 2014, the Company entered into a definitive merger agreement with Matthews International Corporation (“Matthews”), pursuant to which Matthews will acquire the Company. Under the terms of the merger agreement, each share of Company common stock outstanding as of the effective date of the merger will be cancelled in exchange for \$11.80 in cash and 0.20582 of a share of Matthews common stock. Simultaneously with the signing of the definitive merger agreement, certain members of the Schawk family, both individually and on behalf of trusts for the benefit of certain Schawk family members, who hold or control in the aggregate approximately 61 percent of the Company’s outstanding common stock, entered into agreements with Matthews pursuant to which such family members agreed to vote their shares, and shares held in family trusts, in favor of the approval of the merger agreement. The transaction is expected to be completed during the third quarter of 2014.

Under provisions of the Company’s long term incentive plan, this event was considered a change in control. Under the terms of the merger agreement, components of the Company’s incentive programs were impacted as follows:

- Unexpired stock options and stock appreciation rights became fully vested as of March 16, 2014. Pursuant to the terms of the merger agreement, outstanding stock options and stock appreciation rights were cancelled and the Company, in the second quarter of 2014, paid the holders of stock options and stock appreciation rights the difference between the exercise price of each award and \$20 per share (unless the exercise price equaled or exceeded \$20, in which case no cash consideration was paid for the cancellation of the applicable stock options or stock appreciation rights).
 - Restricted stock units became vested in most cases on a pro rata basis equal to the portion of the three-year vesting period elapsed through March 16, 2014. Pursuant to the terms of the merger agreement, such awards were cancelled and in exchange the Company, in the second quarter of 2014, paid cash to the holders of restricted stock units at the rate of \$20 per vested unit. The portion of a restricted stock unit grant that did not become vested was forfeited by the holder.
 - Restricted stock awards became vested in most cases on a pro rata basis equal to the portion of the three-year vesting period elapsed through March 16, 2014 and remained outstanding common shares of the Company, no longer subject to forfeiture. Any portion of a restricted stock grant that did not become vested was forfeited by the holder.
 - Long term cash awards became payable on a pro rata basis equal to the portion of the three-year performance period elapsed through March 16, 2014. The Company, in the second quarter of 2014, paid the pro rata portion of each award in cash.
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In addition, outstanding options granted under the outside directors option plan were cancelled in exchange for cash representing the difference between the exercise price of each award and \$20 per share, with no consideration being paid for the cancellation of stock options with exercise prices equaling or exceeding \$20 per share.

The following table summarizes the cash distributions related to outstanding equity and cash awards paid in the second quarter of 2014:

	<u>Stock Options and Stock Appreciation Rights</u>	<u>Restricted Stock Units</u>	<u>Long Term Cash Awards</u>	<u>Total</u>
Cash distribution (excluding payroll taxes)	\$ 6,326	\$ 1,128	\$ 3,882	\$ 11,336

The settlements of the stock options, stock appreciation rights and restricted stock units were considered to be repurchases of equity instruments and resulted in charges to Additional paid-in capital. The following table summarizes the amounts recorded to Additional paid-in capital, resulting from the accelerated vesting and settlement of outstanding equity awards during the first quarter of 2014:

	<u>Stock Options and Stock Appreciation Rights</u>	<u>Restricted Stock and Restricted Stock Units</u>	<u>Total</u>
Charge for repurchase of equity instruments	\$ 6,326	\$ 1,128	\$ 7,454
Credit for acceleration of equity compensation amortization to reflect full vesting and other equity compensation amortization adjustments	(867)	(72)	(939)
Charge to reflect restricted stock withheld for payment of tax liabilities upon release	--	643	643
Net charge to Additional paid-in capital	<u>\$ 5,459</u>	<u>\$ 1,699</u>	<u>\$ 7,158</u>

The following table summarizes the expenses recognized during the three-month period ended March 31, 2014 related to the vesting and settlement of outstanding cash and equity awards, as well as other merger-related costs incurred during the quarter. The expenses are included in Merger-related expenses on the Consolidated Statements of Comprehensive Income (Loss.)

	<u>Stock Options and Stock Appreciation Rights</u>	<u>Restricted Stock and Restricted Stock Units</u>	<u>Long Term Cash Awards</u>	<u>Total</u>
Increase in accrued expenses	\$ --	\$ --	\$ 3,160	\$ 3,160
Acceleration of equity compensation expense	800	222	--	1,022
Other equity compensation expense adjustments	67	(150)	--	(83)
Total merger-related incentive plan expenses	<u>\$ 867</u>	<u>\$ 72</u>	<u>\$ 3,160</u>	4,099
Other merger-related costs:				
Professional fees				3,322
Employer taxes related to incentive plan settlements				647
Other				67
Total merger-related expenses				<u>\$ 8,135</u>

Note 3 – Sale of Business and Discontinued Operations

On July 3, 2013, the Company completed the sale of various assets comprising its former large-format printing business located in Los Angeles, California. The net assets of the large format printing business were considered to be held for sale as of June 30, 2013. The large-format printing business was considered to be outside of the Company's core business and was included in the Americas segment. The aggregate selling price for the business was \$10,444, comprised of \$8,247 in cash, \$2,000 in a secured subordinated note and \$197 accrued as a receivable from the buyer for an estimated net working capital adjustment, which was settled in the first quarter of 2014. The Company recorded a loss of \$6,251 on the sale of the business in the second quarter of 2013, including a goodwill allocation of \$7,000 which represented a portion of the Company's Americas reporting segment goodwill allocated to the large-format printing business.

Operating results for the discontinued operations for the periods presented in this quarterly report are as follows:

	Three months ended March 31,	
	2014	2013
Net revenues	\$ --	\$ 3,845
Operating expenses:		
Cost of services (excluding depreciation and amortization)	--	2,383
Selling, general and administrative expenses (excluding depreciation and amortization)	--	876
Depreciation and amortization	--	351
Acquisition integration and restructuring expenses	--	4
Operating income	\$ --	\$ 231
Income before income taxes	\$ --	\$ 231
Income tax provision	--	98
Income from discontinued operations, net of tax	\$ --	\$ 133

Note 4 – Unbilled Services

Unbilled services consist of the following:

	March 31,	December 31,
	2014	2013
Unbilled services	\$ 16,654	\$ 16,476
Production supplies	1,668	1,619
Total	<u>\$ 18,322</u>	<u>\$ 18,095</u>

Note 5 – Earnings (Loss) Per Share

Basic earnings (loss) per share from continuing operations, discontinued operations and from net income (loss) per common share are computed by dividing income (loss) from continuing operations, income from discontinued operations and net income (loss), respectively, by the weighted average shares outstanding for the period. Diluted earnings (loss) per share from continuing operations, discontinued operations and from net income (loss) per common share are computed by dividing income (loss) from continuing operations, income from discontinued operations and net income (loss), respectively, by the weighted average number of common shares, including common stock equivalent shares (stock options and stock-settled stock appreciation rights) outstanding for the period. Certain share-based payment awards which entitle holders to receive non-forfeitable dividends before vesting are considered participating securities and are included in the calculation of basic earnings (loss) per share. There were no reconciling items to net income to arrive at income (loss) available to common stockholders.

As described in Note 2 - Pending Merger, in connection with the Company's entry into a definitive merger agreement on March 16, 2014, all outstanding stock options and stock-settled stock appreciation rights were cancelled in exchange for cash. As a result, there is no effect on earnings per share from dilutive and anti-dilutive stock options for the three-month period ended March 31, 2014. The following table details the computation of basic and diluted earnings (loss) per common share:

	Three Months Ended March 31,	
	2014	2013
Income (loss) from continuing operations	\$ (2,733)	\$ 1,322
Income from discontinued operations	--	133
Net income (loss)	<u>\$ (2,733)</u>	<u>\$ 1,455</u>
Weighted average shares – Basic	26,350	26,154
Effect of dilutive stock options	--	70
Adjusted weighted average shares and assumed conversions - Diluted	<u>26,350</u>	<u>26,224</u>

	Three Months Ended March 31,	
	2014	2013
Basic:		
Income (loss) from continuing operations	\$ (0.10)	0.05
Income from discontinued operations	--	0.01
Net income (loss) per common share	<u>\$ (0.10)</u>	<u>0.06</u>
Diluted:		
Income (loss) from continuing operations	\$ (0.10)	0.05
Income from discontinued operations	--	0.01
Net income (loss) per common share	<u>\$ (0.10)</u>	<u>0.06</u>

The following table presents the potentially dilutive outstanding stock options excluded from the computation of diluted earnings per share for each period because they would be anti-dilutive:

	Three Months Ended March 31,	
	2014	2013
Anti-dilutive options	--	1,550
Exercise price range	\$ --	\$ 11.71-21.08

Note 6 – Comprehensive Loss

The Company reports certain changes in equity during a period in accordance with current accounting guidance for comprehensive income. Accumulated other comprehensive income, net includes cumulative translation adjustments and pension liability adjustments, net of tax. The components of comprehensive loss, net of tax, for the three-month periods ended March 31, 2014 and 2013 are as follows:

	Three Months Ended March 31,	
	2014	2013
Net income (loss)	\$ (2,733)	\$ 1,455
Foreign currency translation adjustments	(64)	(2,341)
Comprehensive loss	<u>\$ (2,797)</u>	<u>\$ (886)</u>

Note 7 – Stock Based Compensation

The Company recognizes the cost of employee services received in exchange for awards of equity instruments based upon the grant date fair value of those awards using the straight-line expense attribution method. There were no equity compensation grants made by the Company during the first three months of 2014. The equity compensation grants during the first three months of 2013 were in the form of stock appreciation rights and restricted stock units.

The Company records compensation expense for employee stock options and stock appreciation rights based on the estimated fair value of the options and stock appreciation rights on the date of grant using the Black-Scholes option-pricing model with the assumptions included in the table below. The Company uses historical data among other factors to estimate the expected price volatility, the expected term and the expected forfeiture rate. The risk-free rate is based on the U.S. Treasury yield curve in effect at the time of grant for the estimated life of the option. The following assumptions were used to estimate the fair value of options and stock appreciation rights granted during the three-month period ended March 31, 2013, using the Black-Scholes option-pricing model.

	<u>Three Months Ended</u> <u>March 31, 2013</u>
Expected dividend yield	2.84 %
Expected stock price volatility	56.36 %
Risk-free interest rate	1.26 %
Weighted-average expected life of options	6.47 years
Forfeiture rate	2.50 %

There were no equity compensation grants made by the Company during the first three months of 2014. The number of stock appreciation rights and restricted stock units granted during the three-month period ended March 31, 2013 was 207. The total fair value of stock appreciation rights and restricted stock units granted during the three-month period ended March 31, 2013 was \$1,674. As of March 31, 2013 there was \$3,605 of total unrecognized compensation cost related to nonvested stock-based compensation awards outstanding, which was expected to be recognized over a weighted average period of approximately two years. Expense recognized for the three-month period ended March 31, 2013 was \$416.

The total expense related to equity compensation awards recognized for the three-month period ended March 31, 2014 was \$1,247 and is included in the Consolidated Statements of Comprehensive Income (Loss) as follows: \$939 is included in Merger-related expenses and \$308 is included in Selling, general and administrative expenses. See Note 2 – Pending Merger for more information regarding the impact of the merger on the Company's equity compensation awards.

Note 8 – Impairment of Long-lived Assets

The Company did not record any charges for impairment of long-lived assets during the three-month period ended March 31, 2014. During the three-month period ended March 31, 2013, the Company recorded impairment charges of \$27 and \$9, for customer relationship and trade name assets, respectively, in the Asia Pacific operating segment. The first quarter 2013 impairment charge reflected the Company's decision to close the Seoul, Korea office acquired in its 2011 Brandimage acquisition. The impairment charges are included in Impairment of long-lived assets in the Consolidated Statements of Comprehensive Income (Loss).

Note 9 – Debt

Debt obligations consist of the following:

	<u>March 31,</u> <u>2014</u>	<u>December 31,</u> <u>2013</u>
Revolving credit agreement	\$ 35,487	\$ 31,580
Series A senior note payable - Tranche B	1,229	1,229
Series F senior note payable	25,000	25,000
Other	84	93
Total	<u>61,800</u>	<u>57,902</u>
Less amounts due in one year or less	<u>(1,266)</u>	<u>(1,266)</u>
Total	<u>\$ 60,534</u>	<u>\$ 56,636</u>

Credit Facility and Senior Notes

Revolving Credit Facility

Amended and Restated Credit Facility. On January 27, 2012, the Company entered into a Second Amended and Restated Credit Agreement (the "2012 Credit Agreement"), among the Company, certain subsidiary borrowers of the Company, the financial institutions party thereto as lenders, JPMorgan Chase Bank, N.A., on behalf of itself and the other lenders as agent, and PNC Bank, National Association, on behalf of itself and the other lenders as syndication agent, in order to amend and restate the Company's prior credit agreement that was scheduled to terminate on July 12, 2012.

The 2012 Credit Agreement provides for a five-year unsecured, multicurrency revolving credit facility in the principal amount of \$125,000 (the "Credit Facility"), including a \$10,000 swing-line loan subfacility and a \$10,000 subfacility for letters of credit. The Company may, at its option and subject to certain conditions, increase the amount of the Credit Facility by up to \$50,000 by obtaining one or more new commitments from new or existing lenders to fund such increase. Loans under the Credit Facility generally bear interest at a LIBOR or Federal funds rate plus a margin that varies with the Company's cash flow leverage ratio, in addition to applicable commitment fees, with a maximum rate of LIBOR plus 225 basis points. At closing, the applicable margin on LIBOR-based loans was 175 basis points. The unutilized portion of the Credit Facility will be used primarily for general corporate purposes, such as working capital and capital expenditures.

At March 31, 2014, there was \$20,000 outstanding under the LIBOR portion of the U.S. facility at an interest rate of approximately 1.87 percent. At the Company's option, loans under the facility can bear interest at prime plus 1.5 percent. At March 31, 2014, there was \$4,400 of prime rate borrowing outstanding at an interest rate of 4.00 percent. The Company's Canadian subsidiary borrowed under the revolving credit facility in the form of bankers' acceptance agreements and prime rate borrowings. At March 31, 2014, there was \$8,591 outstanding under prime rate borrowings at an interest rate of approximately 3.75 percent. The Company's UK subsidiary borrowed under the revolving credit facility in the form of LIBOR Sterling loans. At March 31, 2014, there was \$2,496 outstanding under LIBOR Sterling loans at an interest rate of approximately 2.26 percent.

The 2012 Credit Agreement contains various customary affirmative and negative covenants and events of default. Under the terms of the 2012 Credit Agreement, the Company is no longer subject to restrictive covenants on permitted capital expenditures. Certain restricted payments, such as regular dividends and stock repurchases, are permitted provided that the Company maintains compliance with its minimum fixed-charge coverage ratio (with respect to regular dividends) and a specified maximum cash-flow leverage ratio (with respect to other permitted restricted payments). Other covenants include, among other things, restrictions on the Company's and in certain cases its subsidiaries' ability to incur additional indebtedness; dispose of assets; create or permit liens on assets; make loans, advances or other investments; incur certain guarantee obligations; engage in mergers, consolidations or acquisitions, other than those meeting the requirements of the 2012 Credit Agreement; engage in certain transactions with affiliates; engage in sale/leaseback transactions; and engage in certain hedging arrangements. The 2012 Credit Agreement also requires compliance with specified financial ratios and tests, including a minimum fixed-charge coverage ratio and a maximum cash-flow ratio.

Amendment to the 2012 Credit Agreement. On September 12, 2012, the Company entered into Amendment No. 1 (the "Credit Agreement Amendment") to the 2012 Credit Agreement. The Credit Agreement Amendment amended the definition of "EBITDA" in the 2012 Credit Agreement to permit the Company, for purposes of calculating EBITDA for financial covenant compliance, to add back certain expenses associated with the Company's enterprise resource planning system up to certain amounts as specified in the Credit Agreement Amendment.

Senior Notes

In 2003, the Company entered into a private placement of debt to provide long-term financing in which it issued senior notes pursuant to note purchase agreements, which have since been amended as further discussed below. The senior note that was outstanding at March 31, 2014 bears interest at 8.98 percent. The remaining aggregate balance of the note, \$1,229, is included in Current portion of long-term debt on the March 31, 2014 Consolidated Balance Sheets.

Amended and Restated Private Shelf Agreement. Concurrently with its entry into the 2012 Credit Agreement, on January 27, 2012, the Company entered into an Amended and Restated Note Purchase and Private Shelf Agreement with Prudential Investment Management, Inc. ("Prudential") and certain existing noteholders and note purchasers named therein (the "Private Shelf Agreement"), which provides for a \$75,000 private shelf facility for a period of up to three years (the "Private Shelf Facility"). At closing, the Company issued \$25,000 aggregate principal amount of its 4.38% Series F Senior Notes due January 27, 2019 (the "Notes") under the Private Shelf Agreement.

The Private Shelf Agreement contains financial and other covenants that are the same or substantially equivalent to covenants under the 2012 Credit Agreement described above. Notes issued under the Private Shelf Facility may have maturities of up to ten years and are unsecured. Either the Company or Prudential may terminate the unused portion of the Private Shelf Facility prior to its scheduled termination upon 30 days' written notice.

Amendment to Note Purchase Agreement. Concurrently with the entry into the Private Shelf Agreement, the Company entered into the Fifth Amendment (the "Fifth Amendment") to the Note Purchase Agreement, dated as of December 23, 2003, as amended (the "Note Purchase Agreement"), with the noteholders party thereto (the "Mass Mutual Noteholders"). The Fifth Amendment amended certain financial and other covenants in the Note Purchase Agreement so that such financial and other covenants are the same or substantially equivalent to covenants under the 2012 Credit Agreement described above. The Fifth Amendment also amended certain provisions contained in the Note Purchase Agreement to reflect that amounts due under existing senior notes issued to the Mass Mutual Noteholders are no longer secured.

Amendments to Private Shelf Agreement and Note Purchase Agreement. Concurrently with its entry into the Credit Agreement Amendment, the Company entered into (i) the First Amendment (the "First Amendment") to the Private Shelf Agreement and (ii) the Sixth Amendment (the "Sixth Amendment") to the Note Purchase Agreement. The First Amendment and the Sixth Amendment amend the respective definitions of "EBITDA" in the Private Shelf Agreement and the Note Purchase Agreement to conform to the amended EBITDA definition contained in the Credit Agreement Amendment.

Debt Covenant Compliance and Noteholders Consent

The Company was in compliance with all covenant obligations under the aforementioned credit and note purchase agreements at March 31, 2014.

As of March 14, 2014, the lenders under the 2012 Credit Agreement entered into a Consent Memorandum with the Company (the "Consent Memorandum") pursuant to which the lenders agreed that the voting arrangements to be entered into between Matthews and certain Schawk family stockholders would not constitute a "Change of Control" as defined in the 2012 Credit Agreement. Contemporaneously with the entry into the Consent Memorandum, the Company also received consents from the holders of its senior notes, pursuant to which such noteholders consented to similar actions under the applicable note purchase agreements in respect of the voting arrangements described above.

The merger between the Company and Matthews is expected to be completed in the third quarter of 2014. Upon closing, it is anticipated that the Company's revolving credit facility and outstanding senior notes will be repaid in full.

Other Debt Arrangements

In July 2013, the Company's Belgium subsidiary entered into a financing arrangement for the purchase of production equipment in the amount of \$110, with monthly payments over a three year period ending in June 2016. The balance outstanding at March 31, 2014 is \$84, of which \$37 is included in Current portion of long-term debt and \$47 is included in Long-term debt.

Deferred Financing Fees

At March 31, 2014, the Company had \$616 of unamortized deferred financing fees related to prior revolving credit facility and note purchase agreement amendments. During the first quarter of 2014, the Company amortized deferred financing fees totaling \$55. During the first quarter of 2013, the Company amortized deferred financing fees totaling \$62. These amounts are included in Interest expense on the Consolidated Statements of Comprehensive Income (Loss).

Note 10 – Goodwill and Intangible Assets

The Company's intangible assets not subject to amortization consist entirely of goodwill. Under current accounting guidance, the Company's goodwill is not amortized throughout the period, but is subject to an annual impairment test. The Company performs an impairment test annually as of October 1, or more frequently if events or changes in business circumstances indicate that the carrying value may not be recoverable.

The changes in the carrying amount of goodwill by reportable segment during the three-month period ended March 31, 2014, were as follows:

	Americas	Europe	Asia Pacific	Total
Cost:				
December 31, 2013	\$ 195,475	\$ 42,685	\$ 8,764	\$ 246,924
Foreign currency translation	(680)	288	233	(159)
March 31, 2014	<u>\$ 194,795</u>	<u>\$ 42,973</u>	<u>\$ 8,997</u>	<u>\$ 246,765</u>
Accumulated impairment:				
December 31, 2013	\$ (14,185)	\$ (29,739)	\$ (1,087)	\$ (45,011)
Foreign currency translation	160	(258)	(46)	(144)
March 31, 2014	<u>\$ (14,025)</u>	<u>\$ (29,997)</u>	<u>\$ (1,133)</u>	<u>\$ (45,155)</u>
Net book value:				
December 31, 2013	<u>\$ 181,290</u>	<u>\$ 12,946</u>	<u>\$ 7,677</u>	<u>\$ 201,913</u>
March 31, 2014	<u>\$ 180,770</u>	<u>\$ 12,976</u>	<u>\$ 7,864</u>	<u>\$ 201,610</u>

The Company's other intangible assets subject to amortization are as follows:

	Weighted Average Life	March 31, 2014		
		Cost	Accumulated Amortization	Net
Customer relationships	13.9 years	\$ 55,433	\$ (32,351)	\$ 23,082
Digital images	5.0 years	450	(450)	--
Developed technologies	3.0 years	712	(712)	--
Non-compete agreements	3.6 years	821	(790)	31
Trade names	3.9 years	1,428	(1,039)	389
Contract acquisition cost	3.0 years	1,220	(1,220)	--
	13.1 years	<u>\$ 60,064</u>	<u>\$ (36,562)</u>	<u>\$ 23,502</u>
	Weighted Average Life	December 31, 2013		
		Cost	Accumulated Amortization	Net
Customer relationships	13.9 years	\$ 55,377	\$ (31,342)	\$ 24,035
Digital images	5.0 years	450	(450)	--
Developed technologies	3.0 years	712	(712)	--
Non-compete agreements	3.6 years	827	(790)	37
Trade names	3.9 years	1,434	(1,010)	424
Contract acquisition cost	3.0 years	1,220	(1,220)	--
	13.1 years	<u>\$ 60,020</u>	<u>\$ (35,524)</u>	<u>\$ 24,496</u>

Other intangible assets were recorded at fair market value as of the dates of the acquisitions based upon independent third party appraisals. The fair values and useful lives assigned to customer relationship assets are based on the period over which these relationships are expected to contribute directly or indirectly to the future cash flows of the Company. The acquired companies typically have had key long-term relationships with Fortune 500 companies lasting 15 years or more. Because of the custom nature of the work that the Company does, it has been the Company's experience that clients are reluctant to change suppliers.

See Note 8 – Impairment of Long-lived Assets for more information as to certain impairment charges.

Amortization expense related to the other intangible assets totaled \$1,014 and \$1,049 for the three-month periods ended March 31, 2014 and March 31, 2013, respectively. Amortization expense for each of the next five twelve-month periods beginning April 1, 2014, is expected to be approximately \$3,892 for 2015, \$3,739 for 2016, \$3,661 for 2017, \$3,472 for 2018, and \$3,436 for 2019.

Note 11 – Income Taxes

The Company's interim period income tax provision is determined as follows:

· At the end of each fiscal quarter, the Company estimates the income tax that will be provided for the fiscal year.

· The forecasted annual effective tax rate is applied to the year-to-date ordinary income (loss) at the end of each quarter to compute the year-to-date tax applicable to ordinary income (loss). The term ordinary income (loss) refers to income (loss) from continuing operations, before income taxes, excluding significant, unusual or infrequently occurring items. The tax provision or benefit related to ordinary income (loss) in each quarter is the difference between the most recent year-to-date and the prior quarter-to-date computations.

· The tax effects of significant, unusual or infrequently occurring items are recognized as discrete items in the interim periods in which the events occur. The impact of changes in tax laws or rates on deferred tax amounts, the effects of changes in judgment about valuation allowances established in prior years, and changes in tax reserves resulting from the finalization of tax audits or reviews are examples of significant, unusual or infrequently occurring items.

The determination of the forecasted annual effective tax rate is based upon a number of significant estimates and judgments, including the forecasted annual income (loss) before income taxes of the Company in each tax jurisdiction in which it operates, the development of tax planning strategies during the year, and the need for a valuation allowance. In addition, the Company's tax expense can be impacted by changes in tax rates or laws, the finalization of tax audits and reviews, as well as other factors that cannot be predicted with certainty. As such, there can be significant volatility in interim tax provisions.

The following table sets out the tax provision (benefit) for continuing operations and the effective tax rates of the Company:

(in thousands)	Three Months Ended	
	March 31,	
	2014	2013
Income (loss) from continuing operations before income taxes	\$ (5,792)	\$ 671
Income tax benefit	\$ (3,059)	\$ (651)
Effective tax rate	52.8%	(97.0) %

In the first quarter of 2014, the Company recognized a tax benefit of \$3,059 on a loss before taxes of \$5,792, for an effective tax rate of 52.8 percent, as compared to an effective rate of (97.0) percent for the first quarter of 2013. The change in effective tax rate for the first quarter of 2014, as compared to the same period for 2013, is primarily attributable to discrete tax benefits related to equity compensation applied to an operating loss for the quarter.

The Company has reserves for unrecognized tax benefits, exclusive of interest and penalties, of \$1,845 and \$1,758 at March 31, 2014 and December 31, 2013, respectively. The reserve for uncertain tax positions as of March 31, 2014 increased by \$87 primarily due to the establishment of additional uncertain tax positions.

Note 12 – Segment Reporting

Accounting guidance requires that a public business enterprise report financial information about its reportable operating segments. Operating segments are components of an enterprise about which separate financial information is available that is evaluated regularly by the chief operating decision maker ("CODM") in deciding how to allocate resources and in assessing performance.

The Company organizes and manages its operations primarily by geographic area and measures profit and loss of its segments based on operating income (loss). The accounting policies used to measure operating income (loss) of the segments are the same as those used to prepare the consolidated financial statements.

The Company's Americas segment includes all of the Company's operations located in North and South America, including its operations in the United States, Canada, Mexico and Brazil, its U.S. brand strategy and design business and its U.S. digital solutions business. The Company's Europe segment includes all operations located in Europe, including its European brand strategy and design business and its digital solutions business in London. The Company's Asia Pacific segment includes all operations in Asia and Australia, including its Asia Pacific brand strategy and design business. The Company has determined that each of its operating segments is also a reportable segment.

Corporate consists of unallocated general and administrative activities and associated expenses, including executive, legal, finance, information technology, human resources and certain facility costs. In addition, certain costs and employee benefit plans are included in Corporate and not allocated to operating segments.

The Company has disclosed operating income (loss) as the primary measure of segment profitability. This is the measure of profitability used by the Company's CODM and is most consistent with the presentation of profitability reported within the consolidated financial statements.

Segment information relating to results of operations for continuing operations was as follows:

	Three Months Ended	
	March 31,	
	2014	2013
<i>Net revenues:</i>		
Americas	\$ 73,167	\$ 82,574
Europe	23,566	19,872
Asia Pacific	10,053	9,706
Intersegment revenue elimination	<u>(4,900)</u>	<u>(4,994)</u>
Total	<u>\$ 101,886</u>	<u>\$ 107,158</u>
<i>Operating segment income (loss):</i>		
Americas	\$ 8,527	\$ 11,842
Europe	1,522	(181)
Asia Pacific	581	347
Corporate	<u>(15,607)</u>	<u>(10,268)</u>
Operating income (loss)	(4,977)	1,740
Interest expense, net	<u>(815)</u>	<u>(1,069)</u>
Income (loss) from continuing operations before income taxes	<u>\$ (5,792)</u>	<u>\$ 671</u>

Note 13 – Acquisition Integration and Restructuring

In 2008, the Company initiated a cost reduction and restructuring plan involving a consolidation and realignment of its workforce and incurred costs for employee terminations, obligations for future lease payments, fixed asset impairments, and other associated costs. The Company continued its cost reduction efforts and incurred additional costs for facility closings and employee termination expenses during the years 2009 through 2013 and through the first quarter of 2014.

The following table summarizes the accruals recorded, adjustments, and the cash payments during the three-month periods ended March 31, 2014, related to cost reduction and restructuring actions initiated during the years 2008 through 2014. The adjustments are comprised principally of changes to previously recorded expense accruals. The remaining reserve balance of \$2,947 is included on the Consolidated Balance Sheets at March 31, 2014 as follows: \$2,588 in Accrued expenses and \$359 in Other long-term liabilities.

	<u>Employee Terminations</u>	<u>Lease Obligations</u>	<u>Total</u>
Actions Initiated in 2008			
Liability balance at December 31, 2013	\$ --	\$ 2,257	\$ 2,257
Adjustments	--	68	68
Cash payments	--	(207)	(207)
	<u> </u>	<u> </u>	<u> </u>
Liability balance at March 31, 2014	<u>\$ --</u>	<u>\$ 2,118</u>	<u>\$ 2,118</u>
Actions Initiated in 2012			
Liability balance at December 31, 2013	\$ 26	\$ 657	\$ 683
Adjustments	--	(14)	(14)
Cash payments	--	(643)	(643)
	<u> </u>	<u> </u>	<u> </u>
Liability balance at March 31, 2014	<u>\$ 26</u>	<u>\$ --</u>	<u>\$ 26</u>
Actions Initiated in 2013			
Liability balance at December 31, 2013	\$ 475	\$ 304	\$ 779
Adjustments	(24)	50	26
Cash payments	(114)	(117)	(231)
	<u> </u>	<u> </u>	<u> </u>
Liability balance at March 31, 2014	<u>\$ 337</u>	<u>\$ 237</u>	<u>\$ 574</u>
Actions Initiated in 2014			
Liability balance at December 31, 2013	\$ --	\$ --	\$ --
New accruals	265	--	265
Cash payments	(36)	--	(36)
	<u> </u>	<u> </u>	<u> </u>
Liability balance at March 31, 2014	<u>\$ 229</u>	<u>\$ --</u>	<u>\$ 229</u>

The total expenses for the cost reduction and restructuring actions initiated in 2008, 2012, 2013, and 2014 shown above were \$345 for the three-month period ended March 31, 2014 and are presented as Acquisition integration and restructuring expense in the Consolidated Statements of Comprehensive Income (Loss).

The expenses for the three-month periods ended March 31, 2014 and March 31, 2013 and the cumulative expense since the cost reduction program's inception were recorded in the following segments:

	<u>Americas</u>	<u>Europe</u>	<u>Asia Pacific</u>	<u>Corporate</u>	<u>Total</u>
Three months ended March 31, 2014	\$ 367	\$ (6)	\$ (16)	\$ --	\$ 345
Three months ended March 31, 2013	\$ 209	\$ 75	\$ (41)	\$ --	\$ 243
Cumulative since program inception	\$ 16,759	\$ 7,261	\$ 1,387	\$ 1,912	\$ 27,319

Note 14 – Fair Value Measurements

Fair value is defined as the exchange price that would be received for an asset or paid to transfer a liability (an exit price) in the principal or most advantageous market for the asset or liability in an orderly transaction between market participants on the measurement date. Valuation techniques used to measure fair value must maximize the use of observable inputs and minimize the use of unobservable inputs. The Company uses a fair value hierarchy based on three levels of inputs, of which the first two are considered observable and the last unobservable.

- Level 1 – Quoted prices in active markets for identical assets or liabilities. These are typically obtained from real-time quotes for transactions in active exchange markets involving identical assets.
- Level 2 – Inputs, other than quoted prices included within Level 1, which are observable for the asset or liability, either directly or indirectly. These are typically obtained from readily-available pricing sources for comparable instruments.
- Level 3 – Unobservable inputs, where there is little or no market activity for the asset or liability. These inputs reflect the reporting entity's own assumptions of the data that market participants would use in pricing the asset or liability, based on the best information available in the circumstances.

For purposes of financial reporting, the Company has determined that the fair value of such financial instruments as cash and cash equivalents, accounts receivable, accounts payable and long-term debt approximates carrying value at March 31, 2014.

The Company's multiemployer pension withdrawal liability is categorized as Level 3 within the fair value hierarchy. The fair value of the multiemployer pension withdrawal liability was estimated using a present value analysis as of December 31, 2012. See Note 15 – Multiemployer Pension Withdrawal for more information regarding the multiemployer withdrawal liability.

The following table summarizes the changes in the fair value of the Company's multiemployer pension withdrawal liability during the first three months of 2014:

	<u>Fair Value</u>
Liability balance at January 1, 2014	\$ 32,516
Accretion of present value discount	208
Reduction of estimated liability	<u>(1,870)</u>
Liability balance at March 31, 2014	<u>\$ 30,854</u>

The following table summarizes the fair values as of March 31, 2014:

	<u>Level 1</u>	<u>Level 2</u>	<u>Level 3</u>	<u>Total</u>
Other long-term liabilities:				
Multiemployer pension withdrawal liability	\$ --	\$ --	\$ 30,854	\$ 30,854

Note 15 – Multiemployer Pension Withdrawal

The Company has participated in the Graphic Communications Conference International Brotherhood of Teamsters National Pension Fund (“NPF”), formerly known as the Graphic Communications Conference International Brotherhood of Teamsters Supplemental Retirement and Disability Fund (“SRDF”), pursuant to collective bargaining agreements at eight locations. During the fourth quarter of 2012, the Schawk Board of Directors executed a resolution to authorize management to enter into good faith negotiations with the local bargaining units to effect a complete withdrawal from the NPF. The negotiations with the local bargaining units concluded during the first quarter of 2014. The decision to exit the NPF was made in order to mitigate potentially greater financial exposure to the Company in the future under the plan, which is significantly underfunded, and to facilitate the consideration of future changes to the Company’s operations in the United States. A withdrawal liability should be recorded if circumstances that give rise to an obligation become probable and estimable. Management concluded that a complete withdrawal from the NPF was both probable and estimable, subject to the Company’s good faith bargaining obligations. Based on an analysis prepared by an independent actuary, the Company recorded an estimated liability for its withdrawal from the NPF of \$31,683 as of December 31, 2012, which was the then present value of the estimated future payments required for withdrawal. The liability balance was \$32,516 at December 31, 2013.

In April 2014, the NPF notified the Company that it had made a complete withdrawal from the NPF in the plan year ended April 30, 2014. The Company’s withdrawal liability is expected to be \$39,468, consisting of 240 monthly payments of \$164, beginning June 4, 2014. The payments were discounted at a risk free rate of 2.54 percent. As of March 31, 2014, the liability for its withdrawal from the NPF is \$30,854, which is the present value of the estimated future payments required for withdrawal. Accordingly, the Company adjusted its estimated withdrawal liability to reflect the expected monthly payments, reducing the gross liability by \$1,718 and reducing the present value discount by \$152, for a total credit to income of \$1,870. If a plan termination or mass withdrawal occurs, the Company’s withdrawal liability may be larger than it is currently estimated. The Company currently believes the likelihood of a plan termination or mass withdrawal occurring within the next few years to be remote.

For the three month period ended March 31, 2014, the Company accreted \$208 of the present value discount, and reduced the estimated withdrawal liability by \$1,870, resulting in a liability balance of \$30,854 at March 31, 2014, which is included on the Consolidated Balance Sheets at March 31, 2014 as follows: \$870 in Accrued expenses and \$29,984 in Other long-term liabilities. For the three month period ended March 31, 2013, the Company accreted \$209 of the present value discount. The expense associated with the accretion of the present value discount is included in Interest expense and the income associated with the revised withdrawal liability is reflected in Multiemployer pension withdrawal income on the Consolidated Statements of Comprehensive Income (Loss).

Note 16 - Subsequent events

On April 11, 2014, the Company entered into a letter of intent to sell its facility located in Los Angeles, California. The property had been the operating facility for the Company’s large format printing operation, which was sold in July 2013 and the majority of the building has been leased to the buyer of the business since that time. The Company has also been using a portion of the building for its Los Angeles creative business, which was not part of the large format printing business which was sold.

The selling price of the facility to be sold is expected to recover its carrying value and therefore no impairment loss is anticipated. The land and building are classified as held and used on the Company’s Consolidated balance sheets at March 31, 2014.

UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

The unaudited pro forma condensed combined financial statements have been presented for informational purposes only. The pro forma information is not necessarily indicative of what Matthews' financial position or results of operations actually would have been had the merger been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of Matthews after the merger.

The unaudited pro forma condensed combined statements of income for Matthews' fiscal year ended September 30, 2013 and for the six months ended March 31, 2014, have been prepared to give effect to the merger as if the merger had occurred on October 1, 2012. The pro forma condensed combined statement of income for the fiscal year ended September 30, 2013 combines Matthews' audited consolidated statement of income for the fiscal year ended September 30, 2013 with the aggregated quarterly unaudited consolidated statements of comprehensive income (loss) of SGK for the four quarters ended September 30, 2013. The pro forma condensed consolidated statement of income for the six months ended March 31, 2014 combines Matthews' unaudited consolidated statement of income for the six months ended March 31, 2014 with SGK's aggregated unaudited consolidated statements of comprehensive income (loss) for the three-month periods ended December 31, 2013 and March 31, 2014. The unaudited pro forma condensed combined balance sheet has been prepared to give effect to the merger as if the merger had occurred on March 31, 2014, and combines Matthews' March 31, 2014 unaudited condensed consolidated balance sheet with SGK's March 31, 2014 unaudited consolidated balance sheet.

As described further in Note 2 to the unaudited pro forma condensed combined financial statements, the historical consolidated financial statements of SGK have been adjusted by reclassifying and/or condensing certain line items in order to conform with Matthews' financial statement presentation. There were no material transactions between Matthews and SGK during the periods presented in the unaudited pro forma condensed combined financial statements that require elimination.

The unaudited pro forma condensed combined financial statements have been prepared using the acquisition method of accounting under existing U.S. generally accepted accounting principles, or GAAP, which are subject to change and interpretation. Matthews has been treated as the acquirer in the merger for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and Matthews' future results of operations and financial position. The unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger or the costs to integrate the operations of Matthews and SGK, or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

The unaudited pro forma condensed combined financial statements should be read in conjunction with the accompanying notes to the unaudited pro forma condensed combined financial statements. In addition, the unaudited pro forma condensed combined financial statements were based on and should be read in conjunction with the:

- separate historical financial statements of Matthews as of and for the fiscal year ended September 30, 2013 and the related notes included in Matthews' Annual Report on Form 10-K for the fiscal year ended September 30, 2013, which is incorporated by reference into this Current Report on Form 8-K;
 - separate historical financial statements of SGK as of and for the year ended December 31, 2013 and the related notes included in SGK's Annual Report on Form 10-K for the year ended December 31, 2013, which is incorporated by reference into this Current Report on Form 8-K;
 - separate historical financial statements of Matthews as of and for the six months ended March 31, 2014 and the related notes included in Matthews' Quarterly Report on Form 10-Q for the six months ended March 31, 2014, which is incorporated by reference into this Current Report on Form 8-K;
 - separate historical financial statements of SGK as of and for the three months ended March 31, 2014 and the related notes included in SGK's Quarterly Report on Form 10-Q for the three months ended March 31, 2014, which is incorporated by reference into this Current Report on Form 8-K.
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UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
FISCAL YEAR ENDED SEPTEMBER 30, 2013
(Dollar amounts in thousands, except per share data)

	<u>Matthews</u>	<u>SGK</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
Sales	\$ 985,357	\$ 445,486	—	\$ 1,430,843
Cost of sales	<u>(628,839)</u>	<u>(287,358)</u>	<u>(5,480) (a)</u>	<u>(921,677)</u>
Gross profit	356,518	158,128	(5,480)	509,166
Selling & administrative expense	<u>(260,726)</u>	<u>(171,315)</u>	<u>(8,122) (b)</u>	<u>(440,163)</u>
Operating profit	95,792	(13,187)	(13,602)	69,003
Investment income	2,284	202	—	2,486
Interest expense	(12,925)	(4,279)	(8,422) (c)	(25,626)
Other income (deductions), net	<u>(3,715)</u>	<u>—</u>	<u>(496) (d)</u>	<u>(4,211)</u>
Income before income taxes	81,436	(17,264)	(22,520)	41,652
Income taxes	<u>(26,664)</u>	<u>6,613</u>	<u>7,951 (e)</u>	<u>(12,100)</u>
Net income/(loss) from continuing operations	54,772	(10,651)	(14,569)	29,522
Net loss from continuing operations — noncontrolling interests	<u>116</u>	<u>—</u>	<u>—</u>	<u>116</u>
Net income/(loss) from continuing operations — attributable to Matthews shareholders	<u>\$ 54,888</u>	<u>\$ (10,651)</u>	<u>\$ (14,569)</u>	<u>\$ 29,668</u>
Earnings from continuing operations per common share:				
Basic	\$1.99	—	—	\$0.91
Diluted	\$1.98	—	—	\$0.90
Weighted average common shares outstanding:				
Basic	27,255	—	5,399 (f)	32,654
Diluted	27,423	—	5,399 (f)	32,822

The accompanying notes are an integral part of these pro forma condensed combined financial statements

UNAUDITED PRO FORMA CONDENSED COMBINED STATEMENT OF INCOME
SIX MONTHS ENDED MARCH 31, 2014

(Dollar amounts in thousands, except per share data)

	<u>Matthews</u>	<u>SGK</u>	<u>Pro Forma Adjustments</u>	<u>Pro Forma Combined</u>
Sales	\$ 476,782	\$ 216,166	—	\$ 692,948
Cost of sales	<u>(305,226)</u>	<u>(138,225)</u>	<u>(2,740) (a)</u>	<u>(446,191)</u>
Gross profit	171,556	77,941	(2,740)	246,757
Selling & administrative expense	<u>(135,668)</u>	<u>(72,083)</u>	<u>(7,842) (b)</u>	<u>(199,909)</u>
Operating profit	35,888	5,858	5,102	46,848
Investment income	1,227	187	—	1,414
Interest expense	(5,455)	(1,923)	(4,822) (c)	(12,200)
Other income (deductions), net	<u>(1,772)</u>	<u>—</u>	<u>(248) (d)</u>	<u>(2,020)</u>
Income before income taxes	29,888	4,122	31	34,031
Income taxes	(10,731)	(1,099)	329 (e)	(11,501)
Net income/(loss) from continuing operations	19,157	3,023	360	22,540
Net loss from continuing operations — noncontrolling interests	<u>90</u>	<u>—</u>	<u>—</u>	<u>90</u>
Net income/(loss) from continuing operations — attributable to Matthews shareholders	<u>\$ 19,247</u>	<u>\$ 3,023</u>	<u>\$ 360</u>	<u>\$ 22,630</u>
Earnings from continuing operations per common share:				
Basic	\$0.71	—	—	\$0.69
Diluted	\$0.70	—	—	\$0.69
Weighted average common shares outstanding:				
Basic	27,193	—	5,399 (f)	32,592
Diluted	27,424	—	5,399 (f)	32,823

The accompanying notes are an integral part of these pro forma condensed combined financial statements

UNAUDITED PRO FORMA CONDENSED COMBINED BALANCE SHEET

AS OF MARCH 31, 2014

(Dollar amounts in thousands)

	Matthews	SGK	Pro Forma Adjustments	Pro Forma Combined
ASSETS				
Cash & cash equivalents	\$ 61,590	\$ 4,947	—	\$ 66,537
Accounts receivable, net	185,274	94,128	—	279,402
Inventories	143,005	18,322	5,000 (g)	166,327
Income tax receivable	—	11,076	—	11,076
Deferred income taxes	9,805	1,240	—	11,045
Other current assets	<u>21,780</u>	<u>13,403</u>	<u>—</u>	<u>35,183</u>
Total current assets	421,454	143,116	5,000	569,570
Investments	23,122	—	—	23,122
Property, plant & equipment, net	176,406	57,098	20,000 (h)	253,504
Deferred income taxes	1,588	4,295	—	5,883
Other assets	15,275	8,271	2,481 (i)	26,027
Goodwill, net	527,282	201,610	98,215 (j)	827,107
Other intangibles assets, net	<u>62,934</u>	<u>23,502</u>	<u>301,498 (k)</u>	<u>387,934</u>
Total Non-Current Assets	806,607	294,776	422,194	1,523,577
TOTAL ASSETS	\$ 1,228,061	\$ 437,892	\$ 427,194	\$ 2,093,147
LIABILITIES & SHAREHOLDERS' EQUITY				
Long term debt, current maturities	\$ 23,472	\$ 1,266	\$ (1,266) (l)	\$ 23,472
Accounts payable	45,936	16,144	—	62,080
Accrued compensation	34,496	41,451	—	75,947
Accrued income taxes	4,010	256	(4,521) (m)	(255)
Customer prepayments	14,840	7,515	—	22,355
Other current liabilities	46,754	19,654	2,704 (n)	69,112
Deferred income taxes	<u>—</u>	<u>217</u>	<u>—</u>	<u>217</u>
Total current liabilities	169,508	86,503	(3,083)	252,928
Long-term debt	354,167	60,534	323,465 (o)	738,166
Accrued pension	63,959	29,984	—	93,943
Postretirement benefits	18,270	—	—	18,270
Deferred income taxes	20,640	11,231	115,572 (p)	147,443
Other liabilities	<u>30,296</u>	<u>8,342</u>	<u>—</u>	<u>38,638</u>
Total liabilities	656,840	196,594	435,954	1,289,388
Common stock	36,334	229	(229) (q)	36,334
Additional paid-in capital	46,911	208,596	(143,308) (r)	112,199
Retained earnings	788,966	87,153	(89,194) (s)	786,925
Accumulated other comprehensive income/(loss)	(22,287)	10,541	(10,541) (q)	(22,287)
Treasury stock, at cost	<u>(281,859)</u>	<u>(65,221)</u>	<u>234,512 (r)</u>	<u>(112,568)</u>
Total shareholders' equity-Matthews	568,065	241,298	(8,760)	800,603
Noncontrolling interests	<u>3,156</u>	<u>—</u>	<u>—</u>	<u>3,156</u>
Total shareholders' equity	571,221	241,298	(8,760)	803,759
TOTAL LIABILITIES & SHAREHOLDERS' EQUITY	1,228,061	437,892	427,194	2,093,147

The accompanying notes are an integral part of these pro forma condensed combined financial statements

NOTES TO UNAUDITED PRO FORMA CONDENSED COMBINED FINANCIAL STATEMENTS

Note 1: Description of the Transaction

On July 29, 2014, Matthews completed its previously-announced acquisition of SGK.

Pursuant to the terms of the Agreement and Plan of Merger and Reorganization, dated as of March 16, 2014, between Matthews, Moonlight Merger Sub Corp., a Delaware corporation and a wholly-owned subsidiary of Matthews ("Merger Sub"), Moonlight Merger Sub LLC, a Delaware limited liability company and a wholly-owned subsidiary of Matthews ("Merger Sub 2") and SGK into an Agreement and Plan of Merger and Reorganization (the "Merger Agreement"), Merger Sub merged with and into SGK (the "Merger"), with SGK continuing as the surviving corporation and a wholly-owned subsidiary of Matthews. Immediately after the completion of the Merger, SGK merged with and into Merger Sub 2 (the "Second Merger", and together with the Merger, the "Mergers"), with Merger Sub 2 continuing as the surviving entity and a wholly-owned subsidiary of Matthews. Merger Sub 2 has been renamed SGK LLC. The Mergers are intended to qualify as a "reorganization" within the meaning of Section 368(a) of the United States Internal Revenue Code of 1986, as amended.

Under the terms of the Merger Agreement, each outstanding share of SGK Class A common stock (other than those held by SGK as treasury stock) was cancelled and converted into the right to receive (i) 0.20582 of a share of Matthews Class A common stock, par value \$1.00 per share ("Matthews common stock") and (ii) \$11.80 in cash. In connection with the Merger, Matthews will issue approximately 5.4 million shares of Matthews common stock and pay an aggregate of approximately \$309.5 million in cash to former SGK stockholders in exchange for their shares of SGK Class A common stock.

Upon the closing of the Merger, the shares of SGK Class A common stock, which previously traded under the ticker symbol "SGK" on the New York Stock Exchange (the "NYSE"), ceased trading on and were delisted from the NYSE.

Note 2: Basis of Presentation

The unaudited pro forma condensed combined financial statements have been prepared in accordance with Article 11 of the SEC Regulation S-X and presented for informational purposes only. The pro forma information is not necessarily indicative of what Matthews' financial position or results of operations actually would have been had the merger been completed as of the dates indicated. In addition, the unaudited pro forma condensed combined financial statements do not purport to project the future financial position or operating results of Matthews after the merger.

The unaudited pro forma condensed combined statements of income for Matthews' fiscal year ended September 30, 2013 and for the six months ended March 31, 2014, have been prepared to give effect to the merger as if the merger had occurred on October 1, 2012. The pro forma condensed combined statement of income for the fiscal year ended September 30, 2013 combines Matthews' audited consolidated statement of income for the fiscal year ended September 30, 2013 with the aggregated quarterly unaudited consolidated statements of comprehensive income (loss) of SGK for the four quarters ended September 30, 2013. The pro forma condensed consolidated statement of income for the six months ended March 31, 2014 combines Matthews' unaudited consolidated statement of income for the six months ended March 31, 2014 with SGK's aggregated unaudited consolidated statements of comprehensive income (loss) for the three-month periods ended December 31, 2013 and March 31, 2014. The unaudited pro forma condensed combined balance sheet has been prepared to give effect to the merger as if the merger had occurred on March 31, 2014, and combines Matthews' March 31, 2014 unaudited condensed consolidated balance sheet with SGK's March 31, 2014 unaudited consolidated balance sheet.

Certain line items in the historical consolidated statements of comprehensive income (loss) of SGK have been adjusted by reclassifying and/or condensing those items into categories that conform with Matthews' financial statement presentation as follows (in thousands):

SGK Classifications	Fiscal year ended September 30, 2013		Six months ended March 31, 2014	
	Cost of Sales	Selling and Administrative Expense	Cost of Sales	Selling and Administrative Expense
Cost of services	\$ 276,792	—	\$ 133,460	—
Selling, general and administrative expenses	—	\$ 120,046	—	\$ 56,753
Depreciation and amortization	8,667	9,336	3,754	5,411
Business and systems integration expenses	—	7,960	—	2,763
Acquisition integration and restructuring expenses	—	1,788	—	891
Impairment of long-lived assets	—	502	—	—
Foreign exchange loss	1,899	—	1,011	—
Merger related expenses	—	—	—	8,135
Multiemployer pension withdrawal expense	—	31,683	—	(1,870)
Total	\$ 287,358	\$ 171,315	\$ 138,225	\$ 72,083

Certain line items in the historical consolidated balance sheet of SGK have been adjusted by reclassifying those items and/or components thereof into categories that conform with Matthews' financial statement presentation as follows (in thousands):

SGK Classifications	As of March 31, 2014						
	Inventories	Accrued Compensation	Customer Prepayments	Accrued Liabilities	Accrued Pension	Other Liabilities	Total
Unbilled client service	\$ 18,322	—	—	—	—	—	\$ 18,322
Accrued Liabilities	—	\$ 41,451	\$ 7,515	\$ 19,654	—	—	68,620
Other long- term liabilities	—	—	—	—	\$ 29,984	\$ 8,342	38,326
Total	\$ 18,322	\$ 41,451	\$ 7,515	\$ 19,654	\$ 29,984	\$ 8,342	

The unaudited pro forma condensed combined statements of income exclude nonrecurring charges and related tax effects which would result directly from the transaction and would have been included in income within the first twelve months subsequent to the transaction. These items include pre-tax amounts of approximately \$17.6 million of fees and other costs incurred to facilitate the transaction, \$4.7 million of compensation charges triggered by the change in control of SGK, and approximately \$5.0 million of charges to recognize step-up in the value of inventory. There were no material transactions between Matthews and SGK during the periods presented in the unaudited pro forma condensed combined financial statements that require elimination.

The unaudited pro forma condensed combined financial statements have been prepared using the acquisition method of accounting under existing U.S. generally accepted accounting principles, or GAAP, which are subject to change and interpretation. Matthews has been treated as the acquirer in the merger for accounting purposes. The acquisition accounting is dependent upon certain valuations and other studies that have yet to commence or progress to a stage where there is sufficient information for a definitive measurement. Accordingly, the pro forma adjustments are preliminary and have been made solely for the purpose of providing unaudited pro forma condensed combined financial statements. Differences between these preliminary estimates and the final acquisition accounting will occur and these differences could have a material impact on the accompanying unaudited pro forma condensed combined financial statements and Matthews' future results of operations and financial position. The unaudited pro forma condensed combined financial statements do not reflect any cost savings, operating synergies or revenue enhancements that the combined company may achieve as a result of the merger or the costs necessary to achieve these cost savings, operating synergies and revenue enhancements.

Note 3: Preliminary Purchase Price Allocation

Management's estimate of the acquisition purchase price is calculated as follows (in thousands except per share amounts):

Cash price per share	\$ 11.80
Shares outstanding	<u>26,231</u>
Total cash value of equity	\$ 309,524
Share conversion	0.20582
Shares outstanding	<u>26,231</u>
Shares issued	5,399
Share price	<u>\$ 43.45</u>
Total value of equity transferred	\$ 234,579
Cash acquired	\$ (4,947)
Debt assumed(i)	<u>71,994</u>
Net debt assumed	\$ 67,047
Total estimated purchase price	<u>\$ 611,150</u>

(i) Debt assumed is based on March 31, 2014 balance sheet and includes certain obligations triggered by the change in control of SGK.

The table below represents the allocation of the total purchase price to SGK's assets acquired and liabilities assumed based upon Matthews' management's preliminary estimates of their respective fair values as of March 31, 2014 (in thousands):

Working capital excluding cash & cash equivalents	\$ 60,922
Property, plant and equipment	77,098
Goodwill	299,825
Intangible assets	325,000
Other assets	12,566
Other liabilities	<u>(164,261)</u>
Total estimated purchase price	<u>\$ 611,150</u>

Note 4: Unaudited Pro Forma Adjustments

The following represents an explanation of the various pro forma adjustments to the unaudited condensed combined financial statements:

- Represents management's preliminary estimate of the incremental depreciation and amortization of tangible and intangible assets.
- Represents the aggregate of the following: 1) management's preliminary estimate of the incremental depreciation and amortization of tangible and intangible assets; and 2) for the six months ended March 31, 2014, an adjustment to remove the effect of transaction fees incurred by Matthews and SGK in connection with the proposed merger.
- Represents management's estimate of incremental interest expense resulting from the acquisition. This adjustment contemplates additional interest incurred on incremental debt generated to fund the following: purchase of SGK shares in connection with the acquisition, repayment of outstanding borrowings of SGK at close, and higher borrowing rates on pre-existing debt. The weighted average interest rate incorporates estimates of debt bearing variable and fixed rates and anticipated interest rate spreads of the combined company in accordance with the provisions of Matthews' amended senior credit facility. A 1/8th of 1% change in the assumed variable interest rate would change the annual unaudited pro forma interest expense by approximately \$0.2 million.
- Represents the amortization of fees incurred to amend Matthews' existing senior credit facility to increase the revolving credit facility availability thereunder by \$400 million, which will be used in part to fund the cash merger consideration.
- Represents the aggregate of the following: 1) management's preliminary estimate of the impact of incremental depreciation, amortization, and interest expense on income tax expense; and 2) for the six months ended March 31, 2014, an adjustment to remove the income tax effects of transaction fees incurred by Matthews and SGK in connection with the proposed merger.

- (f) SGK stockholders received \$11.80 cash and 0.20582 of a share of Matthews common stock for each SGK share held. This adjustment represents the number of aggregate shares of Matthews common stock that were issued to SGK shareholders in partial exchange for their holdings of SGK shares.
 - (g) Represents management's preliminary estimate of the step-up in basis of inventory acquired in the acquisition. Fair market value for raw materials is based on replacement cost and for finished goods and work-in-process is based on estimated selling price, less the sum of costs to complete, dispose of, and allow for a reasonable profit allowance for the selling effort.
 - (h) Represents management's preliminary estimate of the step-up in basis of property, plant and property acquired in the acquisition. Management anticipates depreciating the fair value of SGK's property, plant and equipment on a straight-line basis over the estimated useful lives that will generally range from 3 to 30 years.
 - (i) Represents fees incurred to amend Matthews' existing senior credit facility to increase the revolving credit facility availability thereunder by \$400 million, which will be used in part to fund the cash merger consideration.
 - (j) Goodwill represents the excess of the purchase price over the fair value of the underlying net tangible and identifiable intangible assets. This adjustment represents management's preliminary estimate of the excess of the goodwill generated in connection with the SGK acquisition over the historical basis of goodwill recorded on SGK's balance sheet.
 - (k) Represents management's preliminary estimate of the adjustments to record the fair value of intangible assets acquired in the acquisition, including customer relationships, trade names, developed technology, internally-generated software, and lease contracts. Management expects that acquired trade names will have indefinite lives. All other acquired intangible assets are expected to be amortized on a straight-line basis over their estimated useful lives that will generally range from 2 to 20 years.
 - (l) Represents the adjustment to eliminate SGK's current maturities of long-term debt, which were refinanced using borrowings under the Matthews' amended senior credit facility.
 - (m) Represents the tax benefits generated from transaction fees incurred by Matthews and SGK in connection with the proposed merger and financing fees incurred to amend Matthews' existing senior credit facility.
 - (n) Represents transactions fees incurred by Matthews and SGK subsequent to March 31, 2014.
 - (o) Represents incremental long-term debt generated to fund the purchase of SGK shares in connection with the acquisition, financing fees incurred to amend Matthews' existing senior credit facility, transaction fees incurred in connection with the acquisition, and refinance SGK's existing borrowings.
 - (p) Represents management's preliminary estimate of adjustments to long term deferred tax liabilities generated by the differences in the book and tax bases of intangible assets and deferred financing fees.
 - (q) Represents the elimination of the historical basis of SGK's common stock and accumulated other comprehensive income balances.
 - (r) Represents the elimination of the historical basis of SGK's additional paid-in capital and treasury stock balances and adjustments to Matthews' corresponding accounts to reflect the issuance of treasury shares in exchange for SGK shares as partial purchase consideration.
 - (s) Represents the elimination of the historical basis of SGK's retained earnings balances and adjustments to Matthews' corresponding accounts to reflect the impact of transaction fees, net of the effect of taxes.
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