

**UNITED STATES
SECURITIES AND EXCHANGE COMMISSION**

Washington, D.C. 20549

FORM 10-Q

(Mark One)

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

For the quarterly period ended March 31, 2007

or

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

For the transition period from to

| Commission File Number | Registrant, State of Incorporation Address of Principal Executive Offices and Telephone Number | I.R.S. Employer Identification No. |
|---------------------------|---|---|
| 333-112055 | VISANT HOLDING CORP. (Incorporated in Delaware) 357 Main Street Armonk, New York 10504 Telephone: (914) 595-8200 | 90-0207875 |
| 333-120386 | VISANT CORPORATION (Incorporated in Delaware) 357 Main Street Armonk, New York 10504 Telephone: (914) 595-8200 | 90-0207604 |

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

Indicate by check mark whether any of the registrants is a large accelerated filer, an accelerated filer, or a non-accelerated filer. (See definition of "accelerated filer and large accelerated filer" in Rule 12b-2 of the Exchange Act). (Check one):

Large accelerated filer Accelerated filer Non-accelerated filer

Indicate by check mark whether any of the registrants is a shell company (as defined in Rule 12b-2 of the Exchange Act).

Yes No

As of May 7, 2007, there were 5,976,659 shares of Class A Common Stock, par value \$.01 per share, and one share

of Class C Common Stock, par value \$.01 per share, of Visant Holding Corp. outstanding and 1,000 shares of common stock, par value \$.01 per share, of Visant Corporation outstanding (all of which are owned beneficially by Visant Holding Corp.).

Visant Corporation meets the conditions set forth in General Instruction (H)(1)(a) and (b) of Form 10-Q and is therefore filing this Form 10-Q with the reduced disclosure format specified in General Instruction (H)(2) to Form 10-Q.



FILING FORMAT

This Quarterly Report on Form 10-Q is a combined report being filed separately by two registrants: Visant Holding Corp. ("Holdings") and Visant Corporation, a wholly owned subsidiary of Holdings ("Visant"). Unless the context indicates otherwise, any reference in this report to the "Company", "we", "our", "us" or "Holdings" refers to Visant Holding Corp., together with Visant Corporation and its consolidated subsidiaries.

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Visant Corporation and subsidiaries:

Condensed Consolidated Statements of Operations for the three months ended March 31, 2007 and April 1, 2006

Condensed Consolidated Balance Sheets as of March 31, 2007 and December 30, 2006

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PART I. FINANCIAL INFORMATION

ITEM 1. FINANCIAL STATEMENTS

VISANT HOLDING CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| <u>In thousands</u> | <u>March 31,</u> <u>2007</u> | <u>April 1,</u> <u>2006</u> |
|---|---------------------------------|--------------------------------|
| Net sales | \$255,850 | \$227,986 |
| Cost of products sold | 128,070 | 110,788 |
| Gross profit | 127,780 | 117,198 |
| Selling and administrative expenses | 103,742 | 91,945 |
| Loss (gain) on disposal of fixed assets | 391 | (25) |
| Special charges | — | 2,744 |
| Operating income | 23,647 | 22,534 |
| Interest expense, net | 38,508 | 30,978 |
| Loss before income taxes | (14,861) | (8,444) |
| Benefit from income taxes | (5,249) | (4,066) |
| Loss from continuing operations | (9,612) | (4,378) |
| Income from discontinued operations, net of tax | 8,373 | 3,242 |
| Net loss | \$ (1,239) | \$ (1,136) |

The accompanying notes are an integral part of the condensed consolidated financial statements.

VISANT HOLDING CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| In thousands, except share amounts | March 31, 2007 | December 30, 2006 |
|--|---------------------------|----------------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 16,377 | \$ 18,778 |
| Accounts receivable, net | 138,049 | 144,681 |
| Inventories, net | 139,129 | 105,333 |
| Salespersons overdrafts, net of allowance of \$13,073 and \$12,621, respectively | 28,096 | 27,292 |
| Prepaid expenses and other current assets | 24,146 | 19,791 |
| Income tax receivable | 8,605 | 10,311 |
| Deferred income taxes | 12,330 | 11,850 |
| Current assets of discontinued operations | 65,213 | 56,649 |
| Total current assets | <u>431,945</u> | <u>394,685</u> |
| Property, plant and equipment | 319,937 | 305,703 |
| Less accumulated depreciation | (151,774) | (145,122) |
| Property, plant and equipment, net | 168,163 | 160,581 |
| Goodwill | 924,370 | 919,638 |
| Intangibles, net | 534,294 | 530,669 |
| Deferred financing costs, net | 46,483 | 48,782 |
| Other assets | 13,674 | 13,181 |
| Long-term assets of discontinued operations | 268,931 | 265,519 |
| Total assets | <u>\$2,387,860</u> | <u>\$ 2,333,055</u> |
| LIABILITIES AND STOCKHOLDERS' DEFICIT | | |
| Accounts payable | \$ 54,283 | \$ 56,436 |
| Accrued employee compensation and related taxes | 32,617 | 41,256 |
| Commissions payable | 31,753 | 21,671 |
| Customer deposits | 219,612 | 171,258 |
| Interest payable | 30,262 | 13,227 |
| Other accrued liabilities | 26,569 | 23,637 |
| Current liabilities of discontinued operations | 26,541 | 34,849 |
| Total current liabilities | <u>421,637</u> | <u>362,334</u> |
| Long-term debt | 1,775,841 | 1,770,657 |
| Deferred income taxes | 168,854 | 175,200 |
| Pension liabilities, net | 20,255 | 21,484 |
| Other noncurrent liabilities | 30,487 | 33,356 |
| Long-term liabilities of discontinued operations | 7,086 | 6,696 |
| Total liabilities | <u>2,424,160</u> | <u>2,369,727</u> |
| Mezzanine equity | 9,755 | 9,717 |
| Common stock: | | |
| Class A \$.01 par value; authorized 7,000,000 shares; issued and outstanding: 5,976,659 at March 31, 2007 and December 30, 2006 | | |
| Class B \$.01 par value; non-voting; authorized 2,724,759 shares; issued and outstanding: none at March 31, 2007 and December 30, 2006 | | |
| Class C \$.01 par value; authorized 1 share; issued and outstanding: 1 share at March 31, 2007 and December 30, 2006 | 60 | 60 |
| Additional paid-in-capital | 175,516 | 175,427 |
| Accumulated deficit | (222,752) | (222,993) |
| Accumulated other comprehensive income | 1,121 | 1,117 |
| Total stockholders' deficit | <u>(46,055)</u> | <u>(46,389)</u> |
| Total liabilities and stockholders' deficit | <u>\$2,387,860</u> | <u>\$ 2,333,055</u> |

The accompanying notes are an integral part of the condensed consolidated financial statements.

VISANT HOLDING CORP. AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| <u>In thousands</u> | <u>Three months ended</u> | |
|---|---------------------------------|--------------------------------|
| | <u>March 31,</u> <u>2007</u> | <u>April 1,</u> <u>2006</u> |
| Net loss | \$ (1,239) | \$ (1,136) |
| Adjustments to reconcile net loss to net cash provided by operating activities: | | |
| Income from discontinued operations | (8,373) | (3,242) |
| Depreciation | 8,796 | 7,471 |
| Amortization of intangible assets | 11,897 | 12,668 |
| Amortization of debt discount, premium and deferred financing costs | 7,487 | 6,759 |
| Other amortization | 167 | 201 |
| Deferred income taxes | (6,420) | (7,157) |
| Loss (gain) on sale of assets | 391 | (25) |
| Stock-based compensation | 129 | 40 |
| Loss on asset impairments | — | 2,341 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 10,428 | 3,682 |
| Inventories | (30,518) | (36,129) |
| Salespersons overdrafts | (787) | (2,305) |
| Prepaid expenses and other current assets | (4,597) | (5,254) |
| Accounts payable and accrued expenses | (10,636) | (44) |
| Customer deposits | 48,277 | 47,310 |
| Commissions payable | 9,567 | 9,834 |
| Income taxes payable/ receivable | 5,518 | 2,736 |
| Interest payable | 17,104 | 9,895 |
| Other | (1,609) | 706 |
| Net cash provided by operating activities of continuing operations | <u>55,582</u> | <u>48,351</u> |
| Net cash used in operating activities of discontinued operations | <u>(7,737)</u> | <u>(1,500)</u> |
| Net cash provided by operating activities | <u>47,845</u> | <u>46,851</u> |
| Purchases of property, plant and equipment | (20,012) | (12,489) |
| Proceeds from sale of property and equipment | 281 | 74 |
| Acquisition of businesses, net of cash acquired | (27,486) | — |
| Other investing activities, net | — | (2) |
| Net cash used in investing activities of continuing operations | <u>(47,217)</u> | <u>(12,417)</u> |
| Net cash used in investing activities of discontinued operations | <u>(3,138)</u> | <u>(7,452)</u> |
| Net cash used in investing activities | <u>(50,355)</u> | <u>(19,869)</u> |
| Net cash provided by (used in) financing activities | <u>—</u> | <u>—</u> |
| Effect of exchange rate changes on cash and cash equivalents | 109 | 6 |
| (Decrease) increase in cash and cash equivalents | (2,401) | 26,988 |
| Cash and cash equivalents, beginning of period | 18,778 | 20,706 |
| Cash and cash equivalents, end of period | <u>\$ 16,377</u> | <u>\$ 47,694</u> |
| Summary of Non Cash Financing Items: | | |
| Receivable from issuance of long-term debt | \$ — | \$ (342,125) |
| Deferred financing costs | — | (9,300) |
| Payables related to financing costs | — | 1,425 |
| Issuance of long-term debt | — | 350,000 |
| Non cash items, net | <u>\$ —</u> | <u>\$ —</u> |

The accompanying notes are an integral part of the condensed consolidated financial statements.

VISANT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS (UNAUDITED)

| <u>In thousands</u> | <u>March 31,</u> <u>2007</u> | <u>April 1,</u> <u>2006</u> |
|---|---------------------------------|--------------------------------|
| Net sales | \$ 255,850 | \$ 227,986 |
| Cost of products sold | 128,070 | 110,788 |
| Gross profit | 127,780 | 117,198 |
| Selling and administrative expenses | 103,557 | 91,866 |
| Loss (gain) on disposal of fixed assets | 391 | (25) |
| Special charges | — | 2,744 |
| Operating income | 23,832 | 22,613 |
| Interest expense, net | 25,235 | 26,170 |
| Loss before income taxes | (1,403) | (3,557) |
| Benefit from income taxes | (294) | (2,070) |
| Loss from continuing operations | (1,109) | (1,487) |
| Income from discontinued operations, net of tax | 8,373 | 3,242 |
| Net income | \$ 7,264 | \$ 1,755 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

VISANT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED BALANCE SHEETS (UNAUDITED)

| In thousands, except share amounts | March 31, 2007 | December 30, 2006 |
|---|--------------------|----------------------|
| ASSETS | | |
| Cash and cash equivalents | \$ 16,002 | \$ 18,043 |
| Accounts receivable, net | 138,049 | 144,681 |
| Inventories, net | 139,129 | 105,333 |
| Salespersons overdrafts, net of allowance of \$13,073 and \$12,621, respectively | 28,096 | 27,292 |
| Prepaid expenses and other current assets | 24,361 | 20,309 |
| Income tax receivable | 746 | 1,097 |
| Deferred income taxes | 12,330 | 11,850 |
| Current assets of discontinued operations | 65,213 | 56,649 |
| Total current assets | 423,926 | 385,254 |
| Property, plant and equipment | 319,937 | 305,703 |
| Less accumulated depreciation | (151,774) | (145,122) |
| Property, plant and equipment, net | 168,163 | 160,581 |
| Goodwill | 924,370 | 919,638 |
| Intangibles, net | 534,294 | 530,669 |
| Deferred financing costs, net | 33,711 | 35,557 |
| Other assets | 13,674 | 13,181 |
| Long-term assets of discontinued operations | 268,931 | 265,519 |
| Total assets | \$2,367,069 | \$2,310,399 |
| LIABILITIES AND STOCKHOLDER'S EQUITY | | |
| Accounts payable | \$ 54,283 | \$ 56,436 |
| Accrued employee compensation and related taxes | 32,617 | 41,256 |
| Commissions payable | 31,753 | 21,671 |
| Customer deposits | 219,612 | 171,258 |
| Income taxes payable | 4,430 | — |
| Interest payable | 20,050 | 10,650 |
| Other accrued liabilities | 26,569 | 23,637 |
| Current liabilities of discontinued operations | 26,541 | 34,849 |
| Total current liabilities | 415,855 | 359,757 |
| Long-term debt | 1,216,500 | 1,216,500 |
| Deferred income taxes | 190,460 | 194,925 |
| Pension liabilities, net | 20,255 | 21,484 |
| Other noncurrent liabilities | 30,487 | 33,356 |
| Long-term liabilities of discontinued operations | 7,086 | 6,696 |
| Total liabilities | 1,880,643 | 1,832,718 |
| Common stock: | | |
| Common stock \$.01 par value; authorized 2,000,000 shares; issued and outstanding: 1,000 shares at March 31, 2007 and December 30, 2006 | — | — |
| Additional paid-in-capital | 648,597 | 648,599 |
| Accumulated deficit | (163,292) | (172,035) |
| Accumulated other comprehensive income | 1,121 | 1,117 |
| Total stockholder's equity | 486,426 | 477,681 |
| Total liabilities and stockholder's equity | \$2,367,069 | \$2,310,399 |

The accompanying notes are an integral part of the condensed consolidated financial statements.

VISANT CORPORATION AND SUBSIDIARIES
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS (UNAUDITED)

| <u>In thousands</u> | <u>Three months ended</u> | |
|---|---------------------------------|--------------------------------|
| | <u>March 31,</u> <u>2007</u> | <u>April 1,</u> <u>2006</u> |
| Net income | \$ 7,264 | \$ 1,755 |
| Adjustments to reconcile net income to net cash provided by operating activities: | | |
| Income from discontinued operations | (8,373) | (3,242) |
| Depreciation | 8,796 | 7,471 |
| Amortization of intangible assets | 11,897 | 12,668 |
| Amortization of debt discount, premium and deferred financing costs | 1,849 | 1,944 |
| Other amortization | 167 | 201 |
| Deferred income taxes | (4,539) | (5,422) |
| Loss (gain) on sale of assets | 391 | (25) |
| Loss on asset impairments | — | 2,341 |
| Changes in assets and liabilities: | | |
| Accounts receivable | 10,428 | 3,682 |
| Inventories | (30,518) | (36,129) |
| Salespersons overdrafts | (787) | (2,305) |
| Prepaid expenses and other current assets | (4,597) | (5,078) |
| Accounts payable and accrued expenses | (10,636) | (44) |
| Customer deposits | 48,277 | 47,310 |
| Commissions payable | 9,567 | 9,834 |
| Income taxes payable/ receivable | 8,593 | 2,996 |
| Interest payable | 9,469 | 9,895 |
| Other | (1,306) | 500 |
| Net cash provided by operating activities of continuing operations | <u>55,942</u> | <u>48,352</u> |
| Net cash used in operating activities of discontinued operations | <u>(7,737)</u> | <u>(1,500)</u> |
| Net cash provided by operating activities | <u>48,205</u> | <u>46,852</u> |
| Purchases of property, plant and equipment | (20,012) | (12,489) |
| Proceeds from sale of property and equipment | 281 | 74 |
| Acquisition of business, net of cash acquired | (27,486) | — |
| Other investing activities, net | — | (2) |
| Net cash used in investing activities of continuing operations | <u>(47,217)</u> | <u>(12,417)</u> |
| Net cash used in investing activities of discontinued operations | <u>(3,138)</u> | <u>(7,452)</u> |
| Net cash used in investing activities | <u>(50,355)</u> | <u>(19,869)</u> |
| Net cash provided by (used in) financing activities | <u>—</u> | <u>—</u> |
| Effect of exchange rate changes on cash and cash equivalents | 109 | 6 |
| (Decrease) increase in cash and cash equivalents | (2,041) | 26,989 |
| Cash and cash equivalents, beginning of period | 18,043 | 19,874 |
| Cash and cash equivalents, end of period | <u>\$ 16,002</u> | <u>\$ 46,863</u> |

The accompanying notes are an integral part of the condensed consolidated financial statements.

**VISANT HOLDING CORP.
VISANT CORPORATION
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (UNAUDITED)**

1. Overview and Basis of Presentation

Overview

The Company is a marketing and publishing services enterprise servicing the school affinity, direct marketing, fragrance and cosmetics sampling and educational publishing markets. The Company was formed through the October 2004 consolidation of Jostens, Inc. ("Jostens"), Von Hoffmann Holdings Inc. ("Von Hoffmann") and AHC I Acquisition Corp. ("Arcade"). These subsidiaries are currently integrated into three reportable segments: Scholastic, Yearbook and Marketing and Publishing Services.

Basis of Presentation

The unaudited condensed consolidated financial statements included herein are those of:

- Visant Holding Corp. and its wholly-owned subsidiaries ("Holdings") which include Visant Corporation ("Visant"); and
- Visant and its wholly-owned subsidiaries.

There are no significant differences between the results of operations and financial condition of Visant Corporation and those of Visant Holding Corp., other than certain indebtedness of Holdings. Holdings has 10.25% senior discount notes, which had an accreted value of \$209.3 million and \$204.2 million as of March 31, 2007 and December 30, 2006, respectively, and \$350.0 million principal amount of 8.75% senior notes as of March 31, 2007 and December 30, 2006.

All intercompany balances and transactions have been eliminated in consolidation.

The accompanying unaudited condensed consolidated financial statements of Holdings and Visant, and their respective subsidiaries, are presented pursuant to the rules and regulations of the U.S. Securities and Exchange Commission (the "SEC") in accordance with disclosure requirements for the quarterly report on Form 10-Q. In the opinion of management, all adjustments (consisting of normal recurring adjustments) considered necessary for a fair presentation have been included. Operating results for the interim periods presented are not necessarily indicative of the results that may be expected for the full year. These financial statements should be read in conjunction with the consolidated financial statements and footnotes included in Holdings' and Visant's Annual Report on Form 10-K for the fiscal year ended December 30, 2006.

The preparation of the financial statements in conformity with accounting principles generally accepted in the United States requires the management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. Actual results could differ from those estimates.

2. Significant Accounting Policies

Revenue Recognition

The SEC's Staff Accounting Bulletin ("SAB") SAB No. 104, *Revenue Recognition*, provides guidance on the application of accounting principles generally accepted in the United States to selected revenue recognition issues. In accordance with SAB No. 104, the Company recognizes revenue when the earnings process is complete, evidenced by an agreement between the Company and the customer, delivery and acceptance has occurred, collectibility is probable and pricing is fixed or determinable. Revenue is recognized when (1) products are shipped (if shipped FOB shipping point), (2) products are delivered (if shipped FOB destination) or (3) as services are performed as determined by contractual agreement, but in all cases only when risk of loss has transferred to the customer and the Company has no further performance obligations.

Cost of Products Sold

Cost of products sold primarily include the cost of paper and other materials, direct and indirect labor and related benefit costs, depreciation of production assets and shipping and handling costs.

Shipping and Handling

Net sales include amounts billed to customers for shipping and handling costs. Costs incurred for shipping and handling are recorded in cost of products sold.

Selling and Administrative Expenses

Selling and administrative expenses primarily include salaries and related benefits of sales and administrative personnel, sales commissions, amortization of intangibles and professional fees such as audit and consulting fees.

Advertising

The Company expenses advertising costs as incurred. Selling and administrative expenses included advertising expense of \$1.9 million for the quarter ended March 31, 2007 and \$1.4 million for the quarter ended April 1, 2006.

Warranty Costs

Provisions for warranty costs related to Jostens' scholastic products, particularly class rings due to their lifetime warranty, are recorded based on historical information and current trends in manufacturing costs. The provision related to the lifetime warranty is based on the number of rings manufactured in the prior school year consistent with industry standards. The provision for the lifetime warranty on rings was approximately \$0.1 million and \$0.2 million for the quarters ended March 31, 2007 and April 1, 2006, respectively. Warranty repair costs for rings manufactured in the current school year are expensed as incurred. Accrued warranty costs included in the condensed consolidated balance sheets were approximately \$0.6 million for March 31, 2007 and December 30, 2006.

Stock-based Compensation

Effective January 1, 2006, the Company adopted Statement of Financial Accounting Standards ("SFAS") SFAS No. 123R (revised 2004), *Share Based Payment* ("SFAS 123R"), which requires the recognition of compensation expense related to all equity awards granted including awards modified, repurchased, or cancelled based on the fair values of the awards at the grant date. For each of the three month periods ended March 31, 2007 and April 1, 2006, the Company recognized total compensation expense related to stock options of \$0.1 million, which is included in selling, general and administrative expenses. Refer to Note 15, *Stock-based Compensation*, for further details.

Mezzanine Equity

Certain management stockholder agreements contain a repurchase feature whereby Holdings is obligated, under certain circumstances such as death and disability (as defined in the agreements), to repurchase the common shares from the holder and settle amounts in cash. In accordance with SAB No. 107, *Share-Based Payment*, such equity instruments are considered temporary equity and have been classified as mezzanine equity in the balance sheets as of March 31, 2007 and December 30, 2006.

Recent Accounting Pronouncements

Effective beginning of fiscal 2007, we adopted FASB Interpretation No. 48, *Accounting for Uncertainty in Income Taxes* ("FIN 48"), which clarifies the accounting for uncertainty in income taxes recognized in an enterprise's financial statements in accordance with SFAS No. 109, *Accounting for Income Taxes*. FIN 48 requires applying a "more likely than not" threshold to the recognition and derecognition of tax positions. In connection with the adoption of FIN 48 effective at the beginning of the quarter, the Company made a change in accounting principle for the classification of interest income on tax refunds. In addition, upon adoption of FIN 48 all interest and penalties on income tax assessments has been recorded as income tax expense and included as part of the Company's unrecognized tax benefit liability. Refer to Note 13, *Income Taxes*, for further details.

