

DEPARTMENT 56 INC
Form 8-K
September 19, 2005

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: September 13, 2005
(Date of earliest event reported)

DEPARTMENT 56, INC.

(Exact name of registrant as specified in its charter)

Commission File Number: 1-11908

Delaware
(State or other jurisdiction of incorporation)

13-3684956
(IRS Employer Identification No.)

One Village Place, 6436 City West Parkway, Eden Prairie, MN 55344
(Address of principal executive offices, including zip code)

(952) 944-5600
(Registrant's telephone number, including area code)

Not Applicable
(Former name or former address, if changed since last report)

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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:

- o Written communications pursuant to Rule 425 under the Securities Act (17 CFR 230.425)
 - o Soliciting material pursuant to Rule 14a-12 under the Exchange Act (17 CFR 240.14a-12)
 - o Pre-commencement communications pursuant to Rule 14d-2(b) under the Exchange Act (17 CFR 240.14d-2(b))
 - o Pre-commencement communications pursuant to Rule 13e-4(c) under the Exchange Act (17 CFR 240.13e-4(c))
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Item 2.05

Costs Associated with Exit or Disposal Activities.

On September 13, 2005, the Board of Directors of Department 56, Inc. approved certain consolidation plans for its newly acquired subsidiary, Lenox Inc., that had been developed by Lenox management prior to the acquisition. Specifically, Lenox will:

1. Cease fine china production at its Pomona, New Jersey plant, and move those operations to its Kinston, North Carolina plant, commencing November 14, 2005, and
2. Close 31 of Lenox's 61 retail stores over time, as leases expire.

The sterling flatware production at Pomona, as well as certain technical services, customer service and retail store management operations, will continue at Pomona. Department 56 expects to incur approximately \$1.5 million in expense associated with the Pomona consolidation during the fourth quarter of 2005. Department 56 expects these activities to be largely completed by the end of 2005.

The combined actions are expected to result in the elimination of approximately 530 jobs: 290 at Pomona and 240 at the retail stores. Affected employees, both full- and part-time, will be provided severance benefits, outplacement services and state assistance with employment transitioning. The severance costs associated with these actions, estimated to be approximately \$7.5 million, will not be reflected in Department 56's results of operations, but will be recorded as a liability on the opening balance sheet of Lenox, Inc. pursuant to the recording of the acquisition by Department 56, Inc. Both the \$1.5 million charge Pomona consolidation and the \$7.5 million severance charge will result in future cash expenditures.

Lenox is taking these actions due to (i) declining fine ivory china dinnerware production at Pomona, resulting from changing consumer trends in dinnerware purchases, and (ii) a desire to focus only on the profitable Lenox retail stores. Department 56 issued a press release, attached as Exhibit 99.1 hereto, on September 13, 2005, with respect to the foregoing.

The information in this Current Report on Form 8-K, including Exhibit 99 hereto, shall not be deemed filed for purposes of Section 18 of the Securities Exchange Act of 1934, as amended (the Exchange Act), or otherwise subject to liabilities of that section. The information in this Current Report on Form 8-K shall not be deemed to be incorporated by reference in any filing under the Securities Act of 1933, as amended, or the Exchange Act, except as expressly set forth by specific reference in such filing.

Item 9.01

Financial Statements and Exhibits.

- (c) Exhibits.

The following exhibit is being furnished with this Current Report:

99 Press Release, dated September 13, 2005, entitled, Lenox Intends to Consolidate its Fine China Production and Close 31 Retail Stores.

SIGNATURES

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

DEPARTMENT 56, INC.

/s/ Timothy J. Schugel
Timothy J. Schugel
Executive Vice President and Chief Financial Officer

Dated: September 19, 2005

EXHIBIT INDEX

Exhibit No.	Description
99.1	Press Release dated September 13, 2005, entitled Lenox Intends To Consolidate Its Fine China Production And Close 31 Retail Stores.