



**cpi graphics, inc.**

*Handwritten signature*

**July 3, 2001**

**Mr. Doug Rothwell, CEO/President  
Michigan Economic Development Corporation (Michigan Jobs Commission)  
201 N. Washington Square  
4th Floor  
Lansing, MI 48913**

**Dear Mr. Rothwell:**

**Please find accompanying this document our potential Plant Closing Notice.**

**Sincerely,**

**CPI GRAPHICS, INC.**

PLANT CLOSING NOTICE

July 3, 2001

TO: All Hourly, Salaried, and Commission Employees  
Graphic Communications International Union, Local 289

Under federal law (the Worker Adjustment and Retraining Notification Act, or "WARN"), employers can be required to give employees advance notice of a plant closure, but the law does not apply to companies like CPI Graphics, Inc. which employ fewer than one hundred (100) employees. Nevertheless, we believe it is appropriate and responsible for us to notify you that CPI may be forced to end its operations and to close down within the next sixty (60) days or less because of financing problems.

In November of last year, CPI was advised by its primary secured lender - National City Bank - that the Company was in default under the terms of its existing loan agreements and that the bank was prepared to begin to foreclose its loan. The "default" was a result of financial performance problems caused by the bankruptcy of the Company's largest customer, Pillowtex. It became clear that the Company needed to obtain new financing if it was going to remain in operation and preserve the jobs of its employees.

Through negotiations with the bank, the Company was able to obtain a short forbearance agreement under which the bank agreed to refrain from foreclosing its loans, provided the Company secured new financing to replace the existing loan arrangements. The Company immediately began efforts to do so. We began exploring both the sale of the business as a going concern to new buyers with their own financing and the refinancing of the existing Company through new lenders. Since then we have had serious negotiations with several potential lenders and possible purchaser of the business. However, the bank has continued to reduce its credit line to the Company, and the reduction in sales this year has made timely payments to our vendors nearly impossible. They in turn have refused to extend further credit to the Company. This has made day-to-day operations increasingly difficult. In the last few days we have learned that the purchaser with whom we have been negotiating has not secured financing to conclude a sale within the time required to avoid a shut-down of operations. We are continuing to pursue alternative financing, but it appears unlikely that a transaction can be completed in time to avoid closure of the Company's facility. If the plant closes, we believe it is unlikely that it will re-open.

We will make every reasonable effort to keep you advised of the status of our discussions with lenders and purchasers. However, anyone who has been placed on indefinite layoff which was expected to be of short duration should consider such layoff to be potentially permanent. All other employees are advised that a permanent employment loss will occur in sixty (60) days or less if further financing or other sources of cash cannot be obtained. The rights of laid off employees who are members of the bargaining unit are set forth in the collective bargaining agreement between CPI and GCIU Local 289. The President of Local 289 of the Graphic Communications International Union is Lorraine McClure, 1111 Woodward Avenue, Suite 100, Royal Oak, Michigan 48067. No other bumping rights exist for employees.

We wish we could give you more definitive information at this time. This Notice will be updated and supplemented as soon as further information becomes available. The Company official to contact for further information is Mark Burke, telephone number (517) 321-0740.

CPI GRAPHICS, INC. 3366 REMY DRIVE LANSING, MI 48906

762-2737  
11/12/01