



**SUPREMEX INC.**

**ANNUAL INFORMATION FORM**

**March 28, 2014**

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## **EXPLANATORY NOTES**

The information in this Annual Information Form is stated as at December 31, 2013, unless otherwise indicated.

Unless otherwise indicated or the context otherwise requires, “Supremex” or the “Company” refers to Supremex Inc. together with its subsidiaries and predecessors. References to “Management” in this Annual Information Form are to the senior officers of Supremex. Any statements in this Annual Information Form made by or on behalf of Management are made in such persons’ capacities as officers of Supremex and not in their personal capacities.

For an explanation of the capitalized terms and expressions and certain defined terms, please refer to the “Glossary of Terms” at the end of this Annual Information Form. Unless otherwise indicated, all dollar amounts are expressed in Canadian dollars and comparative figures prior to January 1, 2011 are those of Supremex Income Fund (the “Fund”). References to “\$” are to Canadian dollars and references to “US \$” or “US dollars” are to United States dollars.

## **FORWARD-LOOKING STATEMENTS**

This Annual Information Form contains “forward-looking statements” within the meaning of applicable Canadian securities laws, including (but not limited to) statements about the EBITDA projection, future performance of Supremex and similar statements concerning anticipated future results, circumstances, performance or expectations. A statement is forward-looking when it uses what Supremex knows and expects today to make a statement about the future. Forward-looking statements may include words such as anticipate, assume, believe, could, expect, goal, guidance, intend, may, objective, outlook, plan, seek, should, strive, target and will. These statements relate to future events or future performance and reflect current assumptions, expectations and estimates of Management regarding growth, results of operations, performance, business prospects and opportunities, Canadian economic environment and ability to attract and retain customers. Such forward-looking statements reflect current assumptions, expectations and estimates of Management and are based on information currently available to Supremex as at the date of this Annual Information Form.

Forward-looking statements are subject to certain risks and uncertainties, and should not be read as guarantees of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to the following: decline in envelope consumption, postal services, environment, relation with customers, competition, economic cycles, raw material price increases, exchange rate, availability of capital, credit, interest rate, litigation and employee future benefits. Such risks and uncertainties are discussed throughout this Annual Information Form and, in particular, in the section “Risk Factors”. Consequently, we cannot guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements.

## **DEFINITION OF EBITDA AND NON – IFRS MEASURES**

References to “EBITDA” are to earnings (loss) before net financing charges, income taxes, amortization of property, plant and equipment and of intangible assets, (gain) loss on disposal of property, plant and equipment and impairment of goodwill.

EBITDA is not a recognized measure under International Financial Reporting Standards (“IFRS”) and does not have a standardized meaning prescribed by IFRS. Therefore, EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA should not be

construed as performance substitute for analysis of Supremex's financial information reported under IFRS.

## CORPORATE STRUCTURE

### Name, Address and Incorporation

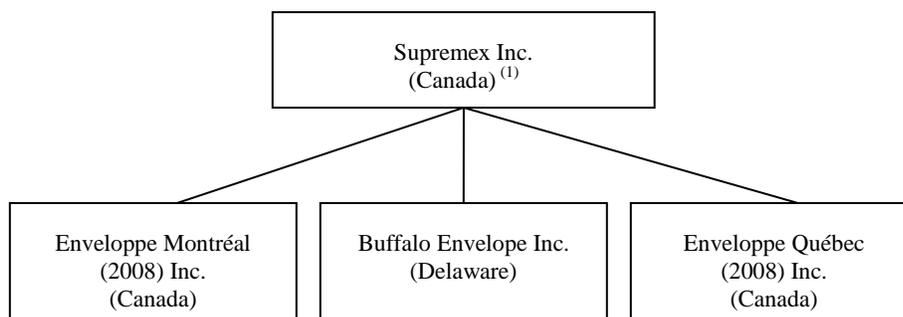
Supremex Inc. is governed by the *Canada Business Corporation Act* (the "CBCA") pursuant to articles of arrangement dated January 1, 2011. Supremex is a reporting issuer in all the provinces of Canada and its common shares are publicly traded on the Toronto Stock Exchange (the "TSX") under the symbol "SXP". The principal head office of Supremex is located at 7213 Corder, LaSalle, Québec, H8N 2J7.

Supremex resulted from conversion on January 1, 2011 of the Fund into a public corporation named Supremex Inc. pursuant to a court-approved plan of arrangement (the "Arrangement") under section 192 of the CBCA. As a result of the Arrangement, unitholders (the "Unitholders") of the Fund received, for each unit (the "Units") of the Fund held, one common share (the "Shares") of Supremex and consequently, the holders of Units became the holders of Shares of Supremex (the "Shareholders"). The Fund was an unincorporated open-ended trust established under the laws of the Province of Québec by a fund declaration of trust made as of February 10, 2006, as amended and restated on March 31, 2006.

Accordingly, references to "Supremex" in this Annual Information Form for periods prior to January 1, 2011 are references to the Fund and /or its subsidiaries, as the context may require.

### Intercorporate Relationship

The following chart illustrates the structure of Supremex (including jurisdiction of establishment/incorporation of the various entities) as of March 28, 2014.



<sup>(1)</sup> Supremex Inc. owns all of the shares of Enveloppe Montréal (2008) Inc., Buffalo Envelope Inc. and Enveloppe Québec (2008) Inc.

## GENERAL DEVELOPMENT OF THE BUSINESS

### History of Supremex

The Supremex business was founded by four envelope industry executives in 1977 by the incorporation of Enveloppe Supreme Inc.

In 1990, the Schrodgers Canadian Buy-out Fund and Company, Limited, an investment fund, acquired a 78% interest in Supremex, while the management group retained the remainder. In 1991, Supremex

acquired the assets of Innova Envelope from Abitibi-Price Inc., creating the largest envelope manufacturer in Canada. Supremex was sold by the Schrodgers Canadian Buy-out Fund and Company, Limited and the management group to Cenveo Inc. ("Cenveo") (then Mail-Well Holdings Inc.) in 1995.

After 1995, Supremex, as a subsidiary of Cenveo, continued to expand aggressively through the completion of several strategic acquisitions. In 1996, Supremex acquired the assets of PNG Products Inc., PAC National Group and PNG Enveloppe Internationale Inc., which until then was the only other national envelope manufacturer and marketer in Canada. In 1998, Supremex acquired the assets of the envelope division of Québec-based Dominion BlueLine Inc. In 2000, Supremex acquired Ontario-based CML Industries Ltd., which included Regional Envelope Products Inc., Transit Envelope Inc. (Montreal), Precision Fine Papers Inc. and CML's Specialty Paper Products division. In 2001, Supremex commenced the management of the consumer business of Cenveo "Depew" (as defined herein) operations in Buffalo, New York. Precision Fine Papers Inc., a paper sheeter and converter, was sold in September 2005.

In November 2005, Cenveo publicly announced its intention to evaluate the sale of its Canadian operations to de-leverage Cenveo's balance sheet and redeploy its capital. This resulted in the Initial Public Offering in March 2006 and was completed in March 2007, with the sale by Cenveo of the balance of its indirect retained interest in Supremex.

On August 9, 2007 and September 16, 2008, Supremex acquired substantially all of the assets of NPG Envelope and Montreal Envelope. On September 16, 2010, Supremex also acquired substantially all the assets of Pioneer Envelope Ltd. .

On January 1, 2011, Supremex completed its conversion from an income trust structure to a corporation. As a result, Unitholders of the Fund became Shareholders of Supremex, receiving one Share of Supremex for each Unit held of the Fund. The Units of the Fund were delisted from the TSX and trading of the Shares of Supremex on the TSX commenced under the symbol "SXP".

## **BUSINESS OF SUPREMEX**

### **Overview**

Supremex is Canada's leading manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex is the only national envelope manufacturer in Canada with seven manufacturing facilities across six provinces. This national presence enables it to satisfy the manufacturing requirements of large national customers, such as large Canadian corporations, nationwide resellers and governmental entities, as well as paper merchants and solution and process providers. In fiscal 2013, Supremex generated revenue of approximately \$129 million on volumes of over 4.7 billion envelopes.

Management believes that Supremex has the largest share of the Canadian envelope manufacturing industry based on fiscal 2013 revenue. This leading market share is due to Supremex's ability to successfully compete on both a local and national basis across Canada.

Supremex has well-established relationships with a diversified loyal base of customers in Canada and in certain parts of the United States.

As of December 31, 2013, Supremex employed approximately 525 people and operated eight (8) facilities strategically located across Canada, which includes one facility in the United States. Supremex's local presence across Canada ensures proximity to its customers, both in Canada and in certain parts of the Northern United States.

In fiscal 2013, approximately 86% of Supremex's revenue originated from the Toronto and Montreal regions.

## **Industry Overview**

### *Overview*

The North American envelope manufacturing industry is a mature industry which generated in 2012 approximately US\$2.9 billion in annual sales based on a volume of approximately 165 billion units, according to the Envelope Manufacturers Association (EMA). Management estimates that the Canadian envelope manufacturing industry generated approximately \$210 million in sales in 2012 based on a volume of approximately 9 billion units. The Canadian envelope manufacturing industry is relatively concentrated with the top five producers accounting for an estimated 85% of domestic sales and with Supremex holding a market share of approximately 57%, according to Management estimates.

A significant majority of envelopes manufactured in Canada are used for mailing purposes and the remainder are used for non-mail purposes. Examples of envelopes used for non-mail purposes include automatic teller machine ("ATM") envelopes, overnight courier envelopes, payroll envelopes and photo product envelopes.

Transactional mail volumes are driven by activities of business-to-consumer businesses, primarily in the form of bills and statements from financial institutions, telecommunications companies and governmental entities. Transactional mail volumes are positively influenced by the overall growth of the economy, the population and the number of households.

Trends such as bill consolidation, whereby a service provider combines the billing of multiple services into one invoice, and the growth in the use of Internet for electronic bill presentment and payment are generally thought to have a negative impact on transactional mail volumes and related items such as envelopes.

Direct mail volumes are driven by direct mail activities of direct marketers, catalog-oriented retailers, publications marketers, credit card companies and other companies involved in business-to-consumer advertising. Demand for direct mail is driven by advertising spending and has historically tracked economic activity. The major economic downturn experienced in 2008 and 2009, has reduced the direct mail volume significantly. Although volume has increased somewhat since the downturn, it has not increased to previous levels as companies are now allocating an increasing portion of their marketing spend to new medias, such as smart phones, tablets, Internet, etc.

As the number of different advertising and media channels expands with technologies such as the Internet and Video-On-Demand television, the ability to reach targeted consumer groups is becoming more challenging for advertisers. As a result, direct mail is still perceived by advertisers as an effective tool and remains widely used for targeting specific consumer groups but it is more and more used in conjunction with new technologies.

## **Product and Service Offering**

Supremex manufactures a broad range of envelopes in an array of styles, shapes and colours, which allows it to offer its customers a high degree of flexibility and customization. The Company's products can generally be divided into three categories: stock envelopes, custom envelopes and related products.

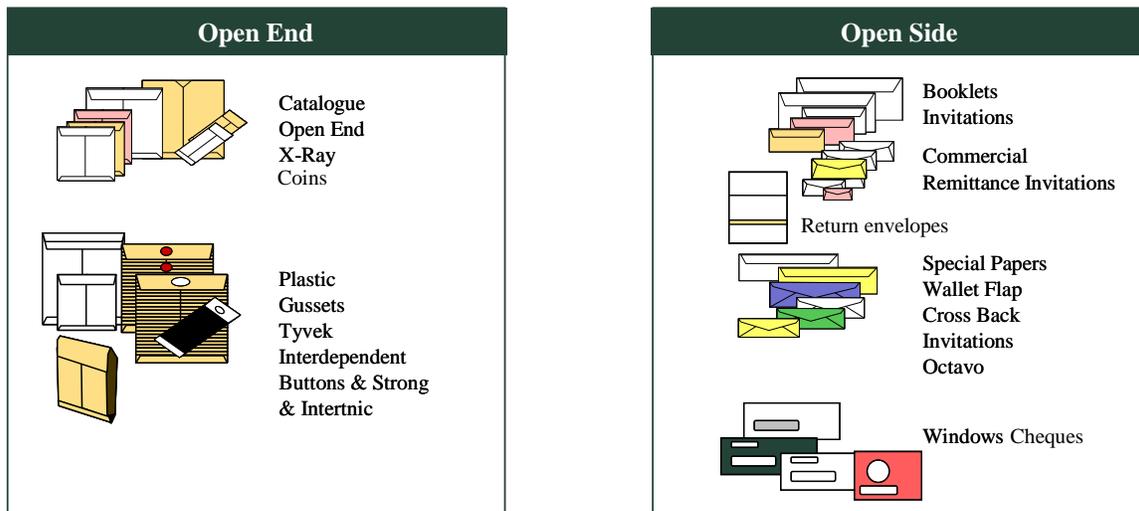
As part of its envelope offering, Supremex offers its customers graphic art, warehousing and distribution services related to its products. Graphic art services include basic design and creative activities through to

final customer-approved proofs for envelope printing. Warehousing and distribution of its products are provided to customers seeking to minimize the total cost of buying envelopes, while ensuring availability of supply and timely delivery.

### *Stock Envelopes*

Supremex maintains the broadest stock envelope product line in Canada. The stock envelope is a generic product that can be used by customers for a variety of uses.

Stock envelopes range from the smallest greeting card or coin envelope to jumbo mailers and are made of various colours and grades of paper. The following charts illustrate examples of stock envelopes:



Stock envelopes are mainly sold through fine paper merchants, independent envelope printers and commercial and office stationery suppliers. Management has determined that it is more cost effective for Supremex to sell stock envelopes through these distribution channels, rather than conducting its own marketing and sales efforts to sell them directly to end users.

### *Custom Envelopes*

Custom envelopes are manufactured according to customer specifications, which may require the collection of over 100 different pieces of information. Examples of custom features include size, colour, print, paper quality and window characteristics. Management believes that custom envelopes represent the majority of all envelopes consumed in the Canadian market. The method of procurement of custom envelopes by customers varies from end users buying directly for their own use to solution providers buying on behalf of large end users, and Supremex has been successful in adapting itself to various procurement methods in the marketplace.



### *Related Products*

In addition to custom and stock envelopes, Supremex offers related products which include X-ray envelopes, medical and file folders, polyethylene bags for courier applications, bubble mailers as well as packaging and labelling products.

### **Distribution Channels**

Supremex typically distributes its products within approximately 800 kilometers of its manufacturing facilities to all major geographic markets across Canada and in certain parts of the Northern United States via two distinct distribution channels:

#### *Resellers of Stock Envelopes*

The resellers of stock envelopes consist of distributors who resell Supremex's envelopes to printers and to small and large businesses, which include fine paper merchants, independent envelope printers and stationers. Management believes that Supremex's unique combination of a broad stock envelope offering, next-day product delivery and national distribution network provide key selling propositions for resellers.

#### *Resellers and End Users of Custom Envelopes*

The resellers of custom envelopes consist of intermediaries who resell Supremex's envelopes to end users. Such resellers include solution providers (such as forms manufacturers, large printers, and commercial and office stationery suppliers) and process providers (such as statement preparation providers).

Supremex believes that its broad custom envelope offering, flexible and highly customized manufacturing capabilities and national distribution network provide compelling value propositions to resellers of custom envelopes.

Supremex also uses its sales force to market custom envelopes directly to corporate end users of custom envelopes.

### **Customers**

Supremex sells its products to large and small customers in a variety of industries. Supremex maintains long-term relationships with several end users, including leading financial institutions, telecommunications and utility companies, as well as federal, provincial and municipal governmental entities. Supremex also maintains strong relationships with customers in the resale distribution channel.

The envelope manufacturing business is characterized by individual orders for specific manufacturing jobs and Supremex does not typically enter into long-term agreements with its customers. Although Supremex occasionally enters into short-term contracts with certain of its customers, these agreements can normally be terminated upon prior notice by customers without penalty at any time before the end of the term.

### **Raw Materials and Suppliers**

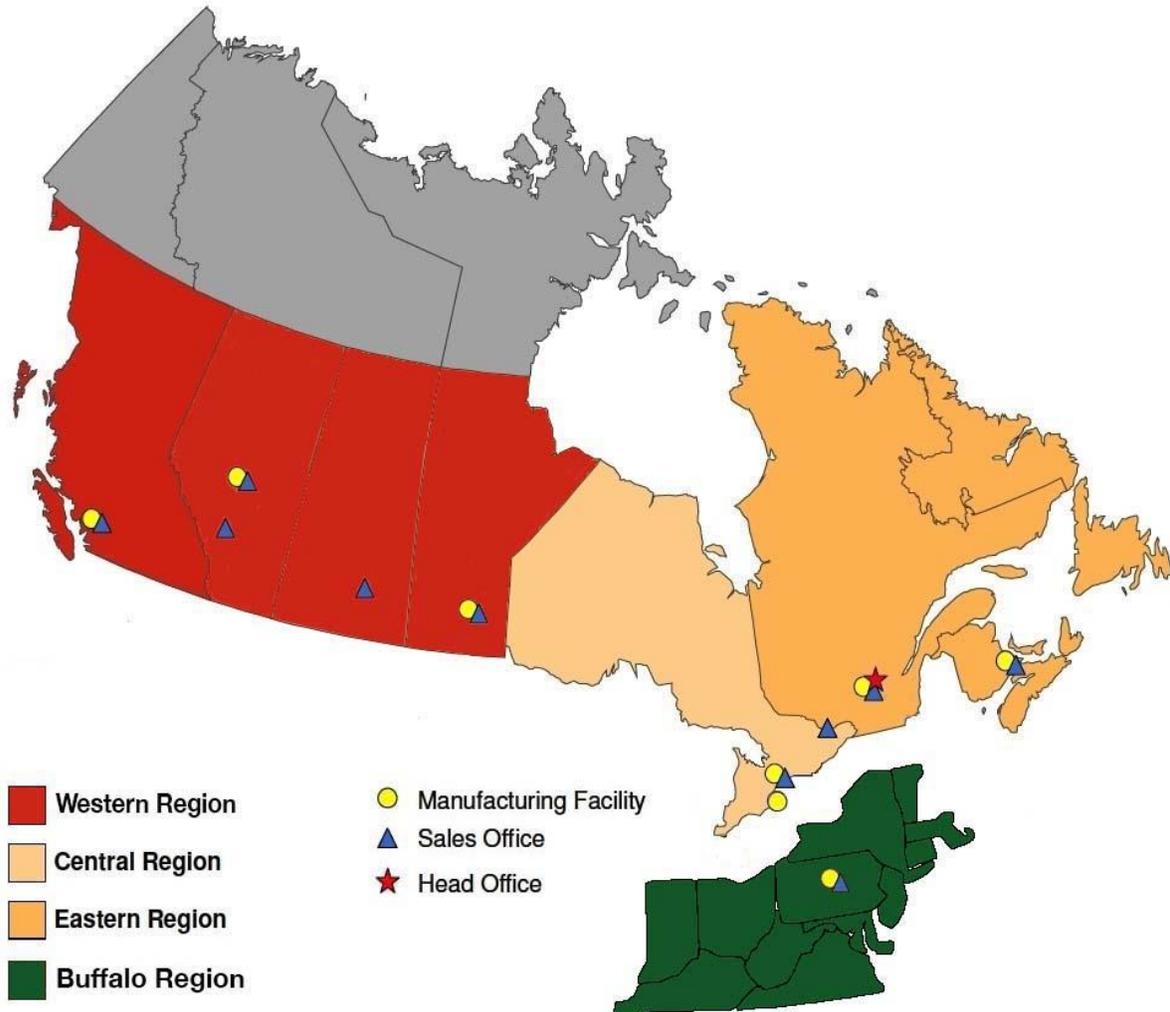
The principal raw materials used by Supremex are paper, window film, boxes, adhesives and ink.

In fiscal 2013, paper, net of paper waste revenue, represented approximately 73% of Supremex's raw material costs and were purchased from a variety of suppliers. The purchase price of paper varies according to paper grades and suppliers, and is the result of individual negotiations with such suppliers. However, the net price paid from one supplier to the other is relatively similar and is based on the market price in effect from time to time. Due to the variability in the prices of raw material supplies, envelope manufacturing costs are subject to fluctuation over time and such variations in costs are generally passed on to Supremex's customers.

Supremex typically purchases its paper and window film supplies on an ongoing basis. Supremex has never experienced a business interruption due to insufficient supply of raw materials.

## Operations and Facilities

Supremex is present in three regions across Canada — Western (British Columbia, Alberta and Manitoba/Saskatchewan), Central (Ontario) and Eastern (Québec and the Atlantic provinces and Buffalo Region). Each region is managed independently based on the unique characteristics of local markets and customers. The local management teams have significant autonomy in the way their respective regions operate. The Supremex corporate office sets various strategic priorities and financial targets for the regions and leverages its national purchasing power and other support services. The following chart below shows the Supremex regions and facility locations.



## Supremex's Facilities

Supremex currently manufactures its products at eight facilities, two of which are owned by Supremex and six of which are leased by Supremex. The following table sets out certain information regarding Supremex's manufacturing facilities.

<u>Location</u>	<u>Type</u>	<u>Approximate Square Footage</u>	<u>Owned/Leased</u>	<u>Lease Expiry Date</u>
<b>Western region</b>				
Delta, BC .....	Mfg/Sales	42,000	Leased	Aug. 31, 2015
Edmonton, AB <sup>(1)</sup> .....	Mfg/Sales	24,000	Leased	Nov. 30, 2017
Winnipeg, MB.....	Mfg/Sales	38,000	Leased	Oct. 31, 2017
Regina, SK.....	Sales/Dist.	3,000	Leased	Oct. 31, 2018
<b>Central region</b>				
Etobicoke, ON.....	Mfg/Sales	98,000	Owned	n/a
Mississauga, ON .....	Mfg	85,500	Leased	Sept. 30, 2019
<b>Eastern region</b>				
LaSalle, QC.....	Mfg/Sales	136,000	Owned	n/a
Moncton, NB.....	Mfg/Sales	14,750	Leased	May 31, 2016
<b>Buffalo region</b>				
Buffalo, NY.....	Mfg/Sales	11,600	Leased	March 31, 2017

<sup>(1)</sup> The leased square footage has been reduced from 42,000 to 24,000 since February 28, 2013.

In addition to the above facilities, Supremex has two sales offices which are leased.

## Seasonality

Supremex's revenue is subject to the moderate seasonal advertising and mailing patterns of its customers. The number of units sold by Supremex is generally higher during the months of August to February mainly due to the higher number of mailings related to events including the return to school, fund raisers and the holiday and tax seasons. The number of units sold by Supremex is generally lower during the months of March to July in anticipation of a slowdown in mailing activities of businesses during the summer. As a result, Supremex's financial performance for any single quarter may not be indicative of the performance which may be expected for the full year. However, to maintain production efficiencies, Supremex utilizes warehouse capabilities to inventory envelopes as required to counter these predictable seasonal variations in sales volumes.

## Employees

As at December 31, 2013, Supremex had a total of approximately 525 employees, of which approximately 76% were involved in production activities and the remainder in sales and administration activities.

Most of Supremex's workforce is non-unionized, except for 14 workers employed in Vancouver (British Columbia) which are covered by a collective bargaining agreement scheduled to expire on August 31, 2015.

The LaSalle (Québec) facility is not covered by a union certification, but has an employee association which has adopted an employee manual. The employee manual contains personnel policies for hourly paid production and warehouse employees and is aimed at informing employees about their working

conditions, in a manner similar to a standard collective agreement. The rights, privileges and benefits defined in the employee manual apply to all permanent employees of Supremex in the LaSalle (Québec) facility. The current employee manual will expire on December 31, 2014.

### **Competition**

The Canadian envelope manufacturing industry is comprised of both domestic and foreign manufacturers. Management estimates that, in addition to Supremex, there are approximately nine domestic manufacturers of envelopes, all of which are owner-operator businesses that focus their efforts on local Canadian envelope markets. These domestic manufacturers primarily serve end users, direct mail customers and governmental entities. Only one domestic manufacturer operates more than one manufacturing location in Canada. Foreign manufacturers are almost exclusively US-based without any Canadian manufacturing operations and generally concentrate their efforts in Canada on a narrow range of high volume purchasers of envelopes.

With the exception of a few national customer accounts, manufacturers of envelopes in Canada supply local customers. Manufacturing is locally organized due to the geographic scale of Canada and the freight costs involved in the transportation of envelopes. Consequently, most envelopes are produced and consumed locally wherever possible to maximize cost efficiency and speed to market and to permit press approvals, local warehousing and just-in-time purchasing strategies.

Supremex believes that its primary competitors in the Canadian envelope industry consist both of large manufacturers located in the United States, consisting principally of Cenveo, who integrated the assets of National Envelope who went bankrupt in late 2013, and of many smaller Canadian and US local competitors. The large manufacturers located in the United States, may in the future increase their market share and penetration of the Canadian envelope market. An additional factor that could contribute to such increase is the level of the US dollar compared to the Canadian dollar.

### **Environmental Regulations**

Supremex's operations and real property are subject to a legislative regime including laws, regulations, guidelines, policies, permits and other approvals relating to environmental matters, including those governing the use, storage, treatment, transportation and disposal of hazardous materials, or the emission, release or discharge of such materials into the environment, the remediation of contamination and occupational health and safety matters (collectively, the "Environmental Laws"). Some of these Environmental Laws may impose joint and several liability on lessees and owners or operators of facilities for the costs of investigation or remediation of contaminated properties, based on their ownership or management and control of real properties, regardless of current ownership, fault, negligence or the legality of the original disposal or release.

Supremex generates both hazardous and non-hazardous waste. Environmental liability is a risk associated with Supremex's business, principally with regard to past and present business operations involving the use, storage, handling and contracting for recycling or disposal of hazardous and non-hazardous materials such as washes, inks, alcohol-based products, plate solvent and photographic fixer.

The facilities owned or operated by Supremex have been in operation for many years and, over such time, Supremex and the prior owners or operators of such properties may have used, generated or disposed of substances, some of which are or may be considered hazardous. Some of these facilities are located in industrial areas where there could have been migratory contamination from adjacent sources. Accordingly, it is possible that additional environmental liabilities may arise in the future as a result of the use, generation, release and disposal of any such hazardous and non-hazardous substances.

## DIVIDENDS AND DISTRIBUTION

Supremex's current dividend policy is to declare quarterly dividends of \$0.04 per Share (increased from \$0.03 in November 2013). The dividend policy is subject to the discretion of the Board of Directors and may vary depending on, among other things, Supremex's earnings, financial requirements, the satisfaction of the solvency tests imposed by the CBCA for the declaration of dividends and other conditions existing at such future time.

The following table sets forth the quarterly dividend per Share declared by Supremex for the last three most recently completed years:

<b>Month</b>	<b>2013</b>	<b>2012</b>	<b>2011</b>
January	—	—	—
February	\$0.03	\$0.03	—
March	—	—	\$0.03
April	—	—	—
May	\$0.03	\$0.03	—
June	—	—	\$0.03
July	—	\$0.03	—
August	\$0.03	—	—
September	—	—	—
October	—	—	—
November	\$0.04	\$0.03	\$0.03
December	—	—	—

No dividend was declared in the third quarter of 2011 as the Board of Directors decided in June 2011 that all decisions pertaining to the Company's dividend policy would be made at its quarterly Board meeting which usually takes place 30 to 45 days after the end of each quarter.

## DESCRIPTION OF CAPITAL STRUCTURE

The authorized share capital of Supremex consists of an unlimited number of Shares and an unlimited number of preferred non-voting shares, issuable in series. The rights, privileges, restrictions and conditions attaching to the shares and the preferred shares are as follows:

### *Common Shares*

Holder of Shares are entitled to receive dividends as and when declared by the Board of Directors of Supremex and are entitled to one vote per Share on all matters to be voted on at all meetings of shareholders. Upon the voluntary or involuntary liquidation, dissolution or winding-up of Supremex, the holders of Shares are entitled to share rateably in the remaining assets available for distribution, after payment of liabilities and subject to the prior rights of preferred shares (if any).

### *Preferred Shares*

The Board of Directors of Supremex has the authority, without further action by the shareholders, to issue an unlimited number of preferred shares in one or more series. These preferred shares may be entitled to dividend and liquidation preferences over the Shares. The Board of Directors may fix the designations, powers, preferences, privileges and relative, participating, optional or special rights of any preferred shares issued, including any qualifications, limitations or restrictions. Special rights which may be granted to a series of preferred shares may include dividend rights, conversion rights, voting rights, terms of redemption and liquidation preferences, any of which may be superior to the rights of the Shares.

### **DIRECTORS AND OFFICERS**

The following table sets out, for each of the directors and officers of Supremex as of March 28, 2014, the name, municipality of residence, position(s) with Supremex and the principal occupation. The term of office for each of the directors will expire at the time of the next annual meeting of Shareholders. As of March 21, 2014, the directors and officers of Supremex beneficially owned, directly or indirectly or exercised control or direction over, Shares representing in the aggregate approximately 46.2% of the issued and outstanding Shares on a fully-diluted basis (13,094,200 shares are held by Clarke Inc.).

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation</b>	<b>Director since</b>	<b>Ownership of Shares</b>
Dany Paradis Montreal, Québec	Director, Chairman of the Board of Directors and Interim President and Chief Executive Officer	Interim President and Chief Executive Officer of Supremex and Corporate Director	February 21, 2013	5,800
Benoît Crowe Montreal, Québec	Vice President, Finance and Corporate Secretary	Vice President, Finance and Corporate Secretary of Supremex Inc.	N/A	—
George Armoyan <sup>(2)</sup> Toronto, Ontario	Director	President of Geosam Capital Inc. and President and Chief Executive Officer of Clarke Inc.	May 8, 2012	—
Stewart Emerson Pickering, Ontario	Vice President and General Manager, Central Region	Vice President and General Manager, Central Region of Supremex	N/A	210,000
Mathieu Gauvin <sup>(1)</sup> Montreal, Québec	Director	Partner of Richter Advisory Group Inc.	June 2, 2011	—
Georges Kobrynsky <sup>(2)</sup> Montreal, Québec	Director	Corporate Director	From March 31, 2006 to May 7, 2012 and since February 21, 2013	—
Charles Pellerin <sup>(1)(2)</sup> Victoriaville, Québec	Director	Partner and President of Pellerin, Potvin, Gagnon, L.L.P.	June 2, 2011	49,200

<b>Name and Municipality of Residence</b>	<b>Position</b>	<b>Principal Occupation</b>	<b>Director since</b>	<b>Ownership of Shares</b>
Michael Rapps Toronto, Ontario	Director	Managing Director of Geosam Capital Inc.	May 8, 2012	—

(1) Member of the Audit Committee.

(2) Member of the Compensation, Corporate Governance and Nominating Committee.

The following are brief profiles of the current directors and officers of Supremex:

### **Dany Paradis, Corporate Director**

Dany Paradis, ICD.D, is currently an independent consultant. Previously, he was a senior executive at Fibrek Inc. leading the supply chain teams and the corporate services. Mr. Paradis has held various senior management positions at ReebokCCM/Reebok Canada (adidas Group) from 2005 to 2008 and Domtar Inc. from 1998 to 2005. He holds a Bachelor of Actuarial Sciences from Laval University and has completed the Advanced Leadership Program at McGill University. He is certified from the Institute of Corporate Directors.

### **Benoît Crowe, Vice President, Finance and Corporate Secretary**

Benoît Crowe has 15 years of experience in accounting, reporting, treasury management and acquisitions. Prior to joining Supremex, Mr. Crowe worked at ProSep as Vice President, Finance and was previously corporate controller at Richelieu Hardware. Prior to that, Mr. Crowe worked at KPMG. He is a Chartered Professional Accountant.

### **George Armoyan, President of Geosam Capital Inc. and President and Chief Executive Officer of Clarke Inc.**

George Armoyan is President of Geosam Capital Inc. since January 2010 and President and Chief Executive Officer of Clarke Inc. since March 2012. Mr. Armoyan is an entrepreneur with extensive experience in mergers, acquisitions and capitalizing on turn-around opportunities. He has led a number of companies to solid business results over the last 30 years. Mr. Armoyan serves on the Boards of Terravest Capital Inc., Royal Host Inc. and Spyglass Resources Corp.

### **Stewart Emerson, Vice President and General Manager, Central Region**

Stewart Emerson is the Vice President and General Manager, Central Region of Supremex. Prior to his current role, Mr. Emerson began his career as Account Manager at Innova Envelope Inc. in 1990 and has since held a number of positions, including Sales Manager, General Sales Manager, General Manager. He holds a Bachelor's Degree in Business Administration with a double major in Marketing and Management from the Northeastern University of Boston.

### **Mathieu Gauvin, Director**

Mathieu Gauvin is Partner at Richter Advisory Group Inc. and works for the company since September 2006. He is director and chairman of the Audit Committee of HNZ Group Inc. and Richelieu Hardware Ltd. Previously, from January 2006 to May 2006, he was Chief Financial Officer of Europe's Best Inc. From February 1991 to January 2006, he was Vice-President and Partner of Schrodgers & Associates Canada Inc. and, from November 1987 to February 1991, he was Director, Acquisition Analysis, for this company or for its predecessor corporations. He holds a Bachelor's degree in Commerce from the McGill University and is also Chartered Professional Accountant, Chartered Financial Analyst and Chartered Business Valuator.

### **Georges Kobrynsky, Director**

Georges Kobrynsky, a former Trustee of Supremex Income Fund and Director of Supremex Inc. from 2006 to 2012, is currently a corporate director of Cascades Inc. Previously, Mr. Kobrynsky was Senior Vice-President, Investments Forest Products of the Société générale de financement du Québec from 2005 to 2010 and held various senior positions at Domtar Inc. over 30 years. He also held a position at the Ministry of the Environment of Canada from 1971 to 1975. Mr. Kobrynsky has completed the Senior Executive Program from University of Western Ontario. He also holds a Master of Business Administration from McGill University, a Bachelor's degree in Sciences from the Université Laval and a Bachelor's of Arts degree from the Université de Montréal.

### **Charles Pellerin, Director**

Charles Pellerin has been a Partner and President at Pellerin, Potvin, Gagnon, L.L.P. since 2006. Mr. Pellerin has held a number of positions with Pellerin, Potvin, Gagnon since 2000. He holds a Bachelor's degree of Commerce with specialization in Accounting from the University of Ottawa and is also Chartered Professional Accountant. Mr. Pellerin is a corporate director of Clarke Inc. and Terravest Capital Inc.

### **Michael Rapps, Managing Director of Geosam Capital Inc.**

Michael Rapps is Managing Director of Geosam Capital Inc. since 2010, a private investment company focused on investing in small and mid capitalization companies where there is an opportunity to promote positive change and create shareholder value. Prior to joining Geosam in January 2010, Mr. Rapps practiced law at Davies Ward Phillips & Vineberg LLP. Mr. Rapps holds a BCL and an LLB from McGill University. Mr. Rapps is a corporate director of Clarke Inc., Royal Host Inc. and Holloway Lodging Corporation.

## **CORPORATE GOVERNANCE**

The directors are responsible for the governance of Supremex and have established an Audit Committee and a Compensation, Corporate Governance and Nominating Committee, each of which shall have a number of members as determined by the Board of Directors from time to time. For the Audit Committee, three of its members shall be "independent" and for the Compensation, Corporate Governance and Nominating Committee, one of its members shall all be "independent", within the meaning of applicable securities laws for both committees.

### **Compensation, Corporate Governance and Nominating Committee ("CCGN")**

The Compensation, Corporate Governance and Nominating Committee shall annually review the Chief Executive Officer's goals and objectives for the upcoming year and provide an assessment of the Chief

Executive Officer's performance to the Board of Directors. The committee shall make recommendations concerning the remuneration of the directors and shall administer and make recommendations regarding any employee bonus plans.

The committee shall also review and make recommendations to the directors concerning the appointment of officers of Supremex and its subsidiary entities. The committee is responsible for developing Supremex's approach to corporate governance issues, advising the board on filling vacancies on the board and periodically reviewing the composition and effectiveness of the board and the contribution of individual directors. The committee is responsible for adopting and periodically reviewing and updating Supremex's written disclosure policy. This policy, among other things: (i) articulates the legal obligations of Supremex, its affiliates and their respective, directors, officers, employees and consultants with respect to confidential information; (ii) identifies spokespersons of Supremex who are the only persons authorized to communicate with third parties such as analysts, the media and investors; (iii) provides guidelines on the disclosure of forward-looking information; (iv) requires advance review by senior executives of Supremex of any selective disclosure of financial information to ensure the information is not material or, if selective disclosure of material information does occur, that a news release is issued immediately; and (v) establishes "black-out" periods prior to and following the disclosure of quarterly and annual financial results and prior to the disclosure of certain material changes, during which periods Supremex, its affiliates and their respective directors, officers, employees and consultants may not purchase or sell Shares.

On February 19, 2014, the Board of Directors established the Pension Investment Committee whose mandate is, *inter alia*, to assist the Compensation, Corporate Governance and Nominating Committee in the administration of the Company's sponsored pension plans and the investment of the funds therein.

### **Audit Committee**

The Audit Committee assists the directors in fulfilling their responsibilities regarding the oversight and supervision of the accounting and financial reporting practices and procedures of Supremex, the adequacy of internal accounting controls and procedures, and the quality and integrity of the financial statements of Supremex. In addition, the committee is responsible for directing the auditors' examination of specific areas and for the selection of potential independent auditors to be appointed by the Shareholders.

### **Charter of the Audit Committee**

The charter of the Audit Committee, as approved on April 12, 2006 and amended on November 5, 2007 and on March 22, 2011, is set out in Schedule A to this Annual Information Form.

### **Composition of the Audit Committee**

The Audit Committee is composed of three members. Each member of the Audit Committee is independent of Supremex and financially literate as required under Multilateral Instrument 52-110 – *Audit Committees*

### **Relevant Education and Experience of the Audit Committee Members**

In addition to each member's general business experience, the education and experience of each Audit Committee member that is relevant to the performance of his or her responsibilities as an Audit Committee member is as follows:

- (i) Mathieu Gauvin is Partner at Richter Advisory Group Inc. and works for the company since September 2006. He is director and President of the Audit Committee of HNZ

Group Inc. and Richelieu Hardware Ltd. Previously, from January 2006 to May 2006 he was Chief Financial Officer of Europe’s Best Inc. From February 1991 to January 2006, he was Vice-President and Partner of Schrodgers & Associates Canada Inc. and, from November 1987 to February 1991, he was Director, Acquisition Analysis, for this company or for its predecessor corporations. He holds a Bachelor’s degree in Commerce from the McGill University and is also Chartered Professional Accountant, Chartered Financial Analyst and Chartered Business Valuator.

- (ii) Charles Pellerin has been a Partner and President at Pellerin, Potvin, Gagnon, L.L.P. since 2006. Mr. Pellerin has held a number of positions with Pellerin, Potvin, Gagnon since 2000. He holds a Bachelor’s degree of Commerce with specialization in Accounting from the University of Ottawa and is also Chartered Professional Accountant. Mr. Pellerin is a Corporate Director of Clarke Inc.
- (iii) Dany Paradis, ICD.D, is currently an independent consultant. Previously, he was a senior executive at Fibrek Inc. leading the supply chain teams and the corporate services. Mr. Paradis has held various senior management positions at ReebokCCM/Reebok Canada (adidas Group) from 2005 to 2008 and Domtar Inc. from 1998 to 2005. He holds a Bachelor of Actuarial Sciences from Laval University and has completed the Advanced Leadership Program at McGill University. He is certified from the Institute of Corporate Directors.

**Audit Fees**

Ernst & Young LLP has served as Supremex's auditing firm since October 2005. As detailed in the table below, fees paid to Ernst & Young LLP and its affiliates for the Fiscal 2013 and the fiscal year ended December 31, 2012 (“Fiscal 2012”) represented approximately \$175,700 and \$186,550, respectively.

	<b>Fiscal 2013</b>	<b>Fiscal 2012</b>
Audit fees	\$150,000	\$150,000
Audit-related fees	20,000	20,000
Tax fees	5,700	3,750
All other fees	<u>0</u>	<u>12,800</u>
	\$175,700	\$186,550

The nature of each category of fees is described below.

Audit fees. Audit fees were paid for professional services rendered for the audit of the annual financial statements.

Audit-related fees. Audit-related fees were paid for consultations concerning financial accounting or the presentation of financial information which are not categorized as “audit services”, pension plan audits, accounting work related to acquisitions and review of documents filed with regulatory authorities.

Tax fees. Tax fees were paid for the review of tax returns.

All other fees. Fees paid for services other than the audit fees, audit related fees and tax fees described above. These services consisted primarily of related industry review.

## **CEASE TRADE ORDERS, BANKRUPTCIES, PENALTIES OR SANCTIONS**

### *Corporate Cease Trade Orders or Bankruptcies*

To the knowledge of Supremex, in the last ten years, no director or executive officer of Supremex is or has been a director or executive officer of any company that, while that person was acting in that capacity, (i) was the subject of a cease trade order or similar order, or an order that denied the relevant company access to any exemptions under securities legislation, for a period of more than 30 consecutive days, (ii) was the subject of an event that resulted, after that person ceased to be a director or executive officer, in the company being the subject of a cease trade order or similar order or an order that denied the relevant company access to an exemption under securities legislation, for a period of more than 30 consecutive days or (iii) or within a year of that person ceasing to act in that capacity, became bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency or was subject to or instituted any proceedings, arrangement or compromise with creditors or had a receiver, receiver manager or trustee appointed to hold its assets, except for:

- (i) Mr. George Armoyan, who served as a member of the Board of Directors of HIP Interactive Corp. during the period of May 27, 2005 to June 28, 2005, and in respect of which, on July 11, 2005, the Ontario Superior Court of Justice appointed an interim receiver under the federal *Bankruptcy and Insolvency Act*; and
- (ii) Mr. George Armoyan, who previously served as member of the Board of Directors of Shermag Inc. (“Shermag”), which, on May 5, 2008, obtained protection under the *Companies’ Creditor Arrangement Act* (Canada) (“CCAA”) in the Québec Superior Court (Shermag later emerged from CCAA protection in October 2009).
- (iii) Mr. Benoît Crowe who, while acting as Vice President, Finance for ProSep Inc. (“ProSep”) was the subject, along with all other officers and directors of ProSep, to a temporary management cease trade order on April 29, 2013 for ProSep’s failure to file its annual financial statements. The order was revoked on June 17, 2013. Moreover, on October 26, 2013, ProSep entered into a plan of arrangement with its creditors pursuant to the CCAA and was dissolved on or about December 19, 2013.

### *Penalties or Sanctions*

To the knowledge of Supremex, no director or executive officer of Supremex, (i) has been subject to any penalties or sanctions imposed by a court relating to securities legislation or by a securities regulatory authority or has entered into a settlement agreement with a securities regulatory authority or (ii) has been subject to any other penalties or sanctions imposed by a court or regulatory body that would likely be considered important to a reasonable investor in making an investment decision.

### *Personal Bankruptcies*

To the knowledge of Supremex, in the last ten years, no director or executive officer of Supremex has become bankrupt, made a proposal under any legislation relating to bankruptcy or insolvency, or was subject to or instituted any proceedings, arrangement or compromise with creditors, or had a receiver, receiver manager or trustee appointed to hold the assets of the director or executive officer.

### *Conflicts of Interest*

Except as disclosed below and elsewhere herein, no director or senior officer of Supremex or other insider of Supremex, nor any associate or affiliate of the foregoing persons has any substantial interest, direct or indirect, in any material transaction since the commencement of Supremex’s last financial year.

## MARKET FOR SECURITIES

### *Trading Price and Volume*

The Shares are currently listed for trading on the TSX under the symbol “SXP”. The following table shows the monthly range of high and low prices per Unit and the total monthly volumes of Shares traded on the TSX for the months of January to, and including, December 2013.

<b>2013 Month</b>	<b>Price per Share (\$) Monthly High</b>	<b>Price per Share (\$) Monthly Low</b>	<b>Shares Total Monthly Volume</b>
January	1.12	0.95	271,000
February	1.08	0.93	163,000
March	1.21	1.00	686,000
April	1.24	1.18	221,000
May	1.40	1.17	243,000
June	1.31	1.18	182,000
July	1.34	1.21	178,000
August	1.52	1.25	518,000
September	2.15	1.41	882,000
October	2.15	1.55	380,000
November	2.45	1.80	553,000
December	2.40	1.86	303,000

## TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Shares is Computershare Investor Services Inc. at its principal transfer office in Montreal, Québec.

## RISK FACTORS

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of Supremex’s management. The risks and uncertainties described herein are those the Company currently believes to be material but they are not the only ones it faces. If any of the following risks, or any other risks and uncertainties that the Company has not identified or that it currently considers immaterial, actually occur or become material risks, the Company’s results of operations, business projects and financial condition and consequently the price of the Shares could be materially adversely affected.

### *Decline in Envelope Consumption*

Supremex’s envelope manufacturing business is highly dependent upon the demand for envelopes sent through the mail. Supremex may compete with product substitutes, which can impact demand for its products. Usage of the Internet and other electronic media continues to grow. Consumers use these media to purchase goods and services, and for other purposes such as paying utility and credit card bills. Advertisers use the Internet and electronic media for targeted campaigns directed at specific electronic

user groups. Large and small businesses use electronic media to conduct business, send invoices and collect bills. The demand for envelopes and other printed materials for transactional purposes is expected to continue to decline in the future.

The North American envelope manufacturing and mailing industries are expected to continue to decline in the foreseeable future, due to a general progressive decline in the use of traditional paper-based products. The business depends on transactional mail and direct mail activities. Transactional mail volumes are thought to have declined in the last few years due in part to the increasing use of non-traditional means of communication and information transfer, such as electronic mail and the Internet. While management believes that the significant decline experienced in the direct mail volume in the last few years was related to the economic conditions, we have no choice but to admit that many companies have reduced their marketing expenditures as well as redirected some of their overall marketing expenditures to other media channels. There is no assurance that the direct mail industry will regain. As a result, there can be no assurance that Supremex will be able to grow or even maintain historical sales levels.

To reduce this risk, the Company continually strives to improve operational efficiency and develop new products.

#### *Postal Services*

Because the majority of envelopes consumed in Canada and the United States are mailed, any strike or other work stoppage by unionized postal workers would result in a temporary suspension of the mail activities of most of Supremex's customers and could have a material adverse effect on Supremex. In the summer of 2011, there was a work stoppage at Canada Post that lasted about three weeks. During that period, envelope shipments to customers were slightly affected and some direct mail orders were cancelled. Adoption of e-billing also increased during that period. Many large corporations used the work stoppage at Canada Post to promote the advantages of e-billing. It is impossible to quantify the impact of the work stoppage due to its long-term potential effect.

In addition, postal rates are a significant factor affecting envelope usage and any increases in postal rates, relative to changes in the cost of alternative delivery means or advertising media, could result in reductions in the volume of mail sent. To that effect, in December 2013, Canada Post announced a Five-Point action plan by which, notably:

- Over the next five years, the one third of Canadian household that receive their mail at their door will be converted to community mailbox delivery;
- A new pricing structure for Letter Mail mailed within Canada will be introduced in March 2014 (increases from 14.75% for machineable standard letter mail to 35% for individual stamps);
- The retail network will be strengthened by opening more franchise postal outlets in stores across Canada;
- Changes to internal operations to obtain a more efficient flow of parcels and mail through the network and to the customers; and
- Changes to the business model, which will require fewer employees.

No assurance can be provided that future increases in postal rates will not have a negative effect on the level of mail sent or the volume of envelopes purchased.

Finally, there has been growing talk of "do-not-mail" legislation in the US with respect to the direct marketing industry. "Do-not-mail" legislation is instituted at the state level. In 2008, such legislation was

introduced but not passed in some states. That being said, if such legislation were to be passed, it would have a negative impact on the Company's sales volume.

#### *Relation with customers*

Supremex typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with Supremex at any time. In addition, even if customers decide to continue their relationship with Supremex, there can be no guarantee that they will purchase the same amount as in the past, or that purchases will be on similar terms. Supremex's customer base is solidly diversified with no single account representing more than 10% of sales, thus reducing dependence on any given single customer.

#### *Competition*

Despite Supremex's leading market position in Canada, new entrants into the Canadian envelope market may have an impact on sales and margins. The strengthening of the Canadian dollar against the US dollar created an incentive for US-based competitors to increase market penetration in Canada in the last five years. The large US envelope manufacturers are using their excess capacity to penetrate the Canadian envelope market. As long as the US market stays relatively soft, there will be pricing pressure in the Canadian market. In January 2014, the Canadian dollar weakened by almost 10% which could possibly ease the pressure on the Canadian envelope market. However, the costs of freight, coupled with the efficiency of delivery are barriers to servicing any significant customer volume from a distance.

In the current market, the Canadian envelope manufacturers are more aggressive on pricing in order to generate new sales to replace their lost sales. Given the Company's large market share in Canada, most of the gains of our smaller competitors in Canada are made in Supremex's accounts.

Nonetheless, to mitigate this risk, the Company continues to focus on continuous improvement programs, cost reduction initiatives and development of value-added services and products around its core businesses, and still believes in the value of having local service and representation in all the major Canadian markets.

#### *Economic Cycles*

A significant risk that Supremex faces and over which it has no control is related to economic cycles. In a soft economy, the market most affected at Supremex is its direct mail market. There is a direct correlation between growth/decline in the gross domestic product and direct mail volume. Because of the economic conditions faced, we have experienced a direct mail volume decline. For Supremex, such impact is partially mitigated as direct mail represents approximately 20% of Supremex's total annual volume. For transactional mail, which represents about 50% of Supremex's annual volume, economic cycles had a lesser impact than on direct mail since businesses must still mail out bills to their customers. Nevertheless, this segment is also declining.

#### *Raw Material Price Increases*

The primary raw materials the Company uses are paper, window material, glue and ink. Fluctuations in raw material and energy prices affect our operations. In general, the Company does not rely solely on one supplier to avoid dependence on product availability and pricing.

First, the current tightening in the paper market, due to paper mill closures, has resulted in a decrease in the supply of paper which has in turn lead to paper price increases. While paper costs were generally a

pass through in the past, an increase in the price of paper can negatively affect our operations if it changes the purchasing habits of our customers, especially in the current economic conditions. Moreover, an increase in the price of paper negatively affects Supremex's profitability if the increases cannot be passed on to the customer. In the past, the Company was generally successful in passing through raw material increases to its customers.

Fluctuations in the price of oil, a core ingredient in the composition of window material, glue and ink have a direct impact on their price. An increase in the price of oil can have a negative effect on our operations if it changes the purchasing habits of our customers.

#### *Exchange Rate*

A portion of Supremex's revenue is earned in US dollars while a large portion of its expenses, including most of its paper and other raw materials costs as well as certain capital expenditures are incurred in US dollars. Supremex also derives a portion of its revenue from Canadian dollar sales to certain customers for whom selling price is sensitive to US competition.

Net exposure to the US dollar has decreased in 2013 due to lower US dollar purchases. Revenue generated in the United States represented 9.5% of consolidated revenue in fiscal 2013, up from 8.8% in fiscal 2012.

#### *Environment*

The Company operates in an industry which uses large quantities of paper in its day-to-day operations. With society's mounting concern over the protection of the environment and sustainable development, Supremex's products and services are under pressure to be more environmentally friendly. For instance, the growing concern over the environment could change the consumption habits of consumers and new regulations could force the Company to use more expensive environmentally friendly materials in its production process. To mitigate this risk, the Company tries to be at the forefront of its industry in terms of commitment to the environment and, in collaboration with its suppliers, seeks on an ongoing basis to reduce its impact on the environment. Supremex is also a leader in the Canadian envelope market in the marketing of environmental friendly products, such as 100% recycled paper or FSC certified paper.

#### *Availability of Capital*

The Company has credit facilities totaling \$53 million consisting of a \$15 million revolving facility and a \$38 million term credit facility. The revolving and term credit facilities mature on November 4, 2015. Although the Company carried out this refinancing successfully, there is no guarantee that additional funds will be available in the future, and if they are, that they will be provided in a timeframe and under conditions acceptable to the Company.

#### *Credit*

The Company is exposed to credit risk with respect to trade receivables. To mitigate this risk, the Company analyzes and reviews the financial health of its current customers on an ongoing basis. A specific credit limit is established for each customer and reviewed periodically by the Company. Supremex is protected against any concentration of credit risk through its clientele and geographic diversity. No single customer accounts for more than 10% of consolidated accounts receivable. Supremex's customer base is solidly diversified and consists mainly of large national customers, such as large Canadian corporations, nationwide resellers and governmental bodies, as well as paper merchants and solution and process providers. Historically, the level of bad debt has been low given the nature of the

customers. As at December 31, 2013, the maximum credit risk exposure for receivables corresponds to their carrying value.

#### *Interest Rate*

The Company is exposed to market risks related to interest rate fluctuations. On January 14, 2011, a \$30 million interest swap was contracted. The Company's policy is to fix a portion of its long-term debt. Under this swap, the fixed-rate portion represented 43% at the time it was entered into. It represented 79% as at December 31, 2013. Floating-rate debt bears interest rates based on bankers' acceptance rate. This swap converts the variable interest rate, based on bankers' acceptance rate, to an average fixed interest rate of 2.84% until January 14, 2016, excluding an applicable margin, which is 225 basis points as at December 31, 2013.

To mitigate this risk, the Company tries to maintain a good balance of fixed versus floating rate debt.

#### *Litigation*

Supremex, like other manufacturing and sales organizations, is subject to potential liabilities connected with its business operations, including expenses associated with product defects, performance, reliability or delivery delays. Supremex is from time to time threatened with, or named as a defendant in, legal proceedings, including lawsuits based on product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Supremex or the imposition of a significant fine or penalty, as a result of a finding that Supremex failed to comply with laws or regulations, or being named as a defendant on multiple claims could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

#### *Employee future benefits*

The Company maintains three registered defined benefit pension plans substantially covering all of its employees. Two of these plans are hybrid and included a defined contribution component. In the third quarter of 2012, the Company converted, for future services, its defined benefit pension plans into defined contributions plans. In the past, the Company has also provided post-retirement and post-employment benefits, including health care, dental care and life insurance, to a limited number of employees.

The level of the contributions may vary depending on pension fund performance and the discount rate, which could affect the financial condition of Supremex.

### **MATERIAL CONTRACTS**

The only material contract entered into by any of the Company, or its subsidiary entities, prior to (and which are still in effect) or during the year ended December 31, 2013, other than in the ordinary course of business, is the credit agreement with certain lenders entered into in November 4, 2011.

### **INTEREST OF EXPERTS**

Ernst & Young LLP are the auditors of Supremex and have advised that they are independent with respect to Supremex within the meaning of the Rules of Professional Conduct of the Ordre des comptables professionnels agréés du Québec.

## **LEGAL PROCEEDINGS AND REGULATORY ACTIONS**

The Company is not involved nor has it been involved since the beginning of Fiscal 2013 in any material legal proceedings or regulatory actions (including such proceedings or actions which are pending or threatened and of which the Company is aware), except for legal proceedings instituted by a former executive and for which the Company is presently assessing the validity.

## **INTEREST OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS**

Other than as set out below, none of (i) the directors or executive officers of the Company, (ii) the shareholders who beneficially own or control or direct, directly or indirectly, more than 10% of the voting shares of the Company, or (iii) any associate or affiliate of the persons referred to in (i) and (ii), has or has had any material interest, direct or indirect, in any transaction within the three most recently completed financial years or during the current financial year that has materially affected or is reasonably expected to materially affect the Company.

Clarke Inc.

During Fiscal 2012 and Fiscal 2013, the Company has, in the normal course of business, received freight transportation services from a company owned by a major shareholder, Clarke Inc., in an amount representing respectively \$117,891 and \$239,493, respectively. No services were rendered by Clarke Inc. to the Company during the fiscal year ended December 31, 2011.

In addition, as disclosed in a press release dated March 25, 2013, the Company received from Clarke Inc. a non-binding proposal to acquire all of the outstanding Shares of Supremex that it did not already own at a price of \$1.20 in cash per Share. Following the receipt of Clarke Inc.'s non-binding proposal, the Board of Directors of Supremex established a Special Committee of independent directors to review the terms of Clarke's non-binding proposal and make a recommendation to the Board of Directors. After careful consideration of Clarke's non-binding proposal by the Special Committee, all discussions between the Company and Clarke Inc. regarding the non-binding proposal were subsequently terminated on August 12, 2013 and the Special Committee was dissolved by the Board of Directors.

## **ADDITIONAL INFORMATION**

Additional information relating to Supremex may be found on SEDAR at [www.sedar.com](http://www.sedar.com).

Additional information, including directors' and officers' remuneration and indebtedness, principal holders of Supremex's securities and securities authorized for issuance under equity compensation plans will be contained in Supremex's information circular for its annual meeting of Shareholders of Supremex. Additional financial information is provided in the financial statements and management's discussion and analysis for the year ended December 31, 2013.

Supremex will, upon request to the Corporate Secretary of Supremex, 7213 Cordner Street, LaSalle, Québec, H8N 2J7, provide to any person or company, the documents specified below:

- (i) when Supremex is in the course of a distribution of its securities under a short form prospectus, or has filed a preliminary short form prospectus in respect of a proposed distribution of its securities:
  - (a) one copy of Supremex's latest annual information form, together with one copy of any document or the pertinent pages of any document, incorporated therein by reference;

- (b) one copy of the comparative consolidated financial statements of Supremex for the most recently completed financial year for which financial statements have been filed, together with the auditors' report thereon, and one copy of any interim financial statements of Supremex for any period after its most recently completed financial year;
  - (c) one copy of the information circular of Supremex in respect of its most recent annual meeting of Shareholders that involved the election of directors or one copy of any annual filing prepared instead of that information circular, as appropriate; and
  - (d) one copy of any other documents that are incorporated by reference into the preliminary short form prospectus or the short form prospectus and are not required to be provided under subparagraphs (i) to (iii); or
- (ii) at any other time, Supremex shall provide to any person or company one copy of any of the documents referred to in subparagraphs (i)(a), (b) and (c) above, provided that Supremex may require the payment of a reasonable charge if the request is made by a person or company who is not a holder of Supremex's securities.

## GLOSSARY OF TERMS

“**Arrangement**” means the arrangement under Section 192 of the CBCA as set out in the plan of arrangement attached as a schedule to the Arrangement Agreement, pursuant to which, on January 1, 2011, the Fund converted from an income trust structure to Supremex.

“**Arrangement Agreement**” means the arrangement agreement dated March 22, 2010, as amended on December 17, 2010 between Supremex, the Fund and 7351020 Canada Inc.

“**Audit Committee**” means the audit committee of Supremex.

“**Board of Directors**” means the board of directors of Supremex.

“**CBCA**” means the *Canada Business Corporations Act*.

“**Cenveo Depew**” means the business unit located in Buffalo, New York, which has been named “Buffalo Envelope” on the closing of the Initial Public Offering.

“**Environmental Laws**” has the meaning ascribed thereto under “Business – Environmental Regulations”

“**Fund**” means Supremex Income Fund, an unincorporated open-ended trust formed pursuant to the Fund Declaration of Trust under the laws of the Province of Québec, which converted into Supremex pursuant to the Arrangement.

“**Fund Declaration of Trust**” means the Fund Declaration of Trust made as of February 10, 2006 as amended and restated between the trustee and the settlor thereof governed by the laws of the Province of Québec, pursuant to which the Fund was established, as amended, supplemented or restated from time to time.

“**IFRS**” means international financial reporting standards.

“**Initial Public Offering**” means the offering of 17,500,000 Units issued and sold by the Fund on March 31, 2006 pursuant to the prospectus dated March 17, 2006 .

“**Management**” means the management of Supremex.

“**Shares**” means the common shares of Supremex.

“**Shareholders**” means the holders of the Shares.

“**Supremex**” or the “**Company**” refers to Supremex Inc., together with its subsidiaries and predecessors.

“**TSX**” means the Toronto Stock Exchange.

“**Units**” means the units of the Fund.

“**US**” means the United States of America.

Words importing the singular include the plural and vice versa and words importing any gender include all genders.

## **SCHEDULE A**

### **AUDIT COMMITTEE CHARTER (the "Committee")**

#### **SECTION 1   ROLE AND PURPOSE**

The Audit Committee (sometimes referred to herein as the "Committee") is a committee of the Board of Supremex Inc. ("Supremex"). The primary function of the Audit Committee is to assist the Board members in fulfilling their roles by:

- (a) recommending to the Board the appointment and compensation of the external auditor;
- (b) overseeing the work of the external auditor, including the resolution of any issues between the external auditor and management;
- (c) pre-approving all non-audit services (or delegating such pre-approval if and to the extent permitted by law) to be provided to Supremex or its subsidiaries by the external auditor;
- (d) reviewing and recommending the approval of the annual and interim financial statements, related management discussion and analysis ("MD&A"), and annual and interim earnings press releases before such information is publicly disclosed;
- (e) ensuring that adequate procedures are in place for the review of Supremex's public disclosure of financial information, other than those described in (d) above, extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures; and
- (f) reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of Supremex or its subsidiaries.

The Audit Committee should primarily fulfill these responsibilities by carrying out the activities enumerated in this Charter. However, it is not the duty of the Committee to prepare financial statements, to plan or conduct audits, to determine that the financial statements are complete and accurate and are in accordance with International Financial Reporting Standards ("IFRS"), to conduct investigations, or to assure compliance with laws and regulations or Supremex's internal policies, procedures and controls, as these are the responsibility of management and in certain cases the external auditor, as the case may be.

#### **SECTION 2   COMPOSITION OF THE COMMITTEE AND MEETINGS**

- (1) The Audit Committee must be constituted as required under National Instrument 52-110, as it may be amended from time to time ("NI 52-110").
- (2) The Committee should be comprised of such members as are determined by the Board, all of whom should be independent members Directors (as defined by NI 52-110), and free from any relationship that, in the view of the Board, could be reasonably expected to interfere with the exercise of his or her independent judgment as a member of the Committee.
- (3) All members of the Committee must (except to the extent permitted by NI 52-110) be financially literate (which is defined as the ability to read and understand a set of financial statements that present a breadth and level of complexity of the accounting issues that are generally comparable

to the breadth and complexity of the issues that can reasonably be expected to be raised by Supremex's financial statements).

- (4) The members of the Committee shall be elected by the Board on an annual basis or until their successors shall be duly appointed. Unless a Chair is elected by the full Board, the members of the Committee may designate a Chair by majority vote of the full Committee membership.
- (5) Any member of the Audit Committee may be removed or replaced at any time by the Board and shall cease to be a member of the Audit Committee on ceasing to be a Director. The Board may fill vacancies on the Audit Committee by election from among the Board. If and whenever a vacancy shall exist on the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains.
- (6) The Committee shall meet at least four times annually, or more frequently as circumstances require.
- (7) The Committee Chair may ask members of management or others to attend meetings and provide pertinent information as necessary. For purposes of performing their duties, members of the Committee shall have full access to all corporate information and any other information deemed appropriate by them, and shall be permitted to discuss such information and any other matters relating to the financial position of Supremex with senior employees, officers and the external auditor of Supremex or the Corporation, and others as they consider appropriate.
- (8) In order to foster open communication, the Committee or its Chair can meet at least quarterly with management and the external auditor in separate sessions to discuss any matters that the Committee or each of these groups believes should be discussed privately. In addition, the Committee or its Chair should meet with management quarterly in connection with Supremex's interim financial statements.
- (9) Quorum for the transaction of business at any meeting of the Committee shall be a majority of the number of members of the Committee or such greater number as the Committee shall determine by resolution.
- (10) Meetings of the Audit Committee shall be held from time to time and at such place as any member of the Committee shall determine upon reasonable notice to each of its members, which shall not be less than 48 hours. The notice period may be waived by all members of the Committee. Each of the Chairman of the Board and the external auditor, and the President and Chief Executive Officer and the Vice President, Chief Financial Officer and Corporate Secretary of the Corporation, shall be entitled to request that any member of the Committee call a meeting.
- (11) The Committee shall determine any desired agenda items.

### **SECTION 3 ACTIVITIES**

The Audit Committee shall, in addition to the matters described in Section 1:

- (1) Review on an annual basis and recommend to the Board changes to this Charter as considered appropriate from time to time.
- (2) Review the public disclosure regarding the Audit Committee required by NI 52-110.

- (3) Review and discuss, on an annual basis, with the external auditor all significant relationships they have with Supremex to assess their independence.
- (4) Review the performance of the external auditor and any proposed discharge of the external auditor when circumstances warrant.
- (5) Periodically consult with the external auditor out of the presence of management about significant risks or exposures, internal controls and other steps that management has taken to control such risks, and the fullness and accuracy of the financial statements, including the adequacy of internal controls to expose any payments, transactions or procedures that might be deemed illegal or otherwise improper.
- (6) Arrange for the external auditor to be available to the Committee and the Board as needed.
- (7) Review the integrity of the financial reporting processes, both internal and external, in consultation with the external auditor.
- (8) Consider the external auditor's judgments about the quality, transparency and appropriateness, not just the acceptability, of Supremex's accounting principles and financial disclosure practices, as applied in its financial reporting, including the degree of aggressiveness or conservatism of its accounting principles and underlying estimates, and whether those principles are common practices or are minority practices.
- (9) Review all material balance sheet issues, material contingent obligations (including those associated with material acquisitions or dispositions) and material related party transactions.
- (10) Consider proposed major changes to Supremex's accounting principles and practices.
- (11) If considered appropriate, establish separate systems of reporting to the Committee by each of management and the external auditor.
- (12) Review the scope and plans of the external auditor's audit and reviews. The Committee may authorize the external auditor to perform supplemental reviews or audits as the Committee may deem desirable.
- (13) Periodically consider the need for an internal audit function, if not present.
- (14) Following completion of the annual audit and, if applicable, quarterly reviews, review separately with each of management and the external auditor any significant changes to planned procedures, any difficulties encountered during the course of the audit and, if applicable, reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditor received during the course of the audit and, if applicable, reviews.
- (15) Review with the external auditor and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Committee.
- (16) Review activities, organizational structure and qualifications of the chief financial officer and the staff in the financial reporting area and see to it that matters related to succession planning are raised for consideration by the Board.

- (17) Review management's program of risk assessment and steps taken to address significant risks or exposures of all types, including insurance coverage and tax compliance.
- (18) Establish procedures for: the receipt, retention and treatment of complaints received by Supremex regarding accounting, internal accounting controls or auditing matters; and the confidential, anonymous submission by Supremex employees of concerns regarding questionable accounting or auditing matters.

#### **SECTION 4 GENERAL MATTERS**

- (1) The Committee is authorized to retain independent counsel, accountants, consultants and any other professionals ("Advisors") it deems necessary to carry out its duties, and the Committee shall have the authority to determine the compensation of and to cause Supremex to pay any such Advisors.
- (2) The Committee is authorized to communicate directly with the external (and, if applicable, internal) auditors as it sees fit.
- (3) If considered appropriated by it, the Committee is authorized to conduct or authorize investigations into any matters within the Committee's scope of responsibilities, and to perform any other activities as the Committee deems necessary or appropriate.
- (4) Notwithstanding the foregoing and subject to applicable law, the Committee shall not be responsible for preparing financial statements, for planning or conducting internal or external audits or for determining that Supremex's financial statements are complete and accurate and are in accordance with generally accepted accounting principles, as these are the responsibility of management and in certain cases the external auditor, as the case may be. Nothing contained in this Charter is intended to make the Committee liable for any non-compliance by Supremex with applicable laws or regulations.
- (5) The Committee is a committee of the Board and is not and shall not be deemed to be an agent of Supremex's shareholders for any purpose whatsoever. The Board may, from time to time, permit departures from the terms hereof, either prospectively or retrospectively, and no provision contained herein is intended to give rise to civil liability to securityholders of Supremex or to any other liability whatsoever.