

CENVEO, INC  
Form 10-Q  
July 30, 2015

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

FORM 10-Q

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

For the quarterly period ended June 27, 2015  
Commission file number 1-12551

CENVEO, INC.  
(Exact name of Registrant as specified in its charter.)

COLORADO

(State or other jurisdiction of  
incorporation or organization)

84-1250533

(I.R.S. Employer Identification No.)

200 FIRST STAMFORD PLACE  
STAMFORD, CT  
(Address of principal executive offices)

06902

(Zip Code)

203-595-3000

(Registrant's telephone number, including area code)

N/A

(Former name, former address and former fiscal year, if changed since last report)

Indicate by check mark whether the 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 requirements for the past 90 days. Yes  No

Indicate by check mark whether the registrant has submitted electronically and posted on its corporate Web site, if any, every Interactive Data File required to be submitted and posted pursuant to Rule 405 of Regulation S-T (§232.405 of this chapter) during the preceding 12 months (or for such shorter period that the registrant was required to submit and post such files). Yes  No

Indicate by check mark whether the registrant is a large accelerated filer, an accelerated filer, a non-accelerated filer or a smaller reporting company. See the definitions of "large accelerated filer", "accelerated filer", and "smaller reporting company" in Rule 12b-2 of the Exchange Act. Large accelerated filer  Accelerated filer  Non-accelerated filer  Smaller reporting company

Indicate by check mark whether the registrant is a shell company (as defined in Rule 12b-2 of the Exchange Act). Yes  No

As of July 30, 2015, the registrant had 67,873,560 shares of common stock, par value \$0.01 per share, outstanding.



## EXPLANATORY NOTE

As previously disclosed, on July 21, 2015, Cenveo, Inc. (the "Company") dismissed Grant Thornton LLP ("GT") as the Company's registered public accounting firm, effective immediately, due to GT's determination that it was not independent of the Company with respect to the first two quarters of 2015, and not for any reason related to the Company's financial reporting or accounting operations, policies or practices. GT concluded that it was not independent solely as a result of inadvertent "scope creep" by an employee of GT in its work for the Company regarding a non-material tax matter. In particular, the GT employee appeared on behalf of the Company at an administrative hearing on the matter, took action on the matter without required authorization from the Company and otherwise acted in excess of actual authorization, thus impairing GT's independence.

The decision to dismiss GT was approved by the Company's Audit Committee of the Board of Directors (the "Audit Committee"). The Audit Committee determined that GT was not independent of the Company with respect to the first two quarters of 2015, but only after the filing of the Company's 2014 Form 10-K, which remains unaffected by the subsequent independence violation.

The Audit Committee has commenced the process of selecting a new independent accounting firm. The Company expects that the new firm will be engaged to complete a re-review of the first quarter of 2015. The Company will devote all necessary resources to facilitate the new firm's completion of its work on an expedited basis. There can be no assurance that the new firm will reach the same conclusions as GT regarding the application of accounting standards, management estimates or other factors affecting the Company's financial statements.

GT has confirmed that its impaired independence is unrelated to the Company's financial statements, its accounting practices, the integrity of the Company's management or for any other matter relating to the Company. As a result of GT's impaired independence, the unaudited interim financial information as presented in the Company's First Quarter Form 10-Q (the "Q1 10-Q") has not been reviewed by an outside independent registered public accounting firm as required by the rules of the Securities and Exchange Commission ("SEC"). As a result, the Q1 10-Q is considered deficient and the Company continues not to be timely or current in its filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

While the Q1 10-Q does not comply with the requirements of Regulation S-X and should not be interpreted to be a substitute for the review that would normally occur by the Company's independent registered public accounting firm, the Company's Audit Committee and management believe that the interim financial information presented in the Q1 10-Q fairly presents in all material respects the financial condition and results of operations of the Company as of the end of and for the applicable quarter. Except for the absence of this review of the unaudited interim financial information discussed above, the Company believes that the Q1 10-Q fully complies with the requirements of the Exchange Act.

As with the Q1 10-Q as described above, the unaudited interim financial information presented in this Form 10-Q has not been reviewed by an outside independent registered public accounting firm as required by SEC rules.

While this Form 10-Q, like the Q1 10-Q, does not comply with the requirements of Regulation S-X, the Company's Audit Committee and management believe that the interim financial information presented in this Form 10-Q fairly presents in all material respects the financial position of the Company as of June 27, 2015, and the results of operations for the three and six months ended June 27, 2015, and June 28, 2014, and cash flows for the six months ended June 27, 2015, and June 28, 2014. Except for the absence, for the reasons discussed above, of a review by an independent registered public accounting firm of the second quarter unaudited interim financial information, the Company believes that this Form 10-Q fully complies with the requirements of the Exchange Act.

The Chief Executive Officer and Chief Financial Officer of the Company believe, to the best of their knowledge, that the unaudited interim financial information presented in the Q1 10-Q and this Form 10-Q accurately portrays the financial condition of the Company for the applicable quarters. To that end, they provided the certifications under Section 302 of the Sarbanes-Oxley Act of 2002 ("SOX"). The SOX Section 906 certification by the officers, however was withdrawn from the Q1 10-Q and has been omitted from this Form 10-Q only as a result of GT's independence violation as described above. The unaudited interim financial information presented in the Q1 10-Q was not, and the information presented in this Form 10-Q has not been, reviewed by an independent registered public accountant under Public Company Accounting Oversight Board ("PCAOB") AU 722, Interim Financial Information ("PCAOB AU 722"). The Company believes that the Q1 10-Q and this Form 10-Q otherwise meet all of the qualifications of the

Exchange Act and the rules and regulations thereunder governing the preparation and filing of periodic reports as referenced in the applicable certifications. Before the Company's officers can make a SOX Section 906 certification, the Company's new independent accounting firm must complete its reviews of the unaudited interim financial information presented in the Q1 10-Q and this Form 10-Q under PCAOB AU 722, as required by SEC rules. Once that firm completes its PCAOB AU 722 reviews of this unaudited interim financial information for the first two quarters of 2015, the Company will file amendments to such filings with the SOX Section 906 certifications as soon as practicable.

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CENVEO, INC. AND SUBSIDIARIES  
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 For the quarterly period ended June 27, 2015

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## PART I. FINANCIAL INFORMATION

## Item 1. Financial Statements

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED BALANCE SHEETS  
(in thousands)

	June 27, 2015 (unaudited and unreviewed)	December 27, 2014
Assets		
Current assets:		
Cash and cash equivalents	\$12,197	\$14,593
Accounts receivable, net	259,861	281,898
Inventories	142,657	137,010
Prepaid and other current assets	47,256	50,406
Assets of discontinued operations - current	37	8
Total current assets	462,008	483,915
Property, plant and equipment, net	270,942	282,408
Goodwill	185,552	185,849
Other intangible assets, net	152,852	157,704
Other assets, net	45,599	48,015
Total assets	\$1,116,953	\$1,157,891
Liabilities and Shareholders' Deficit		
Current liabilities:		
Current maturities of long-term debt	\$4,466	\$4,355
Accounts payable	206,732	232,184
Accrued compensation and related liabilities	31,267	37,125
Other current liabilities	78,420	87,221
Liabilities of discontinued operations - current	104	70
Total current liabilities	320,989	360,955
Long-term debt	1,247,783	1,229,984
Other liabilities	189,267	199,627
Commitments and contingencies		
Shareholders' deficit:		
Preferred stock	—	—
Common stock	679	677
Paid-in capital	370,454	370,228
Retained deficit	(915,467)	(905,383)
Accumulated other comprehensive loss	(96,752)	(98,197)
Total shareholders' deficit	(641,086)	(632,675)
Total liabilities and shareholders' deficit	\$1,116,953	\$1,157,891

See notes to condensed consolidated financial statements.



CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF OPERATIONS  
AND COMPREHENSIVE INCOME (LOSS)

(in thousands, except per share data)  
(unaudited and unreviewed)

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net sales	\$460,857	\$479,410	\$935,962	\$969,529
Cost of sales	384,105	399,436	781,993	814,593
Selling, general and administrative expenses	49,037	55,840	101,298	111,334
Amortization of intangible assets	2,446	3,449	4,853	6,898
Restructuring and other charges	2,040	7,338	6,394	13,285
Operating income	23,229	13,347	41,424	23,419
Interest expense, net	25,278	26,666	50,970	54,576
Loss on early extinguishment of debt, net	126	26,480	559	26,498
Other expense (income), net	347	212	130	(297)
Loss from continuing operations before income taxes	(2,522)	(40,011)	(10,235)	(57,358)
Income tax benefit	(103)	(710)	(169)	(1,270)
Loss from continuing operations	(2,419)	(39,301)	(10,066)	(56,088)
Income (loss) from discontinued operations, net of taxes	14	664	(18)	1,617
Net loss	(2,405)	(38,637)	(10,084)	(54,471)
Other comprehensive income (loss):				
Changes in pension and other employee benefit accounts, net of taxes	1,342	480	2,684	960
Currency translation adjustment	91	645	(1,239)	733
Comprehensive loss	\$(972)	\$(37,512)	\$(8,639)	\$(52,778)
(Loss) income per share – basic:				
Continuing operations	\$(0.04)	\$(0.59)	\$(0.15)	\$(0.84)
Discontinued operations	—	0.01	—	0.02
Net loss	\$(0.04)	\$(0.58)	\$(0.15)	\$(0.82)
(Loss) income per share – diluted:				
Continuing operations	\$(0.04)	\$(0.59)	\$(0.15)	\$(0.84)
Discontinued operations	—	0.01	—	0.02
Net loss	\$(0.04)	\$(0.58)	\$(0.15)	\$(0.82)
Weighted average shares outstanding:				
Basic	67,831	66,496	67,789	66,416
Diluted	67,831	66,496	67,789	66,416

See notes to condensed consolidated financial statements.





CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATED STATEMENTS OF CASH FLOWS  
(in thousands) (unaudited and unreviewed)

	For the Six Months Ended	
	June 27, 2015	June 28, 2014
Cash flows from operating activities:		
Net loss	\$(10,084	) \$(54,471
Adjustments to reconcile net loss to net cash used in operating activities:		
Gain on sale of discontinued operations, net of taxes	—	(1,559
Loss (income) from discontinued operations, net of taxes	18	(58
Depreciation and amortization, excluding non-cash interest expense	29,456	32,860
Non-cash interest expense, net	4,990	5,006
Deferred income taxes	(622	) (1,121
(Gain) loss on sale of assets	(299	) 4
Non-cash restructuring and other charges, net	2,800	4,821
Loss on early extinguishment of debt, net	559	26,498
Stock-based compensation provision	444	1,672
Other non-cash charges	2,912	2,346
Changes in operating assets and liabilities, excluding the effects of acquired businesses:		
Accounts receivable	19,695	2,483
Inventories	(7,026	) (530
Accounts payable and accrued compensation and related liabilities	(31,355	) (8,369
Other working capital changes	(9,228	) (22,252
Other, net	(3,865	) (12,757
Net cash used in operating activities of continuing operations	(1,605	) (25,427
Net cash used in operating activities of discontinued operations	(24	) (1,687
Net cash used in operating activities	(1,629	) (27,114
Cash flows from investing activities:		
Capital expenditures	(13,703	) (16,777
Purchase of investment	—	(2,000
Proceeds from sale of property, plant and equipment	1,429	320
Net cash used in investing activities of continuing operations	(12,274	) (18,457
Net cash provided by investing activities of discontinued operations	—	2,196
Net cash used in investing activities	(12,274	) (16,261
Cash flows from financing activities:		
Proceeds from issuance of 6.000% senior secured priority notes due 2019	—	540,000
Proceeds from issuance of 8.500% junior secured priority notes due 2022	—	250,000
Payment of financing-related costs and expenses and debt issuance discounts	(1,210	) (35,017
Repayments of other long-term debt	(2,582	) (2,967
Repayment of 11.5% senior notes due 2017	(22,720	) —
Purchase and retirement of common stock upon vesting of RSUs	(218	) (562
Proceeds from exercise of stock options	2	—
Repayment of 15% Unsecured Term Loan due 2017	—	(10,000
Repayment of Term Loan Facility due 2017	—	(329,100
Repayment of 8.875% senior second lien notes due 2018	—	(400,000
Borrowings under ABL Facility due 2017	265,900	287,900
Repayments under ABL Facility due 2017	(227,000	) (258,900
Net cash provided by financing activities	12,172	41,354
Effect of exchange rate changes on cash and cash equivalents	(665	) 20

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Net decrease in cash and cash equivalents	(2,396	) (2,001	)
Cash and cash equivalents at beginning of period	14,593	11,329	
Cash and cash equivalents at end of period	\$12,197	\$9,328	

See notes to condensed consolidated financial statements.

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CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS

1. Basis of Presentation

The accompanying unaudited and unreviewed condensed consolidated financial statements ("financial statements") of Cenveo, Inc. and its subsidiaries (collectively, "Cenveo" or the "Company") have been prepared in accordance with Rule 10-01 of Regulation S-X promulgated by the Securities and Exchange Commission ("SEC") and, in the Company's opinion, include all adjustments, consisting of normal recurring accruals, necessary for a fair presentation of financial position as of June 27, 2015, and the results of operations for the three and six months ended June 27, 2015, and June 28, 2014, and cash flows for the six months ended June 27, 2015, and June 28, 2014. Certain information and footnote disclosures normally included in annual financial statements prepared in accordance with accounting principles generally accepted in the United States of America ("GAAP") have been condensed or omitted pursuant to SEC rules. The results of operations for the three and six months ended June 27, 2015, are generally not indicative of the results to be expected for any interim period or for the full year, primarily due to restructuring, acquisition and debt-related activities or transactions. The December 27, 2014 consolidated balance sheet has been derived from the audited consolidated financial statements at that date. These financial statements should be read in conjunction with the audited consolidated financial statements and notes thereto included in the Company's Annual Report on Form 10-K for the fiscal year ended December 27, 2014, filed with the SEC. The reporting periods for the three and six months ended June 27, 2015, and June 28, 2014, each consisted of 13 weeks and 26 weeks, respectively.

The unaudited interim financial information presented in this Form 10-Q has not been reviewed by an outside independent registered public accounting firm as required by SEC rules. See the Explanatory Note to this Form 10-Q for a further description. While this Form 10-Q does not comply with the requirements of Regulation S-X, the Company's Audit Committee and management believe that the interim financial information presented in this Form 10-Q fairly presents in all material respects the financial position of the Company as of June 27, 2015, and the results of operations for the three and six months ended June 27, 2015, and June 28, 2014, and cash flows for the six months ended June 27, 2015, and June 28, 2014. Except for the absence of such review and the omission of the certification under Section 906 of the Sarbanes-Oxley Act of 2002 ("SOX"), for the reasons discussed in greater detail in the Explanatory Note, the Company believes that this Form 10-Q fully complies with the requirements of the Exchange Act. Once the Company's new independent accounting firm completes its reviews of the unaudited interim financial information presented in the first quarter Form 10-Q ("Q1 10-Q") and this Form 10-Q under Public Company Accounting Oversight Board ("PCAOB") AU 722, as required by SEC rules, the Company will file amendments to such filings as soon as practicable.

**New Accounting Pronouncements:** In April 2014, the Financial Accounting Standards Board ("FASB") issued Accounting Standards Update ("ASU") 2014-08, "Presentation of Financial Statements (Topic 205) and Property, Plant, and Equipment (Topic 360): Reporting Discontinued Operations and Disclosures of Disposals of Components of an Entity." The amendments in the ASU change the criteria for reporting discontinued operations while enhancing related disclosures. The amendments in the ASU were effective in the first quarter of 2015. The Company's adoption of ASU 2014-08 did not have a material impact on the Company's consolidated financial statements.

In May 2014, the FASB issued ASU 2014-09, "Revenue from Contracts with Customers (Topic 606)." The new revenue recognition standard provides a five-step analysis to determine when and how revenue is recognized. The standard requires that a company recognizes revenue to depict the transfer of promised goods or services to customers in an amount that reflects the consideration to which the company expects to be entitled in exchange for those goods or services. This ASU is effective for annual periods beginning after December 15, 2017 and will be applied retrospectively to each period presented or as a cumulative-effect adjustment as of the date of adoption. The Company is currently evaluating the impact of the pending adoption of ASU 2014-09 on its consolidated financial statements.

In February 2015, the FASB issued ASU 2015-02, "Consolidation: Amendment to the Consolidation Analysis." This revised standard improves targeted areas of the consolidation guidance and reduces the number of consolidation

models. This update is effective for annual and interim periods in fiscal years beginning after December 15, 2015, with early adoption permitted. The Company does not expect the adoption of ASU 2015-02 to have a material impact on its consolidated financial statements.

In April 2015, the FASB issued ASU 2015-03, "Interest - Imputation of Interest (Subtopic 835-30): Simplifying the Presentation of Debt Issuance Costs." The amendments in ASU 2015-03 require that debt issuance costs related to a recognized debt liability be presented in the balance sheet as a direct deduction from the carrying amount of that debt liability, consistent with debt discounts. ASU 2015-03 is effective for annual and interim periods beginning on or after December 15, 2015. As of June 27, 2015, the Company had \$19.4 million of debt issuance costs that would be reclassified from a long-term asset to a reduction in the carrying amount of its debt.

CENVEO, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2. Acquisitions

The Company accounts for business combinations under the provisions of the Business Combination Topic of the FASB's Accounting Standards Codification ("ASC") 805. Acquisitions are accounted for by the purchase method, and accordingly, the assets and liabilities of the acquired businesses have been recorded at their estimated fair values on the acquisition date with the excess of the purchase price over their estimated fair values recorded as goodwill. In the event the estimated fair values of the assets and liabilities acquired exceed the purchase price paid, a bargain purchase gain is recorded in the statements of operations.

Acquisition-related costs are expensed as incurred. Acquisition-related costs, including integration costs, are included in selling, general and administrative expenses in the Company's statements of operations and were less than \$0.1 million and \$1.1 million for the three months ended June 27, 2015, and June 28, 2014, respectively, and \$0.3 million and \$3.1 million for the six months ended June 27, 2015, and June 28, 2014, respectively.

### National Envelope

On September 16, 2013, Cenveo acquired certain assets of National Envelope Corporation ("National"). National's accounts receivable and inventory were purchased by unrelated third parties in conjunction with Cenveo's acquisition. National manufactured and distributed envelope products for the billing, financial, direct mail and office products markets and had approximately 1,600 employees. The Company believes the acquisition of certain assets of National has enhanced the Company's manufacturing capabilities and reduced capacity in the envelope industry. The purchase price was \$34.1 million, of which \$6.0 million was Cenveo common stock, and was allocated to the tangible and identifiable intangible assets acquired and liabilities assumed based on their estimated fair values at the acquisition date, and was assigned to the Company's envelope segment. The acquisition of certain assets of National resulted in a bargain purchase gain of approximately \$17.3 million, exclusive of \$6.8 million of tax expense, which was recognized in the Company's statement of operations in 2013. Prior to the recognition of the bargain purchase gain, the Company reassessed the fair values of the tangible and identifiable intangible assets acquired and liabilities assumed in the acquisition. The Company believes it was able to acquire those assets of National for less than their fair value due to National's bankruptcy prior to the Company's acquisition. The acquired identifiable intangible asset relates to a leasehold interest with a fair value of \$4.4 million, which is being amortized over the remaining lease term of 20 years, which includes renewal periods. The Company finalized the purchase price allocation in the third quarter of 2014 and adjusted the preliminary values allocated to certain assets and liabilities. There were no material adjustments to the purchase price allocation.

National's results of operations and cash flows are included in the Company's statements of operations and cash flows from September 16, 2013.

### Purchase Price Allocation

The following table summarizes the allocation of the purchase price of National to the assets acquired and liabilities assumed in the acquisition (in thousands):

Property, plant and equipment	\$53,108
Other intangible assets	4,430
Total assets acquired	57,538
Accounts payable	1,015
Accrued compensation and related liabilities	1,210
Other current liabilities	1,453
Note payable	2,536

Total liabilities assumed	6,214
Net assets acquired	51,324
Cost of the acquisition of certain assets of National	34,062
Gain on bargain purchase	\$ 17,262

Property, plant and equipment values were estimated based on discussions with machinery and equipment brokers, internal expertise related to the equipment and current marketplace conditions. The value of the leasehold interest acquired was determined based on the present value of the difference between: (i) the contractual amounts to be paid pursuant to the lease; and (ii)

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

management's estimate of current market lease rates for the corresponding lease, measured over the remaining lease term and renewal periods.

The fair values of property, plant and equipment and the intangible asset acquired from National were determined to be Level 3 under the fair value hierarchy.

### 3. Discontinued Operations

On September 28, 2013, the Company completed the sale of its Custom Envelope Group ("Custom Envelope"). The Company received total net cash proceeds of approximately \$47.0 million, of which \$2.2 million was received in 2014. This resulted in the recognition of a total after-tax gain of \$16.5 million, of which \$14.9 million was recognized in the year ended 2013. The operating results of Custom Envelope are reported in discontinued operations in the Company's financial statements for all periods presented herein.

During the second quarter of 2013, the Company decided to exit the San Francisco market and closed a manufacturing facility within its print segment. The operating results of this manufacturing facility are reported in discontinued operations in the Company's financial statements for all periods presented herein.

Collectively, the Company refers to these businesses as the "Discontinued Operations."

The following table shows the components of assets and liabilities that are classified as discontinued operations in the Company's condensed consolidated balance sheets as of June 27, 2015, and December 27, 2014 (in thousands):

	June 27, 2015	December 27, 2014
Prepaid and other current assets	\$37	\$8
Assets of discontinued operations - current	37	8
Accrued compensation and related liabilities	104	70
Liabilities of discontinued operations - current	104	70
Net assets	\$(67	) \$(62 )

The following table summarizes certain statement of operations information for discontinued operations (in thousands, except per share data):

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Income (loss) from discontinued operations before income taxes	\$3	\$(82	) \$(29	) \$94
Income tax (benefit) expense on discontinued operations	(11	) (32	) (11	) 36
Gain on sale of discontinued operations <sup>(1)</sup>	—	714	—	1,559
Income (loss) from discontinued operations, net of taxes	\$14	\$664	\$(18	) \$1,617
Income (loss) per share - basic	\$—	\$0.01	\$—	\$0.02
Income (loss) per share - diluted	\$—	\$0.01	\$—	\$0.02

(1) The gain on the sale of discontinued operations is shown net of taxes of \$0.5 million for the three months ended June 28, 2014 and \$1.0 million for the six months ended June 28, 2014.





CENVEO, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 4. Inventories

Inventories by major category are as follows (in thousands):

	June 27, 2015	December 27, 2014
Raw materials	\$47,368	\$45,341
Work in process	18,562	19,649
Finished goods	76,727	72,020
	\$142,657	\$137,010

## 5. Property, Plant and Equipment

Property, plant and equipment are as follows (in thousands):

	June 27, 2015	December 27, 2014
Land and land improvements	\$13,982	\$13,982
Buildings and building improvements	103,029	101,407
Machinery and equipment	618,312	623,619
Furniture and fixtures	9,580	10,086
Construction in progress	17,565	13,154
	762,468	762,248
Accumulated depreciation	(491,526)	(479,840)
	\$270,942	\$282,408

## 6. Goodwill and Other Intangible Assets

The changes in the carrying amount of goodwill as of June 27, 2015, by reportable segment are as follows (in thousands):

	Envelope	Print	Label and Packaging	Total
Balance as of December 27, 2014	\$23,433	\$45,432	\$116,984	\$185,849
Foreign currency translation	—	(6)	(291)	(297)
Balance as of June 27, 2015	\$23,433	\$45,426	\$116,693	\$185,552

## CENVEO, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

Other intangible assets are as follows (in thousands):

	Weighted Average Remaining Amortization Period (Years)	June 27, 2015				December 27, 2014			
		Gross Carrying Amount	Accumulated Impairment Charges	Accumulated Amortization	Net Carrying Amount	Gross Carrying Amount	Accumulated Impairment Charges	Accumulated Amortization	Net Carrying Amount
Intangible assets with definite lives:									
Customer relationships	8	\$ 144,663	\$(27,234)	\$(66,510)	\$ 50,919	\$ 144,732	\$(27,234)	\$(62,202)	\$ 55,296
Trademarks and trade names	21	77,749	(55,367)	(9,728)	12,654	77,750	(55,367)	(9,383)	13,000
Leasehold interest	18	4,430	—	(404)	4,026	4,430	—	(291)	4,139
Patents	11	3,528	—	(3,175)	353	3,528	—	(3,159)	369
Subtotal	11	230,370	(82,601)	(79,817)	67,952	230,440	(82,601)	(75,035)	72,804
Intangible assets with indefinite lives:									
Trademarks		84,900	—	—	84,900	84,900	—	—	84,900
Total		\$315,270	\$(82,601)	\$(79,817)	\$152,852	\$315,340	\$(82,601)	\$(75,035)	\$157,704

Annual amortization expense of intangible assets for the next five years is estimated to be as follows (in thousands):

	Annual Estimated Expense
Remainder of 2015	\$4,801
2016	7,879
2017	7,438
2018	7,156
2019	6,949
2020	6,763
Thereafter	26,966
Total	\$67,952

## Asset Impairments

There were no goodwill or intangible asset impairments recorded in the three and six months ended June 27, 2015, and June 28, 2014.



CENVEO, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 7. Long-Term Debt

Long-term debt is as follows (in thousands):

	June 27, 2015	December 27, 2014
ABL Facility due 2017	\$ 173,600	\$ 134,700
8.500% junior priority secured notes due 2022 (\$248.0 million outstanding principal amount as of June 27, 2015, and December 27, 2014)	245,505	245,384
6.000% senior priority secured notes due 2019 (\$540.0 million outstanding principal amount as of June 27, 2015, and December 27, 2014)	535,063	534,552
11.5% senior notes due 2017 (\$199.7 million and \$222.3 million outstanding principal amount as of June 27, 2015, and December 27, 2014, respectively)	196,493	218,011
7% senior exchangeable notes due 2017	83,250	83,250
Other debt including capital leases	18,338	18,442
	1,252,249	1,234,339
Less current maturities	(4,466	) (4,355
Long-term debt	\$ 1,247,783	\$ 1,229,984

The estimated fair value of the Company's long-term debt was approximately \$1.2 billion and \$1.1 billion as of June 27, 2015, and December 27, 2014, respectively. The fair value was determined by the Company to be Level 2 under the fair value hierarchy, and was based upon review of observable pricing in secondary markets for each debt instrument.

As of June 27, 2015, the Company was in compliance with all covenants under its long-term debt.

### Amendment to ABL Facility

On January 30, 2015, the Company entered into Amendment No. 3 ("ABL Amendment No. 3") to the \$230 million asset-based revolving credit facility (the "ABL Facility"), and an accompanying Increasing Lender Agreement on February 4, 2015, pursuant to which the revolving commitments were increased by \$10.0 million. Among other things, ABL Amendment No. 3 increased the Company's flexibility to use the proceeds of any future asset sales to prepay its other indebtedness. The amendment also generally increased the Company's flexibility to prepay outstanding indebtedness, make acquisitions and other investments, and pay dividends, subject to the satisfaction of certain conditions. In connection with this amendment, the Company capitalized debt issuance costs of \$1.3 million.

### Extinguishments

In the second quarter of 2015, the Company recorded a loss on early extinguishment of debt of \$0.1 million related to the repurchase of \$6.8 million of its 11.5% senior notes due 2017 (the "11.5% Notes").

During the six months ended June 27, 2015, the Company recorded a loss on early extinguishment of debt of \$0.6 million related to the repurchase of \$22.6 million of its 11.5% Notes, of which \$0.2 million related to the write-off of unamortized debt issuance costs, \$0.2 million related to the write-off of original issuance discount, and \$0.2 million related to a premium paid over the principal amount upon repurchase.



CENVEO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

In the second quarter of 2014, the Company extinguished its \$360 million secured term loan facility (the "Term Loan Facility") and its 8.875% senior second lien notes due 2018 (the "8.875% Notes"). In connection with this extinguishment, the Company recorded a loss on early extinguishment of debt of approximately \$9.0 million, of which \$5.8 million related to the write-off of unamortized debt issuance costs, and \$3.2 million related to the write-off of original issuance discount. Additionally, in connection with the issuance of \$540.0 million aggregate principal amount of 6.000% senior priority secured notes due 2019 (the "6.000% Notes") and \$250.0 million aggregate principal amount of 8.500% junior priority secured notes due 2022 (the "8.500% Notes") in the second quarter of 2014, the Company expensed debt issuance costs of \$16.5 million, of which \$1.6 million related to fees paid to third parties. The Company also used cash on hand of \$9.4 million to repay in full the remaining principal balance on the unsecured \$50.0 million aggregate principal amount term loan due 2017 (the "Unsecured Term Loan"). In connection with the extinguishment of the Unsecured Term Loan, the Company recorded a loss on early extinguishment of debt of approximately \$1.0 million, of which \$0.6 million related to the write-off of unamortized debt issuance costs, and \$0.4 million related to the write-off of original issuance discount.

#### 8. Commitments and Contingencies

The Company is party to various legal actions that are ordinary and incidental to its business. While the outcome of pending legal actions cannot be predicted with certainty, management believes the outcome of these various proceedings will not have a material effect on the Company's financial statements.

The Company is involved in certain environmental matters and has been designated as a potentially responsible party for certain hazardous waste sites. There have been no material changes related to these environmental matters and, based on information currently available, the Company believes that remediation of these environmental matters will not have a material effect on the Company's financial statements.

The Company's income, sales and use and other tax returns are routinely subject to audit by various authorities. The Company believes that the resolution of any matters raised during such audits will not have a material effect on the Company's financial statements.

The Company participates in a number of multi-employer pension plans for union employees ("Multi-Employer Pension Plans") and is exposed to significant risks and uncertainties arising from its participation in these Multi-Employer Pension Plans. These risks and uncertainties, including changes in future contributions due to partial or full withdrawal of the Company and other participating employers from these Multi-Employer Pension Plans, could significantly increase the Company's future contributions or the underfunded status of these Multi-Employer Pension Plans. Two of the Multi-Employer Pension Plans are in mass withdrawal status. While it is not possible to quantify the potential impact of future actions of the Company or other participating employers in these Multi-Employer Pension Plans, continued participation in or withdrawal from these Multi-Employer Pension Plans could have a material effect on the Company's financial statements.

#### 9. Fair Value Measurements

Certain assets and liabilities of the Company are required to be recorded at fair value on either a recurring or nonrecurring basis. Fair value is determined based on the price that would be received for an asset or paid to transfer a liability in an orderly transaction between market participants. There were no assets or liabilities recorded at fair value on a recurring or nonrecurring basis as of June 27, 2015. On an annual basis, the Company records its pension plan assets at fair value. No additional assets or liabilities were recorded at fair value on a recurring or nonrecurring basis as of December 27, 2014.

## Fair Value of Financial Instruments

The Company's financial instruments include cash and cash equivalents, accounts receivable, net, long-term debt and accounts payable. The carrying values of cash and cash equivalents, accounts receivable, net, current maturities of long-term debt and accounts payable are reasonable estimates of their fair values as of June 27, 2015, and December 27, 2014, due to the short-term nature of these instruments. See Note 7 for fair value of the Company's long-term debt. Additionally, the Company records the assets acquired and liabilities assumed in its acquisitions (Note 2) at fair value.

## 10. Retirement Plans

The components of the net periodic expense (benefit) for the Company's pension plans, supplemental executive retirement plans ("SERP") and other postretirement benefit plans ("OPEB") are as follows (in thousands):

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Service cost	\$—	\$—	\$1	\$1
Interest cost	3,524	3,707	7,048	7,413
Expected return on plan assets	(5,226	) (5,206	) (10,452	) (10,412
Net amortization and deferral	—	—	—	—
Recognized net actuarial loss	2,156	794	4,312	1,587
Net periodic expense (benefit)	\$454	\$(705	) \$909	\$(1,411

Interest cost on the projected benefit obligation includes \$0.2 million related to the Company's SERP and OPEB plans in each of the three months ended June 27, 2015, and June 28, 2014 and \$0.4 million in each of the six month periods ended June 27, 2015, and June 28, 2014.

For the six months ended June 27, 2015, the Company made total contributions of \$3.4 million to its pension, SERP and OPEB plans. The Company expects to contribute approximately \$3.4 million to its pension, SERP and OPEB plans for the remainder of 2015.

## 11. Stock-Based Compensation

Total stock-based compensation expense recognized in selling, general and administrative expenses in the Company's statements of operations was \$0.3 million and \$0.8 million for the three months ended June 27, 2015, and June 28, 2014, respectively, and \$0.4 million and \$1.7 million for the six months ended June 27, 2015, and June 28, 2014, respectively.

As of June 27, 2015, there was approximately \$3.9 million of total unrecognized compensation cost related to unvested stock-based compensation grants, which is expected to be amortized over a weighted average period of 2.2 years.

## Stock Options

A summary of the Company's outstanding stock options as of and for the six months ended June 27, 2015, is as follows:

Options	Weighted Average Exercise Price	Weighted Average Remaining Contractual	Aggregate Intrinsic Value (in thousands)
---------	--	---	---



			Term (In Years)	
Outstanding at December 27, 2014	1,670,500	\$5.18	1.4	\$29
Granted	685,500	2.38		
Exercised	—	—		\$—
Forfeited/expired	(159,125 )	4.68		
Outstanding at June 27, 2015	2,196,875	\$4.32	2.5	\$17
Exercisable at June 27, 2015	1,434,125	\$5.37	0.8	\$9

The weighted average grant date fair value of stock options granted during the six months ended June 27, 2015, were at exercise prices equal to the market price of the stock on the grant dates, as calculated under the Black-Scholes model with the weighted average assumptions as follows:

	June 27, 2015	
Weighted average fair value of option grants during the year	\$0.86	
Assumptions:		
Expected option life in years	4.25	
Risk-free interest rate	1.24	%
Expected volatility	43.0	%
Expected dividend yield	0.0	%

## CENVEO, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The risk-free interest rate represents the United States Treasury Bond constant maturity yield approximating the expected option life of stock options granted during the period. The expected option life represents the period of time that the stock options granted during the period are expected to be outstanding, based on the mid-point between the vesting date and contractual expiration date of the option. The expected volatility is based on the historical market price volatility of the Company's common stock for the expected term of the options, adjusted for expected mean reversion.

There were no stock options granted during the six months ended June 28, 2014.

## RSUs

A summary of the Company's non-vested restricted share units ("RSUs") as of and for the six months ended June 27, 2015, is as follows:

	RSUs	Weighted Average Grant Date Fair Value
Unvested at December 27, 2014	512,861	\$3.22
Granted	695,944	2.38
Vested	(326,861)	) 3.92
Forfeited	(6,250)	) 2.21
Unvested at June 27, 2015	875,694	\$2.30

On May 20, 2015, 582,500 RSUs were issued to certain employees of the Company, which vest ratably over four years. Additionally, 113,444 RSUs were issued to certain members of the Company's Board of Directors, which vest one year from the date of issuance. The fair value of these awards was determined based on the Company's stock price on the dates of issuance.

The total fair value of RSUs which vested during the three and six months ended June 27, 2015, was \$0.4 million and \$0.7 million, respectively.

## PSUs

A summary of the Company's non-vested performance share units ("PSUs") as of and for the six months ended June 27, 2015 is as follows:

	PSUs	Weighted Average Grant Date Fair Value
Unvested at December 27, 2014	—	\$—
Granted	590,000	2.38
Vested	—	—
Forfeited	—	—
Unvested at June 27, 2015	590,000	\$2.38

On May 20, 2015, 590,000 PSUs were granted to certain employees, with each award representing the right to receive one share of the Company's common stock upon the achievement of certain established performance targets and service conditions. The performance period for the awards is December 28, 2014 through January 2, 2016.

Distributions under these awards are payable on the one year anniversary of the grant date provided the grantee's employment has not ceased prior to such date.

The fair value of these awards was determined based on the Company's stock price on the grant date. These awards are subject to forfeiture upon termination of employment prior to vesting.

Total stock-based compensation expense related to PSUs recognized in selling, general and administrative expenses in the Company's statements of operations was \$0.1 million for the three and six months ended June 27, 2015, respectively. There were no PSUs granted in fiscal year 2014.

CENVEO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

12. Restructuring and Other Charges

The Company currently has two active cost savings, restructuring and integration plans, related to the implementation of cost savings initiatives focused on overhead cost eliminations, including headcount reductions, and the potential closure of certain manufacturing facilities (the "2015 Plan" and the "2014 Plan").

2015 Plan

During the first quarter of 2015, the Company began implementing the 2015 Plan, which primarily focuses on overhead cost eliminations, including headcount reductions, and the potential closure of certain manufacturing facilities. The Company expects to be substantially complete with the 2015 Plan during the 2016 fiscal year.

2014 Plan

During the first quarter of 2014, the Company began implementing the 2014 Plan, which primarily focuses on overhead cost eliminations, including headcount reductions, and the potential closure of certain manufacturing facilities. The Company expects to be substantially complete with the 2014 Plan during the 2015 fiscal year.

Acquisition Integration Plans

Upon the completion of the acquisition of certain assets of National, the Company developed and began implementing a plan related to the integration of certain assets of National into existing envelope operations (the "National Plan").

The Company completed the National Plan in 2015, which included the closure and consolidation of nine manufacturing facilities into existing envelope operations and two new facilities.

Residual Plans

The Company currently has certain residual cost savings, restructuring and integration plans (the "Residual Plans").

As a result of these cost savings actions over the last several years, the Company has closed or consolidated a significant amount of manufacturing facilities and has had a significant number of headcount reductions.

The Company does not anticipate any significant future expenses related to the Residual Plans other than modifications to current assumptions for lease terminations, multi-employer pension withdrawal liabilities and ongoing expenses related to maintaining restructured assets.

CENVEO, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

The following tables present the details of the expenses recognized as a result of these plans.

2015 Activity

Restructuring and other charges for the three months ended June 27, 2015 were as follows (in thousands):

	Employee Separation Costs	Asset Charges Net of Gain on Sale	Equipment Moving Expenses	Lease Termination Expenses	Multi-Employer Pension Withdrawal Expenses	Building Clean-up & Other Expenses	Total
Envelope							
2015 Plan	\$86	\$—	\$—	\$—	\$—	\$—	\$86
Residual Plans	—	—	—	—	42	17	59
Acquisition Integration Plans	6	—	20	11	—	163	200
Total Envelope	92	—	20	11	42	180	345
Print							
2015 Plan	152	—	—	—	—	—	152
2014 Plan	(9 )	—	22	—	—	379	392
Residual Plans	—	65	—	33	156	32	286
Total Print	143	65	22	33	156	411	830
Label and Packaging							
2015 Plan	90	—	17	—	—	28	135
2014 Plan	(12 )	—	—	—	—	—	(12 )
Total Label and Packaging	78	—	17	—	—	28	123
Corporate							
2015 Plan	718	—	—	—	—	24	742
Total Corporate	718	—	—	—	—	24	742
Total Restructuring and Other Charges	\$1,031	\$65	\$59	\$44	\$198	\$643	\$2,040

Restructuring and other charges for the six months ended June 27, 2015 were as follows (in thousands):

	Employee Separation Costs	Asset Charges Net of Gain on Sale	Equipment Moving Expenses	Lease Termination Expenses	Multi-Employer Pension Withdrawal Expenses	Building Clean-up & Other Expenses	Total
Envelope							
2015 Plan	\$86	\$—	\$—	\$—	\$—	\$—	\$86
2014 Plan	270	—	—	—	—	—	270
Residual Plans	—	—	—	(22 )	82	57	117
Acquisition Integration Plans	45	1,895	28	286	—	410	2,664
Total Envelope	401	1,895	28	264	82	467	3,137
Print							

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2015 Plan	212	—	—	—	—	—	212
2014 Plan	116	116	35	—	—	942	1,209
Residual Plans	(54	) 65	—	91	288	56	446
Total Print	274	181	35	91	288	998	1,867
Label and Packaging							
2015 Plan	240	—	17	—	—	28	285
2014 Plan	261	—	—	—	—	—	261
Total Label and Packaging	501	—	17	—	—	28	546
Corporate							
2015 Plan	806	—	—	—	—	24	830
Residual Plans	—	—	—	—	—	14	14
Total Corporate	806	—	—	—	—	38	844
Total Restructuring and Other Charges	\$1,982	\$2,076	\$ 80	\$ 355	\$ 370	\$ 1,531	\$6,394

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## 2014 Activity

Restructuring and other charges for the three months ended June 28, 2014 were as follows (in thousands):

	Employee Separation Costs	Asset Charges Net of Gain on Sale	Equipment Moving Expenses	Lease Termination Expenses	Multi-Employer Pension Withdrawal Expenses	Building Clean-up & Other Expenses	Total
<b>Envelope</b>							
2014 Plan	\$81	\$—	\$—	\$—	\$—	\$—	\$81
Residual Plans	—	—	—	—	34	39	73
Acquisition Integration Plans	1,632	1,613	982	214	—	1,023	5,464
<b>Total Envelope</b>	<b>1,713</b>	<b>1,613</b>	<b>982</b>	<b>214</b>	<b>34</b>	<b>1,062</b>	<b>5,618</b>
<b>Print</b>							
2014 Plan	145	—	—	—	—	101	246
Residual Plans	(89)	(19)	(1)	215	122	124	352
<b>Total Print</b>	<b>56</b>	<b>(19)</b>	<b>(1)</b>	<b>215</b>	<b>122</b>	<b>225</b>	<b>598</b>
<b>Label and Packaging</b>							
2014 Plan	321	—	—	—	—	—	321
Residual Plans	1	—	—	14	—	—	15
<b>Total Label and Packaging</b>	<b>322</b>	<b>—</b>	<b>—</b>	<b>14</b>	<b>—</b>	<b>—</b>	<b>336</b>
<b>Corporate</b>							
2014 Plan	769	—	—	—	—	17	786
<b>Total Corporate</b>	<b>769</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>—</b>	<b>17</b>	<b>786</b>
<b>Total Restructuring and Other Charges</b>	<b>\$2,860</b>	<b>\$1,594</b>	<b>\$ 981</b>	<b>\$ 443</b>	<b>\$ 156</b>	<b>\$ 1,304</b>	<b>\$7,338</b>

Restructuring and other charges for the six months ended June 28, 2014 were as follows (in thousands):

	Employee Separation Costs	Asset Charges Net of Gain on Sale	Equipment Moving Expenses	Lease Termination Expenses	Multi-Employer Pension Withdrawal Expenses	Building Clean-up & Other Expenses	Total
<b>Envelope</b>							
2014 Plan	\$81	\$—	\$—	\$—	\$—	\$—	\$81
Residual Plans	(1)	—	—	(198)	66	55	(78)
Acquisition Integration Plans	1,725	2,214	1,618	1,604	—	1,471	8,632
<b>Total Envelope</b>	<b>1,805</b>	<b>2,214</b>	<b>1,618</b>	<b>1,406</b>	<b>66</b>	<b>1,526</b>	<b>8,635</b>
<b>Print</b>							
2014 Plan	152	—	—	—	—	101	253
Residual Plans	299	(41)	—	292	838	963	2,351

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Total Print	451	(41	) —	292	838	1,064	2,604
Label and Packaging							
2014 Plan	572	—	—	—	—	—	572
Residual Plans	27	—	—	28	—	—	55
Total Label and Packaging	599	—	—	28	—	—	627
Corporate							
2014 Plan	1,373	—	—	—	—	46	1,419
Total Corporate	1,373	—	—	—	—	46	1,419
Total Restructuring and Other Charges	\$4,228	\$2,173	\$ 1,618	\$ 1,726	\$ 904	\$ 2,636	\$13,285



CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

A summary of the activity related to the restructuring liabilities for all the cost savings, restructuring and integration initiatives were as follows (in thousands):

	Employee Separation Costs	Lease Termination Expenses	Multi-Employer Pension Withdrawal Expenses	Building Clean-up, Equipment Moving and Other Expenses	Total
<b>2015 Plan</b>					
Balance as of December 27, 2014	\$—	\$—	\$—	\$—	\$—
Accruals, net	1,344	—	—	69	1,413
Payments	(794)	) —	—	(69)	) (863)
Balance as of June 27, 2015	\$550	\$—	\$—	\$—	\$550
<b>2014 Plan</b>					
Balance as of December 27, 2014	\$1,506	\$—	\$—	\$—	\$1,506
Accruals, net	647	—	—	977	1,624
Payments	(1,878)	) —	—	(977)	) (2,855)
Balance as of June 27, 2015	\$275	\$—	\$—	\$—	\$275
<b>Residual Plans</b>					
Balance as of December 27, 2014	\$54	\$ 677	\$ 18,700	\$—	\$19,431
Accruals, net	(54)	) 69	370	127	512
Payments	—	(231)	) (1,699)	) (127)	) (2,057)
Balance as of June 27, 2015	\$—	\$ 515	\$ 17,371	\$—	\$17,886
<b>Acquisition Integration Plans</b>					
Balance as of December 27, 2014	\$77	\$ 1,136	\$—	\$—	\$1,213
Accruals, net	45	286	—	438	769
Payments	(110)	) (818)	) —	(438)	) (1,366)
Balance as of June 27, 2015	\$12	\$ 604	\$—	\$—	\$616
<b>Total Restructuring Liability</b>	<b>\$837</b>	<b>\$ 1,119</b>	<b>\$ 17,371</b>	<b>\$—</b>	<b>\$19,327</b>

### 13. Accumulated Other Comprehensive Income (Loss)

The following table presents the changes in the balances of each component of accumulated other comprehensive income ("AOCI"), net of tax (in thousands):

	Foreign Currency Translation	Pension and Other Postretirement Benefits	Total
Balance as of December 27, 2014	\$(2,905)	) \$(95,292)	) \$(98,197)
Other comprehensive loss before reclassifications	(1,239)	) —	) (1,239)
Amounts reclassified from AOCI	—	2,684	2,684
Other comprehensive (loss) income	(1,239)	) 2,684	) 1,445



CENVEO, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

## Reclassifications from AOCI

AOCI Components (in thousands)	Amounts Reclassified from AOCI		Amounts Reclassified from AOCI		Income Statement Line Item
	For the Three Months Ended		For the Six Months Ended		
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014	
Changes in pension and other employee benefit accounts:					
Net actuarial losses	\$2,156	\$794	\$4,312	\$1,587	Selling, general and administrative expenses
	2,156	794	4,312	1,587	Total before tax
Taxes	(814	) (314	) (1,628	) (627	) Income tax benefit
Total reclassifications for the period	\$1,342	\$480	\$2,684	\$960	Net of tax

## 14. Income (Loss) per Share

Basic income (loss) per share is computed based upon the weighted average number of common shares outstanding for the period. When applicable, diluted income (loss) per share is calculated using two approaches. The first approach, the treasury stock method, reflects the potential dilution that could occur if the stock options, RSUs and, PSUs (collectively with the stock options and RSUs, the "Equity Awards") to issue common stock were exercised. The second approach, the if converted method, reflects the potential dilution of the Equity Awards and the senior exchangeable notes due 2017 (the "7% Notes") being exchanged for common stock. Under this method, interest expense associated with the 7% Notes, net of tax, is added back to income from continuing operations and the shares outstanding are increased by the underlying 7% Notes equivalent.

For the six months ended June 27, 2015, and June 28, 2014, the effect of approximately 20.1 million and 21.0 million shares, respectively, related to the exchange of the 7% Notes for common stock and the issuance of common stock upon exercise of the Equity Awards, were excluded from the calculation of diluted income (loss) per share, as the effect would be anti-dilutive.

The following table sets forth the computation of basic and diluted income (loss) per share for the three and six months ended June 27, 2015, and June 28, 2014 (in thousands, except per share data):

## CENVEO, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Numerator for basic and diluted (loss) income per share:				
Loss from continuing operations	\$(2,419	) \$(39,301	) \$(10,066	) \$(56,088
Income (loss) from discontinued operations, net of taxes	14	664	(18	) 1,617
Net loss	\$(2,405	) \$(38,637	) \$(10,084	) \$(54,471
Denominator for weighted average common shares outstanding:				
Basic shares	67,831	66,496	67,789	66,416
Dilutive effect of 7% Notes	—	—	—	—
Dilutive effect of Equity Awards	—	—	—	—
Diluted shares	67,831	66,496	67,789	66,416
(Loss) income per share – basic:				
Continuing operations	\$(0.04	) \$(0.59	) \$(0.15	) \$(0.84
Discontinued operations	—	0.01	—	0.02
Net loss	\$(0.04	) \$(0.58	) \$(0.15	) \$(0.82
(Loss) income per share – diluted:				
Continuing operations	\$(0.04	) \$(0.59	) \$(0.15	) \$(0.84
Discontinued operations	—	0.01	—	0.02
Net loss	\$(0.04	) \$(0.58	) \$(0.15	) \$(0.82

## 15. Segment Information

The Company operates four operating segments: envelope, print, label and packaging. Based upon similar economic characteristics and management reporting, the Company has aggregated the label and packaging operating segments to have a total of three reportable segments: envelope, print and label and packaging. The envelope segment provides direct mail offerings and transactional and stock envelopes. The print segment provides a wide array of print offerings such as high-end printed materials including car brochures, advertising literature, corporate identity and brand marketing material, digital printing and content management. The label and packaging segment specializes in the design, manufacturing and printing of labels such as custom labels, overnight packaging labels, pressure-sensitive prescription labels, full body shrink sleeves, and specialized folded carton packaging.

Operating income (loss) of each segment includes all costs and expenses directly related to the segment's operations. Corporate expenses include corporate general and administrative expenses including stock-based compensation.

Corporate identifiable assets primarily consist of cash and cash equivalents, miscellaneous receivables, deferred financing fees, deferred tax assets and other assets.

The following tables present certain segment information (in thousands):

## CENVEO, INC. AND SUBSIDIARIES

## NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
Net sales:				
Envelope	\$218,139	\$229,593	\$445,549	\$471,264
Print	121,518	124,986	249,684	253,383
Label and Packaging	121,200	124,831	240,729	244,882
Total	\$460,857	\$479,410	\$935,962	\$969,529
Operating income (loss):				
Envelope	\$16,711	\$9,332	\$31,551	\$19,138
Print	3,755	4,741	6,128	5,981
Label and Packaging	11,956	11,048	21,361	21,241
Corporate	(9,193)	(11,774)	(17,616)	(22,941)
Total	\$23,229	\$13,347	\$41,424	\$23,419
Restructuring and other charges:				
Envelope	\$345	\$5,618	\$3,137	\$8,635
Print	830	598	1,867	2,604
Label and Packaging	123	336	546	627
Corporate	742	786	844	1,419
Total	\$2,040	\$7,338	\$6,394	\$13,285
Depreciation and intangible asset amortization:				
Envelope	\$4,930	\$5,134	\$9,833	\$10,288
Print	4,391	6,052	8,843	11,752
Label and Packaging	4,682	4,413	9,045	8,290
Corporate	765	1,200	1,735	2,530
Total	\$14,768	\$16,799	\$29,456	\$32,860
Net sales by product line:				
Envelope	\$218,139	\$229,593	\$445,549	\$471,264
Print	121,518	124,986	249,684	253,383
Label	80,675	82,475	160,842	161,161
Packaging	40,525	42,356	79,887	83,721
Total	\$460,857	\$479,410	\$935,962	\$969,529
Intercompany sales:				
Envelope	\$1,331	\$1,227	\$3,143	\$2,759
Print	4,139	6,525	8,003	7,712
Label and Packaging	2,374	1,946	4,713	4,123
Total	\$7,844	\$9,698	\$15,859	\$14,594
			June 27, 2015	December 27, 2014
Total assets:				
Envelope			\$429,186	\$449,819
Print			278,700	291,892
Label and Packaging			355,212	355,325
Corporate			53,855	60,855
Total			\$1,116,953	\$1,157,891

CENVEO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

16. Related Party Transactions

Horizon Paper Co., Inc. ("Horizon"), whose Chairman is a member of the Company's Board of Directors, has supplied raw materials to the Company. For the three and six months ended June 27, 2015, purchases of raw materials from Horizon made by the Company totaled less than \$0.1 million and \$0.2 million, respectively. There were no transactions between Horizon and the Company during the three and six months ended June 28, 2014. As of June 27, 2015 and December 27, 2014, the balance due to Horizon was less than \$0.1 million. Balances due to Horizon are generally settled in cash within 75 days of each transaction.

17. Condensed Consolidating Financial Information

Cenveo, Inc. is a holding company (the "Parent Company"), which is the ultimate parent of all Cenveo subsidiaries. The Parent Company's wholly-owned subsidiary, Cenveo Corporation (the "Subsidiary Issuer"), issued the 6.000% Notes, the 8.500% Notes, the 7.875% senior subordinated notes due 2013 (the "7.875% Notes"), the 8.875% Notes, the 7% Notes, and the 11.5% Notes (collectively with the 6.000% Notes, the 8.500% Notes, the 7.875% Notes, the 8.875% Notes, and the 7% Notes, the "Subsidiary Issuer Notes"), which are fully and unconditionally guaranteed, on a joint and several basis, by the Parent Company and substantially all of its wholly owned North American subsidiaries, other than the Subsidiary Issuer (the "Guarantor Subsidiaries").

Presented below is condensed consolidating financial information for the Parent Company, the Subsidiary Issuer, the Guarantor Subsidiaries and the Parent Company's subsidiaries other than the Subsidiary Issuer and the Guarantor Subsidiaries (the "Non-Guarantor Subsidiaries") as of June 27, 2015, and December 27, 2014, and for the three and six months ended June 27, 2015, and June 28, 2014. The condensed consolidating financial information has been presented to show the financial position, results of operations and cash flows of the Parent Company, the Subsidiary Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries, assuming the guarantee structure of the Subsidiary Issuer Notes was in effect at the beginning of the periods presented.

The supplemental condensed consolidating financial information reflects the investments of the Parent Company in the Subsidiary Issuer, the Guarantor Subsidiaries and the Non-Guarantor Subsidiaries using the equity method of accounting. The Parent Company's primary transactions with its subsidiaries, other than the investment account and related equity in net income (loss) of subsidiaries, are the intercompany payables and receivables between its subsidiaries.

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING BALANCE SHEET

June 27, 2015

(in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$—	\$6,875	\$653	\$ 4,669	\$—	\$12,197
Accounts receivable, net	—	111,945	145,767	2,149	—	259,861
Inventories	—	75,531	65,795	1,331	—	142,657
Notes receivable from subsidiaries	—	36,938	3,245	—	(40,183 )	—
Prepaid and other current assets	—	39,758	5,061	2,437	—	47,256
Assets of discontinued operations - current	—	—	37	—	—	37
<b>Total current assets</b>	<b>—</b>	<b>271,047</b>	<b>220,558</b>	<b>10,586</b>	<b>(40,183 )</b>	<b>462,008</b>
Investment in subsidiaries	(641,086 )	1,986,007	4,234	7,829	(1,356,984 )	—
Property, plant and equipment, net	—	117,103	153,276	563	—	270,942
Goodwill	—	25,540	154,827	5,185	—	185,552
Other intangible assets, net	—	9,774	142,424	654	—	152,852
Other assets, net	—	40,483	4,632	484	—	45,599
<b>Total assets</b>	<b>\$(641,086 )</b>	<b>\$2,449,954</b>	<b>\$679,951</b>	<b>\$ 25,301</b>	<b>\$(1,397,167)</b>	<b>\$1,116,953</b>
<b>Liabilities and Shareholders' (Deficit) Equity</b>						
<b>Current liabilities:</b>						
Current maturities of long-term debt	\$—	\$3,000	\$1,466	\$ —	\$—	\$4,466
Accounts payable	—	119,952	86,389	391	—	206,732
Accrued compensation and related liabilities	—	24,804	5,834	629	—	31,267
Other current liabilities	—	61,686	15,915	819	—	78,420
Liabilities of discontinued operations - current	—	—	104	—	—	104
Intercompany payable (receivable)	—	1,486,799	(1,496,281)	9,482	—	—
Notes payable to issuer	—	—	36,938	3,245	(40,183 )	—
<b>Total current liabilities</b>	<b>—</b>	<b>1,696,241</b>	<b>(1,349,635)</b>	<b>14,566</b>	<b>(40,183 )</b>	<b>320,989</b>
Long-term debt	—	1,243,911	3,872	—	—	1,247,783
Other liabilities	—	150,888	39,707	(1,328 )	—	189,267
Shareholders' (deficit) equity	(641,086 )	(641,086 )	1,986,007	12,063	(1,356,984 )	(641,086 )
<b>Total liabilities and shareholders' (deficit) equity</b>	<b>\$(641,086 )</b>	<b>\$2,449,954</b>	<b>\$679,951</b>	<b>\$ 25,301</b>	<b>\$(1,397,167)</b>	<b>\$1,116,953</b>

CENVEO, INC. AND SUBSIDIARIES  
 NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
 CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
 For the three months ended June 27, 2015  
 (in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Net sales	\$—	\$211,534	\$247,863	\$ 1,460	\$—	\$460,857	
Cost of sales	—	183,257	200,050	798	—	384,105	
Selling, general and administrative expenses	—	27,969	20,585	483	—	49,037	
Amortization of intangible assets	—	152	2,177	117	—	2,446	
Restructuring and other charges	—	1,520	520	—	—	2,040	
Operating (loss) income	—	(1,364	) 24,531	62	—	23,229	
Interest expense, net	—	25,195	83	—	—	25,278	
Intercompany interest (income) expense	—	(277	) 277	—	—	—	
Loss on early extinguishment of debt, net	—	126	—	—	—	126	
Other expense (income), net	—	499	(43	) (109	) —	347	
(Loss) income from continuing operations before income taxes and equity in (loss) income of subsidiaries	—	(26,907	) 24,214	171	—	(2,522	)
Income tax (benefit) expense	—	(344	) 135	106	—	(103	)
(Loss) income from continuing operations before equity in (loss) income of subsidiaries	—	(26,563	) 24,079	65	—	(2,419	)
Equity in (loss) income of subsidiaries	(2,405	) 24,158	65	—	(21,818	) —	
(Loss) income from continuing operations	(2,405	) (2,405	) 24,144	65	(21,818	) (2,419	)
Income from discontinued operations, net of taxes	—	—	14	—	—	14	
Net (loss) income	(2,405	) (2,405	) 24,158	65	(21,818	) (2,405	)
Other comprehensive income (loss):							
Other comprehensive income (loss) of subsidiaries	1,433	91	(371	) —	(1,153	) —	
Changes in pension and other employee benefit accounts, net of taxes	—	1,342	—	—	—	1,342	
Currency translation adjustment	—	—	462	(371	) —	91	
Comprehensive (loss) income	\$(972	) \$(972	) \$24,249	\$(306	) \$(22,971	) \$(972	)



CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
For the six months ended June 27, 2015  
(in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Net sales	\$—	\$435,386	\$497,327	\$ 3,249	\$—	\$935,962	
Cost of sales	—	374,120	406,542	1,331	—	781,993	
Selling, general and administrative expenses	—	58,084	42,305	909	—	101,298	
Amortization of intangible assets	—	304	4,321	228	—	4,853	
Restructuring and other charges	—	4,967	1,427	—	—	6,394	
Operating (loss) income	—	(2,089	) 42,732	781	—	41,424	
Interest expense, net	—	50,787	183	—	—	50,970	
Intercompany interest (income) expense	—	(551	) 551	—	—	—	
Loss on early extinguishment of debt, net	—	559	—	—	—	559	
Other expense (income), net	—	793	(582	) (81	) —	130	
(Loss) income from continuing operations before income taxes and equity in (loss) income of subsidiaries	—	(53,677	) 42,580	862	—	(10,235	)
Income tax (benefit) expense	—	(665	) 278	218	—	(169	)
(Loss) income from continuing operations before equity in (loss) income of subsidiaries	—	(53,012	) 42,302	644	—	(10,066	)
Equity in (loss) income of subsidiaries	(10,084	) 42,929	644	—	(33,489	) —	
(Loss) income from continuing operations	(10,084	) (10,083	) 42,946	644	(33,489	) (10,066	)
Loss from discontinued operations, net of taxes	—	(1	) (17	) —	—	(18	)
Net (loss) income	(10,084	) (10,084	) 42,929	644	(33,489	) (10,084	)
Other comprehensive income (loss):							
Other comprehensive income (loss) of subsidiaries	1,445	(1,239	) (18	) —	(188	) —	
Changes in pension and other employee benefit accounts, net of taxes	—	2,684	—	—	—	2,684	
Currency translation adjustment	—	—	(1,221	) (18	) —	(1,239	)
Comprehensive (loss) income	\$(8,639	) \$(8,639	) \$41,690	\$ 626	\$(33,677	) \$(8,639	)

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the six months ended June 27, 2015  
(in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in) operating activities of continuing operations	\$444	\$(53,058 )	\$ 48,789	\$ 2,220	\$—	\$ (1,605 )
Net cash used in operating activities of discontinued operations	—	—	(24 )	—	—	(24 )
Net cash provided by (used in) operating activities	444	(53,058 )	48,765	2,220	—	(1,629 )
Cash flows from investing activities:						
Capital expenditures	—	(9,922 )	(3,781 )	—	—	(13,703 )
Proceeds from sale of property, plant and equipment	—	586	843	—	—	1,429
Net cash used in investing activities	—	(9,336 )	(2,938 )	—	—	(12,274 )
Cash flows from financing activities:						
Payment of financing-related costs and expenses and debt issuance discounts	—	(1,210 )	—	—	—	(1,210 )
Repayments of other long-term debt	—	(3,978 )	1,396	—	—	(2,582 )
Repayment of 11.5% senior notes due 2017	—	(22,720 )	—	—	—	(22,720 )
Purchase and retirement of common stock upon vesting of RSUs	(218 )	—	—	—	—	(218 )
Proceeds from exercise of stock options	2	—	—	—	—	2
Borrowings under ABL Facility due 2017	—	265,900	—	—	—	265,900
Repayments under ABL Facility due 2017	—	(227,000 )	—	—	—	(227,000 )
Intercompany advances	(228 )	47,312	(46,862 )	(222 )	—	—
Net cash (used in) provided by financing activities	(444 )	58,304	(45,466 )	(222 )	—	12,172
Effect of exchange rate changes on cash and cash equivalents	—	—	(552 )	(113 )	—	(665 )
Net (decrease) increase in cash and cash equivalents	—	(4,090 )	(191 )	1,885	—	(2,396 )
Cash and cash equivalents at beginning of period	—	10,965	844	2,784	—	14,593
Cash and cash equivalents at end of period	\$—	\$6,875	\$ 653	\$4,669	\$—	\$ 12,197

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING BALANCE SHEET

December 27, 2014

(in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
<b>Assets</b>						
<b>Current assets:</b>						
Cash and cash equivalents	\$—	\$10,965	\$844	\$ 2,784	\$—	\$14,593
Accounts receivable, net	—	128,599	149,528	3,771	—	281,898
Inventories	—	71,108	64,036	1,866	—	137,010
Notes receivable from subsidiaries	—	36,938	3,245	—	(40,183 )	—
Prepaid and other current assets	—	42,889	5,012	2,505	—	50,406
Assets of discontinued operations - current	—	—	8	—	—	8
<b>Total current assets</b>	<b>—</b>	<b>290,499</b>	<b>222,673</b>	<b>10,926</b>	<b>(40,183 )</b>	<b>483,915</b>
Investment in subsidiaries	(632,675 )	1,944,300	3,608	7,829	(1,323,062 )	—
Property, plant and equipment, net	—	120,949	160,903	556	—	282,408
Goodwill	—	25,540	155,118	5,191	—	185,849
Other intangible assets, net	—	10,011	146,843	850	—	157,704
Other assets, net	—	42,242	5,289	484	—	48,015
<b>Total assets</b>	<b>\$(632,675 )</b>	<b>\$2,433,541</b>	<b>\$694,434</b>	<b>\$ 25,836</b>	<b>\$(1,363,245)</b>	<b>\$1,157,891</b>
<b>Liabilities and Shareholders' (Deficit) Equity</b>						
<b>Current liabilities:</b>						
Current maturities of long-term debt	\$—	\$3,000	\$1,355	\$ —	\$—	\$4,355
Accounts payable	—	138,939	91,860	1,385	—	232,184
Accrued compensation and related liabilities	—	29,851	6,736	538	—	37,125
Other current liabilities	—	66,895	19,346	980	—	87,221
Liabilities of discontinued operations - current	—	—	70	—	—	70
Intercompany payable (receivable)	—	1,439,715	(1,449,419)	9,704	—	—
Notes payable to issuer	—	—	36,938	3,245	(40,183 )	—
<b>Total current liabilities</b>	<b>—</b>	<b>1,678,400</b>	<b>(1,293,114)</b>	<b>15,852</b>	<b>(40,183 )</b>	<b>360,955</b>
Long-term debt	—	1,227,397	2,587	—	—	1,229,984
Other liabilities	—	160,419	40,661	(1,453 )	—	199,627
Shareholders' (deficit) equity	(632,675 )	(632,675 )	1,944,300	11,437	(1,323,062 )	(632,675 )
<b>Total liabilities and shareholders' (deficit) equity</b>	<b>\$(632,675 )</b>	<b>\$2,433,541</b>	<b>\$694,434</b>	<b>\$ 25,836</b>	<b>\$(1,363,245)</b>	<b>\$1,157,891</b>

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
For the three months ended June 28, 2014  
(in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated	
Net sales	\$—	\$227,225	\$249,377	\$ 2,808	\$—	\$479,410	
Cost of sales	—	194,081	203,786	1,569	—	399,436	
Selling, general and administrative expenses	—	33,898	21,601	341	—	55,840	
Amortization of intangible assets	—	185	3,131	133	—	3,449	
Restructuring and other charges	—	6,517	821	—	—	7,338	
Operating (loss) income	—	(7,456	) 20,038	765	—	13,347	
Interest expense, net	—	26,519	147	—	—	26,666	
Intercompany interest (income) expense	—	(216	) 216	—	—	—	
Loss on early extinguishment of debt, net	—	26,480	—	—	—	26,480	
Other expense (income), net	—	409	(219	) 22	—	212	
(Loss) income from continuing operations before income taxes and equity in (loss) income of subsidiaries	—	(60,648	) 19,894	743	—	(40,011	)
Income tax (benefit) expense	—	(597	) (252	) 139	—	(710	)
(Loss) income from continuing operations before equity in (loss) income of subsidiaries	—	(60,051	) 20,146	604	—	(39,301	)
Equity in (loss) income of subsidiaries	(38,637	) 21,306	604	—	16,727	—	
(Loss) income from continuing operations	(38,637	) (38,745	) 20,750	604	16,727	(39,301	)
Income from discontinued operations, net of taxes	—	108	556	—	—	664	
Net (loss) income	(38,637	) (38,637	) 21,306	604	16,727	(38,637	)
Other comprehensive income (loss):							
Other comprehensive income (loss) of subsidiaries	1,125	645	(37	) —	(1,733	) —	
Changes in pension and other employee benefit accounts, net of taxes	—	480	—	—	—	480	
Currency translation adjustment	—	—	682	(37	) —	645	
Comprehensive (loss) income	\$(37,512)	\$(37,512)	\$21,951	\$ 567	\$ 14,994	\$(37,512)	

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF OPERATIONS AND COMPREHENSIVE INCOME (LOSS)  
For the six months ended June 28, 2014  
(in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non-Guarantor Subsidiaries	Eliminations	Consolidated
Net sales	\$—	\$468,692	\$494,554	\$ 6,283	\$—	\$969,529
Cost of sales	—	404,806	405,330	4,457	—	814,593
Selling, general and administrative expenses	—	67,506	43,151	677	—	111,334
Amortization of intangible assets	—	370	6,262	266	—	6,898
Restructuring and other charges	—	10,448	2,837	—	—	13,285
Operating (loss) income	—	(14,438 )	36,974	883	—	23,419
Interest expense, net	—	54,342	234	—	—	54,576
Intercompany interest (income) expense	—	(486 )	486	—	—	—
Loss on early extinguishment of debt, net	—	26,498	—	—	—	26,498
Other expense (income), net	—	226	(544 )	21	—	(297 )
(Loss) income from continuing operations before income taxes and equity in (loss) income of subsidiaries	—	(95,018 )	36,798	862	—	(57,358 )
Income tax (benefit) expense	—	(988 )	(489 )	207	—	(1,270 )
(Loss) income from continuing operations before equity in (loss) income of subsidiaries	—	(94,030 )	37,287	655	—	(56,088 )
Equity in (loss) income of subsidiaries	(54,471 )	39,378	655	—	14,438	—
(Loss) income from continuing operations	(54,471 )	(54,652 )	37,942	655	14,438	(56,088 )
Income from discontinued operations, net of taxes	—	181	1,436	—	—	1,617
Net (loss) income	(54,471 )	(54,471 )	39,378	655	14,438	(54,471 )
Other comprehensive income (loss):						
Other comprehensive income (loss) of subsidiaries	1,693	733	582	—	(3,008 )	—
Changes in pension and other employee benefit accounts, net of taxes	—	960	—	—	—	960
Currency translation adjustment	—	—	151	582	—	733
Comprehensive (loss) income	\$(52,778 )	\$(52,778 )	\$40,111	\$ 1,237	\$ 11,430	\$(52,778 )

CENVEO, INC. AND SUBSIDIARIES  
NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

CENVEO, INC. AND SUBSIDIARIES  
CONDENSED CONSOLIDATING STATEMENT OF CASH FLOWS

For the six months ended June 28, 2014  
(in thousands)

	Parent Company	Subsidiary Issuer	Guarantor Subsidiaries	Non- Guarantor Subsidiaries	Eliminations	Consolidated
Cash flows from operating activities:						
Net cash provided by (used in) operating activities of continuing operations	\$ 1,672	\$(79,382 )	\$ 54,411	\$(2,128 )	\$ —	\$( 25,427 )
Net cash used in operating activities of discontinued operations	—	(730 )	(957 )	—	—	(1,687 )
Net cash provided by (used in) operating activities	1,672	(80,112 )	53,454	(2,128 )	—	(27,114 )
Cash flows from investing activities:						
Capital expenditures	—	(8,424 )	(8,306 )	(47 )	—	(16,777 )
Purchase of investment	—	(2,000 )	—	—	—	(2,000 )
Proceeds from sale of property, plant and equipment	—	166	154	—	—	320
Net cash used in investing activities of continuing operations	—	(10,258 )	(8,152 )	(47 )	—	(18,457 )
Net cash provided by investing activities of discontinued operations	—	1,033	1,163	—	—	2,196
Net cash used in investing activities	—	(9,225 )	(6,989 )	(47 )	—	(16,261 )
Cash flows from financing activities:						
Proceeds from issuance of 6.000% senior secured priority notes due 2019	—	540,000	—	—	—	540,000
Proceeds from issuance of 8.500% junior secured priority notes due 2022	—	250,000	—	—	—	250,000
Payment of financing-related costs and expenses and debt issuance discounts	—	(35,017 )	—	—	—	(35,017 )
Repayments of other long-term debt	—	(1,500 )	(1,467 )	—	—	(2,967 )
Purchase and retirement of common stock upon vesting of RSUs	(562 )	—	—	—	—	(562 )
Repayment of 15% Unsecured Term Loan due 2017	—	(10,000 )	—	—	—	(10,000 )
Repayment of Term Loan Facility due 2017	—	(329,100 )	—	—	—	(329,100 )
Repayment of 8.875% senior second lien notes due 2018	—	(400,000 )	—	—	—	(400,000 )
Borrowings under ABL Facility due 2017	—	287,900	—	—	—	287,900
Repayments under ABL Facility due 2017	—	(258,900 )	—	—	—	(258,900 )
Intercompany advances	(1,110 )	43,802	(44,766 )	2,074	—	—
Net cash (used in) provided by financing activities	(1,672 )	87,185	(46,233 )	2,074	—	41,354
Effect of exchange rate changes on cash and cash equivalents	—	—	4	16	—	20
	—	(2,152 )	236	(85 )	—	(2,001 )

Net increase (decrease) in cash and cash  
equivalents

Cash and cash equivalents at beginning of period	—	9,504	—	1,825	—	11,329
Cash and cash equivalents at end of period	\$—	\$7,352	\$236	\$1,740	\$—	\$9,328

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CENVEO, INC. AND SUBSIDIARIES

NOTES TO CONDENSED CONSOLIDATED FINANCIAL STATEMENTS (CONTINUED)

18. Subsequent Event

As previously disclosed, on July 21, 2015, the Company dismissed Grant Thornton LLP ("GT") as the Company's registered public accounting firm, effective immediately, due to GT's determination that it was not independent of the Company with respect to the first two quarters of 2015, and not for any reason related to the Company's financial reporting or accounting operations, policies or practices. GT concluded that it was not independent solely as a result of inadvertent "scope creep" by an employee of GT in its work for the Company regarding a non-material tax matter. In particular, the GT employee appeared on behalf of the Company at an administrative hearing on the matter, took action on the matter without required authorization from the Company and otherwise acted in excess of actual authorization, thus impairing GT's independence.

The decision to dismiss GT was approved by the Company's Audit Committee of the Board of Directors (the "Audit Committee"). The Audit Committee determined that GT was not independent of the Company with respect to the first two quarters of 2015, but only after the filing of the Company's 2014 Form 10-K, which remains unaffected by the subsequent independence violation.

The Audit Committee has commenced the process of selecting a new independent accounting firm. The Company expects that the new firm will be engaged to complete a re-review of the first quarter of 2015. The Company will devote all necessary resources to facilitate the new firm's completion of its work on an expedited basis. There can be no assurance that the new firm will reach the same conclusions as GT regarding the application of accounting standards, management estimates or other factors affecting the Company's financial statements.

GT has confirmed that its impaired independence is unrelated to the Company's financial statements, its accounting practices, the integrity of the Company's management or for any other matter relating to the Company. As a result of GT's impaired independence, the unaudited interim financial information as presented in the Company's Q1 10-Q has not been reviewed by an outside independent registered public accounting firm as required by the rules of the SEC. As a result, the Q1 10-Q is considered deficient and the Company continues not to be timely or current in its filings under the Securities Exchange Act of 1934, as amended (the "Exchange Act").

While the Q1 10-Q does not comply with the requirements of Regulation S-X and should not be interpreted to be a substitute for the review that would normally occur by the Company's independent registered public accounting firm, the Company's Audit Committee and management believe that the interim financial information presented in the Q1 10-Q fairly presents in all material respects the financial condition and results of operations of the Company as of the end of and for the applicable quarter. Except for the absence of this review of the unaudited interim financial information discussed above, the Company believes that the Q1 10-Q fully complies with the requirements of the Exchange Act.

As with the Q1 10-Q as described above, the unaudited interim financial information presented in this Form 10-Q has not been reviewed by an outside independent registered public accounting firm as required by SEC rules.

While this Form 10-Q, like the Q1 10-Q, does not comply with the requirements of Regulation S-X, the Company's Audit Committee and management believe that the interim financial information presented in this Form 10-Q fairly presents in all material respects the financial position of the Company as of June 27, 2015, and the results of operations for the three and six months ended June 27, 2015, and June 28, 2014, and cash flows for the six months ended June 27, 2015, and June 28, 2014. Except for the absence, for the reasons discussed above, of a review by an independent registered public accounting firm of the second quarter unaudited interim financial information, the Company believes that this Form 10-Q fully complies with the requirements of the Exchange Act.

The Chief Executive Officer and Chief Financial Officer of the Company believe, to the best of their knowledge, that the unaudited interim financial information presented in the Q1 10-Q and this Form 10-Q accurately portrays the financial condition of the Company for the applicable quarters. To that end, they provided the certifications under SOX Section 302. The SOX Section 906 certification by the officers, however was withdrawn from the Q1 10-Q and has been omitted from this Form 10-Q only as a result of GT's independence violation as described above. The unaudited interim financial information presented in the Q1 10-Q was not, and the information presented in this Form 10-Q has not been, reviewed by an independent registered public accountant under PCAOB AU 722, Interim Financial Information ("PCAOB AU 722"). The Company believes that the Q1 10-Q and this Form 10-Q otherwise



meet all of the qualifications of the Exchange Act and the rules and regulations thereunder governing the preparation and filing of periodic reports as referenced in the applicable certifications. Before the Company's officers can make a SOX Section 906 certification, the Company's new independent accounting firm must complete its reviews of the unaudited interim financial information presented in the Q1 10-Q and this Form 10-Q under PCAOB AU 722, as required by SEC rules. Once that firm completes its PCAOB AU 722 reviews of this unaudited interim financial information for the first two quarters of 2015, the Company will file amendments to such filings with the SOX Section 906 certifications as soon as practicable.

## Item 2. Management's Discussion and Analysis of Financial Condition and Results of Operations

This Management's Discussion and Analysis of Financial Condition and Results of Operations, which we refer to as MD&A, of Cenveo, Inc. and its subsidiaries, which we refer to as Cenveo, should be read in conjunction with the accompanying condensed consolidated financial statements and "Item 7. Management's Discussion and Analysis of Financial Condition and Results of Operations" in our Annual Report on Form 10-K for the fiscal year ended December 27, 2014, which we refer to as our 2014 Form 10-K. Item 7 of our 2014 Form 10-K describes the application of our critical accounting policies, for which there have been no significant changes as of June 27, 2015. Cenveo, Inc. and its subsidiaries are referred to herein as "Cenveo," the "Company," "we," "our," or "us."

### Forward-Looking Statements

Certain statements in this report may constitute "forward-looking statements" within the meaning of the Private Securities Litigation Reform Act of 1995. Forward-looking statements generally can be identified by the use of terminology such as "may," "expect," "intend," "estimate," "anticipate," "plan," "foresee," "believe" or "continue" and similar expressions, or as other statements which do not relate solely to historical facts. These statements are not guarantees of future performance and involve risks, uncertainties and assumptions that could cause actual results to differ materially from what is expressed or forecasted in these forward-looking statements. In view of such uncertainties, investors should not place undue reliance on our forward-looking statements. Such statements speak only as of the date they were made, and we undertake no obligation to publicly update or revise any forward-looking statements, whether as a result of new information, future events or otherwise.

Factors which could cause actual results to differ materially from management's expectations include, without limitation: (i) recent United States and global economic conditions have adversely affected us and could continue to do so; (ii) our substantial level of indebtedness could impair our financial condition and prevent us from fulfilling our business obligations; (iii) our ability to service or refinance our debt; (iv) the terms of our indebtedness imposing significant restrictions on our operating and financial flexibility; (v) additional borrowings available to us which could further exacerbate our risk exposure from debt; (vi) our ability to successfully integrate acquired businesses with our business; (vii) a decline in our consolidated profitability or profitability within one of our individual reporting units could result in the impairment of our assets, including goodwill and other long-lived assets; (viii) the industries in which we operate our business are highly competitive and extremely fragmented; (ix) a general absence of long-term customer agreements in our industry, subjecting our business to quarterly and cyclical fluctuations; (x) factors affecting the United States postal services impacting demand for our products; (xi) the availability of the Internet and other electronic media adversely affecting our business; (xii) increases in paper costs and decreases in the availability of raw materials; (xiii) our labor relations; (xiv) our compliance with environmental laws; (xv) our dependence on key management personnel; (xvi) any failure, interruption or security lapse of our information technology systems; and (xvii) statutory requirements that share repurchases are subject to certain asset sufficiency standards. This list of factors is not exhaustive, and new factors may emerge or changes to the foregoing factors may occur that would impact our business. Additional information regarding these and other factors can be found elsewhere in this report, and in our other filings with the Securities and Exchange Commission, which we refer to as the SEC.

### Business Overview

We are a diversified manufacturing company focused on print-related products. Our broad portfolio of products includes envelope converting, commercial printing, label manufacturing and specialty packaging. We operate a global network of strategically located manufacturing facilities, serving a diverse base of over 100,000 customers. Our business strategy has been, and continues to be, focused on improving sales performance, pursuing and integrating strategic acquisitions, improving our cost and capital structure, and maintaining reasonable levels of financial flexibility. We believe this strategy has allowed us to diversify our revenue base, maintain our low cost structure and deliver quality product offerings to our customers.

We operate our business in three complementary reportable segments: the envelope segment, the print segment and the label and packaging segment.

Envelope. We are the largest envelope manufacturer in North America. On September 16, 2013, we enhanced our manufacturing capabilities and reduced capacity in the envelope industry with the acquisition of certain assets of National Envelope Corporation, which we refer to as National. Our envelope segment represented approximately 47.3% and 47.6% of our net sales for the three and six months ended June 27, 2015, respectively.

Our envelope segment offers direct mail products used for customer solicitations and transactional envelopes used for billing and remittance by end users including financial institutions, insurance companies and telecommunications companies. We also produce a broad line of specialty and stock envelopes which are sold through wholesalers, and to the office product market through distributors.

Print. We are one of the leading commercial printers in North America. Our print segment represented approximately 26.4% and 26.7% of our net sales for the three and six months ended June 27, 2015, respectively.

Our print segment primarily caters to the consumer products, automotive, travel and leisure and telecommunications industries. We provide a wide array of print offerings to our customers including electronic prepress, digital asset archiving, direct-to-plate technology, high-quality color printing on web and sheet-fed presses, digital printing and content management. The broad selection of print products we produce includes car brochures, annual reports, direct mail products, advertising literature, corporate identity materials and brand marketing materials. Our content management business offers complete solutions, including: editing, content processing, content management, electronic peer review, production, distribution and reprint marketing.

Label and Packaging. We are a leading label manufacturer and the largest North American prescription label manufacturer for retail pharmacy chains. Our specialty packaging business currently focuses on specialty folded carton packaging and shrink-sleeve packaging. Our label and packaging segment represented approximately 26.3% and 25.7% of our net sales for the three and six months ended June 27, 2015, respectively.

Our label and packaging segment produces a diverse line of custom labels for a broad range of industries including manufacturing, warehousing, packaging, food and beverage, and health and beauty, which we sell through extensive networks within the resale channels. We provide direct mail and overnight packaging labels, food and beverage labels, and shelf and scale labels for national and regional customers. We produce pressure-sensitive prescription labels for the retail pharmacy chain market. We produce premium, high-quality promotional packaging offerings including folded carton and full body shrink sleeves. Our primary customers for our specialty packaging products are pharmaceutical, apparel, nutraceutical and other large, multinational consumer product companies.

## Consolidated Operating Results

This MD&A includes an overview of our condensed consolidated results of operations for the three and six months ended June 27, 2015, and June 28, 2014, followed by a discussion of the results of operations of each of our reportable segments for the same periods.

### 2015 Overview

Generally, print-related industries are highly fragmented and extremely competitive due to over-capacity and pricing pressures. We believe these factors, combined with uncertain economic conditions in the United States, will continue to impact our results of operations in 2015.

Our current management focus is on the following areas:

### Improving Sales Performance

Our sales focus has been, and will continue to be, on our customers' experience across each of our businesses, ensuring we meet our customers' demands. We seek to expand our relationship with them through cross-selling initiatives available within our platform. Over the past three years, we have made significant investments to improve our top line performance. These investments include a customer relationship management tool across our entire sales platform, capital investments in our e-commerce platform and incremental headcount. We have been successful in our recruiting efforts focusing on attracting not only talented individuals with experience in our current business lines, but also individuals with experience in complementary industry channels. We expect these focus points will allow us to

experience sales stability despite operating in challenging industries and an uncertain economy.

#### Integrating Certain Assets of National

We believe our acquisition and accelerated integration of certain assets of National has provided much needed capacity reductions within the envelope industry. We substantially completed the accelerated integration of these assets in 2014, which included the closure and consolidation of nine manufacturing facilities into our existing envelope operations and two new facilities.

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This accelerated integration has resulted in improved margins within our envelope segment, which we expect to continue throughout 2015 and beyond.

#### Improving our Cost Structure

We continue to monitor our cost structure as marketplace conditions warrant, and expect to further reduce costs as necessary. Our fixed costs have been reduced significantly as a result of the facility consolidations related to integrating National with our existing operations and select downsizing of certain commercial print assets. We also continue to focus on strategic investments, capital expenditures and acquisitions in areas that we believe will strengthen our manufacturing platform and product offerings. We continue to review strategic alternatives for business lines we believe are underperforming or non-strategic to our future operations.

#### Improving our Capital Structure

Since the beginning of 2011, we have been focused on improving our capital structure through a number of initiatives including working capital improvements, exiting underperforming or non-strategic businesses, and taking advantage of attractive leveraged loan and high yield debt market conditions. Since we began this initiative, we have reduced our outstanding debt and weighted average interest rate, despite our continued reinvestments of cash into our businesses via four acquisitions, focused capital expenditures, and incurring over \$95 million in transaction costs associated with the improvement of our capital structure.

On June 26, 2014, we issued \$540.0 million aggregate principal amount of 6.000% senior priority secured notes due 2019, which we refer to as the 6.000% Notes, and \$250.0 million aggregate principal amount of 8.500% junior priority secured notes due 2022, which we refer to as the 8.500% Notes. Net proceeds from the 6.000% Notes and 8.500% Notes were used to refinance: (i) the \$360 million secured term loan facility, which we refer to as the Term Loan Facility, which at the time had a remaining principal balance of \$327.3 million; and (ii) the 8.875% senior second lien notes due 2018, which we refer to as the 8.875% Notes, which at the time had a remaining principal balance of \$400.0 million. Additionally, in June 2014, we used cash on hand of \$9.4 million to repay in full the remaining principal balance on our unsecured \$50.0 million aggregate principal amount term loan due 2017, which we refer to as the Unsecured Term Loan. These transactions resulted in reductions in future cash interest expense, elimination of maintenance covenants within our capital structure and a significant extension of our existing maturities.

The June 2014 refinancing provides us greater flexibility to address our higher interest rate debt instruments. Since the completion of the refinancing, we have: (i) extinguished \$25.3 million of our 11.5% senior notes due 2017, which we refer to as our 11.5% Notes, during 2014 and 2015; (ii) exchanged \$3.0 million of our \$86.3 million 7% senior exchangeable notes due 2017, which we refer to as our 7% Notes, for approximately one million shares of our common stock; and (iii) extinguished \$2.0 million of our 8.500% Notes. During the remainder of 2015, we will use cash flow generated from operations and any proceeds from non-strategic asset sales, to the extent allowable by our indentures, to continue to address our highest interest rate debt instruments.

On January 30, 2015, we entered into Amendment No. 3 to the \$230 million asset-based revolving credit facility, which we refer to as the ABL Facility, and an accompanying Increasing Lender Agreement on February 4, 2015, pursuant to which the borrowing capacity was increased by \$10 million to \$240 million. Among other things, this amendment increased our flexibility to use the proceeds of any future asset sales to prepay our other indebtedness. The amendment also generally increased our flexibility to prepay outstanding indebtedness, make acquisitions and other investments, and pay dividends, subject to the satisfaction of certain conditions.

#### Discontinued Operations

In September 2013, we completed the sale of our custom envelope business, which we refer to as Custom Envelope, within our envelope segment. We received total net proceeds of \$47.0 million, of which \$2.2 million was received in 2014. The operating results of this divestiture are reported in discontinued operations in our condensed consolidated financial statements for all periods presented.

During the second quarter of 2013, we decided to exit the San Francisco market and closed a manufacturing facility within our print segment. The operating results of this manufacturing facility are reported in discontinued operations in our condensed consolidated financial statements for all periods presented.

Collectively, we refer to these businesses as the Discontinued Operations.

## Reportable Segments

We operate three complementary reportable segments: the envelope segment, the print segment and the label and packaging segment.

See below for a summary of net sales and operating income (loss) for our reportable segments that we use internally to assess our operating performance. Our three and six month reporting periods each consisted of 13 weeks and 26 weeks, respectively, and ended on June 27, 2015, and June 28, 2014.

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014
	(in thousands, except per share amounts)		(in thousands, except per share amounts)	
Net sales	\$460,857	\$479,410	\$935,962	\$969,529
Operating income (loss):				
Envelope	\$16,711	\$9,332	\$31,551	\$19,138
Print	3,755	4,741	6,128	5,981
Label and Packaging	11,956	11,048	21,361	21,241
Corporate	(9,193	) (11,774	) (17,616	) (22,941
Total operating income	23,229	13,347	41,424	23,419
Interest expense, net	25,278	26,666	50,970	54,576
Loss on early extinguishment of debt, net	126	26,480	559	26,498
Other expense (income), net	347	212	130	(297
Loss from continuing operations before income taxes	(2,522	) (40,011	) (10,235	) (57,358
Income tax benefit	(103	) (710	) (169	) (1,270
Loss from continuing operations	(2,419	) (39,301	) (10,066	) (56,088
Income (loss) from discontinued operations, net of taxes	14	664	(18	) 1,617
Net loss	\$(2,405	) \$(38,637	) \$(10,084	) \$(54,471
(Loss) income per share – basic:				
Continuing operations	\$(0.04	) \$(0.59	) \$(0.15	) \$(0.84
Discontinued operations	—	0.01	—	0.02
Net loss	\$(0.04	) \$(0.58	) \$(0.15	) \$(0.82
(Loss) income per share – diluted:				
Continuing operations	\$(0.04	) \$(0.59	) \$(0.15	) \$(0.84
Discontinued operations	—	0.01	—	0.02
Net loss	\$(0.04	) \$(0.58	) \$(0.15	) \$(0.82



## Net Sales

Net sales decreased \$18.6 million, or 3.9%, in the second quarter of 2015, as compared to the second quarter of 2014. Sales in our envelope segment decreased \$11.5 million, sales in our label and packaging segment decreased \$3.6 million and sales in our print segment decreased \$3.5 million.

Net sales decreased \$33.6 million, or 3.5%, in the first six months of 2015, as compared to the first six months of 2014. Sales in our envelope segment decreased \$25.7 million, sales in our label and packaging segment decreased \$4.2 million and sales in our print segment decreased \$3.7 million,

See Segment Operations below for a detailed discussion of the primary factors affecting the change in our net sales by reportable segment.

## Operating Income

Operating income increased \$9.9 million, or 74.0%, in the second quarter of 2015, as compared to the second quarter of 2014. This increase was due to: (i) an increase in operating income from our envelope segment of \$7.4 million; (ii) a reduction in corporate expenses of \$2.6 million; and (iii) an increase in operating income from our label and packaging segment of \$0.9 million, partially offset by a decline in operating income of \$1.0 million from our print segment.

Operating income increased \$18.0 million, or 76.9%, in the first six months of 2015, as compared to the first six months of 2014. This increase was due to: (i) increased operating income from our envelope segment of \$12.4 million; (ii) a reduction in corporate expenses of \$5.3 million; (iii) an increase in operating income of \$0.1 million from our print segment; and (iv) an increase in operating income from our label and packaging segment of \$0.1 million.

See Segment Operations below for a more detailed discussion of the primary factors for the changes in operating income by reportable segment.

## Interest Expense

Interest expense decreased \$1.4 million to \$25.3 million in the second quarter of 2015, as compared to \$26.7 million in the second quarter of 2014. The decrease was primarily due to: (i) lower interest rates, primarily as a result of the debt refinancing in the second quarter of 2014; and (ii) principal repayments made on our 11.5% Notes. Interest expense in the second quarter of 2015 reflected average outstanding debt of approximately \$1.2 billion and a weighted average interest rate of 7.3%. This compares to average outstanding debt of approximately \$1.2 billion and a weighted average interest rate of 7.8% in the second quarter of 2014.

Interest expense decreased \$3.6 million to \$51.0 million in the first six months of 2015, as compared to \$54.6 million in the first six months of 2014. The decrease was primarily due to: (i) a lower weighted average interest rate as a result of the debt refinancing in the second quarter of 2014; and (ii) principal repayments made on our 11.5% Notes. Interest expense in the first six months of 2015 reflected average outstanding debt of approximately \$1.2 billion and a weighted average interest rate of 7.2%. This compares to average outstanding debt of approximately \$1.2 billion and a weighted average interest rate of 7.8% in the first six months of 2014.

We expect interest expense for the remainder of 2015 will be lower than the same period in 2014, primarily due to the refinancing of the Term Loan Facility and 8.875% Notes in the second quarter of 2014, the concurrent repayment in full of the Unsecured Term Loan, and principal repayments made on our 11.5% Notes.

### Loss on Early Extinguishment of Debt

In the second quarter of 2015, we recorded a loss on early extinguishment of debt of \$0.1 million related to the repurchase of \$6.8 million of our 11.5% Notes.

During the six months ended June 27, 2015, we recorded a loss on early extinguishment of debt of \$0.6 million related to the repurchase of \$22.6 million of our 11.5% Notes, of which \$0.2 million related to the write-off of unamortized debt issuance costs, \$0.2 million related to the write-off of original issuance discount, and \$0.2 million related to a premium paid over the principal amount upon repurchase.

In the second quarter of 2014, we extinguished our Term Loan Facility and 8.875% Notes. In connection with this extinguishment, we recorded a loss on early extinguishment of debt of approximately \$9.0 million, of which \$5.8 million related to the write-off of unamortized debt issuance costs, and \$3.2 million related to the write-off of original issuance discount. Additionally, in connection with the issuance of our 6.000% Notes and 8.500% Notes in the second quarter of 2014, we expensed debt issuance costs of \$16.5 million, of which \$1.6 million related to fees paid to third parties. We also used cash on hand of \$9.4 million in the second quarter of 2014 to repay in full the remaining principal balance on the Unsecured Term Loan. In connection with the extinguishment of the Unsecured Term Loan, we recorded a loss on early extinguishment of debt of approximately \$1.0 million, of which \$0.6 million related to the write-off of unamortized debt issuance costs, and \$0.4 million related to the write-off of original issuance discount.

#### Income Taxes

	For the Three Months Ended		For the Six Months Ended	
	June 27, 2015 (in thousands)	June 28, 2014	June 27, 2015 (in thousands)	June 28, 2014
Income tax benefit from U.S. operations	\$ (192 )	\$ (569 )	\$ (363 )	\$ (1,259 )
Income tax expense (benefit) from foreign operations	89	(141 )	194	(11 )
Income tax benefit	\$ (103 )	\$ (710 )	\$ (169 )	\$ (1,270 )
Effective income tax rate	4.1	% 1.8	% 1.7	% 2.2

#### Income Tax Expense

In the second quarter of 2015, we had an income tax benefit of \$0.1 million, compared to an income tax benefit of \$0.7 million in the second quarter of 2014. The tax benefit for the second quarter of 2015 and the tax benefit for the second quarter of 2014 primarily related to income taxes on our domestic operations.

In the first six months of 2015, we had an income tax benefit of \$0.2 million, compared to an income tax benefit of \$1.3 million in the first six months of 2014. The tax benefit for the first six months of 2015 and the tax benefit for the first six months of 2014 primarily related to income taxes on our domestic operations.

Our effective tax rate for the three and six months ended 2015 and 2014 differed from the federal statutory rate, primarily as a result of having a full valuation allowance related to our net deferred tax assets. We do not believe our unrecognized tax benefits will change significantly for the remainder of 2015.

#### Valuation Allowance

We review the likelihood that we will realize the benefit of our deferred tax assets, and therefore the need for valuation allowances, on a quarterly basis, or more frequently if events indicate that a review is required. In determining the requirement for a valuation allowance, the historical and projected financial results of the legal entity or consolidated group recording the net deferred tax asset is considered, along with all other available positive and negative evidence. The factors considered in our determination of the probability of the realization of the deferred tax assets include, but are not limited to: recent historical financial results, historical taxable income, projected future taxable income, the expected timing of the reversals of existing temporary differences, the duration of statutory carryforward periods and tax planning strategies. If, based upon the weight of available evidence, it is more likely than not the deferred tax assets will not be realized, a valuation allowance is recorded.

Concluding that a valuation allowance is not required is difficult when there is significant negative evidence which is objective and verifiable, such as cumulative losses in recent years. We utilize a rolling twelve quarters of pre-tax income or loss adjusted for significant permanent book to tax differences as a measure of our cumulative results in

recent years. In the United States, our analysis indicates that we have cumulative three year historical losses on this basis. While there are significant impairment, restructuring and refinancing charges driving our cumulative three year loss, this is considered significant negative evidence which is objective and verifiable and, therefore, difficult to overcome. However, the three year loss position is not solely determinative and accordingly, we consider all other available positive and negative evidence in our analysis. Based upon our analysis, we believe it is more likely than not that the net deferred tax assets in the United States will not be fully realized in the future. Accordingly, we have a valuation allowance related to those net deferred tax assets of \$150.7 million as of June 27, 2015. Deferred tax assets related to foreign tax credit carryforwards also did not reach the more likely than not realizability criteria and accordingly, were subject to a valuation allowance. During the six months ended June 27, 2015, our valuation allowance related to these deferred tax assets was unchanged at \$7.0 million.

There is no corresponding income tax benefit recognized with respect to losses incurred and no corresponding income tax expense recognized with respect to earnings generated in jurisdictions with a valuation allowance. This causes variability in our effective tax rate. We intend to maintain the valuation allowances until it is more likely than not that the net deferred tax assets will be realized. If operating results improve on a sustained basis, or if certain tax planning strategies are implemented, our

conclusions regarding the need for valuation allowances could change, resulting in the reversal of some or all of the valuation allowances in the future, which could have a significant impact on income tax expense or benefit in the period recognized and subsequent periods.

#### (Loss) Income from Discontinued Operations, Net of Taxes

As a result of exploring opportunities to divest certain non-strategic or underperforming businesses within our manufacturing platform, we decided to exit the San Francisco market and closed a manufacturing facility within the print segment in the second quarter of 2013. Additionally, in the third quarter of 2013, we completed the sale of Custom Envelope within the envelope segment. The results of operations and cash flows of these businesses are reflected within discontinued operations for all periods presented herein, including the related tax effects.

In the second quarter of 2014, income from discontinued operations was \$0.7 million, primarily comprised of a \$0.7 million gain related to the sale of Custom Envelope, net of tax expense of \$0.5 million.

In the first six months of 2014, income from discontinued operations was \$1.6 million, primarily comprised of a \$1.6 million gain related to the sale of Custom Envelope, net of tax expense of \$1.0 million.

#### Segment Operations

Our Chief Executive Officer monitors the performance of the ongoing operations of our three reportable segments. We assess performance based on net sales and operating income.

#### Envelope

	For the Three Months Ended		For the Six Months Ended		
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014	
	(in thousands)		(in thousands)		
Segment net sales	\$218,139	\$229,593	\$445,549	\$471,264	
Segment operating income	\$16,711	\$9,332	\$31,551	\$19,138	
Operating income margin	7.7	% 4.1	% 7.1	% 4.1	%
Restructuring and other charges	\$345	\$5,618	\$3,137	\$8,635	

#### Segment Net Sales

Segment net sales for our envelope segment decreased \$11.5 million, or 5.0%, in the second quarter of 2015, as compared to the second quarter of 2014. Segment net sales for our envelope segment decreased \$25.7 million, or 5.5%, in the first six months of 2015, as compared to the first six months of 2014. These decreases were primarily due to volume declines resulting from the closure and consolidation of several envelope facilities related to the integration of National with our existing operations and two new facilities over the course of 2014, partially offset by product mix and our ability to increase prices to certain customers.

#### Segment Operating Income

Segment operating income for our envelope segment increased \$7.4 million, or 79.1%, in the second quarter of 2015, as compared to the second quarter of 2014. The increase was primarily due to: (i) lower restructuring and other charges of \$5.3 million; (ii) lower selling, general and administrative expenses of \$1.1 million, primarily resulting from lower integration costs related to the integration of National with our existing operations; and (iii) higher gross margin of \$1.0 million, primarily due to our ability to increase prices to certain customers and lower fixed costs resulting from the integration of National with our existing operations.

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Segment operating income for our envelope segment increased \$12.4 million, or 64.9%, in the first six months of 2015, as compared to the first six months of 2014. The increase was primarily due to: (i) lower restructuring and other charges of \$5.5 million; (ii) higher gross margin of \$5.0 million primarily due to our ability to increase prices to certain customers and lower fixed costs resulting from the integration of National with our existing operations; and (iii) lower selling, general and administrative expenses of \$1.8 million, primarily resulting from lower integration costs related to the integration of National with our existing operations.

Print

	For the Three Months Ended		For the Six Months Ended		
	June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014	
	(in thousands)		(in thousands)		
Segment net sales	\$121,518	\$124,986	\$249,684	\$253,383	
Segment operating income	\$3,755	\$4,741	\$6,128	\$5,981	
Operating income margin	3.1	% 3.8	% 2.5	% 2.4	%
Restructuring and other charges	\$830	\$598	\$1,867	\$2,604	

Segment Net Sales

Segment net sales for our print segment decreased \$3.5 million, or 2.8%, in the second quarter of 2015, as compared to the second quarter of 2014. This decrease was primarily due to sales declines resulting from the closure of a print facility during the first quarter of 2015, as well as continued pricing pressure and volume declines from certain commercial print customers, which was partially offset by increased volumes and new account wins within our publisher services business.

Segment net sales for our print segment decreased \$3.7 million, or 1.5%, in the first six months of 2015, as compared to the first six months of 2014. This decrease was primarily due to sales declines resulting from the closure of a print facility during the first quarter of 2015 and two print facilities during the first quarter of 2014 as well as continued pricing pressure and volume declines from certain commercial print customers. These declines were partially offset by increased volumes and new account wins within our publisher services business.

Segment Operating Income

Segment operating income for our print segment decreased \$1.0 million, or 20.8%, in the second quarter of 2015, as compared to the second quarter of 2014. The decrease was primarily due to: (i) lower gross margin of \$3.5 million during the quarter, primarily due to pricing pressures and product mix; and (ii) higher restructuring and other charges of \$0.2 million. This was partially offset by: (i) lower selling, general and administrative expenses of \$2.0 million due to lower selling expenses and various cost reduction initiatives; and (ii) lower amortization expense of \$0.8 million related to the accelerated retirement of a trade name in 2014.

Segment operating income for our print segment increased \$0.1 million, or 2.5%, in the first six months of 2015, as compared to the first six months of 2014. The increase was primarily due to: (i) lower selling, general and administrative expenses of \$1.7 million due to lower selling expenses and various cost reduction initiatives; (ii) lower amortization expense of \$1.5 million related to the accelerated retirement of a trade name in 2014; and (iii) lower restructuring and other charges of \$0.7 million. These increases were partially offset by lower gross margin of \$3.8 million, primarily due to pricing pressures and product mix.

Label and Packaging

For the Three Months Ended		For the Six Months Ended	
June 27, 2015	June 28, 2014	June 27, 2015	June 28, 2014

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	(in thousands)		(in thousands)		
Segment net sales	\$121,200	\$124,831	\$240,729	\$244,882	
Segment operating income	\$11,956	\$11,048	\$21,361	\$21,241	
Operating income margin	9.9	% 8.9	% 8.9	% 8.7	%
Restructuring and other charges	\$123	\$336	\$546	\$627	

Segment Net Sales

Segment net sales for our label and packaging segment decreased \$3.6 million, or 2.9%, in the second quarter of 2015, as compared to the second quarter of 2014. Net sales from our label operations declined \$1.8 million, primarily due to decreased volume from certain retail customers, partially offset by favorable mix in our prescription label business.

Net sales from our

packaging operations declined \$1.8 million, primarily due to unfavorable foreign exchange impact of \$1.5 million and lower volumes.

Segment net sales for our label and packaging segment decreased \$4.2 million, or 1.7%, in the first six months of 2015, as compared to the first six months of 2014. Net sales from our label operations declined \$0.3 million, primarily due to decreased volume from certain retail customers, partially offset by favorable pricing mix in our prescription label business. Net sales from our packaging operations declined \$3.8 million, primarily due to unfavorable foreign exchange impact of \$2.8 million and lower volumes.

#### Segment Operating Income

Segment operating income for our label and packaging segment increased \$0.9 million, or 8.2%, in the second quarter of 2015, as compared to the second quarter of 2014. This increase was primarily due to: (i) lower selling, general and administrative expenses of \$1.4 million in 2015, primarily due to e-commerce and information technology initiatives in 2014 as well as other cost reduction initiatives in both 2014 and 2015; and (ii) lower amortization expense of \$0.2 million related to the accelerated retirement of a trade name in 2014. The increase was partially offset by lower gross margin of \$0.6 million in our label operations, and \$0.4 million in our packaging operations, primarily due to a decline in sales and the delayed ability to pass along increases in raw material prices to our packaging customers.

Segment operating income for our label and packaging segment increased \$0.1 million, or 0.6%, in the first six months of 2015, as compared to the first six months of 2014. The increase was primarily due to: (i) lower selling, general and administrative expenses of \$2.2 million in 2015, primarily due to e-commerce and information technology initiatives in 2014 as well as other cost reduction initiatives in both 2014 and 2015; and (ii) lower amortization expense of \$0.4 million related to the accelerated retirement of a trade name in 2014. This increase was partially offset by lower gross margin of \$2.1 million in our packaging operations and \$0.5 million in our label operations, primarily due to a decline in sales and the delayed ability to pass along increases in raw material prices to our packaging customers.

#### Corporate Expenses

Corporate expenses include the costs of running our corporate headquarters. Corporate expenses decreased \$2.6 million in the second quarter of 2015, as compared to the second quarter of 2014, primarily due to costs related to the integration of certain assets of National incurred during 2014, lower stock-based compensation expense of \$0.5 million and lower depreciation expense of \$0.4 million.

Corporate expenses decreased \$5.3 million in the first six months of 2015, as compared to the first six months of 2014, primarily due to costs related to the integration of certain assets of National incurred during 2014, lower stock-based compensation expense of \$1.2 million, lower depreciation expense of \$0.8 million and lower restructuring and other charges of \$0.6 million in 2015.

#### Restructuring and Other Charges

##### Restructuring

We currently have two active cost savings, restructuring and integration plans, which are related to the implementation of cost savings initiatives focused on overhead cost eliminations, including headcount reductions and the potential closure of certain manufacturing facilities. We refer to these plans as the 2015 Plan and the 2014 Plan.

During the first half of 2015, we implemented the 2015 Plan and continued implementing the 2014 Plan. We also completed our plan to integrate certain assets of National, which we refer to as the National Plan, by completing the



closure and consolidation of nine manufacturing facilities into our existing envelope operations and two new facilities. We expect restructuring and other charges in 2015 to be substantially less than those incurred in 2014 primarily due to the nature and extent of the National Plan, which was implemented in late 2013 and substantially completed in late 2014.

We also currently have certain residual cost savings, restructuring and integration plans, which we refer to as the Residual Plans. As a result of these cost savings actions, over the last several years we have closed or consolidated a significant amount of manufacturing facilities and have had a significant number of headcount reductions. We do not anticipate any significant future expenses related to the Residual Plans, other than modifications to current assumptions for lease terminations, multi-employer pension withdrawal liabilities and ongoing expenses related to maintaining restructured assets.

During the second quarter of 2015, as a result of our restructuring and integration activities, we incurred \$2.0 million of restructuring and other charges, which included \$1.0 million of employee separation costs, \$0.1 million of net non-cash charges on long-lived assets, equipment moving expenses of \$0.1 million, multi-employer pension withdrawal expenses of \$0.2 million and building clean-up and other expenses of \$0.6 million.

During the first six months of 2015, as a result of our restructuring and integration activities, we incurred \$6.4 million of restructuring and other charges, which included \$2.0 million of employee separation costs, \$2.1 million of net non-cash charges on long-lived assets, equipment moving expenses of \$0.1 million, lease termination expenses of \$0.4 million, multi-employer pension withdrawal expenses of \$0.4 million and building clean-up and other expenses of \$1.5 million.

During the second quarter of 2014, as a result of our restructuring and integration activities, we incurred \$7.3 million of restructuring and other charges, which included \$2.9 million of employee separation costs, \$1.6 million of net non-cash charges on long-lived assets, equipment moving expenses of \$1.0 million, lease termination expenses of \$0.4 million, multi-employer pension withdrawal expenses of \$0.2 million and building clean-up and other expenses of \$1.3 million.

During the first six months of 2014, as a result of our restructuring and integration activities, we incurred \$13.3 million of restructuring and other charges, which included \$4.2 million of employee separation costs, \$2.2 million of net non-cash charges on long-lived assets, equipment moving expenses of \$1.6 million, lease termination expenses of \$1.7 million, multi-employer pension withdrawal expenses of \$0.9 million and building clean-up and other expenses of \$2.6 million.

As of June 27, 2015, our total restructuring liability was \$19.3 million, of which \$3.7 million is included in other current liabilities and \$15.6 million, which is expected to be paid through 2032, is included in other liabilities in our condensed consolidated balance sheet. Our multi-employer pension withdrawal liabilities are \$17.4 million of our remaining restructuring liabilities. We believe these liabilities represent our anticipated ultimate withdrawal liabilities; however, we are exposed to significant risks and uncertainties arising from our participation in these multi-employer pension plans. While it is not possible to quantify the potential impact of our future actions or the future actions of other participating employers from the multi-employer pension plans for which we have exited, our anticipated ultimate withdrawal liabilities may be significantly impacted in the future due to lower future contributions or increased withdrawals from other participating employers.

#### Goodwill and Intangible Asset Impairments

There were no goodwill or intangible asset impairments recorded in the three and six months ended June 27, 2015, and June 28, 2014.

#### Liquidity and Capital Resources

**Net Cash Used In Operating Activities of Continuing Operations.** Net cash used in operating activities of continuing operations was \$1.6 million in the first six months of 2015, primarily due to: (i) a use of cash of \$27.9 million from working capital; and (ii) pension and other postretirement plan contributions of \$3.4 million. The use of cash from working capital primarily resulted from a use of cash due to interest payments on our long-term debt and timing of payments to our vendors, partially offset by a source of cash from accounts receivables due to the timing of collections from and sales to our customers. This use of cash was partially offset by our net loss adjusted for non-cash items of \$30.2 million.

Net cash used in operating activities of continuing operations was \$25.4 million in the first six months of 2014, primarily due to: (i) a use of cash of \$28.7 million from working capital; and (ii) pension and postretirement plan

contributions of \$6.9 million. The use of working capital primarily resulted from: (i) accelerated cash payments of interest of \$14.5 million in the second quarter of 2014 in connection with the refinancing of the 8.875% Notes and Term Loan Facility; and (ii) a use of cash related to a vendor arrangement in connection with the acquisition of certain assets of National. This use of cash was partially offset by our net loss adjusted for non-cash items of \$16.0 million.

Cash provided by operating activities is generally sufficient to meet daily disbursement needs. On days when our cash receipts exceed disbursements, we reduce our revolving credit balance or place excess funds in conservative, short-term investments until there is an opportunity to pay down debt. On days when our cash disbursements exceed cash receipts, we use invested cash balances and/or our revolving credit to fund the difference. As a result, our daily revolving credit balance fluctuates depending on working capital needs. Regardless, at all times we believe we have sufficient liquidity available to us to fund our cash needs.

Net Cash Used In Operating Activities of Discontinued Operations. Represents the net cash used in operating activities of our Discontinued Operations.

**Net Cash Used In Investing Activities of Continuing Operations.** Net cash used in investing activities of continuing operations was \$12.3 million in the first six months of 2015, primarily resulting from capital expenditures of \$13.7 million, partially offset by proceeds received from the sale of property, plant and equipment of \$1.4 million.

Net cash used in investing activities of continuing operations was \$18.5 million in the first six months of 2014, primarily resulting from: (i) capital expenditures of \$16.8 million; and (ii) the purchase of an investment of \$2.0 million. These uses of cash were offset in part by proceeds received from the sale of property, plant and equipment of \$0.3 million.

Our debt agreements limit capital expenditures to \$45.0 million in 2015 plus any proceeds received from the sale of property, plant and equipment and, if certain conditions are satisfied, any unused permitted amounts from 2014. We estimate that we will spend approximately \$10.0 million on capital expenditures for the remainder of 2015, after considering proceeds from the sale of property, plant and equipment. Our primary sources for our capital expenditures are cash generated from operations, proceeds from the sale of property, plant and equipment, and financing capacity within our current debt arrangements. These sources of funding are consistent with prior years' funding of our capital expenditures.

**Net Cash Provided By Investing Activities of Discontinued Operations.** Represents the net cash provided by our Discontinued Operations related to investing activities. In the first six months of 2014, the cash provided by discontinued investing activities of \$2.2 million is comprised of net cash proceeds received in 2014 related to the sale of Custom Envelope.

**Net Cash Provided By Financing Activities.** Net cash provided by financing activities of continuing operations was \$12.2 million in the first six months of 2015, primarily due to net borrowings of \$38.9 million under our ABL Facility, partially offset by: (i) the extinguishment of \$22.6 million of our 11.5% Notes; (ii) various repayments on other long-term debt totaling \$2.6 million; and (iii) the payment of \$1.2 million of financing-related costs and expenses.

Net cash provided by financing activities of continuing operations was \$41.4 million in the first six months of 2014, primarily due to: (i) net borrowings of \$29.0 million under our ABL Facility; and (ii) net cash proceeds from the 6.000% Notes and 8.500% Notes and the related refinancing of the Term Loan Facility and 8.875% Notes, after payment of financing-related costs and expenses, partially offset by: (i) the repayment in full of our Unsecured Term Loan of \$10.0 million; and (ii) the payment of other long-term debt of \$3.0 million.

**Long-Term Debt.** Our total outstanding long-term debt, including current maturities, was approximately \$1.3 billion as of June 27, 2015, an increase of \$17.9 million from December 27, 2014. This increase was primarily due to net borrowings of \$38.9 million under our ABL Facility during the first six months of 2015, partially offset by the repayment of \$22.6 million of our 11.5% Notes. As of June 27, 2015, approximately 86% of our debt outstanding was subject to fixed interest rates. As of July 28, 2015, we had approximately \$53.3 million of borrowing availability under our ABL Facility. From time to time, we may seek to refinance our debt obligations as business needs and market conditions warrant.

#### Note Repurchases

We may from time to time seek to purchase our outstanding notes in open market purchases, privately negotiated transactions or other means. Such repurchases, if any, will depend on prevailing market conditions, our liquidity requirements, contractual restrictions and other factors.

During the three and six months ended June 27, 2015, we extinguished \$6.8 million and \$22.6 million, respectively, of our 11.5% Notes.

Letters of Credit

As of June 27, 2015, we had outstanding letters of credit of approximately \$19.1 million related to performance and payment guarantees. Based on our experience with these arrangements, we do not believe that any obligations that may arise will be significant.

## Credit Ratings

Our current credit ratings are as follows:

Rating Agency	Corporate Rating	6.000% Notes	8.500% Notes	11.5% Notes	Outlook	Last Update
Moody's	Caa1	B3	Caa2	Caa3	Stable	June 2014
Standard & Poor's	B-	B	CCC	CCC	Stable	June 2014

In June 2014, Moody's Investors Services, which we refer to as Moody's, affirmed our Corporate Rating and the ratings on our 11.5% Notes. Additionally, they rated the 6.000% Notes and 8.500% Notes for the first time. In June 2014, Standard & Poor's Ratings Services, which we refer to as Standard & Poor's, affirmed our Corporate Rating and the ratings on our 11.5% Notes. Additionally, they rated the 6.000% Notes and the 8.500% Notes for the first time. The detail of all current ratings has been provided in the table above.

The terms of our existing debt do not have any rating triggers that impact our funding availability or influence our daily operations, including planned capital expenditures. We do not believe that our current ratings will unduly influence our ability to raise additional capital if and/or when needed. Some of our constituents closely track rating agency actions and would note any raising or lowering of our credit ratings; however, we believe that along with reviewing our credit ratings, additional quantitative and qualitative analysis must be performed to accurately judge our financial condition.

As of June 27, 2015, we were in compliance with all covenants under our long-term debt.

We expect that our internally generated cash flows and financing available under our ABL Facility will be sufficient to fund our working capital needs for the next twelve months; however, this cannot be assured.

## Seasonality

Our envelope market and certain segments of the direct mail market have historically experienced seasonality with a higher percentage of volume of products sold to these markets during the fourth quarter of the year, primarily related to holiday purchases. Our office product envelope business historically has experienced seasonality during the late summer months in advance of back to school campaigns.

Our print plants experience seasonal variations. Revenues associated with consumer publications, such as holiday catalogs and automobile brochures tend to be concentrated from July through October. Revenues from annual reports are generally concentrated from February through April. Revenues associated with the educational and scholastic market and promotional materials tend to decline in the summer. As a result of these seasonal variations, some of our print operations operate at or near capacity at certain times throughout the year.

Our general label business has historically experienced a seasonal increase in net sales during the first and second quarters of the year, primarily resulting from the release of our product catalogs to the trade channel customers and our customers' spring advertising campaigns. Our prescription label business has historically experienced seasonality in net sales due to cold and flu seasons, generally concentrated in the fourth and first quarters of the year. As a result of these seasonal variations, some of our label operations operate at or near capacity at certain times throughout the year.

Our packaging business has not historically experienced seasonal variations.

## New Accounting Pronouncements

We are required to adopt certain new accounting pronouncements. See Note 1 to our condensed consolidated financial statements included herein.

## Available Information

Our internet address is: [www.cenveo.com](http://www.cenveo.com). We make available free of charge through our website our Annual Report on Form 10-K, quarterly reports on Form 10-Q, current reports on Form 8-K and amendments to those reports filed pursuant to Section 13(a) or 15(d) of the Securities Exchange Act of 1934 as soon as reasonably practicable after such documents are filed electronically with the SEC. In addition, our earnings conference calls are archived for replay on our website.

Item 3. Quantitative and Qualitative Disclosures About Market Risk

We are exposed to market risks such as changes in interest and foreign currency exchange rates, which may adversely affect our results of operations and financial position.

As of June 27, 2015, we had variable rate debt outstanding of \$186.6 million. A change of 1% to the current London Interbank Offered Rate, which we refer to as LIBOR, would have a minimal impact to our interest expense.

Our changes in foreign currency exchange rates are managed through normal operating and financing activities. We have foreign operations, primarily in Canada and India, and thus are exposed to market risk for changes in foreign currency exchange rates. For the three and six months ended June 27, 2015, a uniform 10% strengthening of the United States dollar relative to the local currency of our foreign operations would have resulted in a decrease in sales of approximately \$1.6 million and \$3.1 million, respectively, and an increase in operating income of less than \$0.1 million for both periods.



#### Item 4. Controls and Procedures

##### Evaluation of Disclosure Controls and Procedures

Our management, with the participation of our Chief Executive Officer and our Chief Financial Officer, carried out an evaluation of the effectiveness of the design and operation of our disclosure controls and procedures (as defined in Rules 13a-15(e) and 15d-15(e) under the Securities Exchange Act of 1934, as amended ("Exchange Act")) as of June 27, 2015. Based on that evaluation, our Chief Executive Officer and our Chief Financial Officer concluded that our disclosure controls and procedures were effective as of June 27, 2015, in order to provide reasonable assurance that information required to be disclosed in our filings under the Exchange Act was recorded, processed, summarized and reported within the time periods specified in the rules and forms of the Securities and Exchange Commission.

##### Changes in Internal Control over Financial Reporting

There were no changes in our internal control over financial reporting (as defined in the Exchange Act Rule 13a-15(f) and 15d-15(f)) during the quarter ended June 27, 2015, that have materially affected or are reasonably likely to materially affect, our internal control over financial reporting.

##### Inherent Limitations on Effectiveness of Controls

Our management, including our Chief Executive Officer and our Chief Financial Officer, does not expect that our disclosure controls or our internal control over financial reporting will prevent or detect all errors and all fraud. A control system, no matter how well designed and operated, can provide only reasonable, not absolute, assurance that the control system's objectives will be met. Our disclosure controls and procedures are designed to provide reasonable assurance of achieving their objectives. The design of a control system must reflect the fact that there are resource constraints and the benefits of controls must be considered relative to their costs. Further, because of the inherent limitations in all control systems, no evaluation of controls can provide absolute assurance that misstatements due to error or fraud will not occur or that all control issues and instances of fraud, if any, within the Company have been detected. These inherent limitations include the realities that judgments in decision-making can be faulty and that breakdowns can occur because of simple error or mistake. Controls can also be circumvented by the individual acts of some persons, by collusion of two or more people, or by management override of the controls. The design of any system of controls is based in part on certain assumptions about the likelihood of future events and there can be no assurance that any design will succeed in achieving its stated goals under all potential future conditions. Projections of any evaluation of controls effectiveness to future periods are subject to risks. Over time, controls may become inadequate because of changes in conditions or deterioration in the degree of compliance with policies or procedures.

PART II. OTHER INFORMATION

Item 1. Legal Proceedings

From time to time we may be involved in claims or lawsuits that arise in the ordinary course of business. Accruals for claims or lawsuits have been provided for to the extent that losses are deemed probable and estimable. Although the ultimate outcome of these claims or lawsuits cannot be ascertained, on the basis of present information and advice received from counsel, it is our opinion that the disposition or ultimate determination of such claims or lawsuits will not have a material effect on our consolidated financial statements.

In the case of administrative proceedings related to environmental matters involving governmental authorities, we do not believe that any imposition of monetary damages or fines would be material.

Item 1A. Risk Factors

In addition to the other information set forth in this report, you should carefully consider the factors discussed in Part I, "Item 1A. Risk factors" in our Annual Report on Form 10-K for the year ended December 27, 2014, which could materially affect our business, financial condition or future results. The risks described in our Annual Report on Form 10-K are not the only risks facing our Company. Additional risks and uncertainties not currently known to us or that we currently deem to be immaterial also may materially adversely affect our business, financial condition and/or operating results.

Item 4. Mine Safety Disclosures

Not applicable.

Item 5. Other Information

On July 24, 2015, the Company received a letter from the New York Stock Exchange ("NYSE") stating that the NYSE determined that the Company failed to timely file with the SEC its Q1 10-Q for the reasons noted in the Explanatory Note herein. As a result, the Company is subject to the procedures set forth in Section 802.01E of the NYSE's Listed Company Manual. Once the Company's new independent accounting firm completes its reviews of the unaudited interim financial information presented in the Q1 10-Q and this Form 10-Q under Public Company Accounting Oversight Board AU 722, as required by SEC rules, the Company will file amendments to such filings as soon as practicable.

Item 6. Exhibits

Exhibit Number	Description
2.1	Stock Purchase Agreement dated as of July 17, 2007, among Cenveo Corporation, Commercial Envelope Manufacturing Co. Inc. and its shareholders—incorporated by reference to Exhibit 2.1 to registrant's current report on Form 8-K filed July 20, 2007.
3.1	Articles of Incorporation—incorporated by reference to Exhibit 3(i) of the registrant's quarterly report on Form 10-Q for the quarter ended June 30, 1997, filed August 14, 1997.
3.2	Articles of Amendment to the Articles of Incorporation dated May 17, 2004—incorporated by reference to Exhibit 3.2 to registrant's quarterly report on Form 10-Q for the quarter ended June 30,

2004, filed August 2, 2004.

3.3 Amendment to Articles of Incorporation and Certificate of Designations of Series A Junior Participating Preferred Stock of the registrant dated April 20, 2005—incorporated by reference to Exhibit 3.1 to registrant’s current report on Form 8-K, filed April 21, 2005.

3.4 Bylaws as amended and restated effective March 31, 2014—incorporated by reference to Exhibit 3.2 to registrant’s current report on Form 8-K, filed April 4, 2014.

4.1 Indenture, dated as of March 28, 2012, among the Company, Cenveo Corporation, the other guarantors named therein and U.S. Bank National Association, as Trustee, relating to the 11.5% Notes—incorporated by reference to Exhibit 4.3 to registrant's current report on Form 8-K filed March 30, 2012.

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Item 6. Exhibits

- 4.2 Form of Guarantee issued by the Company and the other guarantors named therein relating to the 11.5% Notes—incorporated by reference to Exhibit 4.4 to registrant's current report on Form 8-K filed March 30, 2012.
- 4.3 Registration Rights Agreement, dated as of March 28, 2012, among the Company, Cenveo Corporation, the other guarantors named therein and the initial purchasers named therein relating to the 11.5% Notes—incorporated by reference to Exhibit 4.7 to registrant's current report on Form 8-K filed March 30, 2012.
- 4.4 Indenture, dated as of March 28, 2012, by and among the Company, Cenveo Corporation, the other guarantors named therein and U.S. Bank National Association, as Trustee, relating to the 7% Notes—incorporated by reference to Exhibit 4.5 to registrant's current report on Form 8-K filed March 30, 2012.
- 4.5 Form of Guarantee issued by the Company and the other guarantors named therein relating to the 7% Notes—incorporated by reference to Exhibit 4.6 to registrant's current report on Form 8-K filed March 30, 2012.
- 4.6 Indenture, dated as of June 26, 2014, by and among Cenveo, Inc., Cenveo Corporation, the other guarantors named therein and The Bank of New York Mellon, as Trustee and Collateral Agent, relating to the 6.000% Senior Priority Secured Notes due 2019--incorporated by reference to Exhibit 4.1 to registrant's current report on Form 8-K filed July 1, 2014.
- 4.7 Form of Guarantee issued by Cenveo, Inc. and the other guarantors named therein relating to the 6.000% Senior Priority Secured Notes due 2019--incorporated by reference to Exhibit 4.2 to registrant's current report on Form 8-K filed July 1, 2014.
- 4.8 Indenture, dated as of June 26, 2014, by and among Cenveo, Inc., Cenveo Corporation, the other guarantors named therein and The Bank of New York Mellon, as Trustee and Collateral Agent, relating to the 8.500% Junior Priority Secured Notes due 2022--incorporated by reference to Exhibit 4.3 to registrant's current report on Form 8-K filed July 1, 2014.
- 4.9 Form of Guarantee issued by Cenveo, Inc. and the other guarantors named therein relating to the 8.500% Junior Priority Secured Notes due 2022--incorporated by reference to Exhibit 4.4 to registrant's current report on Form 8-K filed July 1, 2014.
- 4.10 Intercreditor Agreement, dated as of June 26, 2014, by and among Cenveo, Inc., Cenveo Corporation, the other guarantors named therein, Bank of America, N.A., as ABL Agent, and The Bank of New York Mellon, as Collateral Agent with respect to the Senior Notes--incorporated by reference to Exhibit 4.5 to registrant's current report on Form 8-K filed July 1, 2014.
- 4.11 Intercreditor Agreement, dated as of June 26, 2014, by and among Cenveo, Inc., Cenveo Corporation, the other guarantors named therein, Bank of America, N.A., as ABL Agent, The Bank of New York Mellon, as Collateral Agent with respect to the Senior Notes, and The Bank of New York Mellon, as Collateral Agent with respect to the Junior Notes--incorporated by reference to Exhibit 4.6 to registrant's current report on Form 8-K filed July 1, 2014.
- 10.1\* Amendment, dated April 30, 2015, to Employment Agreement, dated as of October 27, 2005, as amended, between Cenveo, Inc. and Robert G. Burton, Sr.

- 31.1\* Certification by Robert G. Burton, Sr., Chief Executive Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 31.2\* Certification by Scott J. Goodwin, Chief Financial Officer, pursuant to Section 302 of the Sarbanes-Oxley Act of 2002.
- 101.INS\* XBRL Instance Document.
- 101.SCH\* XBRL Taxonomy Extension Schema Document.
- 101.CAL\* XBRL Taxonomy Extension Calculation Linkbase Document.
- 101.LAB\* XBRL Taxonomy Extension Label Linkbase Document.
- 101.PRE\* XBRL Taxonomy Extension Presentation Linkbase Document.
- 101.DEF\* XBRL Taxonomy Extension Definition Linkbase Document.

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\* Filed herewith.

SIGNATURES

Pursuant to the requirements of Section 13 or 15(d) of the Securities Exchange Act of 1934, the Registrant has duly caused this report to be signed on its behalf by the undersigned, thereunto duly authorized, in the City of Englewood, State of Colorado, on July 30, 2015.

CENVEO, INC.

By: /s/ Robert G. Burton, Sr.  
Robert G. Burton, Sr.  
Chairman and Chief Executive Officer  
(Principal Executive Officer)

By: /s/ Scott J. Goodwin  
Scott J. Goodwin  
Chief Financial Officer  
(Principal Financial Officer and  
Principal Accounting Officer)