



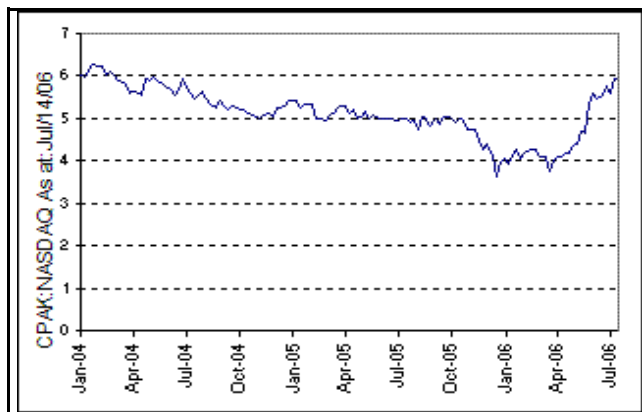
THE COMPANY

CPAC Inc. is a diversified operating company that manages holdings in two industries: Cleaning and Personal Care which operates under the Fuller Brands segment, and Imaging which operates under the CPAC Imaging Markets segment. The Fuller Brands segment develops, manufactures, and markets over 2,700 branded and private label products for commercial cleaning, household cleaning, and personal care. CPAC Imaging manufactures, packages, and distributes branded and private label chemicals for the colour photographic, health care, and graphic arts markets.

FINANCIAL DATA

Table with 4 columns: Metric, 2001, 2002, 2003. Rows include Earnings per Share, Price to Earnings, Dividend, Dividend Yield, Book Value, and Price to Book Value.

HISTORICAL SHARE PRICES



WHY ABC FUNDS BOUGHT CPAC

CPAC is under-followed by Wall Street analysts and has failed to capture the attention of investors. In fact, there is not one American brokerage that officially covers the company. Probably the main concern that investors have is that they feel CPAC's products and marketing efforts are outdated. For example, over thirty percent of sales from CPAC's Fuller Brands Consumer division are conducted via door-to-door sales and CPAC's Imaging division, which sells chemicals and equipment to photo finishing centers, are now competing with new digital photography.

However, while many perceive CPAC to be a "buggy whip" type company, management believes there are growth opportunities that exist outside of traditional channels. For example, The Fuller Brands division has experienced early success with selling its home care products via QVC, a home shopping channel that has over 82 million viewers in the U.S. In addition, Internet sales have experienced double-digit increases, with sales breaking \$1 million for the first time in 2003. On the photo imaging side, the company sees big potential in China, a nation where only 20% of the population owns a camera. Also, CPAC has gained exposure in the growing disposable camera market via its 40% stake in German manufacturer Tura AG.

CPAC shares have fallen from a peak of \$15.25 in September 1995 to just \$6 today. At this level, we believe CPAC represents an attractive opportunity. Consider the fundamentals. CPAC trades at a 26% discount to its 2003-year end book value of \$9.35 per share and the balance sheet is impressive. It has only \$7.2 million in long-term debt, of which \$6 million is comprised of an Industrial Revenue Bond. The bond matures in 2009 and carries an interest rate of only 2%. In addition, CPAC owns both the land and buildings on many of its properties. The company consistently generates free cash flow and its \$0.28 annual dividend provides shareholders with a yield of over 4%.

Finally, another point to consider is that since 1995 the company has repurchased 2.4 million or over 32% of its outstanding shares. Given that the share price has been languishing below book value for some time now, we would not be surprised if at some point, management decides to take the company private.

ABC Funds
January 30, 2004

UPDATE

On June 29th 2004 CPAC Inc reported a fourth quarter loss of \$308,000 or \$0.06 per share before charges compared with earnings of \$431,000 or \$0.09 per share in the same period last year. The charge relates to a write down taken for CPAC's investment in the German company Tura AG. Sales at CPAC's Cleaning and Personal Care division fell 3% in the quarter to \$12.9 million from \$13.3 million the year before. Operating profit was \$144,000 compared with \$516,000 for the fourth quarter of 2003. Sales at CPAC's imaging segment were flat year over year at \$9.9 million. The division posted an operating loss of \$220,000 for the quarter versus an operating profit of \$236,000 last year.

UPDATE (cont'd)

Although shares of CPAC have weakened as of late, our investment thesis remains unchanged. We feel that CPAC is an under-followed company that is probably worth more broken up than it is worth as a holding company. If the stock price does not improve from an increase sales, profit, etc, we think that some catalyst could eventually occur that would surface value in the company. For example, CPAC could decide to sell its unprofitable photo imaging division and focus instead on the Cleaning and Personal Care division. Or, CPAC's low stock price and high cash flow could attract a financial buyer who would come in and offer a premium price for the company. The most likely scenario however, is that management could choose to take the company private. There are only 4.5 million shares outstanding and the company has been an active buyer of its own stock over the years.

Shares of CPAC currently sell at a 39% discount to its book value of \$8.71 per share and 6.7 times cash flow per share of \$0.79 per share. CPAK also pays a dividend of \$0.28 per share, which represents a yield of over 5%. Investors should keep in mind that a catalyst, such as an asset sale, takeover, or privatization, can occur when it is least expected; this often happens after many consecutive quarters, or even years, of poor performance. In other words, bad results can actually spell good news if it forces management to make positive changes to benefit shareholders.

ABC Funds
July 23, 2004

It has been nearly two years since our last update on CPAC Inc. Up until a few months ago, there had been little to report besides small quarterly losses and a languishing stock price. However, on May 25th CPAC surprised shareholders when it announced that it expected to earn a profit of between \$0.14 and \$0.18 per share in its fiscal 4th quarter. This announcement sparked a renewed interest in the stock. The following day, over 100,000 shares of CPAC traded, four times more than average. When the company finally announced 4th quarter earnings of \$0.22 per share on June 22nd, CPAC traded as high as \$6.97 on volume of over 400,000 shares.

We decided to take advantage of the recent trading activity in CPAC to sell our entire position. Although CPAC still trades below its book value of \$7.39, the discount is much narrower today than it was when we originally purchased the shares. Also, CPAC has a market capitalization of only \$30 million. Given that our portfolios have increased in size, even a 5% position falls well below our minimum investment weighting. Finally, while we admit that we may be leaving a little upside on the table, we are finding other opportunities in the market which offer us greater return potential.

ABC Funds
July 14, 2006