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**PRESS RELEASE**

**Source:** Supremex Income Fund

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**SUPREMEX INCOME FUND  
ANNOUNCES RESULTS FOR ITS FIRST REPORTING PERIOD**

- Not for Distribution in the United States or over U.S. Newswires -

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| <ul style="list-style-type: none"><li>• As at March 31, 2006, the initial public offering yielded net proceeds of \$189.2 M, including the exercise of the over-allotment option.</li><li>• The first two monthly distributions to unitholders were paid on May 15 and June 15, 2006.</li></ul> |
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**Montreal, Quebec, June 16, 2006** – Supremex Income Fund (“the Fund”), Canada’s largest provider of stock and custom-manufactured envelopes (TSX: SXP.UN), released its initial financial results for 2006 today. Such results should normally have been filed effective May 15, 2006. The initial public offering closed on March 31, 2006, the last day of the first quarter. Considering this specific feature, the Fund consulted its advisors and one of the Canadian regulatory authorities who indicated that its financial statement disclosure obligations would begin as of the second quarter. However, after further discussions and consultations with the regulatory authorities, those notifications proved unfounded and the Fund undertook the initiatives needed to file its first-quarter financial statements as required.

The following financial information includes the results of Supremex Inc. for the full three-month period ended March 31, 2005 and for the period from January 1<sup>st</sup>, 2006 to March 30, 2006 along with the Fund’s results for the one-day reporting period of March 31, 2006.

Revenues for the first quarter ended March 31, 2006 totalled \$49.5 million, down from \$51.2 million in the first quarter of fiscal 2005. Despite this \$1.7 million decline in revenues, EBITDA only fell by \$0.3 million to \$11.2 million, compared with \$11.5 million in the first quarter of 2005.

“We are satisfied with our first-quarter results. Although an initial public offering is always time-consuming for senior management, Supremex was able to stay focused while remaining as profitable as in the past, in spite of a slight decline in sales, a sharp rise in raw material costs and the higher Canadian dollar. Our people showed yet again that despite many challenges, Supremex demonstrated its ability to yield exceptional and highly predictable profitability,” said Gilles Cyr, President and Chief Executive Officer of the Fund.

Geographically, revenues from sales in Canada remained stable at \$43.2 million, whereas revenues from U.S. sales decreased by \$1.7 million or 21.3% to \$6.3 million, down from \$8.0 million in the first quarter of 2005. This decline is due to a 16.4% reduction in the sales volume resulting mainly from a timing in the ordering pattern of a few direct mail accounts compared with last year. The increase in the Canadian dollar also translated into a 6.4% reduction in the average selling price for the Fund's products in the United States.

On March 31, 2006, the Fund closed its initial public offering by way of the issue of 17,500,000 trust units at a price of \$10 per unit for net proceeds of \$165.1 million. On April 28, 2006 an additional 2,500,000 trust units were issued subsequent to the exercise of the over-allotment option, bringing the net proceeds to \$189.2 million.

### **Subsequent Events**

Effective May 15 and June 15, 2006, the Fund proceeded to pay its first two monthly distributions of \$0.0958 per unit to unitholders.

### **Forward-Looking Statements**

This press release contains forward-looking statements relating to the future performance of the Fund. These statements relate to future events or future performance and reflect current assumptions, expectations and estimates of Management regarding growth, results of operations, performance and business prospects and opportunities. Such Forward-looking statements reflect current assumptions, expectations and estimates of Management and are based on information currently available to the Fund as at the date of this document. Forward-looking statements are subject to certain risks and uncertainties, and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. Such risks and uncertainties are discussed throughout our MD&A for the first quarter of 2006 and, in particular, in Risk Factors. Consequently, readers should not place any undue reliance on such forward-looking statements. The Fund disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise unless being held there according to the laws on the applicable transferable securities.

### **Non-GAAP Measures**

References to EBITDA are to earnings from continuing operations before amortization of property, plant and equipment, intangible assets, deferred compensation, gain on disposal of machinery and equipment, interest, net financing charges and income taxes.

EBITDA is not an earnings measure recognized under GAAP and does not have standardized meanings prescribed by GAAP. EBITDA may therefore not be comparable to a similar measure presented by other entities. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings or loss determined in accordance with GAAP as indicator of the Fund's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows.

**About the Fund**

Supremex Income Fund is Canada's largest manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex is the only national envelope manufacturer in Canada, with 13 facilities in nine cities across seven provinces and employs approximately 750 people. This nationwide presence enables it to manufacture products tailored to the specifications of major national customers such as leading Canadian corporations, national resellers and governmental entities, as well as paper merchants and process and solutions providers.

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**Supremex Income Fund****CONSOLIDATED BALANCE SHEET**

As at March 31, 2006

Unaudited

	\$
<b>ASSETS (note 11)</b>	
<b>Current</b>	
Cash	2,703,253
Accounts receivable (note 4)	27,690,816
Income taxes receivable	6,583,249
Inventories (note 5)	21,006,937
Prepaid expenses	1,167,055
<b>Total current assets</b>	<b>59,151,310</b>
Property, plant and equipment, net (note 6)	40,427,297
Accrued pension benefit asset (note 7)	5,154,500
Future income tax assets (note 12)	5,194,728
Deferred financing costs, net (note 8)	517,146
Intangible assets, net (note 9)	56,204,532
Goodwill (note 2)	245,171,998
	<b>411,821,511</b>
<b>LIABILITIES AND UNITHOLDERS' EQUITY</b>	
<b>Current</b>	
Revolving credit facility (note 11)	2,000,000
Accounts payable and accrued liabilities (note 10)	22,090,409
Payable to Cenveo (note 2)	5,617,322
<b>Total current liabilities</b>	<b>29,707,731</b>
Secured credit facilities (note 11)	75,000,000
Note payable to Cenveo (note 2)	23,625,000
Future income taxes liabilities (note 12)	27,949,194
Post-retirement benefits obligation (note 7)	763,600
<b>Unitholders' equity</b>	
Funds units (note 13)	278,209,864
Deferred compensation (note 13)	(23,602,461)
Retained earnings	168,583
	<b>254,775,986</b>
	<b>411,821,511</b>

Commitments and contingencies (note 15)

Subsequent events (note 18)

*See accompanying notes*

On behalf of the Trustee:

By:  
TrusteeBy:  
Trustee

**Supremex Income Fund**

**CONSOLIDATED STATEMENT OF EARNINGS AND  
RETAINED EARNINGS**

For the 1 day period of March 31, 2006

Unaudited

	\$
<b>Revenue</b>	496,846
Cost of good sold, selling, general and administrative expenses	284,661
<b>Earnings before the following</b>	<b>212,185</b>
Amortization of intangible assets	15,468
Amortization of deferred compensation	16,177
Net financing charges (note 11)	11,957
	43,602
<b>Net earnings and retained earnings for the period</b>	<b>168,583</b>
<b>Basic and diluted net earnings per Unit</b>	<b>0.0054</b>
<b>Weighted average number of Units outstanding (note 13)</b>	<b>31,311,667</b>

*See accompanying notes*

**Supremex Income Fund****CONSOLIDATED STATEMENT OF CASH FLOWS**

For the 1 day period of March 31, 2006

Unaudited

	\$
<b>OPERATING ACTIVITIES</b>	
Net earnings for the period	168,583
Items not affecting cash and cash equivalents	
Amortization of intangible assets	15,468
Amortization of deferred compensation	16,177
Amortization of deferred financing costs	354
Net change in non-cash working capital balances	284,293
<b>Cash flows related to operating activities</b>	<b>484,875</b>
<b>INVESTING ACTIVITIES</b>	
Businesses acquisition, net of cash acquired (note 2)	(236,995,036)
<b>Cash flows related to investing activities</b>	<b>(236,995,036)</b>
<b>FINANCING ACTIVITIES</b>	
Issuance of trust units on initial public offering (note 2)	175,000,000
Issuance of trust units to management (note 2)	23,642
Expenses related to initial insurance of trust units (note 2)	(14,842,723)
Financing costs incurred	(517,500)
Payable to Cenveo (note 2)	5,617,322
Term credit facility proceed	75,000,000
Issuance of a note payable to Cenveo (note 2)	23,625,000
Repayment of the due to an entity under common control	(26,692,327)
<b>Cash flows related to financing activities</b>	<b>237,213,414</b>
<b>Net increase in cash and cash equivalents and period end balance</b>	<b>703,253</b>

*See accompanying notes*

## **Supremex Income Fund**

### **NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

#### **1. NATURE OF BUSINESS AND BASIS OF PRESENTATION**

Supremex Income Fund (the "Fund") is an unincorporated open-ended trust established under the laws of the Province of Québec pursuant to a declaration of Trust dated February 10, 2006, as may be amended, supplemented or restated from time to time. The Fund was created to indirectly acquire and hold all the shares of Supremex Inc. and the net assets of Cenveo Depew Division ("Supremex"). The Fund remained inactive until it indirectly acquired Supremex on March 31, 2006 (note 2). The statements of earnings and cash flows consist of the operations of the Fund for the 1-day period ended March 31, 2006. Certain expenses such as pension expense and amortization of property, plant and equipment were not included as they were considered insignificant to the Fund's financial position.

Supremex is a manufacturer and marketer of a broad range of stock and custom envelopes and related products.

The business of Supremex follows seasonal patterns with the highest revenue occurring from August to February due to the seasonal advertising and mailing patterns of its customers whereby higher number of mailings related to events including the return to school, fund raisers and the holiday and tax seasons occurs during that period. As a result, revenue and financial performance for the 1-day ended March 31, 2006 are not necessarily indicative of the revenue and financial performance that may be expected for a full year.

#### **2. INITIAL PUBLIC OFFERING AND BUSINESSES ACQUISITION**

On March 31, 2006, the Fund completed an initial public offering ("IPO") with the sale of 17,500,000 trust units (the "Units") for \$10.00 per Unit, for total net proceeds of \$165,093,194 after deducting \$9,906,806 which represents the underwriters' total fees of \$9,625,000 and other issuance expenses of \$5,217,723 less related future income taxes of \$4,935,917.

On March 31, 2006, in conjunction with the IPO, the Fund indirectly acquired Supremex from Cenveo Corporation for \$331,641,239. Consideration paid to Cenveo for the acquisition was comprised of cash of \$212,924,527, Units of the Fund with a value of \$89,474,390, a payable for acquired businesses of \$5,617,322 for a working capital adjustment and a note payable of \$23,625,000.

**Supremex Income Fund**

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

**4. INITIAL PUBLIC OFFERING AND BUSINESSES ACQUISITION - (Continued)**

The acquisition was accounted for by the purchase method with the results of Supremex' operations included in the Fund's earnings from the date of acquisition. These consolidated financial statements reflect the allocation of the consideration to the assets acquired and liabilities assumed based on their fair values as follows:

	<b>Supremex</b>	<b>Cenveo Depew division</b>	<b>Total \$</b>
Cash and cash equivalents	5,171,813		5,171,813
Accounts receivable	27,077,695	378,589	27,456,284
Inventories	20,539,428	467,509	21,006,937
Income taxes receivable	6,583,249		6,583,249
Prepaid expenses	1,138,130	28,925	1,167,055
Property, plant and equipment	40,253,650	173,647	40,427,297
Accrued pension benefit asset	5,154,500		5,154,500
Future income tax assets	258,811		258,811
Intangible assets	56,220,000		56,220,000
Goodwill	245,171,998		245,171,998
Accounts payable and accrued liabilities	(21,371,322)	(200,262)	(21,571,584)
Due to an entity under common control	(26,692,327)		(26,692,327)
Future income tax liabilities	(27,949,194)		(27,949,194)
Post-retirement benefits obligation	(763,600)		(763,600)
<b>Net assets acquired</b>	<b>330,792,831</b>	<b>848,408</b>	<b>331,641,239</b>
<b>Consideration</b>			
Cash			212,924,527
Units			89,474,390
Payable to Cenveo			5,617,322
Note payable to Cenveo			23,625,000

As part of the acquisition 2,364,228 Units valued at \$23,642,280 were issued to management employees of Supremex for a cash consideration of \$23,642 to amend the then existing management profit sharing plan. These Units are held in escrow and 50% will be released on March 31, 2008, 25% on March 31, 2009 and 25% on March 31, 2010, subject to earlier release under certain circumstances or sold to Supremex for a nominal consideration of \$0.01 per Unit in the event of the voluntary departure of the employee or termination by Supremex for cause prior the expiry of the four year escrow period. The initial value of such Units, net of the cash consideration received, is recorded as deferred compensation and is recorded as compensation expense over the vesting period.



## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 2. INITIAL PUBLIC OFFERING AND BUSINESSES ACQUISITION - (Continued)

The payable to Cenveo relates to an adjustment based on the working capital of the acquired businesses which adjustment should be finalized during the second quarter of 2006. This is the only item that could require an adjustment to the purchase price allocation which will be made when known.

The note payable to Cenveo may be satisfied by the issuance of 2,500,000 Units or by cash consideration of \$23,625,000 if the underwriters exercise their over-allotment option as described in note 13 (see Note 18 – Subsequent events). Cenveo Corporation and its related companies (“Cenveo”) will own 28.6% of the Fund’s Units upon the exercise of the over-allotment option.

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

The consolidated financial statements have been prepared by management in accordance with Canadian generally accepted accounting principles which require management to make estimates and assumptions that affect the amounts reported in the financial statements and accompanying notes. By their nature, these estimates are subject to measurement uncertainty. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period the change occurs.

The financial statements have, in management’s opinion, been properly prepared within reasonable limits of materiality and within the framework of the accounting policies summarized below:

##### **Principles of consolidation**

The consolidation financial statements include the accounts of the Fund and its subsidiaries. All significant intercompany accounts and transactions are eliminated upon consolidation. The consolidated financial statements are as at and for the day ended March 31, 2006, the date of the commencement of operations of the Fund, and accordingly no comparative information is provided.

##### **Net earnings per Unit**

Net earnings per Unit is calculated by dividing net earnings by the weighted average number of Units outstanding during the period. For the purpose of the weighted average number of Units outstanding, Units are determined to be outstanding from the date they are issued and do include the Units to be issued relating to the note payable to Cenveo on an as if exercised basis since this payable will be satisfied before April 30, 2006 by issuance of Units either to the noteholder or to the public for the exercised portion of the over-allotment option granted to the underwriters.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

##### **Cash and cash equivalents**

Cash and cash equivalents include cash less amount drawn under the operating revolving credit facility.

##### **Inventories**

Raw materials are carried at the lower of cost, determined on a first-in, first-out basis, and replacement cost. Work in process and finished goods are carried at the lower of cost, including labour and overhead, determined on a first-in, first-out basis, and net realizable value.

##### **Property, plant and equipment**

Property, plant and equipment are recorded at cost. Amortization is computed under the straight-line method over the following estimated useful lives:

Buildings and building improvements	10 to 40 years
Leasehold improvements	Over the terms of the leases
Machinery and equipment	7 to 15 years
Office equipment	3 to 5 years
Computer equipment	3 years

##### **Long-lived assets**

Long-lived assets, including property plant and equipment, are tested for impairment whenever events or changes in circumstances indicate that the carrying value of the assets may not be fully recoverable. Impairment is assessed when the undiscounted expected future cash flows derived from an asset are less than its carrying amount. Impairment losses are recognized for the amount by which the carrying value of an asset exceeds its fair value. The estimated useful lives of all long-lived assets are periodically reviewed and revised if necessary.

##### **Deferred financing costs**

Financing costs related to credit facilities are capitalized and amortized on a straight line basis over the four-year term of the credit facilities.

**NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

**3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)**

**Intangible assets**

Intangible assets are assets acquired that lack physical substance and that meet the specified criteria for recognition apart from goodwill. Intangible assets acquired comprise mainly of customer relationships and non-compete agreements which are amortized on a straight-line basis over ten years.

The customer relationships are tested for recoverability whenever events or changes in circumstances indicate that its carrying amount may not be recoverable. When the carrying value of customer relationships and the non-compete agreements is less than its net recoverable value as determined on an undiscounted basis, an impairment loss is recognized to the extent that fair values, measured as the discounted cash flows over the life of the assets when quoted market prices are not readily available, are below the asset carrying value.

**Goodwill**

Goodwill represents the excess of the acquisition cost over the fair value of net assets of business acquired. Goodwill is tested for impairment annually or more often if events or changes in circumstances indicate that it might be impaired. The impairment test consists of a comparison of the fair value of the reporting unit to which goodwill is assigned with its carrying amount. Any impairment loss in the carrying amount compared with the fair value is charged to earnings in the year in which the impairment occurs. The Fund uses the discounted cash flows method to determine the fair value of its reporting unit.

**Revenue recognition**

The Fund recognizes revenue when persuasive evidence of an arrangement exists, product delivery has occurred, pricing is fixed or determinable, and collection is reasonably assured. In addition, when the customer requests a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment. These goods are segregated from inventory which is available for sale, the risk of ownership of the goods is assumed by the customer, and the terms and collection experience on the related billings are consistent with all other sales.

The Fund has rebate agreements with certain customers. These rebates are recorded as reductions of revenue and are accrued using revenue data and rebate percentages specific to each customer agreement.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

##### **Employee future benefits**

The Fund maintains defined benefit pension plans, two of these plans are hybrid by also having a defined contribution component, covering substantially all of its employees. The acquired businesses have also provided in the past post retirement and post employment benefits plans to a limited number of employees covering health care, dental care and life insurance coverage.

The Fund accrues its obligations for the defined benefits component of its pension plans and other post retirements and employment benefits and related costs, net of plan assets. The cost of pensions and other retirement benefits earned by employees is actuarially determined, at least every three years, using the projected benefit method prorated on service and management's best estimate of plan's investment performance, salary escalating, retirement age of employees and estimated health care costs. For the purpose of calculating the expected return on plan assets, those assets are valued at fair market value. The most recent actuarial valuations were performed on December 31, 2005.

Past service costs are amortized on straight-line basis over the remaining service period of active employees ("EARSL"), which is 15 years. The excess of net actuarial gain or loss over 10% of the greater of the benefit obligation and the fair value of plan assets is amortized over the EARSL.

For the defined contribution component of a pension plan, the pension expense is equal to the contributions paid by the Fund.

##### **Income taxes**

The Fund's corporate subsidiaries are subject to corporate income taxes and use the liability method of accounting for income taxes. Under the liability method, future income tax assets and liabilities are determined based on temporary differences between the financial reporting and tax bases of assets and liabilities and are measured using tax rates substantially enacted at the balance sheet date. The effect of changes in income tax rates on future income tax assets and liabilities is recognized in earnings in the period that the change becomes substantially enacted.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Under the terms of the Income Tax Act (Canada), the Fund is not subject to income taxes to the extent that its taxable income in a year is paid or payable to a unitholder. Accordingly, no provision for current income taxes for the Fund is made. In addition, the Fund is not subject to the recommendations of CICA Section 3465, as the Fund is contractually committed to distribute to its unitholders all or virtually all of its taxable income and taxable capital gains that would otherwise be taxable in the Fund. The Fund intends to continue to meet the requirements under the Income Tax Act (Canada) applicable to such trusts, and there is no indication that the Fund will fail to meet those requirements.

##### Foreign currency

The Fund follows the temporal method to translate its foreign currency balances and transactions including its integrated foreign subsidiary. Under this method, monetary assets and liabilities are translated at the rates of exchange in effect at balance sheet date and the other items in the balance sheet and statement of earnings are translated at the exchange rates in effect at the date of transaction. Exchange gains and losses are included in net earnings for the year.

#### 4. ACCOUNTS RECEIVABLE

	<b>March 31, 2006</b>
	\$
Trade receivables	21,229,331
Receivable from Cenveo	4,000,000
Others	2,461,485
	<b>27,690,816</b>

#### 5. INVENTORIES

	<b>March 31, 2006</b>
	\$
Raw materials	3,492,509
Work in process	282,543
Finished goods	17,231,885
	<b>21,006,937</b>

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 6. PROPERTY, PLANT AND EQUIPMENT

	<b>March 31, 2006</b>
	\$
Land	7,517,895
Buildings and building improvements	10,798,706
Leasehold improvements	563,271
Machinery and equipment	21,226,954
Office equipment	132,468
Computer equipment	188,003
	<u>40,427,297</u>

#### 7. POST-RETIREMENT BENEFITS

##### (a) Pension Plans

The Fund maintains three defined benefit pension plans covering certain salaried and hourly employees who have bargained for such benefits. Two of these pension plans are hybrid because they also have a defined contribution component.

As at March 31, 2006 the fair value of plans assets is \$66,552,900 while the benefit obligation is \$61,398,400 representing a surplus of \$5,154,500, recognized as accrued pension benefit asset. The benefit obligation was actuarially determined as at March 31, 2006 based on an extrapolation from the latest actuarial valuations dated December 31, 2005.

The assumptions used in computing the benefit obligation were as follow:

	<b>March 31, 2006</b>
	%
Discount rate of projected benefit obligation	5.50
Discount rate for net pension cost	5.75
Expected return on plan assets	7.00
Rate of compensation increase	3.50

##### (b) Post-retirement benefits other than pension

Post-retirement benefits other than pension relates to post-retirement and post-employment benefits plans provided to a limited number of employees covering health care, dental care and life insurance coverage which are not funded and for which the benefit obligation was actuarially determined as at March 31, 2006 at an amount of \$763,600.

**Supremex Income Fund****NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS**

March 31, 2006

Unaudited

**8. DEFERRED FINANCING COSTS**

	<b>March 31, 2006</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Deferred financing costs	517,500	354	517,146

**9. INTANGIBLE ASSETS**

	<b>March 31, 2006</b>		
	<b>Cost</b>	<b>Accumulated amortization</b>	<b>Net book value</b>
	<b>\$</b>	<b>\$</b>	<b>\$</b>
Customer relationships	55,465,000	15,261	55,449,739
Non-compete agreements	755,000	207	754,793
	56,220,000	15,468	56,204,532

**10. ACCOUNTS PAYABLE AND ACCRUED LIABILITIES**

	<b>March 31, 2006</b>
	<b>\$</b>
Trade payables	8,781,174
Trade payables to Cenveo	559,005
Accrued liabilities	12,750,230
	22,090,409

The Fund has \$4 million of third party accrued liability relating to transactions with Cenveo which is included in accrued liabilities as at March 31, 2006 and which will be reimbursed by Cenveo if and when it is required to be paid. Accordingly, a receivable of \$4 million from Cenveo has been recorded in the Fund's financial statements and is included in accounts receivable.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 11. SECURED CREDIT FACILITIES

The Fund has senior secured credit facilities consisting of a revolving operating credit facility of up to \$40 million and a term credit facility of \$75 million. Both facilities bear interest at a floating rate based on the Canadian prime rate, U.S. base rate, LIBOR or bankers' acceptance rates plus an applicable margin to those rates.

The revolving operating credit facility may be used for general corporate purposes, working capital requirements and permitted acquisitions. Both facilities mature on March 31, 2010 and there are no scheduled repayments of principal required prior to maturity.

Amounts drawn under revolving and term credit facilities are as follows:

	<b>March 31, 2006</b>
	\$
Revolving credit facility	2,000,000
Term credit facility	75,000,000
	<u>77,000,000</u>

As at March 31, 2006, the interest rates on the revolving and term credit facilities was 5.5% (see Note 18 – Subsequent events).

Under the terms of the credit facility, the Fund is required, amongst other conditions, to meet certain covenants. The Fund was in compliance of these covenants as at March 31, 2006.

The credit facilities are collateralized by hypothec and security interest covering all present and future assets of the Fund and its subsidiaries.

Net financing charges

	<b>For the 1-day period ended March 31, 2006</b>
	\$
Interest on secured credit facilities	11,603
Amortization of deferred financing costs	354
	<u>11,957</u>



## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 12. INCOME TAXES

Future income tax assets and liabilities are as follows:

	<b>March 31, 2006</b>
	\$
<hr/>	
<b>Future income tax assets</b>	
Initial public offering expenses	4,935,917
Post-retirement benefits obligation	258,811
	<hr/> 5,194,728
<b>Future income tax liabilities</b>	
Inventories	1,458,649
Property, plant and equipment	5,288,170
Accrued pension benefit asset	1,747,690
Intangible assets	19,052,958
Other	401,727
	<hr/> 27,949,194

#### 13. UNITHOLDERS' EQUITY

##### Fund Units

The Fund Declaration of Trust provides that an unlimited number of Units may be issued. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. All Units are of the same class with equal rights and privileges, except that Cenveo, pursuant to the Fund Declaration of Trust, may designate one trustee as long as they own not less than 10% of the total Units issued. Each Unit entitles the holder to participate equally in all allocations and distributions and to one vote at all meetings of unitholders for each whole unit held.

The Fund Units are redeemable at any time at the option of the holder at the lesser of 90% of the weighted average price of the Fund Unit during the last ten trading days of the Units on an open market and the closing market price on the redemption date. All redemptions are subject to a maximum of \$50,000 in cash redemptions by the Fund at any particular month. Redemptions in excess of this amount will be paid by way of a distribution in specie of the assets of the Fund.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 13. UNITHOLDERS' EQUITY– (Continued)

	Number	Amount \$
<b>Fund Units</b>		
Issued on IPO	17,500,000	175,000,000
Issued to employees	2,364,228	23,642,280
Issued to Cenveo Corporation in consideration of businesses acquired	8,947,439	89,474,390
	28,811,667	288,116,670
Issuance costs, net of future income taxes of \$4,935,917	—	(9,906,806)
<b>Balance as at March 31, 2006</b>	<b>28,811,667</b>	<b>278,209,864</b>

#### Employees Units

As part of the acquisition 2,364,228 Units valued at \$23,642,280 were issued to management employees of Supremex for a cash consideration of \$23,642 to amend the then existing management profit sharing plan. These Units are held in escrow and 50% will be released on March 31, 2008, 25% on March 31, 2009 and 25% on March 31, 2010, subject to earlier release under certain circumstances or sold to Supremex for a nominal consideration of \$0.01 per Unit in the event of the voluntary departure of the employee or termination by Supremex for cause prior the expiry of the four year escrow period. Employees are allowed to distribution declared on these units. The initial value of such Units, net of the cash consideration received, is recorded as deferred compensation and is recorded as compensation expense over the vesting period.

#### Over-Allotment option

The Fund granted an over-allotment option to the underwriters to purchase up to 2,500,000 additional Units on the same terms as the initial public offering exercisable no later than April 30, 2006 (see Note 18 – Subsequent events).

In addition, as consideration for the businesses acquisition, the Fund issued a note payable which was repaid with the net proceeds of the over-allotment option (see Note 18 – Subsequent events).

#### Basic and diluted net earnings

The number of Units used in the determination of the basic weighted average number of Units outstanding includes the 2,500,000 Units relating to the over-allotment option since there was no contingencies that would result in these Units not being issued.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 14. DISTRIBUTION

The Fund expects to make monthly distributing of its available cash to unitholders of record in the last business day of each month, payable on or about the 15th day of the following month. The current estimated distribution rate is \$0.0958 per month (see note 18 – Subsequent events).

#### 15. COMMITMENTS, CONTINGENCIES AND GUARANTEES

##### (a) Operating lease and other commitments

The Fund has entered into operating leases mainly for buildings. The minimum lease payments required under such leases by fiscal years and thereafter are as follows:

	\$
2006	1,506,714
2007	1,895,815
2008	1,445,652
2009	1,109,403
2010	843,578
Thereafter	452,541

As at March 31, 2006, the Fund also had a firm commitment to purchase machinery and equipment amounting to approximately \$1,753,600 which will be paid in 2006.

##### (b) Contingencies

In the normal course of its operations, the Fund is exposed to various claims, disputes and legal proceedings. These disputes often involve numerous uncertainties and the outcome of the individual cases is unpredictable. According to management, their resolution should not have a significant negative impact on the Fund's financial position.

One of the Fund's subsidiaries is being investigated by the Canadian Competition Bureau for alleged price maintenance by certain of its customers. Management believes that it is unlikely that this investigation would result in any material liability to the Fund.

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

**15. COMMITMENTS, CONTINGENCIES AND GUARANTEES – (Continued)**

In addition to the price maintenance investigation, the Competition Bureau has also indicated its interest in broadening the inquiry, or starting a new inquiry, to investigate whether price fixing or market sharing took place in the 1980's and 1990's in respect of the supply of envelopes market in Canada. While Competition Bureau activity is continuing, management is presently not able to assess or predict the scope or outcome of the current inquiry or any new inquiry that may be commenced and the impact, if any, of such proceedings on the Fund's financial position.

The Fund exposure toward the above matters is mitigated by the fact that the acquisition agreement of the Fund businesses contains representations and warranties and related indemnities for any liabilities arising before September 30, 2008 from the Cenveo in favour of the Fund.

**(c) Guarantees**

In the normal course of business, the Fund has entered into agreements that contain features which meet the definition of a guarantee. These agreements may require the Fund to compensate the counterparties for costs and losses incurred as a result of various events including breaches of representations and warranties, loss of or damages to property, claims that may arise while providing services and environmental liabilities. These agreements provide for indemnification and guarantees to counterparties as follows:

***Operating leases***

The Fund has general indemnity clauses in many of its real estate leases whereby it, as lessee, indemnifies the lessor against liabilities related to the use of the leased property. These leases mature at various dates through October 2011. The nature of the agreements varies based on the contracts and therefore prevents the Fund from estimating the total potential amount it would have to pay to lessors. Historically, Supremex has not made any significant payments under such agreements, has insurance coverage for certain of the obligations undertaken, and, as at March 31, 2006, the Fund has not recorded any liability associated with these indemnifications.

***Business disposals***

As a result of the sale of business operations, shares or net assets, Supremex may occasionally agree to provide indemnity against claims from previous business activities. The nature of these indemnifications prevents the Fund from estimating the maximum potential liability that it could be required to pay to guarantee parties. Historically, Supremex has not made any significant indemnification payments, and, as at March 31, 2006 the Fund has not recorded any liability associated with these indemnifications.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 16. SEGMENTED INFORMATION

The Fund currently operates in one business segment being the manufacturing and sale of envelopes. The Fund's net assets amounted to \$253,927,578 in Canada and \$848,408 in United States as at March 31, 2006.

#### 17. FINANCIAL INSTRUMENTS

##### *Interest rate and foreign exchange risk*

The Fund's credit facilities bear interest at a floating rate which gives rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in interest rate (see note 18 – Subsequent events). The Fund operates in Canada and in the United States which give rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in the exchange rate between the US and Canadian dollar. In the recent past, purchases and capital expenditures in US dollars were similar to the revenue earned in US dollars which have limited the Fund foreign exchange exposure. Cash and cash equivalents, accounts receivable, accounts payable and accrued liabilities include balances denominated in US dollars at the end of the period.

##### *Fair value*

The carrying value of the accounts receivable, accounts payable and accrued liabilities and payable to Cenveo are a reasonable estimate of their fair value because of their short maturity.

The fair value of the secured credit facilities approximates its carrying value based on market rates available to the Fund for financial instruments with similar risks, term and maturity.

##### *Credit risk and customer concentration*

The Fund performs ongoing credit evaluation of customer and provisions have been set-up for potential credit losses. As at March 31, 2006, no customer accounted for over 10% of total accounts receivable or revenues.

## Supremex Income Fund

### NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006

Unaudited

#### 18. SUBSEQUENT EVENTS

- (a) On April 3, 2006, the Fund entered into an interest rate swap agreement for the full amount of its term credit facility to pay a fixed rate of 5.426% until March 31, 2007, 5.663% from April 1, 2007 to March 31, 2008, 5.866% from April 1, 2008 to March 31, 2009 and 6.067% from April 1, 2009 to March 31, 2010. This interest rate swap was designated as a cash flow hedge against the fluctuation in interest expense due to changes in the interest rate of its variable interest term credit facility and for which hedge accounting will be used.
- (b) On April 19, 2006, the first distribution of the Fund was declared for the period from April 1, 2006 to April 30, 2006 in the amount of \$2,999,658 or \$0.0958 per Unit, for registered unitholders on April 30, 2006. This distribution was paid on May 15, 2006.
- (c) On April 25, 2006, the Fund acquired substantially all of the assets of a pressure-sensitive label company located in Montreal.
- (d) On April 28, 2006, the underwriters exercised in full their over-allotment option, resulting in the issuance by the Fund of additional Units at a price of \$10 per Unit for gross proceeds of \$25,000,000 and net proceeds of \$24,090,988 after deducting \$1,375,000, which represents the underwriters fees, less related future income taxes of \$465,98. The net cash proceeds were used by the Fund to repay the note payable to Cenveo.
- (e) On May 19, 2006, the second distribution of the Fund was declared for the period from May 1, 2006 to May 31, 2006 in the amount of \$2,999,658 or \$0.0958 per Unit, for registered unitholders on May 31, 2006. This distribution was paid on June 15, 2006.