Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE AND NINE-MONTH PERIODS ENDED SEPTEMBER 30, 2010

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated November 10, 2010, of Supremex Income Fund (the "Fund") should be read together with the audited consolidated financial statements and related notes for the year ended December 31, 2009 and with the unaudited consolidated financial statements and related notes for the three and nine-month periods ended September 30, 2010. The financial statements of the Fund are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The fiscal year of the Fund ends on December 31. The Fund's reporting currency is the Canadian dollar. Per unit amounts are calculated using the weighted average number of units outstanding for the three and nine-month periods ended September 30, 2010. The consolidated financial statements for the three and nine-month periods ended September 30, 2010 have not been audited or reviewed by the Fund's auditors.

This MD&A contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. This MD&A also makes reference to certain non-GAAP measures to assist in assessing the Fund's financial performance. Non-GAAP earnings measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See "Definition of EBITDA, Distributable cash and Non-GAAP Measures" and "Selected Consolidated Financial Information" for the reconciliation of EBITDA to net earnings.

The Fund

The Fund is an unincorporated, open-ended trust established under the laws of the Province of Quebec by a Fund Declaration of Trust dated February 10, 2006 and amended and restated as of March 31, 2006. The Fund was established to acquire and hold the common shares of Supremex Inc. ("Supremex").

The Fund's units trade on the Toronto Stock Exchange under the symbol SXP.UN. Additional information relating to the Fund can be found at www.sedar.com.

Overview of the Fund

Supremex is Canada's leading manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex employs approximately 650 people and is the only national envelope manufacturer in Canada, with 11 manufacturing facilities across seven provinces. This national presence allows Supremex to meet the manufacturing needs of large national customers, such as large Canadian corporations, nationwide resellers and government bodies, as well as paper merchants and solution and process providers.

Supremex has the largest share of the Canadian envelope manufacturing industry. This leading market share is due to Supremex's unparalleled ability to successfully compete both on a local and national basis across Canada.

Overall Performance

EBITDA before restructuring expenses for the third quarter of 2010 was $7.3 million compared with EBITDA before restructuring expenses of $8.4 million recorded for the third quarter of 2009. Revenue in the third quarter of 2010 was $36.4 million compared with $37.6 million in the third quarter of 2009, representing a decrease of $1.2 million or 3.2%, of which $0.7 million is explained by the impact of foreign exchange. The reduction of volume was 3.5% in the third quarter of 2010, mostly coming from the sales in the US market. Sales in Canada were down by only 1.7% in the third quarter. There was an increased demand in the direct mail market in the third quarter and there is a positive outlook for the balance of the year. In the US market, we continue to be impacted by the loss of a major account, but large contracts were awarded to the Fund which will result in stronger US sales in the next few quarters.

In the third quarter of 2010, a restructuring expense of $0.2 million was recorded in relation with the previously announced closure of the Markham facility. The restructuring plan should be completed by the end of the year and the estimated annual savings are around $1.5 million. Finally, the Markham facility should be sold before the end of the year.

Distributable cash was at $5.6 million compared with $7.0 million for the third quarter of 2009. The Fund paid down its debt by $3.1 million in the third quarter, and $13.1 million since the beginning of the year, establishing the debt to EBITDA ratio at 2.12 at the end of the quarter, in line to achieve our goal of reducing it to 2 times before the end of 2010.

In the third quarter, the Fund purchased the assets of a small envelope manufacturer in Western Canada for a cash consideration of $1.9 million. This acquisition was funded with funds drawn from the revolving credit facility and this acquisition is expected to be accretive immediately.

Distributable Cash

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the cash flows available for distribution to unitholders. Investors are cautioned, however, that distributable cash should not be construed as an alternative to net earnings as a measure of profitability or as an alternative to the statement of cash flows. Quarterly distributable cash is not necessarily indicative of expected distributable cash for a full year. Distributable cash is not a recognized measure under GAAP and may not be comparable to similar measures used by other issuers.

Determination of Distributable Cash
(In thousands of dollars, except for per unit amounts)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Cash flows related to operating activities	**6,548**	9,358	**20,101**	22,514
Capital adjustment				
Capital expenditures(1)	**(641)**	(116)	**(1,121)**	(61)
Other adjustments				
Net change in non-cash working capital balances(2)	**(33)**	(2,259)	**195**	964
Change in other post-retirement benefits obligation and change in accrued pension benefit assets	**(321)**	(22)	**(101)**	(62)
Distributable cash(3)	**5,553**	6,961	**19,074**	23,355
Distribution declared	**879**	4,395	**2,637**	13,184
Weighted average number of units outstanding	**29,298**	29,298	**29,298**	29,298
Distributable cash per unit	**0.1895**	0.2376	**0.6510**	0.7972
Distribution per unit	**0.0300**	0.1500	**0.0900**	0.4500
Payout ratio	**15.8%**	63.1%	**13.8%**	56.5%

(1) Capital expenditures refer to maintenance capital expenditures, net of proceeds from disposal of assets replaced.

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Maintenance capital expenditures	**756**	116	**1,292**	442
Proceeds from disposal of assets	**(115)**	—	**(171)**	(381)
Capital expenditures	**641**	116	**1,121**	61

(2) Distributable cash excludes change in non-cash working capital as changes in working capital components are often temporary by nature and, if needed, can be financed with the Fund's revolving operating credit facility.

(3) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures".

The Fund generated $5.6 million or $0.1895 per unit and $19.1 million or $0.6510 per unit of distributable cash for the three and nine-month periods ended September 30, 2010 compared with $7.0 million or $0.2376 per unit and $23.4 million or $0.7972 per unit for the comparable periods in 2009. The distributable cash before restructuring expenses was $5.7 million or $0.1962 per unit and $20.5 million or $0.7002 per unit for the three and nine-month periods ended September 30, 2010. More information on cash flow related to operating activities is provided under "Liquidity and Capital Resources."

The Fund declared distributions of $0.9 million or $0.0300 per unit and $2.6 million or $0.0900 per unit for the three and nine-month periods ended September 30, 2010, funded by distributable cash generated during the periods, compared with $4.4 million or $0.1500 per unit and $13.2 million or $0.4500 per unit for the comparable periods in 2009.

The distributable cash generated exceeds actual distributions by $4.7 million and $16.4 million for the three and nine-month periods ended September 30, 2010. As a result, the Fund's payout ratio, defined as distributions declared as a percentage of distributable cash generated, was 15.8% and 13.8% for the three and nine-month periods ended September 30, 2010. Since inception of the Fund, the payout ratio is 74.2%.

Distributions

The Fund makes monthly distributions to unitholders of record on the last business day of each month, payable on or about the 15th day of the following month. The per unit rate is $0.01 per month since the beginning of 2010. Distributions for the period from January 1, 2010 to September 30, 2010 were as follows:

Period	**Record date**	**Payment date**	**Per unit** $	**Distribution** $
January 2010	January 31, 2010	February 15, 2010	0.01	292,978
February 2010	February 28, 2010	March 15, 2010	0.01	292,978
March 2010	March 31, 2010	April 15, 2010	0.01	292,978
April 2010	April 30, 2010	May 17, 2010	0.01	292,978
May 2010	May 31, 2010	June 15, 2010	0.01	292,978
June 2010	June 30, 2010	July 15, 2010	0.01	292,978
July 2010	July 31, 2010	August 16, 2010	0.01	292,978
August 2010	August 31, 2010	September 15, 2010	0.01	292,978
September 2010	September 30, 2010	October 15, 2010	0.01	292,978
Total			0.09	2,636,802

The September distribution in the amount of $292,978 was declared and accrued in September 2010 and paid to unitholders on October 15, 2010. The tax allocation of distributions for 2010 is expected to be 100% return on capital and distributions are therefore treated as income for unitholders.

Source of Funding

The source of funding for the above distributions to unitholders was cash generated by operations, existing cash balances and cash equivalents.

(In thousands of dollars)

	Three-month period ended September 30, 2010 $	**Nine-month period ended September 30, 2010** $	**Since inception** $
Distributable cash	**5,553**	**19,074**	157,343
Cash flows from operating activities	**6,548**	**20,101**	179,631
Net earnings (loss)	**2,595**	**5,943**	(95,749)
Actual cash distributions paid or payable relating to the period	**879**	**2,637**	116,764
Excess of distributable cash over cash distribution	**4,674**	**16,437**	40,579
Excess of cash flows from operating activities over cash distribution	**5,669**	**17,464**	62,867
Excess (shortfall) of net earnings over cash distribution	**1,716**	**3,306**	(212,513)

The shortfall of net earnings over cash distribution since inception is mainly related to the impairment of goodwill recorded in 2009 and 2008 and the various amortization charges recorded that have no impact on cash generated.

Summary of Quarterly Results

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

The following table presents a summary of operating results of the Fund on a quarterly basis from October 1, 2008 to September 30, 2010.

(In thousands of dollars, except for per unit amounts)

	Sept. 30, 2010 $	June 30, 2010 $	Mar. 31, 2010 $	Dec. 31, 2009 $	Sept. 30, 2009 $	June 30, 2009 $	Mar. 31, 2009 $	Dec. 31, 2008 $
Revenue	**36,407**	35,231	41,241	41,560	37,567	41,172	45,933	48,453
EBITDA [(1)]	**7,088**	6,069	9,961	10,503	8,389	9,032	10,017	10,563
Earnings (loss) before income taxes	**3,334**	197	4,664	(39,143)	3,047	3,407	4,638	(143,576)
Net earnings (loss)	**2,595**	192	3,155	(37,771)	3,072	3,345	4,207	(140,352)
Net earnings (loss) per unit	**0.0886**	0.0066	0.1077	(1.2892)	0.1048	0.1142	0.1436	(4.7890)

Notes

(1) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures". EBITDA is not a recognized measure under GAAP and does not have standardized meanings prescribed by GAAP. EBITDA may not be comparable to similar measures presented by other issuers.

Excluding the seasonal patterns of the business, revenue has decreased over the last eight quarters mainly due to the decrease in volume sold in Canada and United States as a result of the softness of the envelope market and the fluctuations of the Canadian dollar. The fourth quarter 2009 and 2008 losses are attributable to the recording of goodwill impairments. The lower earnings before income taxes and net earnings for the three-month period ended June 30, 2010 is explained by the restructuring expenses and the additional amortization expense recorded following the announcement of the restructuring of the Toronto operations.

Selected Consolidated Financial Information
(In thousands of dollars, except for per unit amounts)

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Revenue	**36,407**	37,567	**112,880**	124,673
Cost of goods sold, selling, general and administrative expenses	**29,123**	29,169	**88,320**	97,140
Restructuring expenses(1)	**196**	9	**1,442**	95
EBITDA (2)	**7,088**	8,389	**23,118**	27,438
Amortization of property, plant and equipment	**1,054**	1,158	**5,230**	3,510
Amortization of intangible assets	**1,541**	1,541	**4,623**	4,623
Amortization of deferred compensation	**—**	1,281	**1,261**	3,919
Loss on disposal of property, plant and equipment	**52**	—	**246**	124
Net financing charges	**1,107**	1,361	**3,563**	4,170
Earnings before income taxes	**3,334**	3,048	**8,195**	11,092
Provision for income taxes (recovery)	**740**	(24)	**2,253**	469
Net earnings	**2,594**	3,072	**5,942**	10,623
Basic net earnings per unit	**0.0886**	0.1048	**0.2028**	0.3626
Distribution declared per unit	**0.0300**	0.1500	**0.0900**	0.4500
Total assets	**186,955**	241,529	**186,955**	241,529
Secured credit facilities	**79,271**	98,046	**79,271**	98,046

(1) Restructuring expenses are mainly related to the restructuring and improvement initiatives to reduce the Fund's operating costs especially the closure of the Markham facility.

(2) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures".

Results of Operations

Three-month period ended September 30, 2010 compared with three-month period ended September 30, 2009

Revenue

Revenue for the three-month period ended September 30, 2010 was $36.4 million compared with $37.6 million for the three-month period ended September 30, 2009, a decrease of $1.2 million or 3.2%. The decrease in revenue is mainly attributable to a reduction of the units sold in Canada and in the United States.

Sales revenue in Canada decreased by $0.6 million or 1.7%, from $34.5 million to $33.9 million, and sales revenue in the United States decreased by $0.6 million or 19.4%, from $3.1 million to $2.5 million.

The decrease in sales revenue in Canada was driven by a 1.6% decrease in the number of units sold. The decrease in the number of units sold was seen mostly in the public sector market.

The decrease in sales revenue in the United States was due to a 17.9% decrease in the number of units sold due to the loss of a major account in the second quarter of 2010.

Cost of goods sold, selling, general and administrative expenses

Cost of goods sold, selling, general and administrative expenses for the three-month period ended September 30, 2010 was $29.1 million compared with $29.2 million for the three-month period ended September 30, 2009, representing a decrease of $0.1 million or 0.3%.

Cost of goods sold for the three-month period ended September 30, 2010 was $25.1 million compared with $25.5 million for the same period in 2009, a decrease of $0.4 million or 1.6%. The impact of the strengthening of the Canadian dollar and the decrease in units sold offset by the raw material cost increase explain the decrease in cost of goods sold.

Gross profit (revenue less cost of goods sold excluding amortization of property, plant and equipment) was $11.3 million for the three-month period ended September 30, 2010 compared with $12.1 million for the comparable period in 2009, a decrease of $0.8 million or 6.6%. As a percentage of sales, gross profit decreased by 1.1% in 2010 compared with 2009.

Selling, general and administrative expenses were $4.0 million for the three-month period ended September 30, 2010 compared with $3.7 million for the same period in 2009, an increase of $0.3 million or 8.1%.

Restructuring expenses

Restructuring expenses are mainly related to the restructuring and improvement initiatives to reduce the Fund's operating costs. During the second quarter of 2010, it was decided to close the Markham facility and move the production to the other 2 facilities located in Mississauga and Etobicoke.

EBITDA

As a result of the changes described above, EBITDA was $7.1 million for the three-month period ended September 30, 2010 compared with $8.4 million for the same period in 2009, a decrease of $1.3 million or 15.5%.

Amortization

Aggregate amortization expense for the three months ended September 30, 2010 amounted to $2.6 million compared with $4.0 million for the same period in 2009, representing a decrease of $1.4 million or 35.0%. The decrease is attributable to an amount of $1.3 million representing the amortization of deferred compensation in 2009; the deferred compensation having been totally amortized in the first quarter of 2010, no equivalent charge has been booked in the third quarter of 2010.

Net financing charges

Net financing charges for the three months ended September 30, 2010 amounted to $1.1 million compared with $1.4 million for the same period in 2009, representing a decrease of $0.3 million or 21.4%, resulting from repayment of the credit facilities and the lower interest rate.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were $3.3 million for the three months ended September 30, 2010 compared with $3.0 million for the same period in 2009, an increase of $0.3 million or 10.0%.

Provision for income taxes

During the three months ended September 30, 2010, the Fund recorded a provision for income taxes of $0.7 million. Provision for income taxes takes into consideration an income taxes expense of $1.0 million at the statutory rate offset by an amount of $0.4 million attributable to the impact of interest income earned by the Fund and paid by Supremex.

Net earnings

As a result of the changes described above, net earnings were $2.6 million for the three-month period ended September 30, 2010 compared with $3.1 million for the same period in 2009, a decrease of $0.5 million or 16.1%.

Nine-month period ended September 30, 2010 compared with nine-month period ended September 30, 2009

Revenue

Revenue for the nine-month period ended September 30, 2010 was $112.9 million compared with $124.7 million for the nine-month period ended September 30, 2009, a decrease of $11.8 million or 9.5%.

Sales revenue in Canada decreased by $9.3 million or 8.1%, from $114.8 million to $105.5 million, and sales revenue in the United States decreased by $2.5 million or 25.3%, from $9.9 million to $7.4 million.

The decrease in sales revenue in Canada was driven by a 4.9% decrease in the number of units sold combined with a 3.4% decrease in the average selling price. The decrease in the number of units sold was seen in most of the business markets mainly due to the weakness of the envelope industry. The decrease in average selling price resulted from the pass through of a portion of the raw material decrease given the strength of the Canadian dollar since the beginning of the year, which was up 11.4% against the US dollar.

The decrease in sales revenue in the United States was due to a 16.1% decrease in the number of units sold combined with a 11.0% decrease in the average selling price given the strengthening of the Canadian dollar.

Cost of goods sold, selling, general and administrative expenses

Cost of goods sold, selling, general and administrative expenses for the nine-month period ended September 30, 2010 was $88.3 million compared with $97.1 million for the nine-month period ended September 30, 2009, representing a decrease of $8.8 million or 9.1%.

Cost of goods sold for the nine-month period ended September 30, 2010 was $75.7 million compared with $84.8 million for the same period in 2009, a decrease of $9.1 million or 10.7%. The impact of the strengthening of the Canadian dollar combined with the decrease in units sold and lower labour cost explain the decrease in cost of goods sold.

Gross profit (revenue less cost of goods sold excluding amortization of property, plant and equipment) was $37.2 million for the nine-month period ended September 30, 2010 compared with $39.9 million for the comparable period in 2009, a decrease of $2.7 million or 6.8%. As a percentage of sales, gross profit increased by 1.0% in 2010 compared with 2009.

Selling, general and administrative expenses were $12.6 million for the nine-month period ended September 30, 2010 compared with $12.3 million for the same period in 2009, an increase of $0.3 million or 2.4%.

Restructuring expenses

Restructuring expenses are mainly related to the restructuring and improvement initiatives to reduce the Fund's operating costs. During the second quarter of 2010, it was decided to close the Markham facility and move the production being made to the other 2 facilities located in Mississauga and Etobicoke.

EBITDA

As a result of the changes described above, EBITDA was $23.1 million for the nine-month period ended September 30, 2010 compared with $27.4 million for the same period in 2009, a decrease of $4.3 million or 15.7%.

Amortization

Aggregate amortization expense for the nine months ended September 30, 2010 amounted to $11.1 million compared with $12.1 million for the same period in 2009, representing a decrease of $1.0 million or 8.3%. The decrease is attributable to an amount of $2.6 million representing the amortization of deferred compensation of two quarters since the deferred compensation was totally amortized as of March 31, 2010, offset by write-downs of $1.4 million on the Markham building and $0.5 million on various manufacturing equipment related to the restructuring of the Toronto operations.

Net financing charges

Net financing charges for the nine months ended September 30, 2010 amounted to $3.6 million compared with $4.2 million for the same period in 2009, representing a decrease of $0.6 million or 14.3%, resulting from repayment of the credit facilities and the lower interest rate.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were $8.2 million for the nine months ended September 30, 2010 compared with $11.1 million for the same period in 2009, a decrease of $2.9 million or 26.1%.

Provision for income taxes

During the nine months ended September 30, 2010, the Fund recorded a provision for income taxes of $2.3 million. Provision for income taxes takes into consideration, in addition to income taxes expense of $2.6 million at the statutory rate, an amount of $0.6 million related to the non-deductible amortization of deferred compensation and the non deductible expenses offset by an amount of $1.0 million attributable to the impact of interest income earned by the Fund and paid by Supremex.

Net earnings

As a result of the changes described above, net earnings were $5.9 million for the nine-month period ended September 30, 2010 compared with $10.6 million for the same period in 2009, a decrease of $4.7 million or 44.3%.

Segmented Information

The Fund currently operates in one business segment; the manufacture and sale of envelopes. The Fund's net assets amounted to $76.1 million in Canada and $1.8 million in the United States as at September 30, 2010.

In Canada, the Fund's revenue amounted to $33.9 million and $105.5 million for the three and nine-month periods ended September 30, 2010 compared with $34.5 million and $114.8 million for the same periods in 2009, representing a decrease of $0.6 million or 1.7% and of $9.3 million or 8.1%. In the United States, the Fund's revenue amounted to $2.5 million and $7.4 million for the three and nine-month periods ended September 30, 2010, compared with $3.1 million and $9.9 million for the same periods in 2009, representing a decrease of $0.6 million or 19.4% and of $2.5 million or 25.3%.

Liquidity and Capital Resources

Cash flows from operating activities were $20.1 million for the nine-month period ended September 30, 2010, primarily attributable to earnings generated in the period, non-cash items including various amortization charges and future income taxes expense.

Cash flows used in investing activities, amounting to \$3.0 million for the nine-month period ended September 30, 2010, are attributable to the acquisition of the assets of an envelope manufacturer in Western Canada and the net additions to property, plant and equipment.

Cash flows used in financing activities were \$17.1 million for the nine-month period ended September 30, 2010, mainly related to the distribution paid on Fund units and the repayment of the revolving and term credit facilities.

The reduction in distributions will allow the Fund to continue to reduce its debt over the next few years. The Fund has tax losses that will be used in 2010 to reduce income tax that would otherwise be payable.

Off-Balance Sheet Arrangements

Operating lease commitments have been disclosed in the Fund's audited consolidated financial statements as of December 31, 2009 and did not significantly change since that date.

Financial Position Highlights

(In thousands of dollars except for ratio)

	September 30, 2010 \$	**December 31, 2009 \$**
Working capital	**9,703**	11,015
Total assets	**186,955**	199,588
Total secured credit facilities	**79,271**	91,879
Unitholders' equity	**77,912**	73,346

The Fund was in compliance with the covenants of its credit facilities as at September 30, 2010.

Capitalization

As at November 10, 2010, there are 29,297,767 units issued by the Fund.

Units issued as of March 31, 2006, at the time of the initial public offering, included 2,364,228 units valued at \$23,642,280 issued to employees for a cash consideration of \$23,642 to amend the then existing management profit sharing plan. These units vested over four years and the unamortized value of such units was recorded as deferred compensation and recorded as compensation expense over the vesting period. Employees were entitled to distributions on these units. Each unit entitles the holder to participate equally in all allocations and distributions of the Fund and to one vote at all meetings of unitholders.

New Accounting Policies

International Financial Reporting Standard

In February 2008, CICA announced that Canadian public companies would adopt International Financial Reporting Standards ("IFRS") as issued by the International Accounting Standards Board ("IASB") effective January 1, 2011. As a result of this announcement, the Fund developed a work plan whose phases are outlined in the following table, with actions, timetable and progress.

Phase I: Preliminary Study and Diagnostic

Actions:	Identification of the IFRS standards that will require changes with regard to measurement in consolidated financial statements and disclosure. The Fund identified the following list of International Accounting Standards ("IAS") that differ from Canadian GAAP and could impact the Fund's consolidated financial statements: ➢ First-time adoption of IFRS: IFRS 1 ➢ Business combinations: IFRS 3 ➢ Presentation of financial statements: IAS 1 ➢ Income taxes: IAS 12 ➢ Property, plant and equipment: IAS 16 ➢ Leases: IAS 17 ➢ Employee benefits: IAS 19 ➢ Impairment of assets: IAS 36 ➢ Provision, contingent liabilities and contingent assets: IAS 37
Timetable:	Q3 2009
Progress:	Completed

Phase II: Standards Analysis

Actions:	Analysis of the differences between GAAP and IFRS. Selection of the accounting policies that the Fund will apply on an ongoing basis. Fund's selection of IFRS 1 exemptions at the date of transition. Calculation of the quantitative impact on the consolidated financial statements. Disclosure analysis. Preparation of draft consolidated financial statements and notes. Identification of the collateral impact in the following areas: ➢ Information technology ➢ Internal control over financial reporting ➢ Disclosure controls and procedures ➢ Contracts ➢ Compensation ➢ Taxation ➢ Training
Timetable:	Q3 2010
Progress:	At the end of the third quarter of 2010, we have analysed the IFRS standards and interpretations that may have an impact on the Fund. The quantitative impact will be finalized as soon as required data is available.

Phase III: Implementation

Actions:	Preparation of the opening balance sheet at the date of transition. Compilation of the comparative financial data. Production of the interim consolidated financial statements and the associated disclosure. Production of the annual consolidated financial statements and the associated disclosure. Implementation of changes regarding collateral impact.
Timetable:	At the end of fiscal 2010, the opening balance sheet, comparative financial data under IFRS and changes regarding collateral impacts will be completed. In fiscal 2011, we will produce our interim and annual consolidated financial statements and disclosure in accordance with IFRS.
Progress:	We have prepared a preliminary version of the annual financial statements according to IFRS standards.

The Fund has completed the Preliminary Study and Diagnostic and the Standards phases and is continuing to develop and execute its project implementation strategy.

We have made choices concerning certain exemptions from retrospective application at the time of changeover provided by IFRS 1. The exemptions that could result in impacts being considered by the Fund are as follows:

Exemption	**Application of exemption**
Business Combinations	The Fund expects to elect not to restate any business combinations that occurred prior to January 1, 2010.
Employee Benefits	The Fund expects to elect to recognize cumulative actuarial gains and losses arising from all of its defined benefit plans in opening retained earnings on transition.

Management is in the process of quantifying the expected material differences between IFRS and the current accounting treatment under Canadian GAAP. Differences with respect to recognition, measurement, presentation and disclosure of financial information are expected to be in the following key accounting areas:

Key accounting area	Differences with potential impact for the Fund
Presentation of Financial Statements	• Additional disclosures in the notes to financial statements.
Business Combinations	• Acquisition-related and restructuring costs are expensed as incurred.
Income Taxes	• The recognition and measurement criteria for deferred tax assets and liabilities may differ • The opening balance sheet will also be adjusted for deferred tax consequences on IFRS differences arising from the conversion of other accounting standards.
Property, plant and equipment	• Componentization of significant real estate for separate amortization over a different useful life. • As a result, depreciation expense may be different under IFRS.
Employee Benefits	• Immediate recognition of vested past service costs to opening retained earning at transition and to income subsequent to transition. • After transition, an entity may recognize actuarial gains and losses, as they occur, in Other Comprehensive Income (OCI), with no impact to income. • The limit to which a net benefit asset can be recognized under certain circumstances ("asset ceiling") under IFRS is calculated differently and may have a material impact at the date an actuarial valuation is performed. • This change in accounting policy will result in the recognition of pension costs potentially different than otherwise recognized under Canadian GAAP.
Deferred compensation	• A different amortization method may be used for deferred compensation • As a result, depreciation expense may be different under IFRS
Impairment of Assets	• Grouping of assets in cash generating units (CGU) on the basis of independent cash inflows for the purpose of impairment testing, using a discounted cash flow method (DCF) in a single-step approach. • The Company has not yet concluded its assessment of asset impairment at transition.
Provisions and Contingencies	• A different threshold is used for the recognition of a contingent liability which could impact the timing of when a provision may be recorded.

This is not an exhaustive list of all the significant impacts that could occur during the conversion to IFRS.

Additionally, the Fund is preparing a preliminary IFRS financial statement format in accordance with IAS 1, *Presentation of Financial Statements*, and is in the process of analysing the contractual implications of the new policy choices on financing arrangements and similar obligations. The effects on information technology, data systems, and internal controls are also being analysed; the Fund does not expect that significant modifications will be necessary on conversion.

The Fund continues to monitor and assess the impact of evolving differences between Canadian GAAP and IFRS, since the IASB is expected to continue issuing new accounting standards during the transition period. As a result, the final impact of IFRS on the Fund's consolidated financial statements can only be measured once all the applicable IFRS at the conversion date are known.

The Fund's IFRS conversion project is progressing well. As the project advances, the Fund could alter its intentions and the milestones communicated at the time of reporting as a result of changes to international standards currently in development or in light of new information or other external factors that could arise from now until the changeover has been completed.

At September 30, 2010, based on the Fund's non-exhaustive preliminary assessment of the main differences that may have some impact on its consolidated financial statements, following the change from Canadian GAAP to IFRS, the Fund's management estimated the potential effect to represent a negative impact of about 9.0% on the Fund's consolidated equity as at January 1, 2010 and a marginal impact on consolidated EBITDA before restructuring and transaction expenses for the first nine months of the current fiscal year.

However, these impacts from the transition from Canadian GAAP to IFRS could change, as a result of changes to international standards currently in development, or in light of new information or other internal or external factors that could arise from now until this changeover has been completed.

Risk Factors

As a result of operations, business prospects and financial condition, the Fund is subject to a number of risks and uncertainties, and is affected by a number of factors outside the control of the management. Details are provided in the "Risk Factors" section of the Fund's 2009 Annual Information Form, dated March 22, 2010 (which can be found at www.sedar.com).

Disclosure Controls and Internal Controls over Financial Reporting

The Fund's CEO and CFO have assessed the effectiveness of the disclosure procedures and controls used for the consolidated financial statements and Management's Discussion and Analysis as at September 30, 2010. Their assessment led them to conclude that the disclosure procedures and controls used for the financial statements and Management's Discussion and Analysis were effective.

The CEO and CFO are responsible for designing internal control over financial reporting (ICFR), or causing them to be designed under their supervision to provide reasonable assurance regarding the reliability of the Fund's financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. There were no changes in the Fund's ICFR during the most recent interim period that have materially affected, or are reasonably likely to materially affect, the Fund's ICFR.

Forward-Looking Statements

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

Forward-looking statements are subject to certain risks and uncertainties, and should not be read as guarantees of future performance or results and actual results may differ materially from the conclusion, forecast or projection stated in such forward-looking statements. These risks, uncertainties and other factors include but are not limited to the following: economic cycles, availability of capital, decline in envelope consumption, increase of competition, exchange rate fluctuation, raw material increases, credits risks with respect to trade receivables, increase in funding of pension plans, postal services deficiencies, interest rates fluctuation and potential risk of litigation. Such assumptions, expectations, estimates, risks and uncertainties are discussed throughout our MD&A for the fiscal year 2009 and, in particular, in “Risk Factors”. Consequently, we can not guarantee that any forward-looking statements will materialize. Readers should not place any undue reliance on such forward-looking statements. Supremex disclaims any intention or obligation to update or revise any forward-looking statement, whether as a result of new information, future events or otherwise.

Definition of EBITDA, Distributable Cash and Non-GAAP Measures

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

Management views distributable cash as an operating performance measure, as it is a measure generally used by Canadian income funds as an indicator of financial performance. Distributable cash is defined as cash flow related to operating activities adjusted for the net change in non-cash working capital balances, change in post-retirement benefits obligation, change in accrued pension benefit assets and maintenance capital expenditures. Distributable cash is important as it summarizes the funds available for distribution to unitholders. As the Fund will distributes substantially all of its cash on an on-going basis and since EBITDA is a metric used by many investors to compare issuers on the basis of the ability to generate cash from operations, management believes that in addition to net earnings, EBITDA is a useful supplementary measure from which to make adjustments to determine distributable cash.

EBITDA and Distributable cash are not earnings measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Distributable cash may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA and Distributable cash should not be construed as an alternative to net earnings determined in accordance with GAAP as indicators of the Fund’s performance or to cash flows from operating, investing and financing activities as measures of liquidity and cash flows.

Additional Information

Additional information relating to the Fund is available on SEDAR at www.sedar.com

Consolidated Financial Statements

Supremex Income Fund

Unaudited
For the three and nine-month periods ended September 30, 2010

All amounts expressed in Canadian dollars

Supremex Income Fund

CONSOLIDATED BALANCE SHEETS

As at [Unaudited]	**September 30, 2010** **$**	**December 31, 2009** **$**
ASSETS ***[note 6]***		
Current		
Cash	**54,158**	38,962
Accounts receivable	**21,144,619**	21,092,867
Inventories *[note 3]*	**12,777,921**	13,921,726
Prepaid expenses	**1,315,890**	1,429,144
Future income tax	**172,102**	3,635,038
Total current assets	**35,464,690**	40,117,737
Assets held for sale *[note 9]*	**6,428,366**	—
Property, plant and equipment, net	**29,893,045**	40,056,241
Accrued pension benefit asset	**4,871,000**	4,985,800
Intangible assets, net	**34,303,904**	38,926,829
Goodwill *[note 2]*	**75,993,692**	75,501,125
	186,954,697	199,587,732
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	**16,840,719**	18,534,512
Accrued restructuring provision *[note 5]*	**1,127,611**	795,018
Distribution payable *[note 8]*	**292,978**	1,464,888
Current portion of secured credit facilities *[note 6]*	**7,500,000**	7,500,000
Current portion of derivative liability	**—**	808,652
Total current liabilities	**25,761,308**	29,103,070
Secured credit facilities *[note 6]*	**71,771,150**	84,379,377
Future income tax	**10,709,427**	11,945,354
Other post-retirement benefits obligation	**800,800**	814,300
Unitholders' equity		
Fund units	**282,798,322**	282,798,322
Contributed surplus	**7,625,424**	7,625,424
Deferred compensation	**—**	(1,260,512)
Deficit	**(212,511,734)**	(215,817,603)
	77,912,012	73,345,631
	186,954,697	199,587,732

See accompanying notes

On behalf of the Trustees:

By: (Signed) L.G. Serge Gadbois
Trustee

By: (Signed) Gilles Cyr
Trustee

Supremex Income Fund

CONSOLIDATED STATEMENTS OF EARNINGS AND DEFICIT

[Unaudited]	**Three-month periods ended September 30,**		**Nine-month periods ended September 30,**	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Revenue	**36,407,101**	37,567,365	**112,879,630**	124,673,046
Cost of goods sold, selling, general and administrative expenses *[note 3]*	**29,123,208**	29,168,613	**88,320,109**	97,139,338
Earnings before the following	**7,283,893**	8,398,752	**24,559,521**	27,533,708
Amortization of property, plant and equipment *[note 9]*	**1,053,697**	1,157,973	**5,229,868**	3,510,080
Amortization of intangible assets	**1,540,975**	1,540,975	**4,622,925**	4,622,925
Amortization of deferred compensation	**—**	1,281,143	**1,260,512**	3,919,118
Loss on disposal of property, plant and equipment	**52,273**	—	**246,064**	123,806
Net financing charges *[note 6]*	**1,106,518**	1,361,918	**3,562,835**	4,170,428
Restructuring expenses *[note 5]*	**195,582**	9,984	**1,441,784**	95,486
	3,949,045	5,351,993	**16,363,988**	16,441,843
Earnings before income taxes	**3,334,848**	3,046,759	**8,195,533**	11,091,865
Provision for income taxes (recovery) *[note 7]*	**739,512**	(24,695)	**2,252,862**	468,642
Net earnings	**2,595,336**	3,071,454	**5,942,671**	10,623,223
Deficit, beginning of period	**(214,228,136)**	(172,328,732)	**(215,817,603)**	(171,091,173)
Distribution declared *[note 8]*	**(878,934)**	(4,394,664)	**(2,636,802)**	(13,183,992)
Deficit, end of period	**(212,511,734)**	(173,651,942)	**(212,511,734)**	(173,651,942)
Basic net earnings per unit	**0.0886**	0.1048	**0.2028**	0.3626
Weighted average number of units outstanding	**29,297,767**	29,297,767	**29,297,767**	29,297,767

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

[Unaudited]	Three-month periods ended September 30, 2010 $	2009 $	Nine-month periods ended September 30, 2010 $	2009 $
OPERATING ACTIVITIES				
Net earnings	**2,595,336**	3,071,454	**5,942,671**	10,623,223
Items not affecting cash and cash equivalents				
Amortization of property, plant and equipment	**1,053,697**	1,157,973	**5,229,868**	3,510,080
Amortization of intangible assets	**1,540,975**	1,540,975	**4,622,925**	4,622,925
Amortization of deferred compensation	**—**	1,281,143	**1,260,512**	3,919,118
Amortization of deferred financing costs	**211,504**	49,710	**639,602**	149,133
Loss on disposal of property, plant and equipment	**52,273**	—	**246,064**	123,806
Future income taxes expense (recovery)	**739,512**	(24,692)	**2,252,649**	467,536
Change in post-retirement benefits obligation	**(4,500)**	(4,500)	**(13,500)**	(13,500)
Change in accrued pension benefit assets	**326,000**	27,000	**114,800**	75,900
Net change in non-cash working capital balances	**33,322**	2,259,208	**(194,625)**	(964,216)
Cash flows related to operating activities	**6,548,119**	9,358,271	**20,100,966**	22,514,005
INVESTING ACTIVITIES				
Business acquisitions *[note 2]*	**(1,908,127)**	—	**(1,908,127)**	84,306
Additions to property, plant and equipment	**(755,512)**	(116,075)	**(1,291,840)**	(441,835)
Proceeds from disposal of property, plant and equipment	**114,356**	—	**170,738**	381,410
Cash flows related to investing activities	**(2,549,283)**	(116,075)	**(3,029,229)**	23,881
FINANCING ACTIVITIES				
Revolving credit facility	**(1,259,168)**	(4,896,428)	**(7,495,518)**	(12,855,107)
Term credit facility	**(1,875,000)**	—	**(5,625,000)**	—
Distributions paid on Fund units	**(878,934)**	(4,394,664)	**(3,808,712)**	(14,525,830)
Financing costs incurred	**—**	—	**(127,311)**	—
Cash flows related to financing activities	**(4,013,102)**	(9,291,092)	**(17,056,541)**	(27,380,937)
Net change in cash and cash equivalents	**(14,266)**	(48,896)	**15,196**	(4,843,051)
Cash and cash equivalents, beginning of period	**68,424**	195,620	**38,962**	4,989,775
Cash and cash equivalents, ending of period	**54,158**	146,724	**54,158**	146,724
Supplemental information				
Interest paid	**678,979**	485,338	**3,886,524**	2,840,586
Income taxes paid	**900**	—	**6,709**	2,057

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF COMPREHENSIVE INCOME

[Unaudited]	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Net earnings	**2,595,336**	3,071,454	**5,942,671**	10,623,223
Other comprehensive income				
Change in fair value of derivative designated as cash flow hedge net of income taxes	**—**	(2,693)	**—**	(192,052)
Reclassification adjustment for loss on derivative designated as cash flow hedge transferred to net loss, net of income taxes	**—**	603,944	**—**	1,584,211
Comprehensive income	**2,595,336**	3,672,705	**5,942,671**	12,015,382

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

September 30, 2010 [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 and began its operations on March 31, 2006.

The Fund owns Supremex Inc. ("Supremex"), 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 the highest number of mailings related to events including the return to school, fund-raising and the holiday and tax seasons occurs during that period. As a result, revenue and financial performance for the three and nine-month periods ended September 30, 2010 are not necessarily indicative of the revenue and financial performance that may be expected for a full year.

The unaudited interim consolidated financial statements include the accounts of the Fund and its subsidiaries and have been prepared by management in accordance with Canadian generally accepted accounting principles. Certain information and disclosures have been omitted or condensed. The accounting principles applied are consistent with those as set out in the Fund's audited consolidated financial statements for the year ended December 31, 2009. These unaudited interim consolidated financial statements and the notes thereto should be read in conjunction with the audited consolidated financial statement of the Fund for the year ended December 31, 2009 as contained in the Fund's 2009 annual report.

2. BUSINESS ACQUISITION

On September 16, 2010, the Fund acquired substantially all the assets of Pioneer Envelopes Ltd. ("Pioneer") for $1.9 million. The cash payment was funded from the cash generated from the operations.

2. BUSINESS ACQUISITION [Cont'd]

The acquisition has been accounted using the purchase method with operating results included in the Fund's earnings from the date of acquisition. The preliminary purchase price allocation is as follows:

	$
Accounts receivable	598,570
Inventories	505,595
Prepaid expenses	69,648
Property, plant and equipment	620,000
Future income tax assets	25,640
Goodwill	492,567
Accounts payable and accrued liabilities	(335,639)
Accrued restructuring provision	(100,000)
Net assets acquired	1,876,381
Consideration	
Cash	1,908,127
Balance of sale receivable	(31,746)

Estimated liabilities of $100,000 have been included in the preliminary purchase price allocation of Pioneer, relating to estimated costs associated with exit costs. Management is currently carrying out detailed assessments of the assets acquired, liabilities assumed and the integration plan. Changes will be made to the preliminary purchase price allocation when more information becomes available.

3. INVENTORY AND COST OF GOOD SOLD

	September 30, 2010 $	December 31, 2009 $
Raw materials	**3,179,080**	3,386,049
Work in process	**270,135**	365,755
Finished goods	**9,328,706**	10,169,922
	12,777,921	13,921,726

The cost of inventories recognized as an expense are $26,117,678 and $80,705,580 for the three and nine-month periods ended September 30, 2010 [2009 - $26,597,265 and $87,671,302].

4. EMPLOYEE DEFINED BENEFIT PLANS

The Fund's total benefit cost for the pension plans was $958,000 and $2,395,000 for the three and nine-month periods ended September 30, 2010 [2009 - $601,000 and $1,883,000].

5. ACCRUED RESTRUCTURING PROVISION

In connection with the acquisition of NPG Envelope ("NPG"), Montreal Envelope Inc. ("Montreal") and Pioneer (see note 2), the Fund adopted a plan for the integration and restructuring of the acquired businesses. As a result, the Fund recognized a provision for severance, relocation and exit costs relating to certain employees and facilities of the acquired businesses. As at September 30, 2010, the amount of the remaining accrued restructuring provision was $0.6 million.

The Fund incurred additional restructuring expenses during the second and third quarters of 2010 in the form of severances and other restructuring costs as a result of the restructuring of the Toronto operations (see note 9). The amount of the remaining accrued restructuring provision at September 30, 2010 was approximately $0.5 million.

The following is a summary of amounts accrued and paid relating to restructuring expenses.

	September 30, 2010 $	**December 31, 2009 $**
Balance, beginning of period	**795,018**	1,327,080
Accrued restructuring included in purchase allocation (note 2)	**100,000**	199,097
Restructuring expenses charged against earnings	**1,441,784**	818,452
Cash payments	**(1,209,191)**	(1,549,611)
Balance, end of period	**1,127,611**	795,018

6. SECURED CREDIT FACILITIES

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

	September 30, 2010 $	**December 31, 2009 $**
Revolving credit facility	**12,828,663**	20,324,181
Term credit facility	**67,500,000**	73,125,000
Less: deferred financing costs, net	**(1,057,513)**	(1,569,804)
	79,271,150	91,879,377
Current portion	**(7,500,000)**	(7,500,000)
Long-term portion of secured credit facilities	**71,771,150**	84,379,377

Under the terms of the secured credit facilities, the Fund is required, among other conditions, to meet certain covenants. The Fund was in compliance with these covenants as at September 30, 2010. The secured credit facilities are collateralized by hypothec and security interest covering all present and future assets of the Fund and its subsidiaries.

6. SECURED CREDIT FACILITIES [Cont'd]

Minimum required payments on secured credit facilities will be as follows:

	$
2010	1,875,000
2011	7,500,000
2012	70,953,663

As at September 30, 2010, the interest rates on the revolving and term credit facilities were 4.59% and 4.49% respectively.

Net financing charges:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Interest on secured credit facilities	**891,089**	1,314,284	**2,914,625**	4,018,949
Other interest	**3,925**	(2,076)	**8,608**	2,346
Amortization of deferred financing costs	**211,504**	49,710	**639,602**	149,133
	1,106,518	1,361,918	**3,562,835**	4,170,428

7. INCOME TAXES

The income tax expense differs from the expense that would be obtained by applying the combined Canadian income tax (federal and provincial) as follows:

	Three-month periods ended September 30,		Nine-month periods ended September 30,	
	2010	**2009**	**2010**	**2009**
	$	**$**	**$**	**$**
Earnings before income taxes	**3,334,848**	3,046,759	**8,195,533**	11,091,865
Income taxes expense at combined federal and provincial statutory rate	**1,037,138**	947,540	**2,548,811**	3,449,568
Impact of interest expense of Supremex paid to the Fund, eliminated on consolidation	**(338,006)**	(1,448,604)	**(1,015,385)**	(4,298,252)
Effect of change in enacted tax rates	**(16,866)**	4,953	**113,640**	(127,836)
Impact of amortization of deferred compensation not deductible for tax purposes	**—**	398,436	**392,019**	1,218,846
Non deductible expenses and other	**57,246**	72,980	**213,777**	226,316
Provision for income taxes (recovery)	**739,512**	(24,695)	**2,252,862**	468,642

8. DISTRIBUTION

The Fund makes monthly distributions of its available cash to unitholders of record on the last business day of each month, payable on or about the 15th day of the following month. Distributions to unitholders are recorded on an accrual basis. The September distribution in the amount of $292,978 was declared and accrued in September 2010 and paid to unitholders on October 15, 2010. Distributions for the period from January 1, 2010 to September 30, 2010 are as follows:

Period	**Record date**	**Payment date**	**Per unit**	**Distribution $**
January 2010	January 31, 2010	February 15, 2010	0.01	292,978
February 2010	February 28, 2010	March 15, 2010	0.01	292,978
March 2010	March 31, 2010	April 15, 2010	0.01	292,978
April 2010	April 30, 2010	May 17, 2010	0.01	292,978
May 2010	May 31, 2010	June 15, 2010	0.01	292,978
June 2010	June 30, 2010	July 15, 2010	0.01	292,978
July 2010	July 31, 2010	August 16, 2010	0.01	292,978
August 2010	August 31, 2010	September 15, 2010	0.01	292,978
September 2010	September 30, 2010	October 15, 2010	0.01	292,978
			0.09	2,636,802

9. ASSETS HELD FOR SALE

During the second quarter of 2010, the Fund announced a restructuring of the Toronto operations. It has been decided to close the Markham facility and move the production being made in this plant in the other 2 facilities located in Mississauga and Etobicoke. Accordingly, as at September 30, 2010, the Fund has classified as assets held for sale some envelope manufacturing equipments and a building located in Markham, Ontario. The equipment and the building are accounted for at the lower of their carrying amount or fair value less cost to sell, based on price for similar assets, resulting in a write-down of $1.9 million for the nine-month period ended September 30, 2010 included in the amortization of property, plant and equipment.

10. SEGMENTED INFORMATION

The Fund currently operates in one business segment: the manufacturing and sale of envelopes. The Fund’s net assets amounted to $76,092,269 in Canada and $1,819,743 in the United States as at September 30, 2010 [2009 - $111,941,208 and $1,107,037, respectively]. The Fund’s revenue amounted to $33,897,660 and $105,461,025 in Canada and $2,509,441 and $7,418,605 in the United States for the three and nine-month periods ended September 30, 2010 [2009 - $34,447,200 and $114,738,392 in Canada and $3,120,165 and $9,934,654 in the United States respectively].

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