



**MANAGEMENT'S DISCUSSION AND ANALYSIS OF
FINANCIAL CONDITION AND RESULTS OF OPERATIONS
FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2010**

The following management's discussion and analysis of financial condition and results of operations ("MD&A"), dated May 6, 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-month period ended March 31, 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-month period ended March 31, 2010. The consolidated financial statements for the three-month period ended March 31, 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 10 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 for the first quarter of 2010 was \$10.0 million, in line with the EBITDA recorded for the first quarter of 2009. EBITDA margin was 24.2% compared with 21.8% in the first quarter of 2009. The higher EBITDA margin is explained by the lower cost of raw material due to the strengthening of the Canadian dollar compared with its level of the first quarter in 2009 and a general reduction of all controllable costs. In the first quarter of 2010, a non-recurrent expense of \$200,000 was recorded in relation with the conversion of the Fund income trust structure into a public corporation at the beginning of 2011 as explained in the Management Information Circular.

Revenue in the first quarter of 2010 was \$41.2 million compared with \$45.9 million in the first quarter of 2009, representing a decrease of \$4.7 million or 10.2%. From the \$4.7 million of revenue decrease, \$2.9 million is explained by the impact of foreign exchange. The foreign exchange has a direct impact on the US sales but also an indirect impact on the Canadian sales as it reduces the paper cost in Canadian dollar, reduction that is passed through to customers in the Canadian market. The reduction of volume was 5% in the first quarter. The reduction of volume, mostly coming from the Canadian market, is being seen in most of the markets, but particularly in the resale due to cheaper products available from the US market. In the first quarter, there was a substantial reduction of the prices in the Canadian resale market to align the prices with the North American landed prices in Canada for these resale products.

Distributable cash was strong at \$8.6 million, almost the same level than in 2009. This strong cash flow allowed the Company to pay down its debt by \$4.6 million in the first quarter, and establishing the debt to EBITDA ratio at 2.24 at the end of the quarter, in line to achieve our goal of reducing it to a 2 times ratio before the end of 2010.

Supremex is always looking at ways to reduce costs, accordingly a restructuring of the Toronto operations was announced in April. It has been decided to close the Markham facility and move the production being made in that plant into the other 2 facilities we have in Ontario, located in Mississauga and Etobicoke, which, among other, will result in a personnel reduction of approximately 20 people and the future disposal of Markham facility. Management is presently finalizing the total costs associated with this restructuring of the Toronto operations. The annual savings are estimated to be about \$1.5 million and the project should be terminated by the end of the summer.

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 March 31,	
	2010	2009
	\$	\$
Cash flows related to operating activities	6,851	5,977
<i>Capital adjustment</i>		
Capital expenditures ⁽¹⁾	(205)	25
<i>Other adjustments</i>		
Net change in non-cash working capital balances ⁽²⁾	1,676	2,699
Change in other post-retirement benefits obligation and change in accrued pension benefit assets	309	(33)
Distributable cash⁽³⁾	8,631	8,668
Distribution declared	879	4,395
Weighted average number of units outstanding	29,298	29,298
Distributable cash per unit	0.2946	0.2959
Distribution per unit	0.0300	0.1500
Payout ratio	10.2%	50.7%

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

	Three-month periods ended March 31,	
	2010	2009
	\$	\$
Maintenance capital expenditures	219	44
Proceeds from disposal of assets	(14)	(69)
Capital expenditures	205	(25)

- ⁽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 \$8.6 million or \$0.2946 per unit of distributable cash for the three-month period ended March 31, 2010 compared with \$8.7 million or \$0.2959 per unit for the comparable period in 2009. 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 for the three-month period ended March 31, 2010, funded by distributable cash generated during the period, compared with \$4.4 million or \$0.1500 per unit for the comparable period in 2009.

The distributable cash generated exceeds actual distributions by \$7.7 million for the three-month period ended March 31, 2010. As a result, the Fund's payout ratio, defined as distributions declared as a percentage of distributable cash generated, was 10.2% for the three-month period ended March 31, 2010. Since inception of the Fund, the payout ratio is 78.3%.

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 was \$0.01 per month since the beginning of 2010. Distributions for the period January 1, 2010 to March 31, 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
Total			0.03	878,934

The March distribution in the amount of \$292,978 was declared and accrued in March 2010 and paid to unitholders on April 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 March 31, 2010 \$	Since inception \$
Distributable cash	8,631	146,900
Cash flows from operating activities	6,851	166,381
Net earnings (loss)	3,155	(98,537)
Actual cash distributions paid or payable relating to the period	879	115,006
Excess of distributable cash over cash distribution	7,752	31,894
Excess of cash flows from operating activities over cash distribution	5,972	51,375
Excess (shortfall) of net earnings over cash distribution	2,276	(213,543)

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 April 1, 2008 to March 31, 2010.

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

	Mar. 31, 2010	Dec. 31, 2009	Sept. 30, 2009	June 30, 2009	Mar. 31, 2009	Dec. 31, 2008	Sept. 30, 2008	June 30, 2008
	\$	\$	\$	\$	\$	\$	\$	\$
Revenue	41,241	41,560	37,567	41,172	45,933	48,453	42,935	43,620
EBITDA ⁽¹⁾	9,961	10,503	8,389	9,032	10,017	10,563	10,842	10,920
Earnings (loss) before income taxes	4,664	(39,143)	3,047	3,407	4,638	(143,576)	5,359	4,940
Net earnings (loss)	3,155	(37,771)	3,072	3,345	4,207	(140,352)	5,762	5,570
Net earnings (loss) per unit	0.1077	(1.2892)	0.1048	0.1142	0.1436	(4.7890)	0.1966	0.1900

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.

The period from July 1, 2008 to March 31, 2010 includes results of operations of the Montreal Envelope Inc. ("Montreal") business for the period from September 16, 2008 to March 31, 2010.

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 US market and the fluctuations of the Canadian dollar. The fourth quarter 2009 and 2008 losses are attributable to the recording of goodwill impairments.

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

	Three-month periods ended March 31,	
	2010	2009
	\$	\$
Revenue	41,241	45,933
Cost of goods sold, selling, general and administrative expenses	31,284	35,877
Restructuring expenses ⁽¹⁾	(4)	39
EBITDA ⁽²⁾	9,961	10,017
Amortization of property, plant and equipment	1,156	1,191
Amortization of intangible assets	1,541	1,541
Amortization of deferred compensation	1,261	1,294
Loss (gain) on disposal of property, plant and equipment	12	(71)
Net financing charges	1,327	1,424
Earnings before income taxes	4,664	4,638
Provision for income taxes	1,509	431
Net earnings	3,155	4,207
Basic net earnings per unit	0.1077	0.1436
Distribution declared per unit	0.0300	0.1500
Total assets	193,112	254,476
Secured credit facilities	87,478	106,802

⁽¹⁾ Restructuring expenses are related to the restructuring and improvement initiatives to reduce the Fund's operating costs as well as to the integration and restructuring of NPG Envelope ("NPG") and Montreal Envelope ("Montreal") following their acquisition. Any costs incurred relating to employees and facilities previously part of the Fund are charged to restructuring expenses as incurred.

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

Results of Operations

Three-month period ended March 31, 2010 compared with three-month period ended March 31, 2009

Revenue

Revenue for the three-month period ended March 31, 2010 was \$41.2 million compared with \$45.9 million for the three-month period ended March 31, 2009, a decrease of \$4.7 million or 10.2%. The decrease in revenue is mainly attributable to a reduction of sales in Canada.

Sales revenue in Canada decreased by \$4.0 million or 9.4%, from \$42.4 million to \$38.4 million, and sales revenue in the United States decreased by \$0.7 million or 20.0%, from \$3.5 million to \$2.8 million.

The decrease in sales revenue in Canada was driven by a 5.0% decrease in the number of units sold combined with a 4.5% decrease in the average selling price. The decrease in the number of units sold was seen in most of the business markets, but particularly in the resale due to cheaper products available from the US market. The decrease in the average selling price is explained by the strength of the Canadian dollar in the first quarter, which was up 16.3% against the US dollar.

The decrease in sales revenue in the United States was due to a 3.3% decrease in the number of units sold combined with a 18.8% 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 three-month period ended March 31, 2010 was \$31.3 million compared with \$35.9 million for the three-month period ended March 31, 2009, representing a decrease of \$4.6 million or 12.8%.

Cost of goods sold for the three-month period ended March 31, 2010 was \$26.6 million compared with \$31.2 million for the same period in 2009, a decrease of \$4.6 million or 14.7%. 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 \$14.6 million for the three-month period ended March 31, 2010 compared with \$14.7 million for the comparable period in 2009, a decrease of \$0.1 million or 0.7%. As a percentage of sales, gross profit increased by 3.4% in 2010 compared with 2009.

Selling, general and administrative expenses for the three-month period ended March 31, 2010 remained stable at \$4.7 million.

Restructuring expenses

Restructuring expenses are related to the restructuring and improvement initiatives to reduce the Fund's operating costs as well as to the integration and restructuring of NPG and Montreal following their acquisition. Any costs incurred relating to employees and facilities previously part of the Fund are charged to restructuring expenses as incurred.

EBITDA

As a result of the changes described above, EBITDA for the three-month period ended March 31, 2010 remained stable at \$10.0 million.

Amortization

Aggregate amortization expense for the three months ended March 31, 2010 remained stable at \$4.0 million.

Net financing charges

Net financing charges for the three months ended March 31, 2010 amounted to \$1.3 million compared with \$1.4 million for the same period in 2009, representing a decrease of \$0.1 million or 7.1%, considering the repayment of the credit facilities.

Earnings before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes were \$4.7 million for the three months ended March 31, 2010 compared with \$4.6 million for the same period in 2009, an increase of \$0.1 million or 2.2%.

Provision for income taxes

During the three months ended March 31, 2010, the Fund recorded a provision for income taxes of \$1.5 million. Provision for income taxes takes into consideration, in addition to income taxes expense of \$1.5 million at the statutory rate, an amount of \$0.4 million related to the non-deductible amortization of deferred compensation and a reduction 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 \$3.2 million for the three-month period ended March 31, 2010 compared with \$4.2 million for the same period in 2009, a decrease of \$1.0 million or 23.8%.

Segmented Information

The Fund currently operates in one business segment; the manufacture and sale of envelopes. The Fund's net assets amounted to \$75.8 million in Canada and \$1.1 million in the United States as at March 31, 2010.

In Canada, the Fund's revenue amounted to \$38.4 million for the three-month period ended March 31, 2010 compared with \$42.4 million for the same period in 2009, representing a decrease of \$4.0 million or 9.4%. In the United States, the Fund's revenue amounted to \$2.8 million for the three-month period ended March 31, 2010, compared with \$3.5 million for the same period in 2009, representing a decrease of \$0.7 million or 20.0%.

Liquidity and Capital Resources

Cash flows from operating activities were \$6.9 million for the three-month period ended March 31, 2010, primarily attributable to earnings generated in the period, non-cash items including various amortization charges and future income taxes expense offset by an increase in non-cash working capital.

Cash flows from investing activities, amounting to \$0.2 million for the three-month period ended March 31, 2010, are attributable to the net additions to property, plant and equipment.

Cash flows used in financing activities were \$6.7 million for the three-month period ended March 31, 2010, mainly related to the distribution paid on Fund units and the repayment of the revolving and term credit facilities.

The recent reduction in distributions will allow the Fund to continue to reduce its debt over the next few years. The Fund has tax losses that can be used 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)

	March 31, 2010	December 31, 2009
	\$	\$
Working capital	12,189	11,015
Total assets	193,112	199,588
Total secured credit facilities	87,478	91,879
Unitholders' equity	76,883	73,346

The Fund was in compliance with the covenants of its credit facilities as at March 31, 2010.

Capitalization

As at May 6, 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: Q2 2010

Progress: At the end of the first quarter 2010, we have analyzed the IFRS standards and interpretations that may have an impact on the Fund. The analysis should be finalized in the next coming weeks.

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: Preliminary work done.

The Fund has completed the preliminary Study and Diagnostic phase 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	<ul style="list-style-type: none"> • Additional disclosures in the notes to financial statements.
Business Combinations	<ul style="list-style-type: none"> • Acquisition-related and restructuring costs are expensed as incurred.
Income Taxes	<ul style="list-style-type: none"> • The recognition and measurement criteria for deferred tax assets and liabilities may differ.
Property, plant and equipment	<ul style="list-style-type: none"> • Componentization of significant real estate for separate amortization over a shorter useful life.
Employee Benefits	<ul style="list-style-type: none"> • 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.
Impairment of Assets	<ul style="list-style-type: none"> • 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.
Provisions and Contingencies	<ul style="list-style-type: none"> • 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.

At this time, the comprehensive impact of the changeover on the Fund’s future financial position and results of operations is not yet determinable.

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.

Recent event

Supremex is always looking at ways to reduce costs, accordingly a restructuring of the Toronto operations was announced in April. It has been decided to close the Markham facility and move the production being made in that plant into the other 2 facilities we have in Ontario, located in Mississauga and Etobicoke, which among other, will result in a personnel reduction of approximately 20 people and the future disposal of Markham facility. Management is presently finalizing the total costs associated with this restructuring of the Toronto operations. The annual savings are estimated to be about \$1.5 million and the project should be terminated by the end of the summer.

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 March 31, 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, 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 distribute 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-month period ended March 31, 2010

All amounts expressed in Canadian dollars

Supremex Income Fund

CONSOLIDATED BALANCE SHEETS

As at [Unaudited]	March 31, 2010 \$	December 31, 2009 \$
ASSETS [note 5]		
Current		
Cash	30,831	38,962
Accounts receivable	19,018,557	21,092,867
Inventories [note 2]	13,437,425	13,921,726
Prepaid expenses	1,386,705	1,429,144
Future income tax	1,969,492	3,635,038
Total current assets	35,843,010	40,117,737
Property, plant and equipment, net	39,092,368	40,056,241
Accrued pension benefit asset	5,290,000	4,985,800
Intangible assets, net	37,385,854	38,926,829
Goodwill	75,501,125	75,501,125
	193,112,357	199,587,732
LIABILITIES AND UNITHOLDERS' EQUITY		
Current		
Accounts payable and accrued liabilities	14,401,497	18,534,512
Accrued restructuring provision [note 4]	650,813	795,018
Distribution payable [note 8]	292,978	1,464,888
Current portion of secured credit facilities [note 5]	7,500,000	7,500,000
Current portion of derivative liability	808,652	808,652
Total current liabilities	23,653,940	29,103,070
Secured credit facilities [note 5]	79,977,521	84,379,377
Future income tax	11,788,522	11,945,354
Other post-retirement benefits obligation	809,800	814,300
Unitholders' equity		
Fund units [note 7]	282,798,322	282,798,322
Contributed surplus	7,625,424	7,625,424
Deferred compensation	—	(1,260,512)
Deficit	(213,541,172)	(215,817,603)
	76,882,574	73,345,631
	193,112,357	199,587,732

Subsequent event [note 10]

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**

For the three-month periods ended March 31,
[Unaudited]

	2010	2009
	\$	\$
Revenue	41,241,072	45,933,306
Cost of goods sold, selling, general and administrative expenses	31,283,451	35,877,277
Earnings before the following	9,957,621	10,056,029
Amortization of property, plant and equipment	1,156,130	1,191,520
Amortization of intangible assets	1,540,975	1,540,975
Amortization of deferred compensation	1,260,512	1,293,658
Loss (gain) on disposal of property, plant and equipment	12,483	(70,811)
Net financing charges <i>[note 5]</i>	1,327,069	1,424,361
Restructuring expenses <i>[note 4]</i>	(3,627)	38,640
	5,293,542	5,418,343
Earnings before income taxes	4,664,079	4,637,686
Provision for income taxes <i>[note 6]</i>	1,508,714	430,732
Net earnings	3,155,365	4,206,954
Deficit, beginning of period	(215,817,603)	(171,091,173)
Distribution declared <i>[note 8]</i>	(878,934)	(4,394,664)
Deficit, end of period	(213,541,172)	(171,278,883)
Basic net earnings per unit	0.1077	0.1436
Weighted average number of units outstanding	29,297,767	29,297,767

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENTS OF CASH FLOWS

For the three-month periods ended March 31
[Unaudited]

	2010	2009
	\$	\$
OPERATING ACTIVITIES		
Net earnings	3,155,365	4,206,954
Items not affecting cash and cash equivalents		
Amortization of property, plant and equipment	1,156,130	1,191,520
Amortization of intangible assets	1,540,975	1,540,975
Amortization of deferred compensation	1,260,512	1,293,658
Amortization of deferred financing costs	201,468	49,711
Loss (gain) on disposal of property, plant and equipment	12,483	(70,811)
Future income taxes expense	1,508,714	430,732
Change in post-retirement benefits obligation	(4,500)	(4,500)
Change in accrued pension benefit assets	(304,200)	37,900
Net change in non-cash working capital balances	(1,676,170)	(2,699,123)
Cash flows related to operating activities	6,850,777	5,977,016
INVESTING ACTIVITIES		
Business acquisitions, net of cash acquired	—	84,306
Additions to property, plant and equipment	(219,017)	(44,185)
Proceeds from disposal of property, plant and equipment	14,277	68,698
Cash flows related to investing activities	(204,740)	108,819
FINANCING ACTIVITIES		
Revolving credit facility	(2,695,559)	(4,000,000)
Term credit facility	(1,875,000)	—
Distributions paid on Fund units	(2,050,844)	(5,736,502)
Financing costs incurred	(32,765)	—
Cash flows related to financing activities	(6,654,168)	(9,736,502)
Net change in cash and cash equivalents	(8,131)	(3,650,667)
Cash and cash equivalents, beginning of period	38,962	4,989,775
Cash and cash equivalents, ending of period	30,831	1,339,108
Supplemental information		
Interest paid	1,303,514	1,122,117
Income taxes paid	4,877	2,057

See accompanying notes

Supremex Income Fund**CONSOLIDATED STATEMENTS OF
COMPREHENSIVE INCOME**

For the three-month period ended March 31,
[Unaudited]

	2010	2009
	\$	\$
Net earnings	3,155,365	4,206,954
Other comprehensive income		
Change in fair value of derivative designated as cash flow hedge net of income taxes	—	(148,322)
Reclassification adjustment for loss on derivative designated as cash flow hedge transferred to net loss, net of income taxes	—	409,618
Comprehensive income	3,155,365	4,468,250

See accompanying notes

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 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-month period ended March 31, 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. INVENTORY AND COST OF GOOD SOLD

	March 31, 2010	December 31, 2009
	\$	\$
Raw materials	3,220,097	3,386,049
Work in process	143,731	365,755
Finished goods	10,073,597	10,169,922
	13,437,425	13,921,726

The cost of inventories recognized as an expense are \$27,713,364 for the three-month period ended March 31, 2010 [2009 - \$32,316,867].

3. EMPLOYEE DEFINED BENEFIT PLANS

The Fund’s total benefit cost for the pension plans was \$765,000 for the three-month period ended March 31, 2010 [2009 - \$674,000].

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

[Unaudited]

4. ACCRUED RESTRUCTURING PROVISION

In connection with the acquisition of NPG Envelope (“NPG”) and Montreal Envelope Inc. (“Montreal”), 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. The liabilities relating to these costs have been included in the allocation of the purchase price of NPG and Montreal. Any costs incurred relating to employees or facilities previously part of the Fund are charged to restructuring expenses as incurred in the consolidated statements of earnings and deficit.

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

	March 31, 2010	December 31, 2009
	\$	\$
Balance, beginning of period	795,018	1,327,080
Accrued restructuring included in purchase allocation	—	199,097
Restructuring expenses charged against earnings	(3,627)	818,452
Cash payments	(140,578)	(1,549,611)
Balance, end of period	650,813	795,018

5. SECURED CREDIT FACILITIES

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

	March 31, 2010	December 31, 2009
	\$	\$
Revolving credit facility	17,628,622	20,324,181
Term credit facility	71,250,000	73,125,000
Less: deferred financing costs, net	(1,401,101)	(1,569,804)
	87,477,521	91,879,377
Current portion	(7,500,000)	(7,500,000)
Long-term portion of secured credit facilities	79,977,521	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 March 31, 2010. The secured credit facilities are collateralized by hypothec and security interest covering all present and future assets of the Fund and its subsidiaries.

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

	\$
2010	5,625,000
2011	7,500,000
2012	75,753,622

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

March 31, 2010

[Unaudited]

5. SECURED CREDIT FACILITIES [Cont'd]

As at March 31, 2010, the interest rates on the revolving and term credit facilities were 4.35% and 4.25%, respectively.

Net financing charges:

	Three-month periods ended	
	March 31,	
	2010	2009
	\$	\$
Interest on secured credit facilities	1,124,456	1,375,485
Other interest	1,145	(835)
Amortization of deferred financing costs	201,468	49,711
	1,327,069	1,424,361

6. 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	
	March 31,	
	2010	2009
	\$	\$
Earnings before income taxes	4,664,079	4,637,686
Income taxes expense at combined federal and provincial statutory rate	1,450,529	1,460,872
Impact of interest expense of Supremex paid to the Fund, eliminated on consolidation	(351,853)	(1,435,379)
Effect of change in enacted tax rates	(51,279)	(67,517)
Impact of amortization of deferred compensation not deductible for tax purposes	392,019	407,502
Non deductible expenses and other	69,298	65,254
Provision for income taxes	1,508,714	430,732

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

[Unaudited]

7. 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. 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 in 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.

As at March 31, 2010, there are 29,297,767 units issued by the Fund. No units were issued or redeemed during the three-month period ended March 31, 2010.

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 March distribution in the amount of \$292,978 was declared and accrued in March 2010 and paid to unitholders on April 15, 2010. Distributions for the period from January 1, 2010 to March 31, 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
			0.03	878,934

9. SEGMENTED INFORMATION

The Fund currently operates in one business segment: the manufacturing and sale of envelopes. The Fund's net assets amounted to \$75,750,460 in Canada and \$1,132,114 in the United States as at March 31, 2010 (2009 - \$110,132,009 and \$1,532,972, respectively). The Fund's revenue amounted to \$38,442,017 in Canada and \$2,799,055 in the United States for the three-month period ended March 31, 2010 (2009 - \$42,367,924 and \$3,565,382, respectively).

Supremex Income Fund

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2010

[Unaudited]

10. SUBSEQUENT EVENT

Supremex is always looking at ways to reduce costs, accordingly a restructuring of the Toronto operations was announced in April. It has been decided to close the Markham facility and move the production being made in that plant into the other 2 facilities we have in Ontario, located in Mississauga and Etobicoke, which among other, will result in a personnel reduction of approximately 20 people and the future disposal of Markham facility. Management is presently finalizing the total costs associated with this restructuring of the Toronto operations.

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