Consolidated Financial Statements

Supremex Income Fund

Unaudited

March 31, 2006

All amount expressed in Canadian dollars

Supremex Income Fund

CONSOLIDATED BALANCE SHEET

As at March 31, 2006 Unaudited

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

Commitments and contingencies (note 15)
Subsequent events (note 18)

See accompanying notes

On behalf of the Trustee:

By: (Signed) Gilles Cyr
Trustee

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

Supremex Income Fund

CONSOLIDATED STATEMENT OF EARNINGS AND RETAINED EARNINGS

For the 1 day period of March 31, 2006 Unaudited

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

See accompanying notes

Supremex Income Fund

CONSOLIDATED STATEMENT OF CASH FLOWS

For the 1 day period of March 31, 2006 Unaudited

	$
OPERATING ACTIVITIES	
Net earnings for the period	168,583
Items not affecting cash and cash equivalents	
Amortization of intangible assets	15,468
Amortization of deferred compensation	16,177
Amortization of deferred financing costs	354
Net change in non-cash working capital balances	284,293
Cash flows related to operating activities	484,875
INVESTING ACTIVITY	
Business acquisitions, net of cash acquired (note 2)	(207,752,714)
Cash flows related to investing activity	(207,752,714)
FINANCING ACTIVITIES	
Issuance of trust units on initial public offering (note 2)	175,000,000
Issuance of trust units to management (note 2)	23,642
Expenses related to initial insuance of trust units (note 2)	(14,842,723)
Financing costs incurred	(517,500)
Term credit facility proceed	75,000,000
Repayment of the due to an entity under common control	(26,692,327)
Cash flows related to financing activities	207,971,092
Net increase in cash and cash equivalents and period end balance	703,253

See accompanying notes

NOTES TO THE CONSOLIDATED FINANCIAL STATEMENTS

March 31, 2006 | Unaudited

1. NATURE OF BUSINESS AND BASIS OF PRESENTATION

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

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

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

2. INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITIONS

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

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

2. INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITIONS - (Continued)

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

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

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

2. INITIAL PUBLIC OFFERING AND BUSINESS ACQUISITIONS - (Continued)

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

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

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

Principles of consolidation

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

Net earnings per Unit

Net earnings per Unit is calculated by dividing net earnings by the weighted average number of Units outstanding during the period. For the purpose of the weighted average number of Units outstanding, Units are determined to be outstanding from the date they are issued and do include the Units to be issued relating to the over-allotment option since there was no contingencies that would result in these Units not being issued.

SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Cash and cash equivalents

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

Inventories

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

Property, plant and equipment

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

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

Long-lived assets

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

Deferred financing costs

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Intangible assets

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

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

Goodwill

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

Revenue recognition

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

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

Employee future benefits

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

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

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

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

Income taxes

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

3. SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES – (Continued)

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

Foreign currency

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

4. ACCOUNTS RECEIVABLE

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

5. INVENTORIES

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

6. PROPERTY, PLANT AND EQUIPMENT

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

7. POST-RETIREMENT BENEFITS

(a) Pension Plans

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

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

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

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

(b) Post-retirement benefits other than pension

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

8. DEFERRED FINANCING COSTS

	March 31, 2006		
	Cost $	Accumulated amortization $	Net book value $
Deferred financing costs	517,500	354	517,146

9. INTANGIBLE ASSETS

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

10. ACCOUNTS PAYABLE AND ACCRUED LIABILITES

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

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

11. SECURED CREDIT FACILITIES

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

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

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

	March 31, 2006 $
Revolving credit facility	2,000,000
Term credit facility	75,000,000
	77,000,000

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

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

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

Net financing charges

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

12. INCOME TAXES

Future income tax assets and liabilities are as follows:

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

The goodwill related to Supremex acquisition is not deductible for tax purposes.

13. UNITHOLDERS' EQUITY

Fund Units

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

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

13. UNITHOLDERS' EQUITY– (Continued)

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

Employees Units

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

Over-Allotment option

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

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

Basic and diluted net earnings

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

14. DISTRIBUTION

The Fund expects to make 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. The current estimated distribution rate is $0.0958 per month (see note 18 – Subsequent events).

15. COMMITMENTS, CONTINGENCIES AND GUARANTEES

(a) Operating lease and other commitments

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

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

As at March 31, 2006, the Fund also had a firm commitment to purchase machinery and equipment amounting to approximately $1,750,000 which will be paid in 2006.

(b) Contingencies

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

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

15. COMMITMENTS, CONTINGENCIES AND GUARANTEES – (Continued)

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

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

(c) Guarantees

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

Operating leases

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

Business disposals

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

16. SEGMENTED INFORMATION

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

17. FINANCIAL INSTRUMENTS

Interest rate and foreign exchange risk

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

Fair value

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

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

Credit risk and customer concentration

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

18. SUBSEQUENT EVENTS

(a) On April 3, 2006, the Fund entered into an interest rate swap agreement for the full amount of its term credit facility to pay a fixed rate of 5.426% until March 31, 2007, 5.663% from April 1, 2007 to March 31, 2008, 5.866% from April 1, 2008 to March 31, 2009 and 6.067% from April 1, 2009 to March 31, 2010. This interest rate swap was designated as a cash flow hedge against the fluctuation in interest expense due to changes in the interest rate of its variable interest term credit facility and for which hedge accounting will be used.

(b) On April 19, 2006, the first distribution of the Fund was declared for the period from April 1, 2006 to April 30, 2006 in the amount of $2,999,658 or $0.0958 per Unit, for registered unitholders on April 30, 2006. This distribution was paid on May 15, 2006.

(c) On April 28, 2006, the underwriters exercised in full their over-allotment option, resulting in the issuance by the Fund of additional Units at a price of $10 per Unit for gross proceeds of $25,000,000 and net proceeds of $24,090,988 after deducting $1,375,000, which represents the underwriters fees, less related future income taxes of $465,988. The net cash proceeds were used by the Fund to repay the note payable to Cenveo.

(d) On May 19, 2006, the second distribution of the Fund was declared for the period from May 1, 2006 to May 31, 2006 in the amount of $2,999,658 or $0.0958 per Unit, for registered unitholders on May 31, 2006. This distribution was paid on June 15, 2006.

Supremex

MANAGEMENT'S DISCUSSION AND ANALYSIS OF FINANCIAL CONDITION AND RESULTS OF OPERATIONS FOR THE THREE-MONTH PERIOD ENDED MARCH 31, 2006

The following management's discussion and analysis of financial condition and results of operations, dated June 16, 2006 of Supremex Income Fund (the "Fund") should be read together with the attached unaudited interim consolidated financial statements and related notes as at March 31, 2006. The financial statements of the Fund are prepared in accordance with accounting principles generally accepted in Canada ("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 period ended March 31, 2006. All financial information prior to March 31, 2006 is derived from the consolidated results of Supremex Inc. and Cenveo Depew division ("Supremex").

This discussion contains forward-looking statements. Please see "Forward-Looking Statements" for a discussion of the risks, uncertainties and assumptions relating to these statements. This discussion 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 and Adjusted EBITDA and Non-GAAP Measures" and "Selected Consolidated Financial Information".

Formation of the Fund

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

On March 31, 2006, in conjunction with the IPO, the Fund indirectly acquired Supremex from Cenveo Corporation for $331,641,239. Consideration paid to Cenveo for the acquisition was comprised of cash of $212,924,527, Units of the Fund with a value of $89,474,390, a payable of acquired businesses of $5,617,322 for a working capital adjustment and a note payable of $23,625,000. As part of the acquisition 2,364,228 Units held in escrow and valued at $23,642,280 were issued to management employees of Supremex for a cash consideration of $23,642 to amend the then existing management profit sharing plan.

The acquisition was accounted for by the purchase method with the results of Supremex's operations included in the Fund's earnings from the date of acquisition.

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

Supremex is Canada's leading manufacturer and marketer of a broad range of stock and custom envelopes and related products. Supremex is the only national envelope manufacturer in Canada, with 13 facilities in nine cities across seven provinces and employs approximately 750 people. This national presence enables Supremex to satisfy the manufacturing requirements of large national customers, such as large Canadian corporations, nationwide resellers and governmental entities, as well as paper merchants and solution and process providers.

Supremex has the largest share of the Canadian envelope manufacturing industry and estimates its market share at approximately 55%. This leading market share is due to Supremex's unparalleled ability to successfully compete both on a local and national basis across Canada.

Distributions

The Fund expects to make 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 current estimated distribution rate per Unit is $0.0958 per month. The first distribution of the Fund for the period from April 1, 2006 to April 30, 2006 was declared on April 19, 2006 for registered unitholders on April 30, 2006 and the second distribution of the Fund for the period from May 1, 2006 to May 31, 2006 was declared on May 19, 2006 for registered unithholders on May 31, 2006. Each of the above distributions represents an amount of $2,999,658 which has been paid on May 15, 2006 and June 15, 2006 respectively. As these distribution were declared after March 31, 2006, they are not reflected in the unaudited interim consolidated financial statements of the Fund as at March 31, 2006.

Period	Record date	Payment date	Per Unit $	Amount $
April 2006	April 28, 2006	May 15, 2006	0.0958	2,999,658
May 2006	May 31, 2006	June 15, 2006	0.0958	2,999,658
Total			0.1916	5,999,316

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

Review of Operations

This is the first reporting period of the Fund since its inception on February 10, 2006 and the Fund was inactive prior to its acquisition of Supremex on March 31, 2006. As a result, the attached unaudited interim consolidated financial statements cover the 1 day period of March 31, 2006 and do not contain comparative figures. To provide meaningful disclosure to the reader, this Management's Discussion and Analysis covers the three months ended March 31, 2006 compared to the three months ended March 31, 2005. This information is not based on the Fund's results and is provided for reference purposes only. All financial information prior to March 31, 2006 is derived from the consolidated results of Supremex.

Selected Consolidated Financial Information

	(000's) Three Months January 1 to March 31 (1)	
	2006	**2005**
	$	$
Revenue	49,470	51,166
Cost of goods sold, selling, general and administrative expenses	37,565	38,470
Adjusted EBITDA (2)	11,905	12,696
Non Recurring Items		
Management fees expenses (3)	—	437
75% Management profit sharing (4)	718	767
EBITDA (2)	11,187	11,492
Amortization of property, plant and equipment	992	1,127
Amortization of intangible assets	15	—
Amortization of deferred compensation	16	—
Gain on disposal of machinery and equipment	(201)	(1)
Net financing charges (income)	931	(272)
Earning from continuing operations before income taxes	9,434	10,638

1. Derived from unaudited consolidated financial statements of the Fund for the 1-day period of March 31, 2006 and from the unaudited consolidated financial statements of Supremex for period from January 1, 2006 to March 30, 2006 and for the three months ended March 31, 2005.

2. See definition of EBITDA, Adjusted EBITDA and Non-GAAP Measures.

3. Represents management fees formerly payable to Cenveo which will no longer be paid.

4. Represents the portion of Supremex's management profit sharing plan eliminated due to its conversion into Units.

Income taxes and net earnings have not been presented as they are not comparable due to changes to the capital structure of Supremex and the Fund in connection with the initial public offering completed on March 31, 2006.

Finished goods adjustment required at acquisition

At the acquisition date of the businesses acquired, the Fund recorded the assets acquired and the liabilities assumed based on their fair values. Therefore, the Fund valued the acquired finished goods inventories of Supremex at a rate that provided a reasonable profit margin for the Fund on its selling effort post-acquisition.

This resulted in an increase in the valuation of finished goods inventory of an estimated $4,304,000 reflecting Supremex manufacturing profits earned prior to the acquisition by the Fund. The impact of the revalued finished goods inventory will be recognized through an increase of cost of goods sold and a reduction of earnings before income taxes of the Fund as the acquired inventory will be sold. Since we expect to sell the acquired inventory during the second quarter of 2006, the revaluation of finished goods will result in an increase of cost of goods sold and a decrease in earnings before income taxes that is not representative of cost of goods sold and earnings before income taxes that would have been otherwise been reported and will not be representative for cost of goods sold and earnings before income taxes that will be reported beyond the second quarter of 2006. Finally, as this adjustment is a non-cash item, it will not have any impact on distributable cash.

Key factors affecting the business

The results of operations and financial condition of the Fund are subject to a number of risks and uncertainties, and are affected by a number of factors outside management's control. See "Risks Factors" for a discussion of such risks.

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 the months of August to February mainly due to the higher number of mailings related to events including the return to school, fund raisers and the holiday and tax seasons. The number of products sold by Supremex is generally lower during the months of March to July in anticipation of a slow down 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 the revenue and financial performance which may be expected for the full year. However, to maintain production efficiencies, Supremex utilizes warehouse capabilities to inventory envelopes as required to counter these predictable seasonal variations in sales volumes.

The followings table presents a summary of operating results of the Fund and Supremex on a quarterly basis for the periods since January 1, 2005 to March 31, 2006.

(in thousands of dollars)

	Mar 31, 2006 (1) $	Dec 31, 2005 (1) $	Sep 30, 2005 (1) $	Jun 30, 2005 (1) $	Mar 31, 2005 (1) $
Revenue	49,470	48,272	48,235	46,467	51,166
EBITDA (2)	11,187	11,419	11,367	10,641	11,492
Adjusted EBITDA (2)	11,905	12,713	12,546	11,734	12,696
Earnings from continuing operations before income taxes	9,434	8,547	8,889	7,917	10,638

The Adjusted EBITDA for the last 5 quarters have been relatively stable with little impact of the seasonality of the envelope industry and the impact of the raw material increases on our revenue over that period, offset by the impact of the strengthening of the Canadian dollar.

Net earnings have not been presented for each of the quarters prior to the acquisition of Supremex by the Fund as they are not comparable due to the change to the capital structure of Supremex and the Fund in connection with the initial public offering completed March 31, 2006.

Notes

(1) Derived from the unaudited consolidated financial statements of Supremex for the 2005 quarters and for the period from January 1, 2006 to March 30, 2006 and from the unaudited consolidated financial statements of the Fund for the 1-day period ended March 31, 2006.

(2) See "Definition of EBITDA, Adjusted EBITDA and Non-GAAP Measures". EBITDA and Adjusted EBITDA are not recognized measures under GAAP and do not have standardized meanings prescribed by GAAP. EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other issuers.

Results of operations

Three months ended March 31, 2006 compared to three months ended March 31, 2005.

Revenue

Revenue for the three month period ended March 31, 2006 was $49.5 million compared to $51.2 million for the three month period ended March 31, 2005, representing a decrease of $1.7 million or 3.3%. The decrease is attributable to the sales in the United States, mostly due to a reduction of volume and the impact of the strengthening of the Canadian dollar.

Revenue from the Canadian sales remained stable at $43.2 million, whereas revenue from the sales in the United States decreased by $1.7 million or 21.3%, from $8.0 million to $6.3 million.

This decrease in revenue in the United States was mainly driven by a volume decrease of 16.4% in large part due to the decrease of the sales volume to Cenveo due to their customer sales reduction, and timing in the ordering pattern of a few direct mail accounts. Furthermore, the decrease of the average selling price was 6.4% as a result of the strengthening of the Canadian dollar.

Cost of goods sold, selling, general and administrative expenses

Cost of good sold, selling, general and administrative expenses for the three month period ended March 31, 2006 was $37.6 million compared to $38.5 million for the three month period ended March 31, 2005, representing a decrease of $0.9 million or 2.3%.

Despite the revenue decrease, gross profit (revenue less cost of goods sold) was $17.5 million for the three month period ended March 31, 2006 compared to a gross profit of $17.8 million for the comparable period in 2005, for a decrease of $0.3 million. As a percentage of sales, the gross profit increased by 0.6% in 2006 compared to 2005. The decrease in volume as well as a mix change which reduced our outside purchases explains the lower cost of goods sold in 2006 as compared with the comparative period in 2005.

Selling, general and administrative expenses increased by $0.5 million for the three month period ended on March 31, 2006 compared to the same period in 2005 mainly due to a $0.4 million of non-recurring expenses and expenses incurred in the process of becoming a public company.

EBITDA

As a result of the changes described above, the EBITDA was $11.2 million for the three month period ended March 31, 2006 compared to $11.5 million for the three month period ended March 31, 2005, representing a decrease of $0.3 million or 2.6%

Net financing charges

Net financing charges amounted to $0.9 million in the three month period ended March 31, 2006 compared to an interest income of $0.3 million for the same period in 2005, representing an increase of $1.2 million explained by an advance from an entity under common control received at the end of the first quarter in 2005.

Earnings from continuing operations before income taxes

Due to the changes in revenue and expenses described herein, the earnings before income taxes have decreased by $1.2 million to $9.4 million for the three month ended March 31, 2006 from $10.6 million for the same period in 2005.

Segmented information

The Fund currently operates in one business segment being the manufacturing and sale of envelopes. The Fund's sales amounted to $43.2 million in Canada and $6.3 million in United States for the three months ended March 31, 2006.

Liquidity and Capital Resources

Cash flow from operating activities was $0.5 million for the 1-day period of March 31, 2006. The increase in cash flow from operating activities was primarily attributable to earnings generated in the period and the reduction of accounts receivable.

Cash flow used in investing activity was $207.8 million for the 1-day period of March 31, 2006 and attributable to the Fund's acquisition of Supremex.

Cash flow from financing activities was $208.0 million for the 1-day period of March 31, 2006. This represents the proceeds received from the initial public offering and the debt financing obtained on March 31. These cash flows were partially offset by the repayment of the due to an entity under common control and by the expenses paid in connection with the initial public offering.

Contractual Obligations

The following chart outlines the Fund's contractual obligations as at March 31, 2006.

	($000's) Total	($000's) Payments due by fiscal year 2006	2007-2008	2009-2010	Thereafter
Senior credit facilities	77,000	—	—	77,000	—
Operating leases	7,254	1,507	3,341	1,953	453
Payable to Cenveo	5,617	5,617	—	—	—
Note payable to Cenveo	23,625	23,625	—	—	—
Machinery equipment addition	1,753	1,753	—	—	—
Total	115,249	32,502	3,341	78,953	453

Financing

Supremex has senior secured credit facilities consisting of revolving operating credit facility of up to $40 million and a term credit facility of $75 million. As at March 31, 2006, Supremex had drawn $2 million on the revolving credit facility and $75 million on the term credit facility.

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

Both facilities bear interest at a floating rate based on the Canadian prime rate, U.S. base rate, LIBOR or bankers' acceptance rates, plus an applicable margin to those rates. As at March 31, 2006, the interest rates on the revolving and term credit facilities was 5.5%. On April 3, 2006, The Fund entered into an interest rate swap agreement for the full amount of its term credit facility to pay a fixed rate of 5.426% until March 31, 2007, 5.663% from April 1, 2007 to March 31, 2008, 5.866% from April 1, 2008 to March 31, 2009 and 6.067% from April 1, 2009 to March 31, 2010. This interest rate swap was designated as cash flow hedge against the fluctuation in interest expense due to changes in the interest rate of its variable interest term credit .

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

Capitalization

The following sets forth the capitalization of the Fund as at June 16, 2006:

	# Issued	Amounts ($)
Units issued as at March 31, 2006	28,811,667	254,775,986
Over-allotment option exercised on April 28, 2006	2,500,000	24,090,988
	31,311,667	278,866,974

Units issued include 2,364,228 Units valued at $23,642,280 issued to employees for a cash consideration of $23,642 as part of the business acquisitions and to amend the then existing management profit sharing plan. As these Units will vest over four years, subject to earlier vesting as described in note 2 of the interim financial statements, the unamortized value of such Units as at March 31, 2006, amounting to $23,602,461, is recorded as deferred compensation deferred compensation and is recorded as compensation expense over the vesting period. Employees are allowed to distribution 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.

Financial instruments

Interest rate and foreign exchange risk

The Fund's credit facilities bear interest at a floating rate which give rise to a risk that its earnings and cash flows may be adversely impacted by fluctuations in interest rates. On April 3, 2006, the Fund entered into an interest rate swap agreement for the full amount of its term credit facility to pay a fixed rate of 5.426% until March 31, 2007, 5.663% from April 1, 2007 to March 31, 2008, 5.866% from April 1, 2008 to March 31, 2009 and 6.067% from April 1, 2009 to March 31, 2010. This interest rate swap was designated as a cash flow hedge against the fluctuation in interest expense due to changes in the interest rate of its variable interest term credit.

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

Off-Balance Sheet Arrangements

The Fund has no other off-balance sheet arrangements.

Effectiveness of Disclosure Controls and Procedures

Management has 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, 2006. Its assessment led management of the Fund to conclude that the disclosure procedures and controls used for the financial statements and Management's Discussion and Analysis were effective.

Critical Accounting Policies and Estimates

The Fund prepares its financial statements in conformity with GAAP, which requires management to make estimates, judgments and assumptions that Management believes are reasonable based upon the information available. These estimates, judgments and assumptions affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the reporting period. Management bases its estimates on historical experience and other assumptions, which it believes to be reasonable under the circumstances. Management also evaluates its estimates on an on-gong basis. The effect on the financial statements of changes in such estimates in future periods could be material and would be accounted for in the period a change occurs.

The significant accounting policies of the Fund are described in note 3 of the Fund's unaudited interim consolidated financial statements for the 1-day period ended March 31, 2006.

The policies which the Fund believes are the most critical to aid fully understanding and evaluating its reported results include the following:

Inventory

Raw materials, consisting of paper, window film, boxes, adhesives and ink are carried at the lower of cost, determined on a first-in, first-out basis and replacement cost. Work in process and finished goods are carried at the lower of cost, including labor and overheard determined on a first-in, first-out basis, and net realizable value. Supremex regularly assesses the level of slow moving or obsolete inventory, and estimates the provision required based on several factors including passage of time. The estimates could therefore vary from actual experience.

Impairment of Long-Lived Assets

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

Foreign Currency

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

Intangible assets

The Fund has recognized intangible assets that are comprised of customer relationships and non-compete agreements. These intangible assets have definite lives and are amortized on a straight-line basis over ten years. Management judgment is required to determine the useful life of the intangible assets and, where it is believed to be required, an impairment provision is provided.

Goodwill

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

Revenue Recognition

The Fund recognizes revenue when persuasive evidence of an arrangement exists, product delivery has occurred, pricing is fixed or determinable, and collection is reasonably assured. In circumstances where the customer requests a bill and hold, revenue is recognized when the customer is invoiced for goods that have been produced, packaged and made ready for shipment.

Income Taxes

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

Since Supremex operates in all jurisdictions in Canada and in the United States having different statutory rates, the determination of the future income tax assets and liabilities is also subject to Supremex' estimates as to any future changes in the proportion of its business derived from each of the jurisdictions. These estimates could therefore vary materially from actual experience.

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

Employee Future Benefits

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

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

Recent Accounting Pronouncements

Comprehensive Income, Equity, Financial Instruments and Hedges

The CICA recently issued four new accounting standards: "Comprehensive Income", "Equity", "Financial Instruments - Recognition and Measurement" and "Hedges". These new standards regarding recognition and measurement of financial instruments, hedging and comprehensive income have been created to harmonize with the generally accepted accounting principles already in use in the United States. These new standards must be adopted by the Fund at the latest for its fiscal year ending December 31, 2007, but early adoption is acceptable. The Fund is presently evaluating the impact of these new standards on the consolidated financial statements.

Recent Events

On April 3, 2006, the Fund entered into an interest rate swap agreement for the full amount of its term credit facility to pay a fixed rate of 5.426% until March 31, 2007, 5.663% from April 1, 2007 to March 31, 2008, 5.866% from April 1, 2008 to March 31, 2009 and 6.067% from April 1, 2009 to March 31, 2010. This interest rate swap was designated as a cash flow hedge against the fluctuation in interest expense due to changes in the interest rate of its variable interest term credit facility and for which hedge accounting will be used.

On April 19, 2006, the first distribution of the Fund was declared for the period from April 1, 2006 to April 30, 2006 in the amount of $2,999,658 or $0.0958 per Unit, for registered unitholders on April 30, 2006. This distribution was paid on May 15, 2006.

On April 28, 2006, the underwriters exercised in full their over-allotment option, resulting in the issuance by the Fund of and additional Units at a price of $10 per Unit for gross proceeds of $25,000,000 and net proceeds of $24,090,988 after deducting $1,375,000 ,which represents the underwriters fees, less related futures income taxes of $465,988. The net cash proceeds were used by the Fund to repay the note payable to Cenveo.

On May 19, 2006, the second distribution of the Fund was declared for the period from May 1, 2006 to May 31, 2006 in the amount of $2,999,658 or $0.0958 per Unit, for registered unitholders on May 31, 2006. This distribution was paid on June 15, 2006.

Risk Factors

The results of operations, business prospects and financial condition of Supremex are subject to a number of risks and uncertainties, and are affected by a number of factors outside the control of Supremex's management.

Maintain Profitability

Supremex's ability to continue to generate comparable net earnings is based, in part, on the addition of new products and services which could be sold to existing and prospective customers. Supremex's earnings also depend upon its ability to maintain its low cost structure to sustain its EBITDA margins. These margins are dependent upon the ability to continue to profitably sell envelopes and to continue to provide products and services that make it the supplier of choice to its customers. The failure to develop and successfully market new products and services at favourable margins or any increase in Supremex's costs of goods or operating costs could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

A principal component of Supremex's strategy is to pursue operational efficiencies. Supremex's profitability depends in significant measure on its ability to, among other things, successfully manage, identify and implement operational efficiencies as well as to generate sales of its envelopes and there can be no assurance that it will be successful in managing its cost reduction and productivity improvement measures.

Impact of the Internet and Other Alternative Media and Introduction of New Incentive Measures

Supremex's envelope manufacturing business is highly dependent upon the demand for envelopes sent through the mail. Supremex may compete with product substitutes, which can impact demand for its products. Usage of the Internet and other electronic media continues to grow. Consumers use these media to purchase goods and services, and for other purposes such as paying utility and credit card bills. Advertisers use the Internet and electronic media for targeted campaigns directed at specific electronic user groups. Large and small businesses use electronic media to conduct business, send invoices and collect bills. The demand for envelopes and other printed materials for transactional purposes is expected to decline in the future.

In addition, governmental or other incentive measures may be introduced to encourage governmental entities, businesses and consumers to decrease paper consumption, including paper-related products such as envelopes. By way of example, in June 2005, the Minister of Sustainable Development, Environment and Parks of the Province of Québec tabled a draft bill, the *Sustainable Development Act*, the purpose of which is to set up a new management framework within the Administration (meaning, *inter alias*, the Government, all government departments and government agencies) to ensure that powers and responsibilities are exercised in the pursuit of sustainable development. The proposed legislation, which could be enacted as early as the fall of 2006, provides that a sustainable development strategy must be established by the Government and every government department, agency and enterprise in the Administration must identify and make public their specific objectives, measures and interventions to contribute to the implementation of such strategy. Management believes that the establishment of any such objectives, measures, standards, policies or programs by the Government or any other entity could include the reduction of consumption of paper and paper-related products.

There can be no assurance that the acceleration of the trend towards electronic media such as the Internet and other alternative media or the introduction of incentive objectives, measures, standards, policies or programs to decrease paper consumption will not cause a decrease in the demand for its products, which could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

Customer Relationships

The envelope industry in which Supremex competes is generally characterized by individual orders from customers or short-term contracts. Most customer orders are for specific manufacturing jobs, and repeat business largely depends on the customers' satisfaction with the product and service. Although Supremex's business is not dependent upon any one customer or group of customers, there can be no assurance that any particular customer will continue to do business with Supremex for any period of time. In addition, the timing of particular jobs or types of jobs at particular times of the year may cause fluctuations in the operating results of Supremex's various operations in any given quarter.

Supremex typically does not enter into long-term, written agreements with customers. As a result, there is a risk that customers may, without notice or penalty, terminate their relationship with Supremex at any time. In addition, even if customers should decide to continue their relationship with Supremex, there can be no guarantee that customers will purchase the same amount as in the past, or that purchases will be on similar terms. In addition, in past years, Cenveo has been a customer of Supremex. Cenveo, which owns 28.6% of the Fund's Units, has an ongoing contractual arrangements with Supremex for a limited period of time, and although Management considers its relationship with Cenveo to be positive and expects that sales to Cenveo will continue outside the formal contractual arrangements, there can be no assurance as to the level of such future sales. A loss of several customers, a substantial decrease in order volumes from several customers, a loss of a significant customer or a change in the terms of the relationship with a significant customer could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

Increases in the Cost of Raw Materials or Other Operating Costs

The cost of paper represents the most significant portion of Supremex's cost of goods sold. The overall paper market is beyond Supremex's control. Additionally, Supremex utilizes a number of other raw materials, including window film, boxes, glue and ink, that are subject to price fluctuations beyond its control. Supremex is also subject to cost increases relating to any future rises in the price of fuel, labour costs and other costs relating to its operations generally. There has historically been a time lag, which may be more pronounced in the United States, before any increases in the price of raw materials or in any other operating costs could be passed on to Supremex's customers. There can be no assurance that the price of Supremex's raw materials or other operating costs will not increase in the future or that Supremex will be able to pass on any increases to its customers consistent with past industry practice. In addition, Supremex cannot be certain that future price increases will not result in decreased volumes of Units sold. A significant increase in the price of raw materials or other operating costs that cannot be passed on to customers or that results in a decrease in volume of Units sold could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions. As well, Supremex cannot be certain that a shortage of any of these raw materials will not occur in the future or what effect, if any, such a shortage could have on Supremex's cash flow and profitability.

In addition, after the departure of Cenveo as the sole shareholder of Supremex, Supremex might cease to benefit from the greater purchasing power, if any, it enjoyed previously as a member of the Cenveo group. There is no assurance that suppliers will not as a result of such departure increase the prices charged to Supremex for raw materials and other operating costs. A significant increase in the price of raw materials or other operating costs which Supremex could not pass on to customers in a timely manner could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

Limited Growth in the Envelope and Related Industries

The North American envelope manufacturing and mailing industries have experienced limited growth in the last several years and are not expected to grow significantly in the foreseeable future, due to a general progressive decline in the use of traditional paper-based products. The Business depends on transactional mail and direct mail activities. The transactional mail volumes are thought to have been declining in the last few years due in part to the increasing use of non-traditional sources of communication and information transfer, such as facsimile machines, electronic mail and the Internet. While Management believes that the direct mail industry has experienced growth in envelope volumes and which has partially offset declines in the transactional mail industry, there is no assurance that the direct mail industry will grow in the future and sufficiently offset any declines in transactional mail. As a result, there can be no assurance that Supremex will be able to grow its sales or even maintain historical levels of sales. For Supremex to continue to do so, it must be able to increase its market share and successfully respond to changes in demand in this segment of the industry and increase its U.S. market share and penetration. However, although Supremex intends to increase service to the United States marketplace, this marketplace is highly competitive and is already serviced by a number of envelope manufacturers, including Cenveo, some of which are larger in size and scope than Supremex. Accordingly, there can be no assurance that Supremex will be able to successfully increase its U.S. market share or penetration.

Competition

In the envelope and related products market, Supremex competes primarily with a few multi-facility and many single-facility companies servicing regional and local markets. Supremex's ability to compete successfully depends upon a variety of factors, including its ability to maintain high facility efficiencies and operating rates and low manufacturing costs, as well as its access to quality, low-cost raw materials. The market for Supremex's products is highly competitive and there has been an increasing trend among Supremex's customers towards consolidation. With fewer customers in the market for its products, the strength of Supremex's negotiating position with these customers could be weakened.

Despite Supremex's leading market position in Canada, there may be new entrants in the Canadian envelope market which may have an impact on sales and margins and continued strength in the Canadian dollar versus the US dollar may create an incentive for U.S.-based competitors to increase market penetration in Canada.

Some of Supremex's competitors, including Cenveo, may be larger in size or scope than Supremex, which may allow them to achieve greater economies of scale and operating efficiencies or allow them to better withstand periods of declining prices and adverse operating conditions. Other competitors may also, at times, have lower raw material, energy and labour costs and less restrictive environmental and governmental regulations to comply with than Supremex and the Fund. Any failure to compete effectively could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

Foreign Exchange

The distributions to Unitholders will be denominated in Canadian dollars. However, a portion of Supremex's revenue is earned in US dollars and a portion of Supremex's expenses, including part of the cost of paper and other raw materials as well as certain capital expenditures, are incurred in US dollars. Supremex also derives a portion of its revenue from sales in Canadian dollars to certain customers in respect of whom the selling price is sensitive to competition from U.S. players. As a result, the Canadian dollar selling price to these customers may be under pressure as the Canadian dollar strengthens.

Movements in the exchange rate between US and Canadian dollar could have an effect on Supremex's ability to successfully market its products in the United States.

As a result, fluctuations in the exchange rate between US and Canadian dollar could have an adverse impact on Supremex's operating results and financial condition.

Litigation

Supremex, like other manufacturing and sales organizations, is subject to potential liabilities connected with its business operations, including expenses associated with product defects, performance, reliability or delivery delays. Supremex is threatened from time to time with, or is named as a defendant in, legal proceedings, including lawsuits based upon product liability, personal injury, breach of contract and lost profits or other consequential damages claims, in the ordinary course of conducting its business. A significant judgment against Supremex, or the imposition of a significant fine or penalty, as a result of a finding that Supremex failed to comply with laws or regulations, or being named as a defendant on multiple claims could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

One of the predecessor companies of Supremex is currently the target of an inquiry by the Competition Bureau with respect to alleged price maintenance offenses under section 61 of the Competition Act and Management understands that Supremex may become the subject of further inquiries by the Competition Bureau regarding price fixing or market sharing activities in connection with the sale of envelopes, contrary to section 45 of the Competition Act.

If Supremex is found guilty of the alleged price maintenance offenses under section 61 the Competition Act or as a result of any inquiry into price fixing or market sharing activities contrary to section 45 of the Competition Act, the resulting fines and negative publicity could be substantial and could have a material adverse effect on the business, results of operation and financial condition of Supremex, and on cash available for distributions. In addition, Supremex could be the target of class action lawsuits in such circumstances.

Supremex and the Fund exposure toward the above matters are mitigated by the fact that the acquisition agreement also contain representation and warranties and related indemnities for any liabilities arising before September 30, 2008 in favour of the Fund.

Postal Services

Because the majority of envelopes consumed in Canada and the United States are mailed, any strike or other work stoppage by unionized postal workers would effectively result in a temporary suspension of the mail activities of most of the customers of Supremex and could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

In addition, postal rates are a significant factor affecting envelope usage and any increases in postal rates, relative to changes in the cost of alternative delivery means or advertising media, could result in reductions in the volume of mail sent. No assurance can be provided that future increases in postal rates will not have a negative effect on the level of mail sent, or the volume of envelopes purchased. Such occurrences could have a material adverse effect on Supremex's business, financial condition, results of operations and cash available for distributions.

Reliance on Key Personnel

Supremex's ability to successfully implement its business strategy and to operate profitably is dependent on the abilities, experience and efforts of members of its senior management and key sales and operations personnel. While Supremex has entered into employment agreements and/or confidentiality and non-compete agreements with some of its key employees, should any of its key employees become unable or unwilling to continue their employment, Supremex could be significantly adversely impacted. The loss of a key salesperson to a competitor may result in the loss of that salesperson's contacts by Supremex. In addition, Supremex's continued success depends on its ability to attract and retain experienced key employees.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of "mutual fund trusts" will not be changed in a manner which adversely affects the Unitholders. If the Fund ceases to qualify as a "mutual fund trust" under the Tax Act, then the income tax considerations described under "Canadian Federal Income Tax Considerations" of the prospectus would be materially and adversely different in certain respects. Currently, a trust will not be considered to be a "mutual fund trust" if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is property other than "taxable Canadian property" as defined in the Tax Act. The Fund Declaration of Trust contains mechanisms to ensure that the Fund is not maintained primarily for the benefit of non-residents of Canada. On September 16, 2004, the Minister of Finance (Canada) released draft amendments to the Tax Act providing that a trust will lose its status as a mutual fund trust if the aggregate fair market value of all Units issued by the trust held by one or more non-residents of Canada or Non-Canadian Partnerships is more than 50% of the aggregate fair market value of all the Units issued by the trust where more than 10% (based on fair market value) of the trust's property is "taxable Canadian property" or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time, more than 50% of the aggregate fair market value of Units of the Fund were held by non-residents of Canada and Non-Canadian Partnerships, the Fund may thereafter cease to be a mutual fund trust. The draft amendments do not currently provide any means of rectifying a loss of mutual fund trust status. On December 6, 2004, the Minister of Finance (Canada) tabled a Notice of Ways and Means Motion to implement certain measures proposed in the September 16, 2004 draft amendments. However, such Notice did not include the above mentioned proposal concerning mutual fund trusts maintained primarily for the benefit of non-residents of Canada. In addition, the Minister of Finance (Canada) announced on December 6, 2004 as well as in the 2005 Budget Proposals that further discussions will be pursued with the private sector in this respect.

Although management is of the view that all expenses, including expenses related to the IPO, to be deducted in computing income by the Fund, Supremex and its successors respectively will be reasonable and deductible in computing income, and that the cost amount of such entities' depreciable properties and eligible capital properties will have been correctly determined, as well as the depreciation claimed on these properties, there can be no assurance that the CRA will not seek to challenge the reasonableness of certain expenses or that the Tax Act or the interpretation of the Tax Act will not change. If there were a change to the Tax Act or the interpretation of the Tax Act that resulted in the expenses not being deductible or if the taxation authorities were to successfully challenge the deductibility of the expenses, it could materially and adversely affect the amount of Distributable Cash available.

Management believes that the expenses inherent in the structure of the Fund are supportable and reasonable in the circumstances and has received financial advice to that effect in respect of certain of the expenses.

There can be no assurance that the Fund will not reorganize or make acquisitions or dispositions in the future that could affect the tax treatment of the Canadian or foreign Unitholders.

Income fund structures generally involve significant amounts of inter-company or similar debt, generating substantial interest expense, which serves to reduce earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expense deducted. If such a challenge were to succeed against Supremex, it would materially adversely affect the amount of cash available to the Fund for distribution to Unitholders. On October 31, 2003 the Minister of Finance (Canada) released, for public comment, proposed amendments to the Tax Act that relate to the deductibility of interest and other expenses for income tax purposes for taxation years commencing after 2004. In general, the proposed amendments may deny the realization of losses in respect of a business if there is no reasonable expectation that the business will produce a cumulative profit over the period that the business can reasonably be expected to be carried on. Management believes that the interest expense inherent in the structure of the Fund is supportable and reasonable in light of the terms of Supremex's indebtedness to the Fund. The Fund has advised counsel that it does not believe that the proposed amendments will have a material effect on its tax position. In the 2005 Federal Budget, after an extended period of public consultation, the Minister of Finance (Canada) announced that an alternative proposal to the proposed amendments of October 31, 2003 will be developed and released, at an early opportunity, for comments.

Interest on the Notes of Supremex accrues to the Fund for Canadian federal income tax purposes, whether or not actually paid. The Fund Declaration of Trust provides that an amount equal to the Fund's net income and net realized capital gains will be distributed each year to Unitholders in order to reduce the Fund's income to zero. There may be circumstances where the cash distributions paid or payable by the Fund in a particular taxation year are insufficient to reduce the Fund's taxable income to zero. Such circumstances may arise if Supremex is prohibited by the terms of the New Credit Facilities from making payments on its Notes and/or paying dividends to the Fund (resulting in the Fund having insufficient cash to make cash distributions to the Unitholders at least equal to its taxable income for the year). Where, as a result of these or other circumstances, the Fund has insufficient cash to make cash distributions equal to its taxable income for its taxation year, a distribution by the Fund may be satisfied in whole or in part by the issuance of additional Units rather than in cash. Unitholders will generally be required to include an amount equal to the fair market value of such additional Units in their taxable income, even though they did not receive a cash distribution.

On September 8, 2005, the Department of Finance released a consultation paper on tax and other issues related to publicly-listed flow-through entities ("FTEs"), such as income trusts and invited interested parties to make submissions prior to December 31, 2005. In addition, on September 19, 2005, the Minister of Finance (Canada) announced that the CRA would postpone providing advance tax rulings respecting FTE structures pending these consultations. On November 23, 2005, the Minister of Finance (Canada) announced that the public consultation process was ended and tabled in the House of Commons a Notice of Ways and Means Motion to implement a reduction in personal income tax on dividends with a view to establishing a better balance between the treatment of large corporations and that of income trusts. No measures were announced with respect to the taxation of FTEs and their investors. No assurance may be given that further review of the tax treatment of FTEs will not be undertaken or that Canadian federal income tax law respecting FTEs will not be changed in a manner which adversely affects the Fund and the Unitholders. To the extent that changes are made, such changes could result in the income tax considerations described under the heading "Canadian Federal Income Tax Considerations" being materially different in certain respects.

Further detail is provided in the "Risks factors" section of the Fund final prospectus dated March 17, 2006.

Forward-Looking Statements

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

Definition of EBITDA, Adjusted EBITDA and Non-GAAP Measures

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

Adjusted EBITDA" is EBITDA adjusted to take into consideration annual management fees formerly payable to Cenveo and the conversion at Closing of a portion of Supremex's management profit sharing plan into Units.

EBITDA and Adjusted EBITDA are not earnings measures recognized under GAAP and do not have standardized meanings prescribed by GAAP. Therefore, EBITDA and Adjusted EBITDA may not be comparable to similar measures presented by other entities. Investors are cautioned that EBITDA and Adjusted EBITDA should not be construed as an alternative to net earnings or loss 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.