



PREMIUM BRANDS INCOME FUND

Management's Discussion and Analysis

Second Quarter 2008

This Management's Discussion and Analysis ("MD&A") has been prepared as of August 5, 2008. It should be read in conjunction with Premium Brands Income Fund's (the "Fund's") 2007 audited consolidated financial statements and the notes thereto, which are prepared in accordance with Canadian generally accepted accounting principles ("GAAP"), the related Management's Discussion and Analysis, and the Fund's 2007 Annual Information Form. These documents, as well as additional information on the Fund are filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and available online at www.sedar.com.

All amounts are expressed in Canadian dollars except as noted otherwise.

BUSINESS OVERVIEW

The Fund owns a broad range of businesses that manufacture, market and/or distribute a variety of branded specialty food products to markets in Western Canada and, to a lesser extent, Central and Eastern Canada as well as the western United States. It defines "specialty food products" as food products where the consumer's purchasing decision is based primarily on factors other than price, such as quality, convenience, product consistency, health and/or lifestyle. Examples of the Fund's specialty food products include meat snacks such as pepperoni, beef jerky and kippered beef; snack foods such as fresh and individually wrapped pastries and cookies; concession products such as popcorn, hot and frozen beverage supplies and ice cream accessories; fresh and pre-packaged sandwiches; European-style deli meats; delicatessen items such as cheeses and specialty Mexican foods; and premium smoked sausages.

A core part of the Fund's strategy is the diversification of its customer base through the development of proprietary distribution networks that service a variety of end users including niche food retailers, convenience stores, delicatessens, restaurants, concession stands and small grocery chains. These networks provide the Fund's various specialty food operations with proprietary access to a large and diverse base of approximately 25,000 customers. In addition, the Fund sells a variety of products purchased from third party manufacturers through its proprietary distribution networks.

FORWARD LOOKING STATEMENTS

This discussion and analysis includes forward looking statements with respect to the Fund, including its business operations strategy and financial performance and condition. These statements generally

can be identified by the use of forward looking words such as “may”, “could”, “should”, “would”, “will”, “expect”, “intend”, “plan”, “estimate”, “project”, “anticipate”, “believe” or “continue”, or the negative thereof or similar variations. Although management believes that the expectations reflected in such forward looking statements are reasonable and represent the Fund’s internal expectations and belief at this time, such statements involve unknown risks and uncertainties which may cause the Fund’s actual performance and results in future periods to differ materially from any estimates or projections of future performance or results expressed or implied by such forward looking statements. Important factors that could cause actual results to differ materially from the Fund’s expectations include, among other things: (i) seasonal and/or weather related fluctuations in the Fund’s sales; (ii) changes in Canadian income tax laws; (iii) changes in the cost of raw materials used for the Fund’s products; (iv) changes in the cost of products sourced from third party manufacturers and sold through the Fund’s proprietary distribution networks; (v) changes in consumer discretionary spending resulting from changes in economic conditions and/or general consumer confidence levels; (vi) changes in consumer preferences for food products; (vii) competition from other food manufacturers and distributors; (viii) new government regulations affecting the Fund’s business and operations; and (ix) other factors as discussed in the Fund’s Annual Information Form, which is filed electronically through the System for Electronic Document Analysis and Retrieval (SEDAR) and available online at www.sedar.com.

The Fund disclaims any intention or obligations to revise forward looking statements whether as a result of new information, future developments, or otherwise.

SUPPLEMENTAL DISCLOSURE

EBITDA, distributable cash and net funded debt are not terms defined under GAAP. As a result, these terms, as defined by the Fund, may not be comparable to similarly titled measures presented by other publicly traded entities, nor should they be construed as alternatives to other earnings measures determined in accordance with GAAP.

The Fund believes that earnings before interest, taxes, depreciation, amortization and unrealized gain (loss) on foreign currency contracts (“EBITDA”) is a useful indicator of the amount of cash generated by the Fund’s operating businesses prior to financing and income tax related costs. The following table provides a reconciliation of EBITDA to net earnings before non-controlling interest:

<i>(in thousands of dollars)</i>	13 weeks ended June 28, 2008	13 weeks ended June 30, 2007	26 weeks ended June 28, 2008	26 weeks ended June 30, 2007
Earnings before non-controlling interest	7,384	12,758	10,709	15,243
Depreciation of capital assets (1)	1,876	1,430	3,623	2,879
Interest and other financing costs (2)	1,850	543	3,718	980
Amortization of intangible and other assets (1)	683	267	1,211	518
Amortization of financing costs (1)	47	-	93	-
Amortization of puttable interest in subsidiaries (1)	150	-	200	-
Unrealized gain on foreign currency contracts (3)	(31)	-	(706)	-
Income tax provision (recovery) (2)	351	(6,650)	503	(6,675)
EBITDA	12,310	8,348	19,351	12,945

(1) Amount added back as this is a non-cash expense.

(2) Amount added back as this is a financing or tax related charge.

(3) This amount is a theoretical number representing what the impact would have been on the Fund’s earnings if it had liquidated its outstanding U.S. dollar forward purchase contracts at the end of the applicable period. Amount is (subtracted) added back as the Fund does not intend to liquidate these contracts but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins.

The Fund believes that distributable cash is a useful indicator of the amount of cash available for distribution to its unitholders. The following table provides a reconciliation of distributable cash to cash flows from continuing operations:

<i>(in thousands of dollars)</i>	Year ended Dec 31, 2007	26 weeks ended June 28, 2008	26 weeks ended June 30, 2007	Rolling four quarters
Cash flows from operations	31,830	14,753	10,876	35,707
Change in non-cash working capital (1)	(3,528)	775	879	(3,632)
Restricted Trust Unit Plan accrual (2)	(82)	59	-	(23)
Collection of notes receivable (3)	463	639	281	821
Maintenance capital expenditures (4)	(1,780)	(1,395)	(883)	(2,292)
Amortization of puttable interest in subsidiaries (5)	(43)	(200)	-	(243)
Non-controlling interest (6)	(407)	(27)	(175)	(259)
Unusual cash income taxes (7)	104	-	104	-
Distributable cash	26,557	14,604	11,082	30,079

- (1) Cash used for increases in the Fund's non-cash working capital is funded through draws on its bank lines of credit, while cash resulting from decreases in its non-cash working capital is used to pay down its bank lines of credit. As a result, changes in the Fund's non-cash working capital are excluded from the calculation of distributable cash.
- (2) Expenses relating to the Fund's Restricted Trust Unit Plan (RTUP) are deducted in the calculation of distributable cash. Correspondingly, cash flows relating to the RTUP are excluded from the calculation of distributable cash.
- (3) Amount represents principal payments received on notes receivable resulting from the previous sale of non-core assets and businesses. This amount is an unallocated cash flow and is therefore included in the calculation of distributable cash.
- (4) Amount represents the portion of the Fund's capital expenditures that are funded from cash generated by its operations and therefore is deducted in the calculation of distributable cash (see **Liquidity and Capital Resources**).
- (5) Amount represents the accrued value on options held by third parties that entitles them to require the Fund to purchase their interest in non-wholly owned subsidiaries of the Fund. Payments to these third parties will be funded from cash generated by operations and therefore the corresponding expense is deducted in the calculation of distributable cash.
- (6) Amount represents the portion of the Fund's cash flows that is attributable to non-controlling interests and is therefore deducted in the calculation of distributable cash.
- (7) Amount is the result of an income tax reassessment for a business that was sold by the Fund in 2003 (the "Sold Business"). The income tax reassessment related to years in which the Fund owned the Sold Business and for which the Fund had indemnified the purchaser of the Sold Business. This amount has been funded out of the Fund's bank lines of credit and is therefore added back in the calculation of distributable cash.

The Fund believes that net funded debt is a useful indicator of its financial strength. The following table provides the calculation of net funded debt:

<i>(in thousands of dollars)</i>	June 28, 2008	Dec 31, 2007
Cheques outstanding	779	695
Bank indebtedness	11,189	9,703
Current portion of long-term debt	155	148
Deferred financing costs	554	641
Long-term debt	101,018	96,914
	113,695	108,101
Less cash and cash equivalents	674	1,116
Net funded debt	113,021	106,985

RESULTS OF OPERATIONS

Second quarter of 2008 as compared to the second quarter of 2007

Revenue for the second quarter of 2008 increased by 80.3% or \$51.1 million to \$114.8 million as compared to \$63.7 million in the second quarter of 2007. Business acquisitions accounted for \$47.4 million of the increase and organic growth at a rate of 5.2% for the balance.

The Fund's organic growth was driven primarily by product price increases as its sales volumes were negatively impacted by poor weather conditions across Western Canada for much of the quarter. The poor weather resulted in reduced consumer outdoor activities and, in turn, reduced demand for many of the Fund's products. The Fund's sales growth rate was, to a lesser extent, also impacted by high

fuel prices which are translating into less driving and lower discretionary spending by consumers at gas station retail outlets through which the Fund sells its products.

Gross profit as a percentage of revenue ("gross profit margin") for the quarter decreased to 28.1% from 34.3% in the second quarter of 2007 due primarily to the acquisition of Centennial Foodservice in July 2007 as Centennial has historically generated a gross profit margin of 16.5% to 17.0% versus an average of 30% to 33% for the Fund's remaining businesses. Excluding the impact of businesses acquired in the last half of 2007, the Fund's second quarter 2008 gross profit margin for its remaining or legacy businesses was 33.9% as compared to 34.3% in the second quarter of 2007.

The slight decrease in the legacy business' gross profit margin was due primarily to \$0.2 million in start up costs at the Fund's new meat snack facility in Langley, B.C., and approximately \$0.3 million in costs associated with the consolidation of the its B.C. based fresh sandwich and pastry operations into a new 27,000 square foot facility. Both of these projects are now substantially complete and, in addition to providing much needed incremental capacity, are expected to generate operating efficiencies through improved production line designs.

As a percentage of revenue, selling, general and administrative expenses ("SG&A") for the second quarter of 2008 decreased to 17.3% from 21.2% in the second quarter of 2007 due to the Centennial acquisition. Excluding acquisitions made in the last half of 2007, SG&A as a percentage of revenue for the Fund's legacy businesses was 21.3%.

The Fund's EBITDA for the quarter increased by \$4.0 million or 47.5% to \$12.3 million from \$8.3 million in the second quarter of 2007. Excluding \$0.5 million in one time costs incurred in the quarter, the Fund's EBITDA was \$12.8 million representing an increase of \$4.5 million or 53.4% from the comparable 2007 quarter.

Depreciation for the quarter increased to \$1.9 million from \$1.4 million in the second quarter of 2007 due to acquisitions made in the last half of 2007.

Interest and other financing costs for the quarter increased to \$1.9 million from \$0.5 million in the second quarter of 2007 due primarily to acquisitions made in the last half of 2007 being financed by debt.

Amortization of intangibles, other assets and financing costs as a total increased from \$0.3 million in the second quarter of 2007 to \$0.7 million in the second quarter of 2008 due to the amortization of costs associated with acquisitions made in the last half of 2007.

During the quarter the Fund recognized amortization of puttable interest in subsidiaries of \$0.2 million. This amount represents the accrued value on options held by third parties that entitle them to require the Fund to purchase their interest in non-wholly owned subsidiaries of the Fund.

Income taxes expense for the quarter was \$0.4 million as compared to a recovery of \$6.7 million in the second quarter of 2007. The 2008 second quarter expense related to changes in the estimated value of the Fund's future income tax assets and liabilities. The large gain in the second quarter of 2007 was due to changes made in 2007 to the manner in which publicly traded trusts such as the Fund will be treated for tax purposes starting on or before January 1, 2011 (see ***Income Tax – Recent Tax Changes***).

Year-to-date second quarter of 2008 as compared to the year-to-date second quarter of 2007

The year-to-date trends in revenue, gross profit margin, and SG&A as a percentage of revenue, reflect similar trends to those that occurred in the second quarter. Revenue for the first two quarters was up \$93.2 million or 80.3% to \$209.2 million with business acquisitions accounting for \$87.9 million of the increase and organic growth at a rate of 4.6% for the balance. After excluding the impact of businesses acquired in the last half of 2007, the Fund's gross profit margin was 33.4% as compared to 33.2% in first two quarters of 2007 while its SG&A as a percentage of revenue was 22.5% as compared to 22.1% in first two quarters of 2007.

Included in the 2008 second quarter year-to-date results is approximately \$0.6 million in costs associated with the consolidation of the Fund's B.C. based fresh sandwich and pastry operations, \$0.2 million in start up costs at its new meat snack facility in Langley, B.C., and \$0.2 million in costs associated with moving its Centennial business' Edmonton operation from a 19,000 square foot facility into a new 32,000 square foot facility. The \$0.8 million in plant consolidation costs have been expensed as part of cost of goods sold while the \$0.2 million in moving costs have been expensed as part of SG&A.

EBITDA for the year-to-date period increased by \$6.4 million or 49.5% to \$19.4 million from \$12.9 million in 2007. Excluding the \$1.0 million in one time costs incurred in the first half of 2008, the Fund's EBITDA was \$20.4 million representing an increase of \$7.4 million or 57.2% as compared to the first half of 2007.

Depreciation, interest and amortization related expenses for the first half of 2008 all reflect similar trends to those that occurred in the second quarter of 2008.

The 2008 year-to-date results include an unrealized gain on foreign currency contracts of \$0.7 million which was the result of the fair market valuation of the Fund's U.S. dollar forward purchase contracts. This unrealized gain is a theoretical number representing the gain that the Fund would have realized in 2008 if it had liquidated its U.S. dollar forward purchase contracts outstanding at the end of the quarter. The Fund does not, however, intend to terminate these contracts, but rather uses them to stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins.

The income tax provision (recovery) for the first half of 2008 reflects a similar trend to what occurred in the second quarter of 2008.

Segmented Information

The Fund is made up of a variety of specialty food businesses, consisting of both manufacturing and distribution operations, most of which are highly integrated and are characterized by substantial cooperation, cost allocation and sharing of assets. As a result, the operating performance and other financial information presented on the Fund's two reportable segments, as defined under GAAP, does not necessarily represent what each of the segments would report if they were operating independently.

The Fund's revenue and segment earnings (defined as earnings before interest and other financing costs, amortization of financing costs and puttable interest, unrealized gains/losses on foreign currency contracts, income taxes and non-controlling interest) by reportable segment are as follows:

<i>(in thousands of dollars)</i>	13 weeks ended June 28, 2008	13 weeks ended June 30, 2007	26 weeks ended June 28, 2008	26 weeks ended June 30, 2007
Revenue:				
Retail	56,842	51,795	103,993	95,946
Foodservice	58,002	11,904	105,200	20,096
	<u>114,844</u>	<u>63,699</u>	<u>209,193</u>	<u>116,042</u>
Segment earnings (loss):				
Retail	6,342	6,212	10,047	9,765
Foodservice	4,845	1,812	7,431	2,492
Corporate costs	(1,436)	(1,373)	(2,961)	(2,709)
	<u>9,751</u>	<u>6,651</u>	<u>14,517</u>	<u>9,548</u>

Retail's revenue for the quarter increased by \$5.0 million or 9.7% to \$56.8 million as compared to the second quarter of 2007. The acquisitions of Stuyver's Bakestudio in the last half of 2007, and Mrs. Willman's Baking and Noble House Distribution in the second quarter of 2008, accounted for \$2.7

million of the increase with the balance resulting primarily from product price increases across the segment's various specialty product lines.

Retail's earnings as a percentage of sales ("margin") for the quarter was 11.2% as compared to 12.0% in the second quarter of 2007. The decrease in Retail's margin was due mostly to approximately \$0.5 million in one time costs associated with the start up of its new meat snack facility in Langley, B.C. and the consolidation of its B.C. based fresh sandwich and pastry operations (see **Results of Operations**).

On a year to date basis, Retail's sales and margin trends reflect similar trends to those that occurred in the second quarter of 2008.

Foodservice's revenue for the quarter increased by \$46.1 million or 387.2% to \$58.0 million. The acquisition of Centennial Foodservice in the last half of 2007 accounted for \$45.2 million of the increase with the balance coming from a mixture of product price increases and increased sales of concession equipment.

Foodservice's margin for the quarter was 8.4% as compared to 15.2% in the second quarter of 2007. The decrease in Foodservice's margin was due to the acquisition in the last half of 2007 of Centennial Foodservice, which historically has generated a lower margin as compared to the average of the Fund's other foodservice businesses.

On a year to date basis, Foodservice's sales and margin trends reflect similar trends to those that occurred in the second quarter of 2008.

SUMMARY OF QUARTERLY RESULTS

The following is a summary of selected quarterly consolidated financial information. All amounts, except EBITDA, are derived from the Fund's unaudited consolidated interim financial statements for each of the eight most recently completed quarters and are prepared in accordance with GAAP (see **Supplemental Disclosure**).

<i>(millions of dollars except per unit amounts)</i>	Q3 2006	Q4 2006	Q1 2007	Q2 2007	Q3 2007	Q4 2007	Q1 2008	Q2 2008
Revenue	58.8	53.0	52.3	63.7	108.6	101.8	94.3	114.8
EBITDA	6.6	4.8	4.6	8.3	11.6	8.9	7.0	12.3
Earnings before discontinued operations:								
Total	4.2	2.8	2.4	12.7	7.2	3.2	3.3	7.4
Per unit	0.28	0.16	0.14	0.73	0.41	0.18	0.19	0.42
Loss from discontinued operations	(0.7)	0.0	0.0	0.0	0.0	0.0	0.0	0.0
Earnings:								
Total	3.5	2.8	2.4	12.7	7.2	3.2	3.3	7.4
Per unit	0.24	0.16	0.14	0.73	0.41	0.18	0.19	0.42

The Fund's operations are based primarily in Western Canada and its quarterly results are subject to fluctuations associated with seasonal changes in consumer demand in this region. In general terms, results are weaker in the first quarter due to poor weather conditions and reduced consumer spending in general, peak in the spring and summer months due to favourable weather conditions that result in increased outdoor activities and travelling and, in turn, higher consumer demand for the Fund's products, and decline in the fourth quarter due to poor weather conditions.

On a comparative quarter-to-quarter basis, the Fund's sales and EBITDA have shown consistent improvement reflecting the successful implementation of its core specialty food and distribution strategies and the completion of several acquisitions.

In the second quarter of 2007 the Fund recorded a \$6.8 million future income tax recovery due to changes in the manner in which publicly traded trusts, such as the Fund, will be treated for tax purposes starting on or before January 1, 2011 (see ***Income Tax – Recent Tax Changes***).

The Fund shut down its remaining discontinued operation in the third quarter of 2006.

LIQUIDITY AND CAPITAL RESOURCES

The Fund's primary uses of cash, and how these uses are funded, are as follows:

Cash distributions to unitholders. Cash distributions are financed primarily through operations. However, as an income trust, a key objective of the Fund is to maintain a steady cash distribution to its unitholders, which is achieved by basing its monthly cash distributions on an annual rate divided into twelve equal monthly payments. As a result, it is possible that in some months its cash distribution to unitholders may exceed the distributable cash generated by its operations due to the seasonality of its business, or unexpected short term shocks to one or more of its operations. Under these circumstances the Fund's bank lines of credit can be used to balance its cash needs.

Acquisition of businesses that complement the Fund's specialty food and distribution based strategies. The source of financing for an acquisition depends primarily on the size of the transaction. Smaller acquisitions are generally financed through the Fund's existing credit facilities, while larger acquisitions can be financed through a variety of financing sources including existing credit facilities and the issuance of new debt and/or equity.

Capital expenditures. The Fund's capital expenditures can be categorized into two types: project capital expenditures and maintenance capital expenditures. Project capital expenditures are capital expenditures that are expected to generate a minimum return on investment of 15% through increased production capacity and/or improved operating efficiencies. Maintenance capital expenditures include all capital expenditures that do not qualify as a project capital expenditure, and consist mainly of expenditures necessary for maintaining the Fund's existing level of production capacity and operating efficiency.

Maintenance capital expenditures are financed primarily through operations while project capital expenditures are generally funded through the Fund's credit facilities, however, larger expenditures, such as the building of a new plant or a major expansion of an existing plant, may also be funded through the issuance of new debt and/or equity.

Maintenance of the Fund's truck fleet. The Fund currently operates a fleet of approximately 180 trucks which service customers across Western Canada. Primarily all of the trucks utilized in this fleet are leased under a full maintenance operating lease program and, as a result, primarily all of the cost of maintaining the Fund's fleet is funded through operations and expensed in the calculation of the Fund's EBITDA.

Working capital. The Fund generally funds increases in its accounts receivable and inventory balances through draws on its bank lines of credit and terms on its trade purchases (i.e. accounts payable). The Fund's working capital needs generally peak in the spring and summer months and around festive holiday seasons (e.g. Easter, Thanksgiving and Christmas) as inventories and accounts receivable are built up in anticipation of increased consumer demand.

Repayment of long-term debt. The majority of the Fund's long-term debts, subject to meeting certain conditions, has no scheduled principal payments prior to their maturity dates. The Fund intends to fund long-term debt that is due through the issuance of new long-term debt and/or equity. In addition, it intends to use any excess cash flow from its operations to pay down revolving credit facilities that

can then be drawn on at a later date to fund project capital expenditures and/or acquisitions (see ***Liquidity and Capital Resources – Credit Capacity***).

Credit Capacity

At June 28, 2008 the Fund had the following unutilized credit capacity:

<i>(in thousands of dollars)</i>	Credit Facilities	Net Funded Debt	Unutilized Credit Capacity
Current revolving senior credit facilities ^{(1) (2)}	23,500	10,515	12,985
Long term revolving senior credit facility ⁽³⁾	40,000	30,000	10,000
Non-revolving senior credit facility ⁽⁴⁾	64,000	64,000	-
Industrial Development Revenue Bond ⁽⁵⁾	6,200	6,200	-
Cheques outstanding	-	779	(779)
Other	1,527	1,527	-
Funded Debt	135,227	113,021	22,206

- (1) Facility utilization is net of cash and cash equivalents.
- (2) Amount is made up of two credit facilities: a \$22.0 million bank line of credit that matures in July 2010, and a US\$1.5 million bank line of credit that matures in July 2008. Both of these facilities can be used to fund the Fund's working capital and general operating needs and neither has any principal payments due prior to their maturity dates.
- (3) Credit facility matures in July 2010, can be used to fund capital projects and acquisitions, and has no principal payments due prior to its maturity date.
- (4) Credit facility matures in July 2010 and has no principal payments due prior to its maturity date as long as the Fund's debt to EBITDA ratio does not exceed 3.0:1 for two consecutive quarters. In the event that the Fund's debt to EBITDA ratio does exceed 3.0:1 for two consecutive quarters, then the Fund will have to make monthly principal payments of \$0.3 million if its debt to EBITDA ratio is below 3.25:1 and \$0.7 million if its debt to EBITDA ratio is above 3.25:1. The principal payments will cease if subsequently the Fund's debt to EBITDA ratio falls below 3.0:1 for two consecutive quarters.
- (5) Credit facility relates to the Fund's U.S. subsidiary, Hempler Foods Group LLC, is denominated in U.S. dollars (US\$6.1 million), matures in 2036 and has no principal payments due prior to its maturity date.

Subsequent to the quarter the Fund negotiated a \$10.0 million increase in its \$22.0 million bank line of credit and decreased its US\$1.5 million bank line of credit to US\$0.4 million.

The financial covenants associated with the Fund's senior credit facilities are as follows:

	Covenant Requirements
Net funded debt to EBITDA ratio ⁽¹⁾	=< 3.5 : 1.0
Current ratio ⁽²⁾	> 1.3 : 1.0
Interest coverage ratio	> 4.0 : 1.0

- (1) Covenant decreases to 3.25:1 in the fourth quarter of 2008 and 3.0:1 in the first quarter of 2009. These reductions, however, are subject to a 0.25:1 add-on for a period of two consecutive quarters in the event of an acquisition.
- (2) Covenant increases to 1.5:1 in the first quarter of 2009.

The Fund's net funded debt to EBITDA ratio at the end of the second quarter of 2008 was 2.8:1, which is above its long term targeted range of 2.0:1 to 2.5:1 but below its banking covenant requirements and within what the Fund considers a reasonable level based on its current fundamentals.

Cash Flows from Operating Activities

For the second quarter of 2008 the Fund generated \$10.3 million from operations and used \$1.8 million primarily for the seasonal build up of its net working capital. On a year-to-date basis the Fund generated \$15.5 million from operations and used \$0.8 million to fund increases in its net working capital that were primarily due to timing issues on the collection of accounts receivable, purchases of inventory and the payment of equipment deposits and accounts payable.

Cash Flows from Financing Activities

For the second quarter of 2008 the Fund used \$2.3 million for financing activities. This consisted of \$5.1 million for distributions paid to unitholders and \$0.2 million for payments on the Fund's current

revolving credit facilities (net of changes in outstanding cheques), partially offset by a \$3.0 million draw on the Fund's long term revolving credit facility for business acquisitions.

On a year-to-date basis the Fund used \$5.7 million for financing activities consisting of \$10.3 million for distributions paid to unitholders partially offset by the \$3.0 million draw in the second quarter on its long term revolving credit facility and \$1.6 million in draws on its current revolving credit facility (net of changes in outstanding cheques).

Cash Flows from Investing Activities

For the second quarter of 2008 the Fund used \$6.3 million for investing activities consisting primarily of \$3.7 million for capital expenditures and \$3.0 million for business acquisitions, partially offset by \$0.4 million in proceeds from the collection of long term notes receivable and employee unit loans.

The \$3.7 million used for capital expenditures consisted of \$0.9 million for maintenance capital expenditures and \$2.8 million for project capital expenditures. Project capital expenditures included \$1.0 million for equipment and leasehold improvements at Centennial's new Edmonton, AB operation, \$0.8 million for equipment and leasehold improvements at a new meat snack production facility in Langley, B.C., \$0.4 million for the consolidation of the Fund's B.C. based fresh sandwich and pastry operations into a new 27,000 leased facility and \$0.6 million for a variety of small projects.

The \$3.0 million used for acquisitions related to the following two transactions:

- a. On April 11, 2008 the Fund completed the acquisition of Noble House Distributors for approximately \$2.1 million consisting of cash of \$1.6 million (after \$0.4 million in excess inventory purchases) and a three year note payable for \$0.5 million. Noble House is a direct-to-store distributor operating in Northern Alberta with a fleet of seven trucks and is a distributor for the Fund's Direct Plus direct-to-store distribution network. Noble House is expected to generate approximately \$3.0 million in incremental sales over the next twelve months.
- b. On May 2, 2008 the Fund completed the acquisition of the B.C. operations of Mrs. Willman's Baking for approximately \$1.7 million consisting of cash of \$1.4 million plus a five year note payable for \$0.3 million. In addition, the Fund will pay a 2.5% royalty, to a maximum of \$0.7 million, on sales of Mrs. Willman's products to certain defined customers over the next ten years. Mrs. Willman's is expected to generate approximately \$2.5 million in incremental sales over the next twelve months.

Both of these transactions complement the Fund's existing businesses with the Noble House purchase strengthening its Direct Plus retail distribution network and the Mrs. Willman's transaction expanding its line of specialty fresh baked goods and providing it with much needed incremental fresh sandwich and pastry production capacity.

On a year-to-date basis the Fund used \$9.5 million for investing activities consisting primarily of \$7.3 million for capital expenditures and \$3.0 million for business acquisitions, partially offset by \$0.8 million in proceeds from the collection of long term notes receivable and employee unit loans. The \$7.3 million used for capital expenditures consisted of \$1.7 million for maintenance capital expenditures and \$5.6 million for project capital expenditures, including \$3.3 million for equipment and leasehold improvements at Centennial's new Edmonton, AB operation, \$0.9 million for equipment and leasehold improvements at the new meat snack production facility in Langley, B.C., \$0.5 million for the consolidation of the Fund's B.C. based fresh sandwich and pastry operations into a new 27,000 leased facility and \$0.9 million for a variety of small projects.

Financial Position

Current assets at the end of the second quarter increased by \$7.4 million to \$81.8 million from \$74.3 million at December 31, 2007 due to seasonal increases in the Fund's inventories and accounts

receivable as well as additional equipment deposits of approximately \$0.7 million that relate to capacity expansion projects at the Fund's various production facilities. Current assets at the end of the second quarter of 2008 as compared to the end of the second quarter of 2007 increased by \$31.1 million primarily due to business acquisitions.

Capital assets increased to \$65.2 million at the end of the quarter from \$59.9 million at December 31, 2007 due to \$7.3 million in capital expenditures, \$1.5 million in capital assets acquired as part of business acquisitions and \$0.2 million in foreign currency translation adjustments partially offset by \$3.6 million in depreciation and \$0.1 million in asset dispositions.

Goodwill increased from \$107.7 million on December 31, 2007 to \$109.2 million at the end of the quarter due to \$1.5 million in goodwill resulting from business acquisitions made during the quarter.

Intangible assets decreased from \$41.4 million on December 31, 2007 to \$40.3 million at the end of the quarter due to \$1.2 million in amortization partially offset by \$0.1 million in foreign currency translation adjustments.

Other assets, including the current portion of other assets, at the end of the quarter decreased to \$2.5 million from \$3.2 million at December 31, 2007 due to \$0.9 million in long-term notes receivable and unit purchase loan collections and \$0.2 million in amortization partially offset by the recognition of \$0.4 million in unrealized gains on the fair market valuation of foreign currency contracts.

Current liabilities increased by \$7.9 million from \$48.2 million at December 31, 2007 to \$56.1 million at the end of the quarter due primarily to a seasonal increases in accounts payable and accrued liabilities, the timing of payments to suppliers, which also impacted the Fund's accounts payable and accrued liabilities balance, and \$1.5 million in draws on the Fund's bank lines of credit. As compared to the June 30, 2007 balance, the Fund's current liabilities at the end of the quarter were \$20.9 million higher primarily due to business acquisitions and \$6.3 million in draws on the Fund's bank lines of credit.

Net funded debt at the end of the quarter increased by \$6.0 million to \$113.0 million from \$107.0 million at December 31, 2007 primarily due to the Fund using its bank credit facilities to finance a portion of its project capital expenditures as well as its increased net working capital needs.

DISTRIBUTABLE CASH

The Fund's distributable cash for the first two quarters of 2008 increased to \$14.6 million or \$0.84 per unit as compared to \$11.1 million or \$0.64 per unit for the first two quarters of 2007 due primarily to the Centennial and Stuyver's acquisitions in the last half of 2007 and the continued improvement in the operating results of its legacy businesses (see **Results of Operations**).

Declared cash distributions for the first two quarters of 2008 were \$10.3 million which is consistent with the declared cash distributions in the first two quarters of 2007 as the Fund's monthly distribution has remained constant at \$0.098 per unit since its conversion to an income trust structure in July 2005.

The Fund's distributable cash for the first two quarters of 2008 of \$14.6 million exceeded its net earnings before future income taxes of \$11.2 million primarily due to:

- a. Depreciation of capital assets expense of \$3.6 million being \$2.2 million higher than the corresponding item used in the calculation of distributable cash, namely maintenance capital expenditures of \$1.4 million. This difference is mostly the result of a portion of the costs associated with maintaining the Fund's capital assets being funded through operating expenses, such as repairs and maintenance, and through project capital expenditures;
- b. Amortization of intangible and other assets expense of \$1.2 million being excluded from the calculation of distributable cash. This is on the basis that most of this expense relates

to costs that are either non-recurring, such as plant start up costs, or that relate to an intangible asset that is being maintained through operating expenses, such as the maintenance of the Fund's customer lists; and

- c. Collections of \$0.6 million on long-term notes receivable resulting from the sale of non-core assets and businesses being included in the calculation of distributable cash but not net earnings.

The above factors were partially offset by the exclusion from distributable cash of the \$0.7 million unrealized gain on foreign currency contracts recognized in the Fund's 2008 year-to-date earnings.

From the Fund's inception in July 2005 to June 28, 2008, the Fund has generated distributable cash of \$68.0 million and declared cash distributions of \$56.7 million.

Payout Ratio

Due to the seasonality of the Fund's operations (see ***Summary of Quarterly Results***) the calculation of its payout ratio (defined as cash distributions divided by distributable cash) on a quarterly basis is not meaningful. A better indicator of the sustainability of the Fund's monthly cash distribution is its rolling four quarters payout ratio.

For the rolling four quarters ended June 28, 2008 the Fund's payout ratio was 68.2% based on distributable cash of \$30.1 million and declared cash distributions of \$20.5 million. This compares to a payout ratio of 73.3% for the rolling four quarters ended March 29, 2008 and 77.2% for the rolling four quarters ended December 31, 2007. The continued improvement in the Fund's payout ratio is due solely to the growth of its distributable cash (see ***Distributable Cash***) as its monthly distribution has remained constant at \$0.098 per unit.

The Fund's acquisitions in the third quarter of 2007 had, in particular, a significant impact on its payout ratio. Prior to making these investments the Fund's distributable cash per unit and its payout ratio were being negatively impacted by an equity offering completed in the fourth quarter of 2006, the proceeds of which were substantially un-invested, i.e. the Fund was paying out a distribution on the 2,444,280 units issued in the fourth quarter of 2006 but not yet receiving an adequate return on the proceeds of the offering.

Looking forward, the Fund expects to see continued improvement in its payout ratio on the basis of:

- a. The continued organic growth of its specialty food and distribution businesses;
- b. The continued execution of its business acquisitions strategy; and
- c. Subject to ensuring that the taxable income allocated to its unitholders does not exceed its cash distributions to unitholders (see ***Income Tax***), the Fund does not intend to increase its monthly distribution, but instead plans to use any additional distributable cash to reduce its debt, fund project capital expenditures and/or make acquisitions.

Maintenance Capital Expenditures

The capital expenditures used in the calculation of distributable cash generally represent the expenditures incurred during the applicable period to maintain the Fund's production capacity (see ***Liquidity and Capital Resources - Capital Expenditures***). Capital maintenance expenditures for the first two quarters of 2008 increased by \$0.5 million to \$1.4 million from \$0.9 million in the first two quarters of 2007 due to business acquisitions, which accounted for \$0.3 million of the increase, and to \$0.2 million in information system improvement initiatives.

The Fund's capital maintenance expenditures for the rolling four quarters ended June 28, 2008 of \$2.3 million were \$0.7 million higher than its four year rolling average of \$1.6 million for primarily the same

reasons that resulted in the Fund's higher capital maintenance expenditures in the first half of 2008 as compared to the first half of 2007.

INCOME TAX

The Fund, subject to certain conditions, currently does not pay income tax but rather allocates its taxable income to its unitholders. Historically, due to the Fund having significant tax assets, it has been able to keep the taxable income allocated to its unitholders significantly lower than its cash distributions. This, in turn, has resulted in a portion of the Fund's cash distributions being classified for tax purposes as a return of capital as opposed to a return on capital.

In 2006, 60% of the Fund's cash distributions were classified for tax purposes as a return on capital and 40% as a return of capital. For 2007, the portion of the Fund's cash distributions classified for tax purposes as a return on capital increased to 85% due to the Fund's lower payout ratio (see ***Distributable Cash – Payout Ratio***) and to the preservation of the Fund's available tax assets to shelter future taxable income.

Looking forward, the Fund expects the portion of its cash distributions that is considered to be a return on capital to continue to increase due to its intention to reduce its payout ratio (see ***Distributable Cash – Payout Ratio***) and to the relatively small tax value of assets acquired as part of the Centennial acquisition in mid-2007.

As at December 31, 2007, the Fund's Canadian tax assets included approximately \$42.8 million in cumulative eligible capital expenditures (deductible at a rate of 7% per year for tax purposes) and \$50.1 million in un-depreciated capital costs.

Recent Tax Changes

In 2007, amendments were made to the manner in which publicly traded income trusts such as the Fund are taxed. Under the new tax provisions starting on or before January 1, 2011 the Fund will be subject to entity level taxation that will reduce the amount of cash available for distribution to its unitholders. More specifically, the Fund will be taxed on income (other than taxable dividends) distributed by the Fund to its unitholders at a rate that approximates the tax rate applicable to income earned by Canadian public corporations. The applicable rate in 2011 will be based on tax rates at that time, which, as per information released by the Department of Finance, will be 29.5%, reducing to 28.0% on January 1, 2012, but is subject to change.

Corresponding with the above changes, income distributions received by the Fund's unitholders beginning January 1, 2011 will be characterized as eligible dividends received from a Canadian public corporation. Generally, individual unitholders resident in Canada will be subject to tax based on the enhanced gross-up and dividend tax credit applicable to eligible dividends and, assuming such unitholders are subject to the highest marginal rate of tax, will receive an after-tax return from their now reduced distribution of income approximately equal to the after-tax return if the pre-tax income of the Fund had been distributed directly to and taxed in the hands of the unitholders. However, reduced distributions will be an absolute cost to other types of unitholders including pension funds, registered retirement savings plans and non-residents who will not benefit from characterization of the distributions as dividends.

The ability of the Fund to defer the new tax provisions outlined above to 2011 ("the grandfathered period") is subject to the Fund not exceeding certain growth guidelines as set out by the Department of Finance. Under these guidelines a trust is only able to defer the new tax provisions to 2011 as long as it limits its issuance of new equity prior to 2011 to the greater of \$50 million per year and the "safe harbour" amount, where the safe harbour amount for a particular trust is 40% of its market capitalization on October 31, 2006 for 2007 and 20% of its market capitalization on October 31, 2006 for each of 2008, 2009 and 2010.

The Fund's market capitalization on October 31, 2006 was approximately \$188.0 million resulting in a safe harbour amount of approximately \$75 million in 2007 and \$50 million in each of 2008, 2009 and 2010. Presently the Fund does not expect to exceed the normal growth guidelines during the grandfathered period, however, there is always the possibility that a change in circumstances may result in the Fund losing its grandfathered status and, as a result, no assurance can be given that the

Fund will be able to maintain its grandfathered status through to January 1, 2011. Loss of this status may result in material adverse tax consequences for the Fund and/or its unitholders.

The normal growth guidelines also provide an exception for certain exchange rights pursuant to which the issue of new equity during the grandfathered period will not be considered growth to the extent that the issuance is made in satisfaction of the exercise of a right in place on October 31, 2006 to exchange an interest in a partnership or a share of a corporation into that new equity. As a result, the issuance of the Fund's units in exchange for 600,000 exchangeable units issued by the Fund's subsidiary, Premium Brands Holdings Limited Partnership, will not be considered growth under the proposed tax changes.

OUTLOOK

The information contained in this **Outlook** section is forward looking information. See **Forward Looking Statements** above for a discussion of the risks and uncertainties associated with forward looking information.

For 2008 the Fund expects to grow its core specialty food sales at an organic rate consistent with its historic organic growth rate of 6% to 8% based on its three key growth initiatives: the development of new specialty food products, the introduction of new products sourced from other suppliers into the Fund's distribution networks and geographical expansion into the U.S. Pacific Northwest and Central Canada.

The Fund also intends to continue to pursue its acquisition strategy, which focuses on businesses that complement its existing manufacturing and/or distribution businesses, or expand its distribution capabilities.

OFF BALANCE SHEET ARRANGEMENTS

The Fund does not have any off balance sheet arrangements.

Contractual Obligations

The Fund's significant contractual obligations at June 28, 2008 were as follows:

<i>(in thousands of dollars)</i>	Total	2008	2009	2010	2011	2012	There- after
Long-term debt	101,700	307	150	94,743	-	300	6,200
Capital leases	27	8	8	7	4	-	-
Operating leases	32,081	5,622	5,276	4,579	3,552	2,796	10,256
Total	133,808	5,937	5,434	99,329	3,556	3,096	16,456

TRANSACTIONS WITH RELATED PARTIES

For the 26 weeks ended June 28, 2008, pursuant to a long-term supply agreement, the Fund purchased approximately \$0.4 million of labels from Tapp Technologies Inc. ("Tapp"), a company in which certain officers and directors of the Fund hold a minority interest. All such transactions were in the normal course of business and completed on market terms.

As part of the Fund's strategies to further align the interests of management with those of the its unitholders, the Fund has provided certain members of management with \$1.7 million in non-interest bearing recourse loans, the proceeds of which were used to purchase the Fund's units in the open market on behalf of these individuals. These unit purchase loans have monthly principal payments equal to 55% of the monthly distribution received on the purchased units, are secured by the

purchased units and are due upon the termination of the individual's employment or if the individual sells the units. The balance of the unit purchase loans outstanding as at June 28, 2008 was \$1.3 million. The book value of the outstanding unit purchase loans as at June 28, 2008 was \$1.0 million due to the discounting of these loans under CICA Handbook Section 3855 to reflect a fair market rate of interest.

SUBSEQUENT EVENTS

Subsequent to the quarter the Fund negotiated a \$10.0 million increase in its \$22.0 million bank line of credit and decreased its US\$1.5 million bank line of credit to US\$0.4 million (see ***Liquidity and Capital Resources – Credit Capacity***).

RISKS AND UNCERTAINTIES

The Fund is subject to a number of risks and uncertainties related to both its business and its legal structure that may have adverse effects on its results of operations and financial position and, in turn, its ability to make cash distributions. These risks and uncertainties include: (i) seasonal and/or weather related fluctuations in the Fund's sales; (ii) changes in Canadian income tax laws; (iii) changes in the cost of raw materials used for the Fund's products; (iv) changes in the cost of products sourced from third party manufacturers and sold through the Fund's proprietary distribution networks; (v) changes in consumer discretionary spending resulting from changes in economic conditions and/or general consumer confidence levels; (vi) changes in consumer preferences for food products; (vii) competition from other food manufacturers and distributors; (viii) new government regulations affecting the Fund's business and operations; and (ix) other factors as discussed in the Fund's Annual Information Form, which is filed electronically through SEDAR and available online at www.sedar.com.

CRITICAL ACCOUNTING ESTIMATES

The preparation of the Fund's consolidated financial statements requires management to make certain estimates and assumptions, which are based on the Fund's experience and management's understanding of current facts and circumstances. These estimates affect the reported amounts of assets, liabilities, contingencies, revenues and expenses included in the Fund's consolidated financial statements and may differ materially from actual results. Significant areas requiring the use of management estimates include:

Inventories. Inventories are valued at the lower of cost and net realizable value, where cost includes raw materials, manufacturing labour and overhead. Inherent in the determination of the cost of inventories are certain management judgments and estimates.

Intangible assets and goodwill. The Fund assesses the impairment of goodwill and intangible assets with an indefinite life on an annual basis and finite life intangible assets whenever events or changes in circumstances indicate that the carrying value may not be recoverable. Factors which the Fund considers could trigger an impairment review include significant underperformance relative to plan, a change in the Fund's business strategy, or significant negative industry or economic trends.

Capital assets. Capital assets are recorded at cost then depreciated over their estimated useful life. Redundant assets are recorded at the lesser of cost less accumulated depreciation and estimated fair market value. A significant amount of judgment is required to estimate the useful life of an asset as well as the fair market value of a redundant asset. Changes in the life of an asset are reflected prospectively through changes in future depreciation rates, while decreases in the fair market value of redundant assets are expensed when the decline in value occurs.

Income tax provision. As a result of the changes in the way publically traded trusts such as the Fund are taxed (see ***Income Tax – Recent Tax Changes***) the Fund now records projected temporary differences between the value of its net assets for tax purposes and their value for accounting purposes that are expected to reverse after the date on which the Fund is expected to become subject

to entity level taxation (currently January 1, 2011). In determining these temporary differences certain management judgements and estimates are required. Furthermore, future income tax assets are recognized only to the extent that management determines that it is more than likely than not that the future income tax assets will be realized.

NEW ACCOUNTING POLICIES

New Accounting Pronouncements Effective 2008

Effective January 1, 2008 the Fund adopted the Canadian Institute of Chartered Accountants ("CICA") Handbook Section 1535 "Capital Disclosure". This new standard requires disclosure of qualitative and quantitative information that will enable users of financial statements to evaluate the Fund's objectives, policies and processes for managing capital.

Also effective January 1, 2008 the Fund adopted CICA Handbook Sections 3862 "Financial Instrument – Disclosure" and 3863 "Financial Instrument – Presentation", which replaced Section 3861 "Financial Instrument - Disclosure and Presentation". These new disclosure standards increase the emphasis on the disclosure of risks associated with both recognized and unrecognized financial instruments and how those risks are managed.

Also effective January 1, 2008 the Fund adopted CICA Handbook Sections 3031 "Inventories". This new standard introduces changes to the measurement and disclosure of inventories and converges with international accounting standards. As a result of the Fund's adoption of this standard it no longer includes in the valuation of its inventories costs associated with the storage and handling of finished goods. The Fund applied the new standard on a retroactive basis without restatement of prior periods and correspondingly on January 1, 2008 recorded a \$0.2 million decrease in its opening accumulated earnings and inventories.

New Accounting Pronouncements Effective 2009

In February 2008, the CICA issued Handbook Section 3064 "Goodwill and Intangible Assets" which replaces Handbook Section 3062 "Goodwill and Intangible Assets" and Section 3450 "Research and Development Costs". This standard establishes standards for the recognition, measurement and disclosure of goodwill and intangible assets and is effective for interim and annual periods beginning on or after January 1, 2009. Concurrent with the effective date of this standard, EIC-27 "Revenues and Expenditures in the Pre-operating Period" will be withdrawn. Accordingly, all pre-production and start-up costs will be written off as incurred. The Fund is assessing the impact of this new standard on its financial statements.

International Financial Reporting Standards ("IFRS")

In February 2008 the Canadian Accounting Standards Board confirmed that International Financial Reporting Standards will replace Canada's current generally accepted accounting principles for publicly accountable profit-oriented enterprises. The effective date of transition is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition date of January 1, 2011 will require the restatement for comparative purposes of amounts reported by the Fund for the year ended December 31, 2010. While the Fund has begun assessing the impact of the adoption of IFRS on its financial reporting, the exact impact of the transition cannot be reasonably estimated at this time

FINANCIAL INSTRUMENTS

Foreign currency risk

The Fund has exposure to U.S. dollar currency exchange risk due to annual net U.S. dollar inventory purchases of approximately US\$20.0 million. In order to help stabilize the cost of its U.S. dollar denominated purchases and, in turn, its selling margins, the Fund, from time to time, enters into foreign currency contracts. The Fund does not hold or issue financial instruments for trading purposes.

As of June 28, 2008, the Fund had outstanding foreign currency contracts for the purchase of US\$12.2 million over the next 18 months at a blended rate of C\$1.0012. Unrealized gains of nil and \$0.7 million on the fair market valuation of these contracts at June 28, 2008 has been recognized in the consolidated statement of operations for the 13 weeks and 26 weeks ended June 28, 2008, respectively. These gains represent the net change in the fair market value of the Fund's foreign currency contracts from the start of the respective accounting period to June 28, 2008. On an accumulated basis, the Fund's has an accumulated unrealized gain on its foreign currency contracts at June 28, 2008 of \$0.2 million.

Based on the foreign currency contracts outstanding on June 28, 2008, a change of \$0.01 in the value of the Canadian dollar relative to the U.S. dollar will result in the Fund recognizing an unrealized gain (if the Canadian dollar weakens) or an unrealized loss (if the Canadian dollar strengthens) of approximately \$0.1 million in its consolidated statement of operations.

The Fund also has exposure to foreign currency translation risk due to its net investment of \$7.7 million in U.S. based businesses. These businesses are considered for accounting purposes to be self-sustaining operations, and therefore any gain or losses on translation are recorded in accumulated other comprehensive loss until there is a realized reduction in the Fund's net investment in these businesses. In general terms, a change of \$0.01 in the value of the Canadian dollar relative to the U.S. dollar will result in the Fund recognizing a gain (if the Canadian dollar weakens) or loss (if the Canadian dollar strengthens) of approximately \$0.1 million in its consolidated statement of comprehensive earnings.

Interest rate risk

All of the Fund's bank indebtedness and approximately 99% of its long-term debt bear interest at floating rates. The Fund manages its exposure to changes in interest rates by fixing the rate of interest on certain debt instruments and, where applicable, entering into interest rate swap contracts.

During 2007, the Fund entered into an interest swap contract fixing the rate of interest on \$32.0 million of its long-term debt for the three-year period ending July 6, 2010 at an effective rate of 5.05% plus 1.0% to 2.75%, based on the Fund's ratio of debt to cash flow calculated quarterly. The Fund has designated this contract as a cash flow hedge and, correspondingly, changes in its fair market value are recognized in the consolidated statement of accumulated other comprehensive loss and the consolidated statement of comprehensive earnings.

An unrealized gain of \$0.3 million and an unrealized loss of \$0.3 million on the fair market valuation of the interest rate swap contract at June 28, 2008 has been recognized in the consolidated statement of comprehensive earnings for the 13 weeks and 26 weeks ended June 28, 2008, respectively and a corresponding accumulated unrealized loss of \$1.0 million has been recognized in accumulated other comprehensive loss.

Based on the interest rate swap contract outstanding on June 28, 2008, a change of 0.25 percentage points in the effective market rate yield for swap contracts with similar terms will result in the Fund recognizing a gain (if interest rates increase) or loss (if interest rates decrease) of approximately \$0.2 million in its consolidated statement of operations.

OTHER

Outstanding Units

The total units and exchangeable units outstanding as of June 28, 2008 were 17,443,906 consisting of 16,843,906 units and 600,000 exchangeable units.

Disclosure Controls and Procedures

As required by Multilateral Instrument MI 52-109, the Fund's Management has evaluated and determined that there were no changes to the Fund's internal control over financial reporting during the interim period ending June 28, 2008 that have materially affected, or are reasonably likely to materially affect, its internal control over financial reporting.

Responsibilities of Management and Board of Directors

Management is responsible for the reliability and timeliness of content disclosed in the Management's Discussion & Analysis ("MD&A"), which is current as of August 5, 2008. It is the responsibility of the Audit Committee to provide oversight in reviewing the MD&A and the Board of Trustees to approve the MD&A. The Board of Trustees and the Audit Committee review all material matters relating to the necessary systems, controls and procedures in place to ensure the appropriateness and timeliness of MD&A disclosures.

Additional Information

Additional information, including the Fund's Annual Information Form, has been filed electronically through the System for Electronic Document Analysis and Retrieval ("SEDAR") and is available online at www.sedar.com.

Dated: August 5, 2008.