

GENIVAR Income Fund

First Quarter Report

For the three-month period ended April 3, 2010

Management's Discussion & Analysis

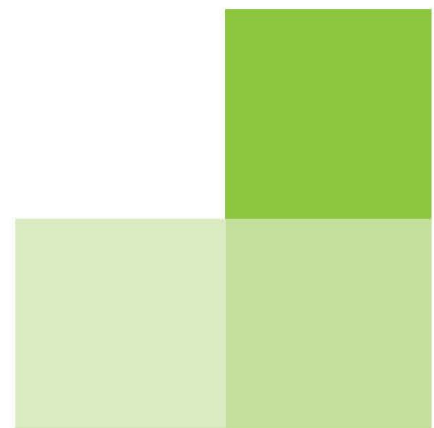


TABLE OF CONTENTS

| | |
|---|----|
| Management’s discussion and analysis..... | 3 |
| Forward-looking statements..... | 3 |
| Non-GAAP measures | 3 |
| Overview of the Fund..... | 4 |
| Highlights | 4 |
| Selected consolidated financial information | 9 |
| Results of operations | 10 |
| Distributable cash | 15 |
| Cash distribution | 16 |
| Backlog | 17 |
| Liquidity..... | 17 |
| The Fund..... | 19 |
| Governance | 21 |
| Critical accounting policies..... | 22 |
| Related party transactions | 28 |
| Off-balance sheet agreements..... | 28 |
| Contractual obligations | 29 |
| Subsequent events | 29 |
| Risk factors | 29 |
| Glossary..... | 29 |

MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") dated as of May 6, 2010, is intended to assist readers in understanding the GENIVAR Income Fund (the "Fund" or "GENIVAR"), its business environment, strategies, performance and risk factors. This MD&A should be read together with the unaudited consolidated financial statements and accompanying notes of the Fund for the quarter ended April 3, 2010, and the MD&A and the audited consolidated financial statements and accompanying notes of the Fund for the year ended December 31, 2009. The Fund's consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A focuses on the Fund's first-quarter results, being from January 1, 2010, to April 3, 2010. The Fund's quarters usually comprise 13 weeks except the last one, which has to end on December 31 of each year and the first quarter that follows.

FORWARD-LOOKING STATEMENTS

This MD&A contains certain forward-looking statements. These statements relate to future events or future performance and reflect the expectations of management (the "Management"), regarding the growth, results of operations, performance and business prospects and opportunities of GENIVAR Limited Partnership ("GENIVAR LP") or of the Engineering Services industry. Such forward-looking statements reflect current beliefs of Management and are based on information currently available. In some cases, forward-looking statements can be identified by terminology such as "may," "will," "should," "expect," "plan," "anticipate," "believe," "estimate," "predict," "potential," "continue" or the negative of these terms or other comparable terminology. A number of factors could cause actual events or results to differ materially from the results discussed in the forward-looking statements. In evaluating these statements, investors should specifically consider various factors, including the risks outlined under the heading "Risk Factors" of this MD&A, which may cause actual events or results to differ materially from the results discussed in any forward-looking statement. Although the forward-looking statements contained in this MD&A are based upon what Management believes to be reasonable assumptions, there can be no assurance that actual results will be consistent with these forward-looking statements.

NON-GAAP MEASURES

The Fund uses Non-GAAP measures that are used by Canadian open-ended income funds as indicators of financial performance measures which are not recognized under GAAP and may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable. The Fund believes these measures are useful supplemental measures that may assist investors in assessing an investment in units.

Non-GAAP measures used by the Fund are Net revenues, EBITDA, Distributable cash, and Payout ratio. These measures are defined at the end of this MD&A in the glossary.

OVERVIEW OF THE FUND

The Fund is a leading Canadian engineering services firm providing private and public sector clients with a broad diversity of professional consulting services in planning, engineering, architecture, environmental services, and project management. The Fund offers a variety of project services throughout all project execution phases, from the initial development studies through the design, construction, commissioning and maintenance phases. The Fund has developed a multidisciplinary team approach where resources work closely with clients to develop optimized solutions on time and on budget. The Fund operates in five different market segments: Building, Municipal Infrastructure, Transportation, Industrial and Energy, and Environment.

The Fund's business model is centered on maintaining a leadership position in the regions in which it operates by establishing a strong commitment to and recognizing the needs of surrounding local communities and clients. The Fund's business model translates into large regional offices with an established market share and a full-service offering throughout every project execution phase. The Fund has permanent offices in six Canadian provinces (Quebec, Ontario, Manitoba, Saskatchewan, Alberta and British Columbia) and in the Caribbean. The Fund also currently works on projects in over twenty countries. Functionally, market segment leaders work together with regional leaders to develop and coordinate markets served, combining local knowledge relationships with nationally recognized expertise.

The Fund is one of the largest engineering services firm in Canada in terms of number of employees, with more than 4,200 managers, professionals, technicians, technologists and support staff in over 80 locations in Canada and abroad.

HIGHLIGHTS

The Fund had a good financial performance in the first quarter of 2010 as revenues grew by 29.3% to reach \$126.0 million, up from \$97.4 million in the same period in 2009. Net revenues reached \$107.8 million, up 27.1% from \$84.8 million in 2009. Of the total of 27.1% increase in net revenues, 12.2% came from the acquisitions completed in 2009 and in the first quarter of 2010 and the remaining 14.9% was achieved as a result of more working days in the quarter and through organic growth. Four additional working days during the first quarter of 2010 as compared to the same period of 2009 accounted for 7.8% of the increase in net revenues, the remaining 7.1% coming from increased staffing. Between December 31, 2009, and April 3, 2010, 90 staff members were hired. The Fund also continued on its acquisition strategy by adding 210 employees during the quarter with the addition of V.B. Cook Engineering ("Cook") of Thunder Bay, which gives us the leadership position in Northwestern Ontario, and the

Thompson Rosemont Group (“Thompson”), which consolidates our leading position in Eastern Ontario. Both of these groups provide GENIVAR with additional capabilities in the mining, energy, municipal infrastructure, buildings and transportation segments. The total work force of the Fund as at April 3, 2010, was more than 4,200 employees.

EBITDA, during the period from January 1, 2010 to April 3, 2010, stood at \$18.5 million up from \$16.7 million during the same period in 2009, representing an increase of 10.8%. These results include an exchange loss of \$1.3 million as a result of the continued strength of the Canadian dollar. Without the negative impact of the exchange loss, the EBITDA for the first quarter of 2010 would have been \$19.8 million. Earnings before non-controlling interest were \$11.0 million or \$0.41 per unit on a diluted basis as compared to \$10.4 million or \$0.45 per unit on a diluted basis for the same period in 2009. Without the exchange loss, net earnings for the first quarter of 2010 would have been \$8.6 million or \$0.45 per unit. First quarter results include \$1.0 million in income taxes, mostly related to our international activities, \$0.3 million in interest expenses, \$1.5 million in depreciation of property plant and equipment and \$4.7 million in amortization of intangible assets.

Operational performance for the first quarter of 2010 came in at the lower end of our targets. The EBITDA margin on net revenues was 17.2%, below our 18-20% target range. Our EBITDA margin declined as a result of lower gross margins and increased MG&A expenses. Gross margins came in lower in the quarter as a result of an increase of \$1.5 million in the fringe benefit expenses attributable in part to the improvement of the group insurance plan and increased RRSP contributions by GENIVAR. From this amount, \$0.9 million are non-recurring costs. Gross margins were also affected by lower margin work related to the preparation of several P3 and design-build proposals. MG&A expenses were up as a result of the \$1.3 million exchange loss. Excluding the exchange loss of \$1.3 million registered in the first quarter, the EBITDA margin as a percentage of net revenues would have been 18.4%. The overall utilization rate of our workforce billable on projects remained the same in the first quarter of 2010 as compared to the same period in 2009.

During the first quarter of 2010, adjusted distributable cash totaled \$14.0 million, or \$0.52 per unit, of which \$10.2 million was distributed to unitholders, representing an adjusted payout ratio of 72.6%. Cash flows from operating activities amounted to \$16.2 million, in excess of actual distributions declared by \$6.0 million. Capital expenditures incurred during the first quarter were \$4.5 million of which \$1.1 million were paid for the implementation of our new information management system called UNISON. The implementation of this company-wide system is progressing well and will be completed by year-end.

As at April 3, 2010, the Fund had a net cash position of \$22.7 million and an unused existing credit facility of \$81.7 million.

Backlog increased to \$377.2 million as of April 3, 2010, and the outlook remains positive in all of our regions and within all of the markets that we serve. We were awarded several projects in the first three months of the year, demonstrating the broad range of our services and the diversity of our expertise. Among these mandates are:

- Electrical engineering services for a 138 MW wind farm (60 wind turbines), State Group, St. Joseph, Southern Manitoba.
- Electrical engineering services for a natural gas-fired combined-cycle plant, TransCanada Energy, Oakville, Ontario.
- Electrical and civil engineering services for the Erie Ridge solar farm, Sun Edison, Chatham-Kent, Ontario.
- Several standing offers for engineering and environmental services, Public Works and Government Services Canada, Ontario, British Columbia and Yukon.
- Environmental services to rehabilitate a site in Toronto, Toronto Hydro-Electric System, Ontario.
- Engineering and architecture services for the design-build Belleville Multiplex Recreation Community Centre project, Belleville, Ontario.
- Civil engineering and contract administration services for the West Trunk sewer, City of Mississauga, Region of Peel, Ontario.
- Design and contract administration services for the Halton water and wastewater mains, Milton, Region of Halton, Ontario.
- Phase II planning study for the Niagara Region transit plan, Niagara, Ontario.
- Electrical, mechanical, structural and civil engineering services as well as project management services for the Saskatchewan Penitentiary, Prince Albert, Saskatchewan.
- Structural engineering and project management services for the 1962 building underpinning project, Campbell Collegiate, Board of Education, Regina School Division No. 4, Saskatchewan.
- Design and contract administration services for a 45 km waterline, Mackenzie County, Alberta.
- Engineering services for the airport water and sanitary infrastructure, Woodlands County, Alberta.
- Construction of a surfacing structure (17 km), Highway No. 1, Swift Current, Saskatchewan Ministry of Transportation.
- Structural, mechanical, electrical and civil engineering services as well as project management services for a new recreation centre, Ile des Chenes, rural Municipality of Ritchot, Manitoba.
- Engineering, design and contract administration services for watermain renewals, City of Winnipeg, Manitoba.

- Structural, mechanical and electrical engineering services for the Elkview Mine facilities, Teck Coal, Sparwood, British Columbia.
- Structural, mechanical and electrical engineering services for the BC Place upgrades, BC Pavilion Corporation (PavCo), Vancouver, British Columbia.
- Civil engineering services for the Stone Manor Estates, Lamont Land Inc., Duncan, British Columbia.
- Multidisciplinary engineering services and work site supervision for runway/taxiway/apron rehabilitation, Jean Lesage International Airport, Quebec.
- Two-year extension for project and construction management services to upgrade social housing for Kativik Municipal Housing Office (OMHK), Kuujuaq, Northern Quebec.
- Opportunity study to rehabilitate and upgrade Louis-Hippolyte-Lafontaine Tunnel (consortium project), Quebec Ministry of Transportation (MTQ), Montreal, Quebec.
- Engineering services for the interchange ramp redevelopment, Highway 440/Highway 13, Quebec Ministry of Transportation (MTQ), Laval, Quebec.
- Standing offer on traffic preferred measures, Montreal Metropolitan Agency (AMT), Quebec.
- Mechanical and electrical engineering services to upgrade Lucerne and Richard Trottier arenas, City of Laval, Quebec.
- Mechanical and electrical engineering program performance specification (consortium project) for the construction and maintenance of the new Sorel-Tracy detention facility to be carried out in PPP, Quebec Public Safety Ministry, Quebec.
- Engineering services for the rehabilitation of aqueduct and miscellaneous roads, City of Laval, Quebec.
- Environmental services for the contaminated soil management, University of Montreal (Outremont yard redevelopment), Montreal, Quebec.
- Environmental services to following up on sediment dynamics and the erosion of the river bank, La Romaine Hydroelectric Complex Project, Hydro-Québec, Quebec.
- Environmental qualification project on nuclear Gentilly 2 facility, Hydro-Québec, Quebec.
- Environmental and health and safety outsourcing services, Pratt & Whitney Canada.

Subsequent to the quarter-end, the Fund announced its plan to convert to a dividend-paying corporation as of January 1, 2011, and the Fund completed the acquisition of two Alberta-based building firms, Beaubien Glover Maskell Engineering North inc. (“Beaubien”) and Bearden Engineering Consultants Ltd. (“Bearden”), who together add approximately 50 people to our team.

SUMMARY OF QUARTERLY RESULTS

| IN THOUSANDS OF DOLLARS, EXCEPT THE NUMBER OF UNITS AND PER UNIT DATA | TTM | 2010 | | 2009 | | | 2008 | | |
|---|------------|--|---|---|---|---|---|---|---|
| | | Q1 | Q4 | Q3 | Q2 | Q1 | Q4 | Q3 | Q2 |
| | | FOR THE PERIOD FROM JANUARY 1 TO APRIL 3 (UNAUDITED) | FOR THE PERIOD FROM SEPTEMBER 27 TO DECEMBER 31 (UNAUDITED) | FOR THE PERIOD FROM JUNE 28 TO SEPTEMBER 26 (UNAUDITED) | FOR THE PERIOD FROM MARCH 29 TO JUNE 27 (UNAUDITED) | FOR THE PERIOD FROM JANUARY 1 TO MARCH 28 (UNAUDITED) | FOR THE PERIOD FROM SEPTEMBER 28 TO DECEMBER 31 (UNAUDITED) | FOR THE PERIOD FROM JUNE 29 TO SEPTEMBER 27 (UNAUDITED) | FOR THE PERIOD FROM MARCH 30 TO JUNE 28 (UNAUDITED) |
| Results of operations | | | | | | | | | |
| Revenues | \$ 506,454 | \$ 125,961 | \$ 135,022 | \$ 125,426 | \$ 120,045 | \$ 97,431 | \$ 115,718 | \$ 104,650 | \$ 97,348 |
| Net revenues (1) | \$ 418,335 | \$ 107,812 | \$ 108,708 | \$ 101,181 | \$ 100,634 | \$ 84,804 | \$ 93,263 | \$ 85,814 | \$ 80,869 |
| Gross margin | \$ 208,555 | \$ 52,282 | \$ 53,797 | \$ 52,054 | \$ 50,422 | \$ 42,410 | \$ 47,910 | \$ 43,792 | \$ 40,440 |
| EBITDA | \$ 80,372 | \$ 18,528 | \$ 20,952 | \$ 21,385 | \$ 19,507 | \$ 16,725 | \$ 19,598 | \$ 19,670 | \$ 17,463 |
| Net earnings | \$ 32,038 | \$ 7,349 | \$ 8,191 | \$ 8,824 | \$ 7,674 | \$ 6,404 | \$ 6,226 | \$ 8,325 | \$ 6,666 |
| Net earnings per unit (2) | | | | | | | | | |
| Basic | | \$ 0.41 | \$ 0.47 | \$ 0.62 | \$ 0.54 | \$ 0.45 | \$ 0.44 | \$ 0.65 | \$ 0.52 |
| Diluted | | \$ 0.41 | \$ 0.47 | \$ 0.62 | \$ 0.54 | \$ 0.45 | \$ 0.44 | \$ 0.64 | \$ 0.52 |
| Weighted average number of units | | 18,103,589 | 17,297,253 | 14,276,466 | 14,276,730 | 14,277,078 | 14,192,428 | 12,870,030 | 12,870,364 |
| Diluted weighted average number of units | | 27,163,976 | 26,357,640 | 23,351,903 | 23,348,960 | 23,345,696 | 23,224,760 | 21,352,768 | 21,350,781 |
| Distributable cash | | | | | | | | | |
| Distributable cash | | | | | | | | | |
| Standardized | \$ 42,040 | \$ 11,750 | \$ 31,835 | \$ 939 | (\$ 2,484) | \$ 9,504 | \$ 10,321 | \$ 6,824 | \$ 5,278 |
| Adjusted | \$ 63,603 | \$ 14,024 | \$ 16,893 | \$ 18,174 | \$ 14,512 | \$ 12,125 | \$ 13,754 | \$ 16,078 | \$ 13,242 |
| Adjusted distributable cash, per unit (3) | | \$ 0.52 | \$ 0.64 | \$ 0.78 | \$ 0.62 | \$ 0.52 | \$ 0.59 | \$ 0.75 | \$ 0.62 |
| Distributions declared | \$ 50,112 | \$ 10,186 | \$ 22,410 | \$ 8,758 | \$ 8,758 | \$ 8,758 | \$ 19,268 | \$ 8,011 | \$ 5,340 |
| Distributions declared, per unit (4) | \$ 1.95 | \$ 0.38 | \$ 0.83 | \$ 0.38 | \$ 0.38 | \$ 0.38 | \$ 0.83 | \$ 0.38 | \$ 0.25 |
| Payout ratio | | | | | | | | | |
| Adjusted | 78.8% | 72.6% | 132.7% | 48.2% | 60.4% | 72.2% | 140.1% | 49.8% | 40.3% |

(1) Net revenues are defined as Revenues less subconsultants and other direct expenses (see glossary).

(2) As at April 3, 2010, 18,103,589 Fund units and 9,060,387 Exchangeable Class B and Class C LP units were outstanding for a total of 27,163,976 units. As at May 6, 2010, the number of outstanding units is identical to what it was as at April 3, 2010.

(3) Distributable cash per unit is calculated using the diluted weighted average number of units.

(4) Distributions declared per unit represent the annual distributions declared. Distributions declared per unit, calculated using the diluted weighted average number of units, were \$1.97 per unit for the trailing twelve months.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

FINANCIAL HIGHLIGHTS

| | First quarter | |
|---|--|---|
| | 2010 | 2009 |
| | FOR THE PERIOD FROM JANUARY 1 TO APRIL 3 (UNAUDITED) | FOR THE PERIOD FROM JANUARY 1 TO MARCH 28 (UNAUDITED) |
| IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA | | |
| Net revenues | \$ 107,812 | \$ 84,804 |
| EBITDA | \$ 18,528 | \$ 16,725 |
| Net earnings | \$ 7,349 | \$ 6,404 |
| Net earnings per unit | | |
| Basic | \$ 0.41 | \$ 0.45 |
| Diluted | \$ 0.41 | \$ 0.45 |

| | First quarter | |
|-----------------------------------|--|---|
| | 2010 | 2009 |
| | FOR THE PERIOD FROM JANUARY 1 TO APRIL 3 (UNAUDITED) | FOR THE PERIOD FROM JANUARY 1 TO MARCH 28 (UNAUDITED) |
| IN THOUSANDS OF DOLLARS | | |
| Distributable cash | | |
| Standardized | \$ 11,750 | \$ 9,504 |
| Adjusted | \$ 14,024 | \$ 12,125 |
| Distributions declared, all units | \$ 10,186 | \$ 8,758 |
| Payout ratio | | |
| Adjusted | 72.6% | 72.2% |

BALANCE SHEETS

| | 2010 | 2009 |
|-------------------------------------|---------------------------|-----------------------------|
| | AS AT APRIL 3 (UNAUDITED) | AS AT DECEMBER 31 (AUDITED) |
| IN THOUSANDS OF DOLLARS | | |
| Total assets | \$ 524,483 | \$ 533,097 |
| Long-term financial liabilities (1) | \$ 15,349 | \$ 13,068 |

(1) Long-term financial liabilities consist of balances of purchase price payable and long-term debt, including current portions.

RESULTS OF OPERATIONS

| | First quarter | |
|--|---|--|
| | 2010 | 2009 |
| | FOR THE PERIOD FROM JANUARY 1 TO APRIL 3 (UNAUDITED) | FOR THE PERIOD FROM JANUARY 1 TO MARCH 28 (UNAUDITED) |
| IN THOUSANDS OF DOLLARS EXCEPT THE NUMBER OF UNITS AND PER UNIT DATA | | |
| Revenues | \$ 125,961 | \$ 97,431 |
| Less: Subconsultants and other direct expenses | \$ 18,149 | \$ 12,627 |
| Net revenues | \$ 107,812 | \$ 84,804 |
| Direct project costs | \$ 55,530 | \$ 42,394 |
| Gross margin | \$ 52,282 | \$ 42,410 |
| Marketing, general, and administrative expenses and others | \$ 33,754 | \$ 25,685 |
| EBITDA | \$ 18,528 | \$ 16,725 |
| Interest | \$ 261 | \$ 319 |
| Depreciation of property, plant and equipment | \$ 1,510 | \$ 1,398 |
| Amortization of intangible assets | \$ 4,732 | \$ 4,143 |
| Earnings before income taxes and non-controlling interest | \$ 12,025 | \$ 10,865 |
| Income taxes | \$ 999 | \$ 447 |
| Earnings before non-controlling interest | \$ 11,026 | \$ 10,418 |
| Non-controlling interest | \$ 3,677 | \$ 4,014 |
| Net earnings | \$ 7,349 | \$ 6,404 |
| Basic net earnings per unit | \$ 0.41 | \$ 0.45 |
| Weighted average number of units | 18,103,589 | 14,277,078 |
| Diluted net earnings per unit | \$ 0.41 | \$ 0.45 |
| Diluted weighted average number of units | 27,163,976 | 23,345,696 |

RESULTS OF OPERATIONS

Revenues

The Fund operates in one reporting segment, which is commonly referred to as consulting services. The Fund's financial performance and results should be measured and analyzed in relation to the fee-based revenues, or net revenues, since direct recoverable costs can vary significantly from contract to contract and are not indicative of the engineering services business.

Revenues for the first quarter ended April 3, 2010, increased by \$28.6 million (29.3%) from \$97.4 million in 2009 to \$126.0 million in 2010.

Net revenues, expressed as revenues less direct costs for subconsultants and other direct expenses that are recoverable directly from the clients, amounted to \$107.8 million for the first quarter ended April 3, 2010, and to \$84.8 million for the corresponding period in 2009, which represents an increase of \$23.0 million (27.1%).

The following tables summarize the impact of business acquisitions and organic growth on both revenues and net revenues:

| IN THOUSANDS OF DOLLARS | | First quarter | |
|-------------------------|--|----------------------------|-------|
| Revenues | | Variation 2010 vs. 2009 | % |
| Acquisition growth (1) | | \$12,341 | 12.7% |
| Organic growth (1) | | \$ 16,189 | 16.6% |
| Total increase | | \$ 28,530 | 29.3% |

| IN THOUSANDS OF DOLLARS | | First quarter | |
|-------------------------|--|----------------------------|-------|
| Net revenues | | Variation 2010 vs. 2009 | % |
| Acquisition growth (1) | | \$ 10,355 | 12.2% |
| Organic growth (1) | | \$ 12,653 | 14.9% |
| Total increase | | \$ 23,008 | 27.1% |

(1) Acquisition growth is calculated from the average per quarter revenues of the acquired business at the acquisition's date. The total growth of the Fund that exceeds the acquisition growth is presented as organic growth.

Organic growth for the first quarter of 16.6% on revenues and 14.9% on net revenues is higher than the Fund's 5-10% target on organic growth. This solid organic growth can be explained by four additional working days during the quarter, representing 7.8% of the increase in net revenues. Without the effect of the four additional working days, the organic growth would have been 7.1% on net revenues, which is more consistent with the organic growth achieved in the last quarters.

Expenses

Operating expenses consist of two major components which are direct project costs and marketing, general and administrative expenses and others. Direct project costs include payroll costs relating to the delivery of consulting services and project delivery. Marketing, general and administrative expenses and others include payroll costs of marketing and other administrative support staff, such as accounting, communications, information technology, quality, health and safety, purchasing and human resources, as well as other fixed costs such as occupancy costs, non recoverable client services costs, technology costs, office costs, professional services costs and insurance.

Other expenses include depreciation of property, plant and equipment, amortization of intangible assets, interest expenses and exchange gain or loss.

Key performance indicators of the Fund are Direct project costs, Gross margin and Marketing, general, and administrative expenses and others, all of which are expressed as a percentage of net revenues.

Direct project costs

For the first quarter ended April 3, 2010, direct project costs represented 51.5% of net revenues compared to 50.0% for the same period in 2009. Direct project costs are higher due to an increase in the fringe benefit expenses of \$1.5 million attributable, in part, to the improvement of the group insurance plan and increased RRSP contributions by GENIVAR. From this amount, \$0.9 million are non-recurring costs. Without the impact of non-recurring fringe benefit expenses, direct project costs would have been 50.7% as a percentage of net revenues.

Direct project costs, as a percentage of net revenues, are generally comparable from quarter to quarter.

As a percentage of net revenues, direct project costs for the last four quarters were as follows:

- 51.5% Q1-2010
- 50.5% Q4-2009
- 48.6% Q3-2009
- 49.9% Q2-2009

Gross margin

For the first quarter ended April 3, 2010, the gross margin represented 48.5% of net revenues compared to 50.0% for the same period in 2009. The decrease in the gross margin is explained in the preceding section.

As a percentage of net revenues, gross margin over the last four quarters was as follows:

- 48.5% Q1-2010
- 49.5% Q4-2009
- 51.4% Q3-2009
- 50.1% Q2-2009

Marketing, general and administrative expenses and others

Marketing, general and administrative expenses and others for the first quarter ended April 3, 2010, increased to \$33.8 million compared to \$25.7 million for the same period in 2009. As a percentage of net revenues, marketing, general and administrative expenses and others represented 31.3% for the first quarter ended April 3, 2010, compared to 30.3% for the same period in 2009.

As a percentage of net revenues, marketing, general, and administrative expenses and others for the last four quarters were as follows:

- 31.3% Q1-2010
- 30.2% Q4-2009
- 30.3% Q3-2009
- 30.7% Q2-2009

Marketing, general and administrative expenses and others are not in direct relation with net revenues and therefore may fluctuate from quarter to quarter.

During the first quarter, the Fund continues to be impacted by a strong Canadian dollar. As a result, the Fund recorded an exchange loss of \$1.3 million in Q1-2010. In comparison, the Fund has recorded an exchange gain of \$0.1 million during the first quarter of 2009. Without the impact of the exchange variation, marketing, general and administrative expenses and others as a percentage of net revenues would have been 30.1% in 2010 and 30.4% in 2009.

The overall utilization rate of the workforce billable on projects remained at the same level as the one recorded during the first quarter of 2009.

EBITDA

EBITDA for the first quarter ended April 3, 2010, stood at \$18.5 million, up \$1.8 million from \$16.7 million for the same period in 2009, thus representing a 10.8% increase. As a percentage of net revenues, EBITDA margin stood at 17.2% for the first quarter ended April 3, 2010, compared to 19.7% for the same period in 2009. Without the impact of the exchange loss, the EBITDA margin would have been 18.4% in 2010.

As a percentage of net revenues, EBITDA for the last four quarters were as follows:

- 17.2% Q1-2010
- 19.3% Q4-2009
- 21.1% Q3-2009
- 19.4% Q2-2009

During the first quarter, the EBITDA margin was below our target but without the impact of the exchange loss, the EBITDA margin reached the Fund's target range of 18% to 20% EBITDA margin on net revenues.

Depreciation and amortization

Depreciation of property, plant and equipment for the first quarter ended April 3, 2010, was \$1.5 million compared to \$1.4 million for the same period in 2009. The underlying cause is the depreciation of additional assets acquired through various business acquisitions.

Amortization of intangible assets for the first quarter ended April 3, 2010, was \$4.7 million compared to \$4.1 million for the same period in 2009. The amortization expense increase is attributable to the various business acquisitions.

Interest

Interest expense for the first quarters ended April 3, 2010, and March 28, 2009, amounted to \$0.3 million.

Income taxes

For the first quarter ended April 3, 2010, the Fund recognized an amount of \$1.0 million as an income tax expense compared to \$0.4 million for the same period in 2009. Current income taxes are mainly related to the international activities of the Fund.

Conversion

On April 16, 2010, the Fund announced that it has entered into an agreement to convert from an income trust structure to a publicly-traded corporation on or around January 1, 2011 (the "Arrangement"). In order to proceed with the conversion, the Fund has signed a definitive agreement with GENIVAR inc., the non-controlling unitholder, to combine and form a new, publicly-traded corporation. The new corporation will be named GENIVAR inc. ("New GENIVAR"), and the Fund has filed an application with the Toronto Stock Exchange (the "TSX") for the listing of the common shares of New GENIVAR on the TSX under the symbol "GNV" upon the completion of the Arrangement.

The details of the Arrangement are further described in the Notice of Annual and Special Meeting of Unitholders and the Management Information Circular.

Unitholders of the Fund are expected to receive their regular monthly cash distribution of \$0.125 per unit, subject to any additional special distributions as determined by the Board until the effective date of the Arrangement.

Net earnings and earnings per unit

The Fund's net earnings for the first quarter ended April 3, 2010, were \$7.3 million or \$0.41 per unit on a basic and diluted basis compared to \$6.4 million or \$0.45 per unit on a basic and diluted basis for the same period in 2009.

DISTRIBUTABLE CASH

Distributable cash is calculated in accordance with the recommendations provided in CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities." A complete definition of distributable cash is provided at the end of this MD&A in the glossary. The Fund also calculated Adjusted distributable cash, which is defined as Standardized distributable cash adjusted for items that management believes are appropriate for the determination of levels of distributions. Distributions are based on actual historical and estimated future performance of the Fund on a full-year basis. Consequently, periodic fluctuations in non-cash working capital are not considered when evaluating the cash flows available for distribution.

DISTRIBUTABLE CASH

| | First quarter | |
|--|---|--|
| | 2010 | 2009 |
| | FOR THE PERIOD FROM JANUARY 1 TO APRIL 3 (UNAUDITED) | FOR THE PERIOD FROM JANUARY 1 TO MARCH 28 (UNAUDITED) |
| IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA | | |
| Cash flows from operating activities | \$ 16,200 | \$ 13,050 |
| Capital expenditures paid | (\$ 4,450) | (\$ 3,546) |
| Standardized distributable cash | \$ 11,750 | \$ 9,504 |
| Change in non-cash working capital items (1) | \$ 1,202 | \$ 2,621 |
| Capital expenditures paid for UNISON project (2) | \$ 1,072 | - |
| Adjusted distributable cash | \$ 14,024 | \$ 12,125 |
| Adjusted distributable cash, per unit (3) | \$ 0.52 | \$ 0.52 |
| Payout ratio | | |
| Standardized | 86.7% | 92.2% |
| Adjusted | 72.6% | 72.2% |
| Distributions | | |
| Fund's units distributions declared | \$ 6,789 | \$ 5,360 |
| Class B Exchangeable LP Unit distributions declared | \$ 1,623 | \$ 1,623 |
| Class C Exchangeable LP Unit distributions declared | \$ 1,774 | \$ 1,775 |
| Distributions declared, all units | \$ 10,186 | \$ 8,758 |
| Distributions declared, all units, per unit (4) | \$ 0.38 | \$ 0.38 |

(1) Distributions are based on actual historical and estimated future performance of the Fund on a full-year basis. Consequently, periodic fluctuations in non-cash working capital are not considered when evaluating the cash flows available for distribution.

(2) The Fund is working towards the implementation of a new information management system called the UNISON project. Costs incurred for this project are non-recurrent and therefore are removed from the calculation of the Adjusted distributable cash.

(3) Distributable cash per unit is calculated using the diluted weighted average number of units.

(4) Distributions declared per unit represent the monthly distributions declared. Distributions declared per unit, calculated using the diluted weighted average number of units, were \$0.38 per unit for the period.

During the first quarter ended April 3, 2010, the Fund generated \$14.0 million in adjusted distributable cash compared to \$12.1 million for the same period in 2009.

The adjusted payout ratio for the quarter was 72.6% compared to 72.2% for the same period in 2009.

Relation between capital expenditures and productive capacity

The Fund is not a capital-intensive business. Capital expenditures incurred by the Fund consist mainly of expenditures pertaining to office furniture and information technology software and hardware. Although these capital expenditures are affected by a change in the number of employees, they are mainly driven by an employee's productivity maintenance objective. To reach this objective, the Fund recognized the need to ensure a stimulating work environment, enjoyable working conditions and ongoing training. Investments in capital expenditures are primarily required to update technology and systems in a context of organic growth but also to upgrade the information technology software and hardware of the acquired businesses to the Fund's standards.

CASH DISTRIBUTION

Since July 2008, the Fund declares a monthly distribution of \$0.1250 per unit or \$1.50 per unit on an annualized basis.

| | First quarter | |
|---|---|--|
| | 2010 | 2009 |
| IN THOUSANDS OF DOLLARS | FOR THE PERIOD FROM JANUARY 1 TO APRIL 3 (UNAUDITED) | FOR THE PERIOD FROM JANUARY 1 TO MARCH 28 (UNAUDITED) |
| Cash flows from operating activities | \$ 16,200 | \$ 13,050 |
| Net earnings | \$ 7,349 | \$ 6,404 |
| Non-controlling interest | \$ 3,677 | \$ 4,014 |
| Earnings before non-controlling interest | \$ 11,026 | \$ 10,418 |
| Actual cash distributions declared | \$ 10,186 | \$ 8,758 |
| Excess of cash flows from operating activities over cash distributions declared | \$ 6,014 | \$ 4,292 |
| Excess of earnings before non-controlling interest over cash distributions declared | \$ 840 | \$ 1,660 |

Excess of cash flows from operating activities over cash distributions declared

Cash flows from operating activities are higher than the cash distributions by \$6.0 million for the first quarter ended April 3, 2010, compared to \$4.3 million for the same period in 2009.

Excess of earnings before non-controlling interest over cash distributions declared

For the first quarter ended April 3, 2010, earnings before non-controlling interest are higher than the cash distributions declared by \$0.8 million. It is important to note that the Fund does not use net earnings as a basis to calculate cash distributions because net earnings, in accordance with GAAP, are determined after deducting expenses which do not affect cash such as amortization of intangible assets including non-competition agreements, customer relationships and contract backlogs. As a result of the Fund's acquisitions over the past years, its net earnings have been impacted by significant intangible amortization. The costs of these intangible assets are included in the purchase price but there are no future cash outflows associated with these intangible assets. If the impact of intangible amortization is excluded, cash distributions declared would exceed earnings before non-controlling interest by \$4.9 million for the first quarter ended April 3, 2010, compared to the \$5.3 million for the corresponding quarter of 2009.

BACKLOG

As at April 3, 2010, the backlog, which represents future revenues that stem from existing signed contracts to be completed, stood at \$377.2 million. As at March 28, 2009, the backlog was \$316.9 million. On a comparative basis, this represents an increase of \$60.3 million (19.0%). In the Fund's field of business, backlog is measured in terms of months. As at April 3, 2010, the backlog represented 8.3 months of upcoming work compared to 8.4 months for the corresponding period of 2009.

- \$377.2 million Q1-2010
- \$355.6 million Q4-2009
- \$334.2 million Q3-2009
- \$321.3 million Q2-2009

LIQUIDITY

| | First quarter | |
|--|---|--|
| | 2010 | 2009 |
| | FOR THE PERIOD FROM JANUARY 1 TO APRIL 3 (UNAUDITED) | FOR THE PERIOD FROM JANUARY 1 TO MARCH 28 (UNAUDITED) |
| IN THOUSANDS OF DOLLARS | | |
| Cash flows | | |
| Cash flows from operating activities | \$ 16,200 | \$ 13,050 |
| Cash flows used in financing activities | (\$ 22,934) | (\$ 3,052) |
| Cash flows used in investing activities | (\$ 22,461) | (\$ 9,170) |
| Net change in cash position during the period | (\$ 29,195) | \$ 828 |
| Distributions paid | (\$ 22,410) | (\$ 19,268) |
| Capital expenditures | (\$ 4,450) | (\$ 3,546) |

Cash flows from operating activities

For the first quarter ended April 3, 2010, operating activities before change in non-cash working capital items generated \$17.4 million and change in non-cash working capital items used \$1.2 million, for total cash flows from operating activities of \$16.2 million. Accounts receivable generated \$13.1 million. Costs and anticipated profits in excess of billings, prepaid expenses, accounts payable and accrued liabilities and other items used \$8.0 million, \$3.1 million, \$2.4 million and \$0.8 million, respectively.

During the quarter, as expected, the number of days required to recover accounts receivable and costs and anticipated profits in excess of billings improved by 5 days to reach 106 days as of April 3, 2010. The Fund will still maintain its efforts to lower this ratio throughout the year.

Cash flows used in financing activities

For the first quarter ended April 3, 2010, net financing activities used \$22.9 million in cash. As part of the financing activities, \$22.4 million was used to pay distributions to unitholders and \$2.6 million was used for the payment of balances of purchase prices payable related to business acquisitions. The repayment of long-term debt used \$0.1 million. On the other hand, advances to the non-controlling unitholder generated \$2.2 million.

Cash flows used in investing activities

For the first quarter ended April 3, 2010, investing activities used \$22.5 million in cash. Business acquisitions totalled \$18.1 million of this amount and capital expenditures, net of proceeds from disposal of property, plant and equipment, \$4.4 million.

Net cash position

As at April 3, 2010, the net cash position of the Fund amounted to \$22.7 million as detailed hereafter:

| | 2010 | 2009 |
|---------------------------|---------------------------------|-----------------------------------|
| | AS AT APRIL 3 (UNAUDITED) | AS AT DECEMBER 31 (AUDITED) |
| IN THOUSANDS OF DOLLARS | | |
| Cash and cash equivalents | \$ 22,692 | \$ 51,887 |
| Bank advances | - | - |
| Net cash position | \$ 22,692 | \$ 51,887 |

Management believes that the cash flows are strong enough to sustain organic growth and continue to finance the distributions to unitholders through cash generated from its operations.

Credit facilities

As at April 3, 2010, the Fund's credit facilities, totalling \$82.0 million, were allocated as follows:

Term loan credit facility

Facility of \$80.0 million for operations and for the financing of acquisitions. The term loan credit facility may also be used for the payment of distributions to unitholders up to a maximum amount of \$10.0 million.

Treasury credit facility

Facility of \$2.0 million to hedge against interest rate risks and foreign exchange risks.

These credit facilities mature in May 2012. At any time prior to the maturity date, the Fund may elect to repay all or a part of the term loan credit facility. The term of the credit facilities can be extended each year, for an additional one-year period, subject to the prior approval of the lender. The credit facilities are fully repayable at maturity without any prepayment penalties, except for banker's acceptances and LIBOR advances.

These credit facilities are secured by a first ranking hypothec over the universality of movable assets of GENIVAR Limited Partnership ("GENIVAR LP") and those of some of its subsidiaries. The term loan credit facilities bear interest at prime rate for Canadian currency advances and US base rate for US currency advances. A variable fee, based on different levels of covenants, is applicable on LIBOR advances.

Under these credit facilities, GENIVAR LP, a Fund's subsidiary, is requested, among other conditions, to respect certain covenants on a consolidated basis, which have been met as at April 3, 2010.

As at April 3, 2010, the Fund had unused credit facilities of \$81.7 million net of outstanding letters of credit of \$0.3 million.

THE FUND

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Quebec pursuant to the Fund's declaration of trust made as of March 31, 2006, as amended and restated on May 16, 2006. The Fund was created to indirectly acquire and hold a limited partnership interest in GENIVAR LP and all of the outstanding shares of GENIVAR GP Inc., the general partner of GENIVAR LP. GENIVAR LP has been formed to acquire, own and operate the GENIVAR Engineering Services Business. The Fund is entirely dependent upon the operations and assets of GENIVAR LP and its subsidiaries.

The Fund began its operations on May 25, 2006, after the completion of an initial public offering.

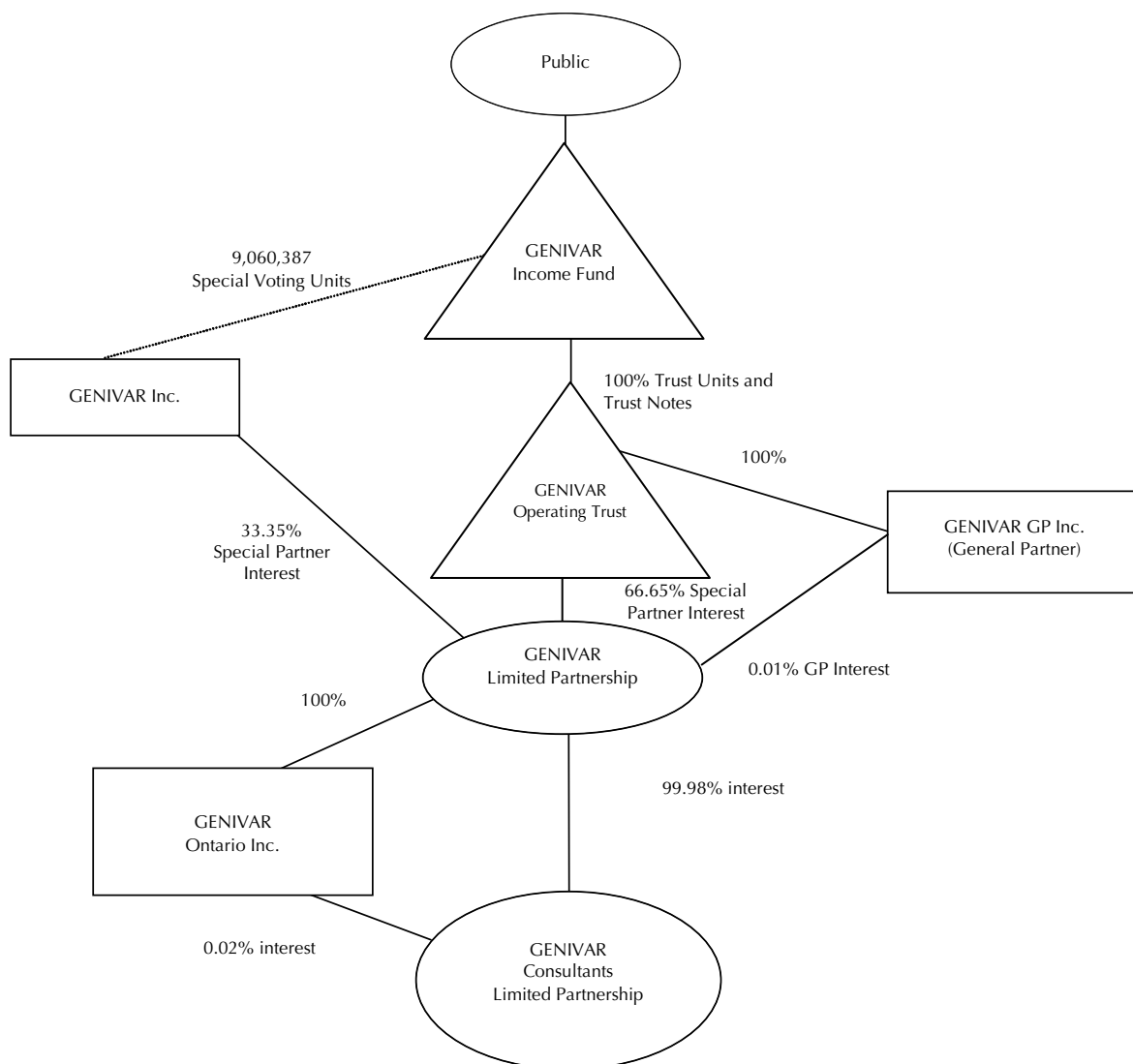
On September 13, 2007, the Fund issued, pursuant to a public offering, \$50.0 million in new equity from which \$11.0 million were invested directly and indirectly by GENIVAR inc., the non-controlling unitholder. After this transaction, the Fund owned indirectly 12,902,439 Class A LP Units of GENIVAR LP representing a 60.4% interest. The non-controlling unitholder held 3,732,121 Exchangeable Class B LP Units and 4,731,845 Exchangeable Class C LP Units of GENIVAR LP, together representing the remaining 39.6% interest in GENIVAR LP. In addition, the non-controlling unitholder held 8,463,966 Special Voting Units of the Fund.

On October 2, 2008, the Fund issued pursuant to a public offering, \$50.0 million in new equity from which \$15.0 million were invested directly and indirectly by GENIVAR inc., the non-controlling unitholder. After this transaction, the Fund owned indirectly 14,294,089 Class A LP Units of GENIVAR LP representing a 61.2% interest. The non-controlling unitholder held 9,060,387 Exchangeable LP Units (4,328,542 Exchangeable Class B LP Units and 4,731,845 Exchangeable Class C LP Units), together representing the remaining 38.8% interest in GENIVAR LP. In addition, the non-controlling unitholder held 9,060,387 Special Voting Units of the Fund.

On October 16, 2009, the Fund issued, pursuant to a public offering, approximately \$100.0 million in new equity. After this transaction, the Fund owns indirectly 18,103,589 Class A LP Units of GENIVAR LP representing a 66.65% interest. The non-controlling unitholder holds 9,060,387 Exchangeable LP Units (4,328,542 Exchangeable Class B LP Units and 4,731,845 Exchangeable Class C LP Units), together representing the remaining 33.35% interest in GENIVAR LP.

The Exchangeable LP Units are exchangeable at any time into units on a one-for-one basis, subject to an adjustment. In addition, the non-controlling unitholder holds 9,060,387 Special Voting Units of the Fund. These Special Voting Units are the only ones currently outstanding. Each Special Voting Unit will be cancelled upon the exchange of an Exchangeable LP Unit.

The following chart illustrates, on a simplified basis, the structure of the Fund as at April 3, 2010:



Certain subsidiaries, each of which represent not more than 10% of the consolidated assets and not more than 10% of the consolidated revenues of the Fund, and all of which, in the aggregate, represent not more than 20% of the total consolidated assets and the total consolidated revenues of the Fund as at April 3, 2010, have been omitted.

GOVERNANCE

Internal control over financial reporting

Management is responsible for establishing and maintaining adequate internal control over financial reporting. During the period ended April 3, 2010, there were no changes in the Fund's internal control over financial reporting, that have materially affected, or are reasonably likely to materially affect the Fund's internal control over financial reporting.

Responsibilities of the Board of Trustees

The Board of Trustees has oversight responsibilities for reported information. Accordingly, the Audit committee and the Board of Trustees have reviewed and approved this MD&A before its publication.

CRITICAL ACCOUNTING POLICIES

The Fund's unaudited interim consolidated financial statements have been prepared in accordance with Canadian GAAP and are based on the same accounting policies as the ones used in the preparation of the Fund's 2009 annual audited consolidated financial statements, except for the standards described below. Please refer to the Fund's 2009 annual audited consolidated financial statements for more information about the significant accounting principles used to prepare the financial statements.

New accounting standards

On January 1, 2010, the Fund adopted amended Section 1506, "Accounting Changes," issued by the Canadian Institute of Chartered Accountants ("CICA"). This section excludes from its scope changes in accounting policies upon the complete replacement of an entity's primary basis of accounting. This section relates to disclosures and presentation and has no impact on the Fund's consolidated results or financial position.

Future accounting standards

International Financial Reporting Standards ("IFRS")

In 2006, the Canadian Accounting Standards Board ("AcSB") published a new strategic plan that will significantly affect financial reporting requirements for Canadian companies. The AcSB strategic plan outlines the convergence of Canadian GAAP and IFRS over an expected five-year transitional period. In February 2008, the AcSB announced that 2011 is the changeover date for publicly listed companies to use IFRS, replacing Canada's own GAAP. The date is for interim and annual financial statements relating to fiscal years beginning on or after January 1, 2011. The transition will require the restatement for comparative figures reported by the Fund for the year ended December 31, 2010.

The Fund has begun the process to transition from Canadian GAAP to IFRS. It has established a project plan and project team. A steering committee has been formed to provide directional leadership for the conversion project and to assist in developing accounting policy recommendations. The project team is led by finance management and includes representatives from various areas of the organization as necessary to plan for and achieve a proper transition to IFRS.

The project plan consists of four phases: conception and evaluation, solution development, implementation and analysis after implementation. The Fund has completed the first phase, and is still engaged in the solution development phase. It involves choosing the appropriate accounting policies, calculating the impacts of change in accounting standards, assessing the effects on information systems, and training and updating the processes and controls. During the implementation phase, the Fund will execute the required changes to business processes and financial systems. All employees affected by IFRS will receive appropriate training.

During the first quarter of 2010, the Fund maintained its efforts in the solution development phase by focusing on the significant differences identified in the initial diagnostic, by choosing the appropriate accounting standards, and beginning calculation impacts. The Fund has begun the implementation phase for some of the critical changes. Regular reporting is provided to the Fund's senior executive management and to the audit committee.

Information systems, technology and internal controls

The impacts of IFRS conversion on the Fund's information system and business process are addressed as the Fund progresses in the implementation of the new information management system, UNISON. The Fund expects the transition to have no significant impact on the transaction-level controls. The financial reporting controls will go through minimal changes. The accounting process and internal controls are updated as part of the project. The IFRS standard requires more extensive disclosure than Canadian GAAP. The requirements for additional information are included in the design and configuration of the new system by adding new reports and making modifications to the existing general ledger account structure.

First-time adoption

The adoption of IFRS will initially require the application of IFRS 1 "First-Time Adoption of International Financial Reporting Standards". IFRS 1 provides guidance for the first-time adopters. IFRS generally requires an entity to apply all IFRS effective at the time of its first IFRS reporting period retrospectively. However, the standard includes certain mandatory exceptions and limited optional exemptions in specified areas of certain standards from its general requirements. Management is analyzing the various exemptions available under IFRS 1 and will implement those determined to be the most appropriate for the Fund which, as preliminary decisions, are as follows:

- **Business Combination**
IFRS 1 provides an exemption that allows entity transitioning to IFRS not to restate business combinations entered into prior to the date of the transition. The Fund will elect to apply this exemption. Therefore, there will be no impact to its consolidated financial statements.

- Fair value or revaluation as deemed cost
IFRS 1 allows an entity transitioning to IFRS to initially measure an item of property, plant and equipment at fair value as deemed cost at the date of the transition to avoid retrospective application. The Fund evaluates the possibility to use this exemption for some of its property, plant and equipment categories.
- Cumulative translation differences
Retrospective application of IFRS would require the Fund to determine cumulative currency translation differences in accordance with IAS 21, “The Effects of Changes in Foreign Exchange Rates,” from the date a subsidiary or associate was formed or acquired. IFRS 1 allows cumulative translation gains and losses for all foreign operations to be deemed to zero at the date of the transition with reclassification of the previous amount made to retained earnings. The Fund will elect to apply this exemption.

Summary of key expected changes

The key areas that are likely to be impacted by changes in accounting policies include the following:

| Key areas | Differences in accounting treatments | Potential key impacts |
|-----------------------|---|--|
| Business combinations | <p>IFRS and Canadian GAAP require the acquisition method of accounting for all business combinations, but significant differences exist in other areas. The most significant difference for the Fund is that transactions costs are expensed immediately whereas under Canadian GAAP such amounts are included in the cost of the asset.</p> <p>Other differences identified between IFRS and Canadian GAAP will not have a significant impact for the Fund if the Fund continues to purchase all the assets and liabilities of targeted companies.</p> | <p>No impact on opening balance sheet, since the Fund intends to use the exemption provided under IFRS 1.</p> <p>After the transition, the transaction costs will be expensed when incurred.</p> |

| Key areas | Differences in accounting treatments | Potential key impacts |
|---------------------------------|---|--|
| Financial instruments | <p>Canadian GAAP and IFRS are substantially aligned on accounting for financial instruments, including the conditions to qualify for hedge accounting. However, under IFRS, a financial instrument which gives the holder the right to put the instruments back to the issuer for cash should be classified as a financial liability, unless certain criteria are met to allow for classification as equity.</p> | <p>The Fund is currently analyzing the impact of this section on the classification of its units and its non-controlling interest as equity or liabilities.</p> |
| Impairment of long-lived assets | <p>Under Canadian GAAP, whenever the estimated future cash flows on an undiscounted basis of a long-lived asset is less than the carrying amount of the asset, an impairment loss is measured and recorded based on fair values. Under IFRS, IAS 36 “Impairment of Assets” requires an impairment charge to be recognized if the recoverable amount, determined as the higher of the estimated fair value less costs to sell or value in use, is less than carrying amount. The impairment charge under IFRS is equal to the amount by which the carrying amount exceeds the recoverable amount.</p> <p>In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under Canadian GAAP.</p> | <p>The difference in testing and determining an impairment may result in more frequent impairment charges, where carrying values of assets may have been supported under Canadian GAAP on an undiscounted cash flow basis, but cannot be supported on a discounted flow basis.</p> |

| Key areas | Differences in accounting treatments | Potential key impacts |
|-------------------------------|---|--|
| Consolidation | Under Canadian GAAP, an entity determines whether it should consolidate an entity by first determining whether control is determined by the variable interest entity (“VIE”) model, and if not applicable, then control is assessed using the voting control model. Under IFRS, the requirement to consolidate is determined based on control defined as the power to govern the financial and operating policies of an entity to obtain a benefit from its activities. Control is presumed to exist when the parent company owns, directly or indirectly, more than one half of an entity’s voting power or potential voting rights, but also exists when the parent owns half, or less, of the voting power but has legal or contractual rights to control or de facto control. | The Fund is currently revising its scope of consolidation. |
| Interest in joint ventures | The IASB is in the process of amending certain IFRS standards, which will, if implemented in their current form, prohibit proportionate consolidation of joint ventures that are held through a legal entity, or where the venturers do not have rights to individual assets or obligations of the venture, because joint venturers in these circumstances do not have a direct ownership of the underlying net assets of the joint venture. IFRS currently allows joint ventures in these circumstances to be either proportionately consolidated or equity accounted. | The Fund is revising the impacts of this proposed standard. |
| Property, plant and equipment | IFRS requires separate depreciation of major components of an asset. IFRS also specifies that the depreciation method must closely reflect the pattern in which the asset’s future economic benefits are expected to be consumed by the entity over its estimated useful life. Canadian GAAP is less explicit on those subjects. | <p>The Fund is in the process of reevaluating all of its depreciation policies. Depreciation expenses may therefore be different under IFRS.</p> <p>The Fund could avoid retrospective application of depreciation by using the exemption provided under IFRS 1.</p> |

| Key areas | Differences in accounting treatments | Potential key impacts |
|--------------------------------------|--|---|
| Income taxes | IAS 12 “Income taxes” is similar to the Canadian standard. However, various changes in accounting policies under IFRS will impact the corresponding deferred tax asset or liability. | <p>The Fund is currently in the process of analyzing the impacts of the transition to IFRS on income taxes.</p> <p>The Fund will consider the impact of the Arrangement announced in April 2010 in the income taxes analysis.</p> |
| Presentation of financial statements | IFRS requires significantly more disclosure than existing GAAP. In addition, classification and presentation may be different for some balance sheet and statement of earnings items. | The Fund is analyzing the overall impact of the classification and presentation changes on its consolidated financial statements. It will address these differences as it prepares its draft IFRS financial statements throughout 2010. |
| Intangible assets | Intangible assets with definite life under IFRS will be amortized on a straight-line basis over their estimated useful lives, including software, which are amortized using the declining balance method under Canadian GAAP. No other significant change has been identified from the Fund’s current accounting policy. | Depreciation expenses for software will be different under IFRS. |

The above should not be regarded as an exhaustive list of changes expected on transition to IFRS. At the current stage of the project, the quantitative impact of the adoption of IFRS on consolidated financial statements cannot be reasonably established.

The Fund actively monitors all proposed projects by AcSB and by International Accounting Standards Board that may affect the timing, nature or disclosure of its adoption of IFRS.

Business combinations

The CICA published Section 1582, “Business Combinations.” This section will be applicable to business combinations for which the acquisition date is on or after January 1, 2011. Early adoption is permitted. This section improves the relevance, reliability and comparability of the information that a reporting entity provides in its financial statements about a business combination and its effects.

Consolidated financial statements

The CICA published Section 1601, “Consolidated Financial Statements.” This section will be applicable to the Fund’s interim and annual financial statements for the year beginning on January 1, 2011. Early adoption is permitted. This section establishes standards for the preparation of consolidated financial statements.

Non-controlling interest

The CICA published Section 1602, “Non-controlling Interests.” This section will be applicable to the Fund’s interim and annual financial statements for the year beginning on January 1, 2011. Early adoption is permitted. This section establishes standards for accounting for a non-controlling interest in a subsidiary in consolidated financial statements subsequent to a business combination.

Should the Fund decide to adopt one of these three new sections early, it must then adopt all three on the same date.

The Fund has not yet determined the impact of the adoption of these new sections on its consolidated financial statements.

RELATED PARTY TRANSACTIONS

The Fund enters into transactions with GENIVAR inc., the non-controlling unitholder, in connection with certain business acquisitions. Generally, GENIVAR inc. acquires all the outstanding shares of a company and sells the net assets of the acquired company to GENIVAR LP or one of its subsidiaries. The purchase price for GENIVAR LP or one of its subsidiaries is identical to the shares’ purchase price paid by GENIVAR inc., taking into account certain assets or liabilities that are not or cannot be transferred, which price has been concluded with unrelated parties. This acquisition strategy has been realized to facilitate the Fund’s negotiations related to the acquisition of targeted companies. As a result, the transaction yields fiscal benefits for both the vendors and GENIVAR LP or one of its subsidiaries. The Fund acquired Cook and Thompson during the first quarter of 2010.

OFF-BALANCE SHEET AGREEMENTS

There were no off-balance sheet agreements as at April 3, 2010.

CONTRACTUAL OBLIGATIONS

The following tables provide a summary of the Fund's long-term principal contractual obligations:

| IN THOUSANDS OF DOLLARS | Less than a year | Between 1 and 2 years | Between 2 and 3 years | Between 3 and 4 years | Between 4 and 5 years | After 5 years | Total |
|---|------------------|-----------------------|-----------------------|-----------------------|-----------------------|---------------|----------|
| Balances of purchase price payable, including current portion | \$ 7,663 | \$ 884 | \$ 884 | - | - | - | \$ 9,431 |
| Long-term debt, including current portion | \$ 330 | \$ 343 | \$ 353 | \$ 364 | \$ 375 | \$ 4,153 | \$ 5,918 |

| IN THOUSANDS OF DOLLARS | 9 months | 2011 | 2012 | 2013 | 2014 | There-after | Total |
|-----------------------------|-----------|-----------|-----------|----------|----------|-------------|-----------|
| Operating lease commitments | \$ 11,925 | \$ 14,168 | \$ 11,827 | \$ 9,670 | \$ 8,990 | \$ 6,556 | \$ 16,331 |

SUBSEQUENT EVENTS

On April 16, 2010, the Fund announced an Arrangement for its conversion into a publicly-traded corporation. For more details, see section "Conversion."

Subsequent to the quarter-end, the Fund acquired all the outstanding shares of Beaubien and Bearden, two Alberta-based building engineering firms.

RISK FACTORS

The results of operations, business prospects and the financial condition of the Fund are subject to a number of risks and uncertainties and are affected by a number of factors outside of its control. This may cause a decline in the price of the units and the Fund's ability to make distributions on the units could be adversely affected.

The Fund's risks and uncertainties have not materially changed from those described in the Fund's 2009 Annual Report.

GLOSSARY

Net revenues

Net revenues are defined as revenues from consulting services less direct costs for subconsultants and other direct expenses that are recoverable directly from the clients. Net revenues are not a measure in accordance with GAAP and do not have standardized meaning prescribed by GAAP. Therefore, net revenues may not be comparable to similar measures presented by other issuers. Investors are

cautioned that net revenues should not be construed as an alternative to revenues for the period (as determined in accordance with GAAP), as an indicator of the Fund's performance.

EBITDA

EBITDA is defined as earnings before interest, tax, depreciation and amortization. EBITDA is not an earnings measure in accordance with GAAP and does not have a standardized meaning prescribed by GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net earnings for the period (as determined in accordance with GAAP) as an indicator of the Fund's performance, or as an alternative to cash flows from operating, financing and investing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund's EBITDA may not be comparable to similar measures used by other issuers.

Distributable cash

The Fund views distributable cash as an operating performance measure and it is a non-GAAP measure generally used by Canadian income funds as an indicator of financial performance.

Distributable cash is calculated in accordance with the recommendations provided in CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities." Standardized distributable cash is defined as cash flows from operating activities as reported in the GAAP financial statements, including the effects of changes in non-cash working capital items and any operating cash flows provided from or used in discontinued operations, less adjustments for:

- (a) total capital expenditures as reported in the GAAP financial statements; and
- (b) restrictions on distributions arising from compliance with financial covenants restrictive at the date of the calculation of standardized distributable cash and limitations arising from the existence of a minority interest in a subsidiary.

The Fund also calculated an adjusted distributable cash, which is defined as standardized distributable cash adjusted for entity-specific adjustment items that management believes are appropriate for the determination of levels of distributions.

Payout ratio

Standardized payout ratio is defined as aggregate cash distributions declared divided by standardized distributable cash. Adjusted payout ratio is defined as aggregate cash distributions declared divided by adjusted distributable cash.