



GENIVAR

GENIVAR Income Fund

# Third Quarter Report

For the three-month period ended September 26, 2009

Management's Discussion & Analysis

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## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") dated as of November 9, 2009, 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 September 26, 2009, and the MD&A and the audited consolidated financial statements and accompanying notes of the Fund for the year ended December 31, 2008, included in the 2008 Annual Report. 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 third-quarter results, being from June 28, 2009, to September 26, 2009. 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 which 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, Industrial and Power, Municipal Infrastructure, Transportation 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. 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 3,800 managers, professionals, technicians, technologists and support staff in over 70 locations in Canada and abroad.

## HIGHLIGHTS

The third quarter of fiscal 2009 yielded strong results for the Fund. Revenues grew by 19.9% to \$125.4 million during this third quarter, up from \$104.7 million in 2008. Net Revenues stood at \$101.2 million, representing a 17.9% increase from the same period in 2008. Acquisitions accounted for approximately 65.0% of this growth, the remainder coming from organic growth. EBITDA, as of September 26, 2009, was \$21.4 million, up from \$19.5 million as of June 28, 2009, representing an increase of 9.6%. The EBITDA margin on net revenues came in at 21.1%, well above the 18 to 20% target range but down from the 22.9% level recorded during the same period in 2008. However, the current third quarter results were impacted negatively by an exchange loss of \$1.0 million as a result of a stronger Canadian dollar. The Fund's year-to-date exchange loss is \$1.9 million. Without this additional charge, the EBITDA margin would have been 22.1% in the third quarter of 2009.

Earnings before non-controlling interest were \$14.4 million, or \$0.62 per unit on a diluted basis for the third quarter, up from \$13.7 million or \$0.64 per unit on a diluted basis generated in the same quarter of 2008. For the third quarter of 2009, adjusted distributable cash totalled \$18.2 million, of which \$8.8 million were distributed to unitholders, representing an adjusted payout ratio of 48.2%. For the nine-month period, adjusted distributable cash totalled \$44.8 million, of which \$26.3 million were distributed to unitholders, representing an adjusted payout ratio of 58.6%.

Three acquisitions were completed during the quarter, adding a little over 100 employees to the Fund. WM.R. Walker Engineering (“Walker”), a multidisciplinary engineering firm based in Sault Ste. Marie joined in July and added about 15 employees. The addition of Magnate Engineering & Associates and Magnate Communications Corp. (collectively “Magnate”), two telecommunications firms with 70 employees in Ontario and British Columbia positioned the Fund as a key national player to wireless, fiber optic and cable service industries. Finally, the Fund acquired a Montreal-based building engineering firm, commercially known as Progemes Consultants (“Progemes”), which added 20 employees and strengthened its sustainable building business. Subsequent to quarter-end, the Fund acquired two small companies, that added 15 employees to the group. Harp Engineering and Design (“Harp”), a St. Catharines mechanical and electrical firm, and Gilles Taché & Associés (“Gilles Taché”), a municipal infrastructure firm located in Sainte-Agathe, in the province of Quebec, joined GENIVAR. While the pace of growth through acquisitions in the first nine months of 2009 has been slower than in the previous years, the Fund expects to continue its consolidation strategy.

All regions contributed to the strong financial results of the third quarter. Backlog increased to \$334.2 million as of September 26, 2009, and the outlook for the year-end and through 2010 remains positive for most of the market segments. However, the environment for private sector commercial and industrial work remains challenging. During the period from June 28, 2009, to September 26, 2009, the Fund secured several significant contracts, including the following:

- Studies and engineering services for the bridge deck of highway 40 (3 km Eastbound and Westbound), Montreal, Quebec Ministry of Transportation.
- Assessment and rehabilitation plan of contaminated site, Turcot Complex interchange, Montreal, Quebec Ministry of Transportation.
- Engineering services and implementation of telecommunication equipment on 67 sites, Videotron, Quebec.
- Structural engineering for Dix-30 Lifestyle Complex, Phase 3, Devimco Inc., Quebec.
- Environmental impact assessment, permitting and public hearing and multidisciplinary engineering services, Promenade Samuel-De Champlain

Blvd. Redevelopment, phases 2 & 3, Quebec City, Quebec Capital National Commission.

- Rehabilitation of Sartigan dam, Saint-Georges, Quebec Ministry of Sustainable Development, Environment and Parks.
- Replacement of Constant Creek Bridge, Highway 132, Renfrew, Ontario, Ontario Ministry of Transportation.
- Multidisciplinary engineering and process engineering services for the Sherridon Mine site rehabilitation, Manitoba Ministry of Mines.
- Preliminary engineering, detailed design and construction management and administration services, twinning of Highway 63 (36 km), Alberta Ministry of Transportation.
- Multidisciplinary engineering services, Mount Pleasant substation, British Columbia Transmissions Corporation, BC Hydro.

The Fund continued to strengthen its systems and corporate services, to integrate the acquisitions completed during the year, and to adapt the organizational structure to meet the needs of its growing business. Subsequent to the quarter-end, the Fund launched the implementation of a corporate-wide business information system. The business information system will be implemented over a 14-month period and completed as of December 2010. This system will enhance the Fund's ability to achieve a higher level of integration, collaboration and business development.

During the third quarter, the Fund amended its credit facilities, increasing its term loan credit facility from \$80.0 million to \$100.0 million. The terms of the amendment provided that upon the closing of an equity financing, such operating line would be re-established at \$80.0 million. As of September 26, 2009, the Fund had total long term financial liabilities of \$86.4 million, consisting mainly of bank advances of \$72.2 million. Considering the cash and cash equivalents of \$13.0 million on hand as of September 26, 2009, the negative cash position of the Fund was \$59.2 million at the end of the third quarter. Subsequent to quarter-end, on October 16, 2009, the Fund successfully closed a \$100.0 million financing raised through a public offering of 3,809,500 units at a price of \$26.25. GENIVAR LP currently has 27,163,976 units outstanding, of which 18,103,589 (66.6%) are owned indirectly by the Fund and 9,060,387 (33.4%) by GENIVAR inc., the Non-controlling Unitholder. As a result of this offering, the Fund has met the maximum amount of new equity that it can issue under the Normal Growth Guidelines of publicly traded income trusts until December 31, 2010. Furthermore, in accordance with the amendment to the credit facilities, the term loan credit facility has been re-established at \$80.0 million. After giving effect to the equity financing, the Fund has a solid balance sheet and is well-positioned to continue its growth strategy through organic initiatives and strategic acquisitions.

## SUMMARY OF QUARTERLY RESULTS

IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA	2009				2008				2007
	TTM	Q3	Q2	Q1	Q4	Q3	Q2	Q1	Q4
	TRAILING TWELVE MONTHS (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)	FOR THE PERIOD FROM JANUARY 1 TO MARCH 29 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)
<b>Results of operations</b>									
Revenues	\$ 458,620	\$ 125,426	\$ 120,045	\$ 97,431	\$ 115,718	\$ 104,650	\$ 97,348	\$ 70,087	\$ 70,528
Net revenues (1)	\$ 379,882	\$ 101,181	\$ 100,634	\$ 84,804	\$ 93,263	\$ 85,814	\$ 80,869	\$ 60,148	\$ 57,999
Gross margin	\$ 192,796	\$ 52,054	\$ 50,422	\$ 42,410	\$ 47,910	\$ 43,792	\$ 40,440	\$ 29,966	\$ 28,762
EBITDA	\$ 77,215	\$ 21,385	\$ 19,507	\$ 16,725	\$ 19,598	\$ 19,670	\$ 17,463	\$ 11,878	\$ 12,788
Net earnings	\$ 29,128	\$ 8,824	\$ 7,674	\$ 6,404	\$ 6,226	\$ 8,325	\$ 6,666	\$ 4,598	\$ 5,676
Net earnings per unit									
Basic (2)		\$ 0.62	\$ 0.54	\$ 0.45	\$ 0.44	\$ 0.65	\$ 0.52	\$ 0.36	\$ 0.44
Diluted		\$ 0.62	\$ 0.54	\$ 0.45	\$ 0.44	\$ 0.64	\$ 0.52	\$ 0.35	\$ 0.43
Weighted average number of units		14,276,466	14,276,730	14,277,078	14,192,428	12,870,030	12,870,364	12,870,664	12,858,533
Diluted weighted average number of units		23,351,903	23,348,960	23,345,696	23,224,760	21,352,768	21,350,781	21,347,826	21,332,787
<b>Distributable cash</b>									
Distributable cash									
Standardized	\$ 18,280	\$ 939	(\$ 2,484)	\$ 9,504	\$ 10,321	\$ 6,824	\$ 5,278	\$ 5,461	\$ 18,293
Adjusted	\$ 58,565	\$ 18,174	\$ 14,512	\$ 12,125	\$ 13,754	\$ 16,078	\$ 13,242	\$ 9,798	\$ 11,218
Distributable cash, per unit (3)									
Standardized		\$0.04	(\$0.11)	\$ 0.41	\$ 0.44	\$ 0.32	\$ 0.25	\$ 0.26	\$ 0.86
Adjusted		\$0.78	\$0.62	\$ 0.52	\$ 0.59	\$ 0.75	\$ 0.62	\$ 0.46	\$ 0.53
Distributions declared	\$ 45,542	\$ 8,758	\$ 8,758	\$ 8,758	\$ 19,268	\$ 8,011	\$ 5,340	\$ 5,340	\$ 11,749
Distributions declared, per unit (3)	\$ 1.97	\$ 0.38	\$ 0.38	\$ 0.38	\$ 0.83	\$ 0.38	\$ 0.25	\$ 0.25	\$ 0.55
Payout ratio									
Adjusted	77.8%	48.2%	60.4%	72.2%	140.1%	49.8%	40.3%	54.5%	104.7%

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

(2) As at September 26, 2009, 14,294,089 Fund units and 9,060,387 Exchangeable Class B and Class C LP units were outstanding for a total of 23,354,476 units. As at November 9, 2009, date of this MD&A, 18,103,589 Fund units and 9,060,387 Exchangeable Class B and Class C LP units are outstanding for a total of 27,163,976 units.

(3) Distributable cash per unit and distributions declared per unit amounts are calculated using the diluted weighted average number of units.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### FINANCIAL HIGHLIGHTS

	3 months		9 months	
	2009	2008	2009	2008
	FOR THE PERIOD FROM JUNE 28 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JUNE 29 TO SEPTEMBER 27 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 27 (UNAUDITED)
IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA				
Net revenues	\$ 101,181	\$ 85,814	\$ 286,619	\$ 226,831
EBITDA	\$ 21,385	\$ 19,670	\$ 57,617	\$ 49,011
Net earnings	\$ 8,824	\$ 8,325	\$ 22,902	\$ 19,589
Net earnings per unit				
Basic	\$ 0.62	\$ 0.65	\$ 1.60	\$ 1.52
Diluted	\$ 0.62	\$ 0.64	\$ 1.60	\$ 1.51

	3 months		9 months	
	2009	2008	2009	2008
	FOR THE PERIOD FROM JUNE 28 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JUNE 29 TO SEPTEMBER 27 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 27 (UNAUDITED)
IN THOUSANDS OF DOLLARS				
Distributable cash				
Standardized	\$ 939	\$ 6,824	\$ 7,959	\$ 17,563
Adjusted	\$ 18,174	\$ 16,078	\$ 44,811	\$ 39,118
Aggregate Distributions, all units	\$ 8,758	\$ 8,011	\$ 26,274	\$ 18,691
Payout ratio				
Adjusted	48.2%	49.8%	58.6%	47.8%

## BALANCE SHEETS

	2009	2008
	AS AT SEPTEMBER 26 (UNAUDITED)	AS AT DECEMBER 31 (AUDITED)
IN THOUSANDS OF DOLLARS		
Total assets	\$ 485,113	\$ 427,187
Long-term financial liabilities (1)	\$ 86,379	\$ 26,546

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

## RESULTS OF OPERATIONS

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	3 months		9 months	
	2009	2008	2009	2008
	FOR THE PERIOD FROM JUNE 28 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JUNE 29 TO SEPTEMBER 27 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 27 (UNAUDITED)
<b>Revenues</b>	<b>\$ 125,426</b>	<b>\$ 104,650</b>	<b>\$ 342,902</b>	<b>\$ 272,085</b>
Deduct: Subconsultants and other direct expenses	\$ 24,245	\$ 18,836	\$ 56,283	\$ 45,254
<b>Net revenues</b>	<b>\$ 101,181</b>	<b>\$ 85,814</b>	<b>\$ 286,619</b>	<b>\$ 226,831</b>
Direct project costs	\$ 49,127	\$ 42,022	\$ 141,733	\$ 112,633
<b>Gross margin</b>	<b>\$ 52,054</b>	<b>\$ 43,792</b>	<b>\$ 144,866</b>	<b>\$ 114,198</b>
Marketing, general, and administrative expenses and others	\$ 30,669	\$ 24,122	\$ 87,269	\$ 65,187
<b>EBITDA</b>	<b>\$ 21,385</b>	<b>\$ 19,670</b>	<b>\$ 57,617</b>	<b>\$ 49,011</b>
Interest	\$ 626	\$ 778	\$ 1,512	\$ 1,491
Depreciation of property, plant and equipment	\$ 1,642	\$ 1,171	\$ 4,611	\$ 3,058
Amortization of intangible assets	\$ 4,213	\$ 3,818	\$ 12,317	\$ 11,041
<b>Earnings before income taxes and non-controlling interest</b>	<b>\$ 14,904</b>	<b>\$ 13,903</b>	<b>\$ 39,177</b>	<b>\$ 33,421</b>
Income taxes	\$ 479	\$ 205	\$ 1,725	\$ 1,084
<b>Earnings before non-controlling interest</b>	<b>\$ 14,425</b>	<b>\$ 13,698</b>	<b>\$ 37,452</b>	<b>\$ 32,337</b>
Non-controlling interest	\$ 5,601	\$ 5,373	\$ 14,550	\$ 12,748
<b>Net earnings</b>	<b>\$ 8,824</b>	<b>\$ 8,325</b>	<b>\$ 22,902</b>	<b>\$ 19,589</b>
<b>Basic net earnings per unit</b>	<b>\$ 0.62</b>	<b>\$ 0.65</b>	<b>\$ 1.60</b>	<b>\$ 1.52</b>
Weighted average number of units	14,276,466	12,870,030	14,276,753	12,870,350
Diluted net earnings per unit	\$ 0.62	\$ 0.64	\$ 1.60	\$ 1.51
Diluted weighted average number of units	23,351,903	21,352,768	23,352,088	21,353,568

## 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 three-month period ended September 26, 2009, increased by \$20.7 million (19.9%) from \$104.7 million in 2008, to \$125.4 million in 2009.

Revenues for the nine-month period ended September 26, 2009, increased by \$70.8 million (26.0%), from \$272.1 million in 2008, to \$342.9 million in 2009.

Net revenues, expressed as revenues less direct costs for subconsultants and other direct expenses that are recoverable directly from the clients, amounted to \$101.2 million for the three-month period ended September 26, 2009, and to \$85.8 million for the corresponding period in 2008, which represents an increase of \$15.4 million (17.9%).

Net revenues increased from \$226.8 million for the nine-month period ended September 27, 2008, to \$286.6 million for the corresponding period in 2009, which represents an increase of 26.4%.

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

IN THOUSANDS OF DOLLARS	3 months		9 months	
	Variation 2009 vs. 2008	%	Variation 2009 vs. 2008	%
<b>Revenues</b>				
Acquisition growth (1)	11,896	11.37%	40,838	15.01%
Organic growth (1)	7,613	8.48%	28,712	11.02%
Total increase	20,776	19.85%	70,817	26.03%

IN THOUSANDS OF DOLLARS	3 months		9 months	
	Variation 2009 vs. 2008	%	Variation 2009 vs. 2008	%
<b>Net revenues</b>				
Acquisition growth (1)	10,045	11.71%	35,018	15.44%
Organic growth (1)	5,322	6.20%	24,770	10.92%
Total increase	15,367	17.91%	59,788	26.36%

(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.

From September 2008 to September 2009, the number of employees increased by more than 11.8%, from 3,400 to more than 3,800 employees.

Organic growth for the three-month period of 8.48% on revenues and 6.20% on net revenues met the Fund's 5-10% target of organic growth. Organic growth for the nine-month period is more than 10.0% on both revenues and net revenues, at the higher end of the Fund's target.

## 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 three-month period ended September 26, 2009, direct project costs represented 48.6% of net revenues compared to 49.0% for the same period in 2008.

For the nine-month period ended September 26, 2009, direct project costs represented 49.5% of net revenues compared to 49.7% for the same period in 2008.

Direct project costs, as a percentage of net revenues, are in line with the percentage of the corresponding period of 2008.

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

- 48.6% Q3-2009
- 49.9% Q2-2009
- 50.0% Q1-2009
- 48.6% Q4-2008

### Gross margin

For the three-month period ended September 26, 2009, the gross margin represented 51.4% of net revenues compared to 51.0% for the same period in 2008.

For the nine-month period ended September 26, 2009, the gross margin represented 50.5% of net revenues compared to 50.3% for the same period in 2008.

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

- 51.4% Q3-2009
- 50.1% Q2-2009
- 50.0% Q1-2009
- 51.4% Q4-2008

### Marketing, general and administrative expenses and others

Marketing, general and administrative expenses and others for the three-month period ended September 26, 2009, increased to \$30.7 million compared to \$24.1 million for the same period in 2008. As a percentage of net revenues, marketing, general and administrative expenses and others represented 30.3% for the three-month period ended September 26, 2009, compared to 28.1% for the same period in 2008.

Marketing, general and administrative expenses and others for the nine-month period ended September 26, 2009, increased to \$87.3 million compared to \$65.2 million for the same period in 2008. As a percentage of net revenues, marketing, general and administrative expenses and others represented 30.4% for the nine-month period ended September 26, 2009, compared to 28.7% for the same period in 2008.

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

- 30.3% Q3-2009
- 30.7% Q2-2009
- 30.3% Q1-2009
- 30.4% Q4-2008

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 third quarter, the Fund continues to be impacted by a strong Canadian dollar. As a result, the Fund recorded an exchange loss of \$1.0 million in Q3-2009 for a year to date exchange loss of \$1.9 million. In comparison, in 2008, the Fund has recorded an exchange gain of \$0.03 million during the third quarter and \$0.3 million for the nine-month period ended September 27, 2008. Without the exchange loss, the marketing, general and administrative expenses and others, as a percentage of net revenues, would have been 29.4% in Q3-2009 and 29.7% in Q2-2009.

On the other hand, the overall utilization rate of the workforce billable on projects continues to be slightly lower in 2009 than in 2008, which results in more staff time charged to non-billable projects.

### EBITDA

EBITDA for the three-month period ended September 26, 2009, stood at \$21.4 million, up \$1.7 million from \$19.7 million for the same period in 2008, thus representing a 8.7% increase. As a percentage of net revenues, EBITDA margin stood at 21.1% for the three-month period ended September 26, 2009, compared

to 22.9% for the same period in 2008. Without the impact of the exchange loss, the EBITDA margin would have been 22.1%.

EBITDA for the nine-month period ended September 26, 2009, stood at \$57.6 million, up \$8.6 million from \$49.0 million for the same period in 2008, thus representing a 17.6% increase. As a percentage of net revenues, EBITDA margin stood at 20.1% for the nine-month period ended September 26, 2009, compared to 21.6% for the same period in 2008. Without the impact of the exchange loss, the EBITDA margin would have been 20.8%.

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

- 21.1% Q3-2009
- 19.4% Q2-2009
- 19.7% Q1-2009
- 21.0% Q4-2008

During the third quarter, the EBITDA margin exceeded 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 three-month period ended September 26, 2009, was \$1.6 million compared to \$1.2 million for the same period in 2008. For the nine-month period ended September 26, 2009, depreciation of property, plant and equipment was \$4.6 million compared to \$3.1 million for the same period in 2008. The underlying cause is the depreciation of additional assets acquired through various business acquisitions.

Amortization of intangible assets for the three-month period ended September 26, 2009, was \$4.2 million compared to \$3.8 million for the same period in 2008. For the nine-month period ended September 26, 2009, amortization of intangible assets increased by \$1.3 million, from \$11.0 million in 2008 to \$12.3 million in 2009. The amortization expense increase is attributable to the various business acquisitions.

#### Interest

Interest expense for the three-month period ended September 26, 2009, was \$0.6 million compared to \$0.8 million for the same period in 2008. Interest expense for the nine-month period amounted to \$1.5 million for both 2009 and 2008.

#### Income taxes

For the three-month period ended September 26, 2009, the Fund recognized an amount of \$0.5 million as an income tax expense compared to \$0.2 million for the same period in 2008. For the nine-month period ended September 26, 2009, the Fund recognized an amount of \$1.7 million as an income tax expense compared

to \$1.1 million for the same period in 2008. Current income taxes are mainly related to the international activities of the Fund.

### SIFT Rules

On October 31, 2006, the Minister of Finance (Canada) announced new tax measures proposing changes to the manner in which certain specified investment flow-through entities (“SIFT”), such as publicly-traded income trusts, and the distributions from such entities are taxed (the “SIFT Rules”). Bill C-52, which received Royal Assent on June 22, 2007, contained and implemented the SIFT Rules.

The SIFT Rules will subject the Fund to trust level taxation as of January 1, 2011, at a rate comparable to the combined federal and provincial corporate tax rate applicable to certain types of income (other than taxable dividends). In addition, the taxable distributions received by Unitholders will, as of January 1, 2011, be treated as dividends from a taxable Canadian corporation but the tax treatment of distributions that are paid as a return of capital by a SIFT will not be changed. There can be no assurance that the Fund will be able to maintain the same level of distributions commencing in 2011.

The Fund will be able to retain the benefit of the deferred application of the SIFT Rules. If, during the period from and including November 1, 2006 to December 31, 2010, the Fund is deemed to have undergone “undue expansion”, as described in the guidelines on normal growth issued by the Department of Finance (Canada) (the “Normal Growth Guidelines”), the SIFT Rules will become applicable to the Fund on a date earlier than January 1, 2011.

Under the Normal Growth Guidelines, a SIFT will not lose the benefit of the deferred application of the new tax regime to 2011 if the aggregate amount of new equity (which will include units and debt that is convertible into units and potentially other substitutes for such equity) issued by it during any of intervening years up to 2011 does not exceed the greater of \$50.0 million and an objective “safe harbor” amount equal to a certain percentage of the Fund’s market capitalization as of the end of trading on October 31, 2006 (“October 31, 2006, Market Capitalization”).

On February 25, 2009, the Minister of Finance released explanatory notes related to the Normal Growth Guidelines to accelerate the safe harbor amounts of 2009 and 2010 to make them available immediately, as initially announced in 2008. This change would generally allow a trust like the Fund to use the remaining growth room (including where applicable the \$50.0 million “de minimis” amount) in a single year rather than incrementally over 2009 and 2010. Considering its October 31, 2006, Market Capitalization and the 2008 and 2007 issuance of Fund units and interests convertible into Fund units, \$100.0 million of Fund units and interests convertible into Fund units may be issued in a single year rather than incrementally over 2009 and 2010.

Subsequent to quarter-end, the Fund issued 3,809,500 units for gross proceeds of approximately \$100.0 million. As a result of this offering, the Fund has met the maximum amount of new equity that it can issue under the Normal Growth Guidelines of publicly-traded income trusts until December 31, 2010.

### Conversion Rules

The current legislation contains certain provisions to facilitate the conversion of existing income trusts into corporations on a tax deferred basis (the “Conversion Rules”). The Fund is reviewing and analyzing the Conversion Rules taking into account what would be in the best interest of the Unitholders after 2010.

### Net earnings and earnings per unit

The Fund’s net earnings for the three-month period ended September 26, 2009, were \$8.8 million or \$0.62 per unit on a basic and diluted basis compared to \$8.3 million or \$0.65 per unit on a basic basis and \$0.64 on a diluted basis for the same period in 2008.

The Fund’s net earnings for the nine-month period ended September 26, 2009, were \$22.9 million or \$1.60 per unit on a basic and diluted basis compared to \$19.6 million or \$1.52 per unit on a basic basis and \$1.51 on a diluted basis for the same period in 2008.

## 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 an 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

	3 months		9 months	
	2009	2008	2009	2008
	FOR THE PERIOD FROM JUNE 28 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JUNE 29 TO SEPTEMBER 27 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 27 (UNAUDITED)
IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA				
<b>Cash flows from operating activities</b>	<b>\$ 2,837</b>	<b>\$ 8,908</b>	<b>\$ 16,878</b>	<b>\$ 24,253</b>
Capital expenditures paid	(\$ 1,898)	(\$ 2,084)	(\$ 8,919)	(\$ 6,690)
<b>Standardized distributable cash</b>	<b>\$ 939</b>	<b>\$ 6,824</b>	<b>\$ 7,959</b>	<b>\$ 17,563</b>
Change in non-cash working capital items (1)	\$ 17,235	\$ 9,254	\$ 36,852	\$ 21,555
<b>Adjusted distributable cash</b>	<b>\$ 18,174</b>	<b>\$ 16,078</b>	<b>\$ 44,811</b>	<b>\$ 39,118</b>
<b>Adjusted distributable cash, per unit (2)</b>	<b>\$ 0.78</b>	<b>\$ 0.75</b>	<b>\$ 1.92</b>	<b>\$ 1.83</b>
<b>Payout ratio</b>				
<b>Standardized</b>	<b>932.7%</b>	<b>117.4%</b>	<b>330.1%</b>	<b>106.4%</b>
<b>Adjusted</b>	<b>48.2%</b>	<b>49.8%</b>	<b>58.6%</b>	<b>47.8%</b>
<b>Distributions</b>				
Fund's units distributions	\$ 5,361	\$ 4,839	\$ 16,081	\$ 11,287
Class B Exchangeable LP Unit distributions	\$ 1,624	\$ 1,397	\$ 4,870	\$ 3,265
Class C Exchangeable LP Unit distributions	\$ 1,773	\$ 1,775	\$ 5,323	\$ 4,139
<b>Aggregate distributions, all units</b>	<b>\$ 8,758</b>	<b>\$ 8,011</b>	<b>\$ 26,274</b>	<b>\$ 18,691</b>
<b>Aggregate distributions, all units, per unit (2)</b>	<b>\$ 0.38</b>	<b>\$ 0.37</b>	<b>\$ 1.13</b>	<b>\$ 0.87</b>

(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) Distributable cash per unit and distributions declared per unit amounts are calculated using the diluted weighted average number of units.

During the three-month period ended September 26, 2009, the Fund generated \$18.2 million of adjusted distributable cash compared to \$16.1 million for the same period in 2008.

The adjusted payout ratio for the quarter is 48.2% compared to 49.8% for the same period in 2008.

### Relation between capital expenditure 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.

## Long-term incentive plan (“LTIP”)

On April 21, 2008, the Board of Fund Trustees and the Board of Directors decided to terminate the LTIP in accordance with its terms. The LTIP awards credited to the participants under the LTIP will continue to be subject to the time-based vesting provisions described in the LTIP as if the LTIP was never terminated.

## CASH DISTRIBUTION

Since the beginning of its operations on May 2006 and until June 2008, the Fund declared a monthly distribution of \$0.0833 per unit or \$1.00 per unit on an annualized basis. Since July 2008, the monthly distribution is \$0.1250 per unit or \$1.50 per unit on an annualized basis. On December 2008, the Fund announced a one-time special distribution of \$0.45 per unit for unitholders of record at the close of business on December 31, 2008, compared to a one-time special distribution of \$0.30 per unit on November 2007. The one-time special distribution of December 2008 was paid in January 2009.

IN THOUSANDS OF DOLLARS	3 months		9 months	
	2009	2008	2009	2008
	FOR THE PERIOD FROM JUNE 28 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JUNE 29 TO SEPTEMBER 27 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 27 (UNAUDITED)
<b>Cash flows from operating activities</b>	<b>\$ 2,837</b>	<b>\$ 8,908</b>	<b>\$ 16,878</b>	<b>\$ 24,253</b>
Net earnings	\$ 8,824	\$ 8,235	\$ 22,902	\$ 19,589
Non-controlling interest	\$ 5,601	\$ 5,373	\$ 14,550	\$ 12,748
<b>Earnings before non-controlling interest</b>	<b>\$ 14,425</b>	<b>\$ 13,698</b>	<b>\$ 37,452</b>	<b>\$ 32,337</b>
<b>Actual cash distributions declared</b>	<b>\$ 8,758</b>	<b>\$ 8,011</b>	<b>\$ 26,274</b>	<b>\$ 18,691</b>
Excess (shortfall) of cash flows from operating activities over cash distributions declared	(\$ 5,921)	\$ 897	(\$ 9,396)	\$ 5,562
Excess of earnings before non-controlling interest over cash distributions declared	\$ 5,667	\$ 5,687	\$ 11,178	\$ 13,646

### Excess (shortfall) of cash flows from operating activities over cash distributions declared

Cash flows from operating activities are lower than the cash distributions by \$5.9 million for the three-month period ended September 26, 2009, compared to an excess of cash flows over cash distributions of \$0.9 million for the same period in 2008.

In the third quarter, the continued integration of the recent acquisitions and the economic context continue to impact the working capital and the cash flows from operating activities. In the second quarter, the increase in the number of days required to recover accounts receivable and costs and anticipated profits in excess of billings was mainly attributable to the high level of costs and anticipated profits in excess of billings at the end of Q2-2009. In the third quarter, these costs and anticipated profits in excess of billings have been invoiced with

the result of an increase in accounts receivable at the end of Q3-2009. Consequently, the number of days required to recover accounts receivable and costs and anticipated profits in excess of billings at quarter-end is still high at 121 days. Furthermore, historically, there is always an increase in the number of days to recover accounts receivable and costs and anticipated profits in excess of billings from the second quarter to the third quarter. The Fund expects to return to a better ratio in the last quarter of 2009.

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

For the three-month period ended September 26, 2009, earnings before non-controlling interest are higher than the cash distributions declared by \$5.7 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, earnings before non-controlling interest would exceed cash distributions declared by \$9.3 million for the three-month period ended September 26, 2009, compared to the \$9.1 million for the corresponding period of 2008.

### BACKLOG

As at September 26, 2009, the backlog, which represents future revenues that stem from existing signed contracts to be executed, stood at \$334.2 million. As at September 27, 2008, the backlog was \$305.0 million. On a comparative basis, this represents an increase of \$29.2 million (9.6%). In the Fund's field of business, backlog is measured in terms of months. As at September 26, 2009, the backlog represented 8.2 months of upcoming work.

- \$334.2 million      Q3-2009
- \$321.3 million      Q2-2009
- \$316.9 million      Q1-2009
- \$314.1 million      Q4-2008

## LIQUIDITY

	3 months		9 months	
	2009	2008	2009	2008
	FOR THE PERIOD FROM JUNE 28 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JUNE 29 TO SEPTEMBER 27 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 26 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO SEPTEMBER 27 (UNAUDITED)
IN THOUSANDS OF DOLLARS				
<b>Cash Flows</b>				
Cash flows from operating activities	\$ 2,837	\$ 8,908	\$ 16,878	\$ 24,253
Cash flows from financing activities	\$ 10,320	\$ 11,811	\$ 14,030	\$ 35,268
Cash flows from investing activities	(\$ 11,448)	(\$ 15,808)	(\$ 32,584)	(\$ 52,489)
<b>Net change in cash position during the period</b>	<b>\$ 1,709</b>	<b>\$ 4,911</b>	<b>(\$ 1,676)</b>	<b>\$ 7,032</b>
<b>Distributions paid</b>	<b>(\$ 8,758)</b>	<b>(\$ 7,908)</b>	<b>(\$ 36,784)</b>	<b>(\$ 18,588)</b>
<b>Capital expenditures</b>	<b>(\$ 1,898)</b>	<b>(\$ 2,084)</b>	<b>(\$ 8,919)</b>	<b>(\$ 6,690)</b>

### Cash flows from operating activities

For the three-month period ended September 26, 2009, operating activities generated \$20.0 million and non-cash working capital items used \$17.2 million, for a total net cash flows from operating activities of \$2.8 million. The use of \$17.2 million is mainly attributable to an increase in accounts receivable of \$29.5 million. Costs and anticipated profits in excess of billings generated \$9.0 million and billings in excess of costs and anticipated profits generated \$2.6 million. The remaining \$0.7 million was generated by other items.

Accounts receivables and costs and anticipated profits in excess of billings represent approximately 121 days of annual sales, which is higher than the previous quarters due in particular to the high level of accounts receivable at quarter-end.

### Cash flows from financing activities

For the three-month period ended September 26, 2009, net financing activities generated \$10.3 million of cash. Out of this amount, \$26.0 million was generated by the bank advances and \$6.0 million by a long-term debt contracted. On the other hand, \$8.8 million was used to pay distributions to unitholders and \$12.9 million was used for the payment of balances of purchase prices related to business acquisitions.

### Cash flows from investing activities

For the three-month period ended September 26, 2009, investing activities used \$11.4 million of cash. Business acquisitions totalled \$9.6 million of this amount and capital expenditures, net of proceeds from disposal of property, plant and equipment, \$1.8 million.

## Net cash position

As at September 26, 2009, the net cash position of the Fund amounted to (\$59.2) million as detailed hereafter:

IN THOUSANDS OF DOLLARS	2009	2008
	AS AT SEPTEMBER 26 (UNAUDITED)	AS AT DECEMBER 31 (AUDITED)
Cash and cash equivalents	\$ 13,033	\$ 14,709
Bank advances	(\$ 72,184)	(\$ 10,668)
<b>Net cash position</b>	<b>(\$ 59,151)</b>	<b>\$ 4,041</b>

Subsequent to quarter-end, the Fund issued, pursuant to a public offering, approximately \$100.0 million in new equity. From this amount, \$72.1 million has been used to fully repay the bank advances.

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. Up until now, the credit facilities have been mainly used to complete business acquisitions and for working capital and general corporate purposes.

## Credit facilities

On September 11, 2009, the Fund entered into an amended and restated credit agreement to increase its credit facilities from \$82.0 million to \$102.0 million.

As at September 26, 2009, the Fund's credit facilities were allocated as follows:

### *Term loan credit facility*

Facility of \$100.0 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. The terms of the term loan credit facility provide that the amount of \$100.0 million will be re-established at \$80.0 million at the earlier of (i) August 2010 or (ii) the date of receipt of the proceeds of a public offering. Subsequent to quarter-end, the Fund successfully closed a public offering of approximately \$100.0 million. Consequently, the term loan credit facility has been re-established at \$80.0 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 first \$80.0 million of the term loan credit facility bears 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. The remaining \$20.0 million bears interest at prime rate plus variable applicable margin based on different levels of covenants.

Under these credit facilities, GENIVAR LP, a Fund's subsidiary, is required, among other conditions, to respect certain covenants on a consolidated basis, which have been met as at September 26, 2009.

As at September 26, 2009, the Fund had unused credit facilities of \$9.4 million net of outstanding letters of credit of \$0.4 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 (58.1% before this transaction). 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 (41.9% before this transaction). In addition, the Non controlling Unitholder held 8,463,966 Special Voting Units of the Fund.

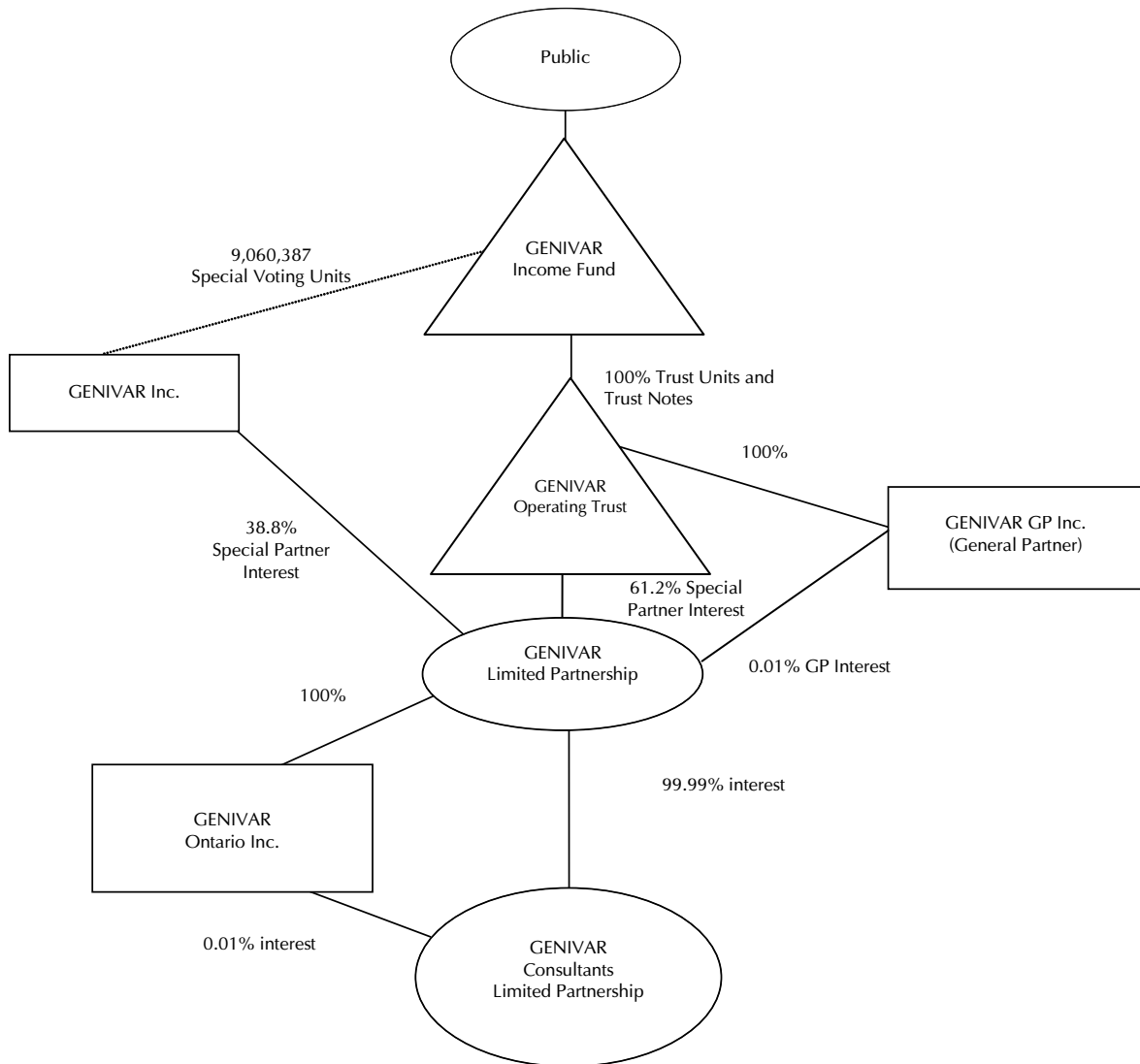
On October 2, 2008, the Fund issued pursuant to a public offering, \$50.0 million in new equity from which \$15.0 million were invested directly and indirectly by GENIVAR inc., the Non-Controlling Unitholder. After this transaction, the Fund

owned indirectly 14,294,089 Class A LP Units of GENIVAR LP representing a 61.2% interest (60.4% before this transaction). 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 (39.6% before this transaction). In addition, the Non-controlling unitholder held 9,060,387 Special Voting Units of the Fund.

Subsequent to quarter-end, 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 66.6% interest (61.2% before this transaction). 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 33.4% interest in GENIVAR LP (38.8% before this transaction).

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 Units 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 September 26, 2009:



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 September 26, 2009, 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 September 26, 2009, 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 controls over financial reporting.

### Responsibilities of the Board of directors

The Board of directors has oversight responsibilities for reported information. Accordingly, the Audit committee and the Board of directors 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 2008 annual audited consolidated financial statements, except for the standards described below. Please refer to the Fund's 2008 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, 2009, the Fund adopted Section 3064, "Goodwill and Intangible Assets," issued by the Canadian Institute of Chartered Accountants ("CICA"). This Section replaces Section 3062, "Goodwill and Other Intangible Assets" and Section 3450, "Research and Development Costs." This Section establishes standards for the recognition measurement, presentation and disclosure of goodwill and intangible assets.

On January 20, 2009, the Fund adopted Emerging Issues Committee No. 173, "Credit Risk and the Fair Value of Financial Assets and Financial Liabilities" (EIC 173) issued by the CICA. This Abstract clarifies that an entity's own credit risk and the credit risk of its counterparty should be taken into account in determining the fair value of financial assets and liabilities.

The application of these standards had no significant impact on the Fund's consolidated results of operations 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 date of January 1, 2011, 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 currently engaged in the solution development phase. It involves choosing the appropriate accounting standards, calculating the impacts of change in accounting standards, assessing the effects on information systems, 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 training.

During the third quarter of 2009, the Fund maintained its efforts in the solution development phase by focusing on the significant differences identified in the initial diagnostic. The key areas that are likely to be impacted by changes in accounting policies include:

- Business combinations
- Consolidation
- Property, plant and equipment
- Intangible assets
- Impairment of assets

The above should not be regarded as an exhaustive list of changes expected on transition to IFRS.

As a first-time adopter of the IFRS, the Fund is required to apply IFRS1 “First time adoption of International Financial Reporting Standards.” A number of exemptions are available under this standard, which the Fund is currently evaluating. 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. Regular reporting is provided to the Fund’s senior executive management and to the audit committee.

### 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. This section provides the Canadian equivalent to IFRS 3, “Business Combinations.”

### 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. This section is equivalent to the corresponding requirements of International Accounting Standard IAS 27, “Consolidated and Separate Financial Statements.”

The Fund has not yet determined the impact of the adoption of these standards 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 of 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 Envirotel, WSA, ENTRA, WES, Algal, ENAQ, Jagger, Walker, Magnate and Progemes during the nine-month period and Harp and Gilles Taché subsequent to the quarter end.

## OFF-BALANCE SHEET AGREEMENTS

There were no off-balance sheet agreements as at September 26, 2009.

## CONTRACTUAL OBLIGATIONS

The following tables provide a summary of the Fund's long-term 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
Bank advances			72,184				72,184
Balances of purchase price payable, including current portion	6,427	1,768					8,195
Long-term debt	245	336	346	357	367	4,349	6,000

IN THOUSANDS OF DOLLARS	2009 (3 months)	2010	2011	2012	2013	2014	There-after	Total
Operating lease commitments	3,784	14,137	12,479	10,523	8,790	8,094	22,615	80,422

## SUBSEQUENT EVENTS

Subsequent to the quarter-end, the Fund acquired all the assets and liabilities of Harp and Gilles Taché, two Canadian consulting and engineering firms.

On October 16, 2009, the Fund issued, pursuant to a public offering, 3,809,500 units for gross proceeds of approximately \$100.0 million. Total issuance-related costs amounted to approximately \$5.5 million less future income taxes of \$0.6 million. Following this transaction, the Fund now owns indirectly 18,103,589 Class A LP Units of GENIVAR LP, representing a 66.6% interest. As a result of the public offering, the term loan credit facility has been reduced from \$100.0 million to \$80.0 million.

## 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 of 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 2008 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 year (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 divided by standardized distributable cash. Adjusted payout ratio is defined as aggregate cash distributions divided by adjusted distributable cash.