



GENIVAR

GENIVAR Income Fund

# 2007 Year-end financial report

Management's Discussion & Analysis

## MANAGEMENT'S DISCUSSION AND ANALYSIS

The following management's discussion and analysis of financial condition and results of operations ("MD&A") dated as of March 10, 2008, is intended to assist readers in understanding GENIVAR Income Fund (the "Fund"), its business environment, strategies, performance and risk factors. In this MD&A, the "Fund", "we", "us" and "our" mean GENIVAR Income Fund. This MD&A should be read together with the audited consolidated financial statements and accompanying notes of the Fund for the year ended December 31, 2007. 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 fourth-quarter results, being from October 1 to December 31, 2007. The Fund commenced operations on May 25, 2006 and accordingly, comparative information in the audited consolidated financial statements is for the 220-day period extending from May 25, 2006 to December 31, 2006. In order to enhance the purpose and the relevance of this MD&A, certain financial and operating results of the Fund for the year ended December 31, 2007, are compared to the unaudited combined results of the GENIVAR Engineering Services Business for the twelve-month period ended December 31, 2006, which were carved out from GENIVAR inc. (the "Non-controlling Unitholder"). Such information is for reference purposes only and is not intended to represent a comprehensive comparison of the audited consolidated financial results.

The GENIVAR Engineering Services Business means the professional consulting engineering services and related services business that was previously carried on by GENIVAR inc. and which is now carried on by the Fund through GENIVAR Limited Partnership ("GENIVAR LP").

## 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 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 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 of the Fund.

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. In the third quarter, the definitions of Distributable Cash and Payout ratio have been revised to comply with the recommendations provided in CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities."

## OVERVIEW OF THE INDUSTRY AND THE FUND

### The Industry

The Canadian Engineering Services industry encompasses professional consulting activities in engineering, management, environmental and other technical services related to the development and implementation of infrastructure and other projects in the public and private sectors. Services provided for a particular project may include any or all of the following: feasibility studies, strategic planning, detailed engineering design, project and program management, site inspection, commissioning, plant operation and other related services.

Engineering services are a vital part of the Canadian economy, our services being required on most of the infrastructure needs of our society. According to Statistics Canada's most recent annual survey of the industry, engineering firms employed some 88,500 people in 2005 and recorded operating revenues of \$13.8 billion. This industry is comprised of several hundred firms of varying sizes with most firms employing fewer than one hundred people and less than about one hundred firms employing more than 100 people.

Contracts in the Engineering Services industry are awarded through public calls for tenders, through invitation or by private agreement. They are generally remunerated through fee-for-service agreements based on hourly rates, a fixed-price negotiated fee or as a percentage of a project cost. Work is mostly obtained

through requests for qualifications and requests for proposals where an offer of services is prepared detailing firm experience and qualifications, personnel, methodology and approach.

## The Fund

GENIVAR Income Fund offers a broad diversity of professional consulting services in planning, engineering, architecture, environmental services, project management and a variety of project services throughout all project execution phases: from the initial development studies through the design, construction, commissioning and maintenance phases. We have developed a multidisciplinary team approach where employees work closely with clients to develop optimized solutions on time and on budget. We are a fee-for-service business and operate in five different market segments: Buildings, Urban infrastructure, Industrial & Power, Transportation, and Environment.

- **Buildings:** We provide engineering, asset management, project management and architecture services to a wide range of clients and projects in the healthcare, education, institutional, recreational, commercial, residential, manufacturing and industrial sectors. Our broad range of services encompasses mechanical, electrical and structural engineering building sciences, energy efficiency, food services as well as other project services. We work on existing facilities as well as on new construction projects.
- **Urban infrastructure:** Cities, municipalities, townships and real estate developers are among the major clients of this market segment and our assignments relate to urban rehabilitation and development, water distribution and treatment, wastewater collection and treatment, public utilities, storm water management, land development, urban road networks, lighting and various municipal facilities.
- **Industrial & Power:** We provide planning, engineering and project management services to private businesses of various industries such as mining and mineral processing, aluminum and light metals, chemical and petrochemicals, pulp and paper, wood products, pharmaceuticals and biotechnology, food and beverage, power generation and general manufacturing. Power generation projects include hydroelectric, wind thermal power generation, cogeneration and related distribution and transmission systems. Our clients include public suppliers of electricity and private developers.
- **Transportation:** Through public transport authorities, government departments, cities, airport and port authorities, railroad companies and real estate developers, we offer transportation solutions by providing planning, modeling, engineering, project management and contract administration services. Typical projects include highways, bridges and other civil engineering structures, port,

harbour, railway and airport facilities, mass transit facilities, traffic systems and other transportation-related projects.

- **Environment:** Our services include impact studies and environmental assessments, ecosystem studies, monitoring, surveys, and characterizations, management systems, permitting, compliance audits, geomatics and mapping and risk management. Clients in this market segment include organizations from all of the other market segments and typical projects include restoration of contaminated sites, waste management, habitat restoration and site rehabilitation. We have developed an integrated approach to projects where our environmental scientists are involved in the start-up and completion of most projects where environmental considerations are important.

Our goal is to develop a national firm with a leading presence in all major regions of Canada and a leadership in each of our five market segments. As of 2010, we want to be recognized as one of the leading multidisciplinary engineering services firm in Canada in terms of employees and notoriety. We will simultaneously continue to develop our Caribbean platform, establish other international operating centers and support our clients in their global development. In order to meet this target, we evaluate that to become a top-tier player throughout Canada, and to achieve leadership in our market segments, we must continue our growth plan and double our size by the end of 2010. We will continue to concentrate our efforts on recruiting and retaining our talented workforce by providing a dynamic and vibrant work environment and by continuing our acquisition strategy of attracting successful and complementary businesses to the GENIVAR family.

## Highlights

In 2007, we executed this strategy through a combination of organic growth and the acquisitions of 11 firms, resulting in the total growth of our workforce from 1,600 employees as of December 31, 2006, to 2,400 employees as of December 31, 2007. The acquisitions completed in 2007 accounted for the addition of 400 employees while the remaining 400 employees joined GENIVAR through organic hiring initiatives.

Of this total workforce, 264 are shareholders of the partnership structure (GENIVAR inc., the non-controlling unitholder) that owns a 39.6% interest in the Fund. This partnership structure, which is the backbone of our business model, has grown from 191 shareholders as of December 31, 2006 to 264 as of December 31, 2007. This increase was mainly the result of the acquisitions completed in 2007, which added 70 new partners. GENIVAR inc. holds 8,463,966 exchangeable units of the Fund and relies on these 264 entrepreneurial resources of the Fund to run the business throughout its network of offices. This team of partners shares a common vision of developing their region and all of our market segments through the leveraging of the global expertise of the Fund. Our clients deal with employee-owners who have a vested interest in the success of their projects, customer

satisfaction and the profitability of the Fund. This unique business model combines the advantages of the small business entrepreneurial spirit to the global outreach of a large multidisciplinary firm. This model is a unique asset and we believe that it serves as a selling feature when we approach talented resources and acquisitions.

In 2007, the Fund posted record results in revenues, net revenues, EBITDA, net earnings per unit and distributable cash per unit. Revenues, net revenues and EBITDA were respectively \$257.2 million, \$206.6 million and \$42.2 million, representing year over year increases of 46.0%, 61.4% and 62.2% for the twelve-month period ending December 31, 2007. Net earnings and distributable cash per unit during this period were respectively \$1.32 per unit and \$1.59 per unit.

Year-end results were fuelled by a very strong fourth quarter, with total revenues of \$70.5 million and net revenues of \$58.0 million, representing respective year over year increases of 41.9% and 57.9%. EBITDA, during the period from October 1, 2007 to December 31, 2007, stood at \$12.8 million up from \$7.4 million for the same period one year ago, representing an increase of 72.0%.

In 2007, we exceeded expected budgeted performance for two important indicators. Organic growth in net revenues for the period from January 1, 2007 to December 31, 2007 represented a 27.2% increase over the previous year, compared to a forecast of 10%. EBITDA for fiscal year 2007 stood at \$42.2 million, representing a 20.4% margin of net revenues, up from our target of 18-20%.

The Fund distributed \$1.30 per unit in 2007, representing an adjusted payout ratio of 77.0% for the year. Aggregate distributions totalled \$26.1 million for the year. Based on the weighted average trading price of our unit for the year of \$19.97, total distributions of \$1.30 represent an annual yield of 6.51%.

2007 was an active period for the Fund in all areas of the business. All market segments and regions had positive year over year growth, and the outlook for 2008 is positive with our backlog increasing to \$207.5 million as of December 31, 2007, up from \$71.1 million one year ago and up from \$6.5 million since September 30, 2007.

In an effort to concentrate all its efforts in the success of the Fund, GENIVAR inc. (the non-controlling unitholder) exited the general contracting business in 2007. Management focus is now exclusively directed towards the professional consulting engineering, environmental and related services business carried out by the Fund.

In 2007, we continued to manage our risk and grow our business by diversifying our operations across other Canadian regions and by increasing our number of clients and projects in all of our five market segments.

Eleven different companies joined GENIVAR during fiscal 2007, contributing to the geographical expansion of the firm and enhancing the breath of our expertise.

- Effective January 1, 2007, Cochrane Design, an engineering firm of 150 employees, joined GENIVAR providing for an important foothold in Western Canada by establishing a presence in major cities, including Vancouver, Winnipeg, Saskatoon, and Regina.
- The acquisition of Toronto-based Kazmar Associates, a structural engineering firm of approximately 25 employees, was completed in January 2007 and strengthened our national platform in building services.
- In February 2007, we completed the acquisition of Groupe G.L.D., a multidisciplinary firm of 50 employees, and established a leadership position in the Beauce region, in Quebec.
- In May 2007, we announced the acquisition of Nove Environment, a Quebec-based environmental service firm of about 30 employees.
- In July 2007, two transportation group joined GENIVAR and established our platform in this market segment in Ontario: National Capital Engineering, a planning and design firm, and Harmer Podolak Engineering, a bridge and civil infrastructure design firm. These firms added approximately 55 employees to our work force.
- In July 2007, SEG Engineering, a Winnipeg firm, specialized in municipal infrastructure, joined GENIVAR.
- In September and October 2007, the Fund acquired two Quebec City firms, Terra and André Simard et Associés, active in the municipal infrastructure and waste management sectors.
- In October 2007, we expanded in northern Ontario with the acquisition of BH Martin, a multidisciplinary engineering firm of about 30 employees based in Timmins.
- Finally, in December 2007, VizStudio, a visual simulation group located in Montreal joined GENIVAR, providing us with leading expertise in 3D simulation of project implementation and impact analysis.

In 2008, we intend to pursue our growth through selective and strategic acquisitions. As of March 10, 2008, GENIVAR added over 365 employees through the acquisitions of Transenco, RFA, Phoenix Engineering, and EXH.

Total capital expenditures during the year were \$8.0 million of which \$2.6 million was invested in a construction project to expand square footage of the main office in Quebec City. Investments in capital expenditures were also required to maintain up-to-date technology and systems in a context of organic growth but also to

upgrade to our standards the information technology software and hardware of the acquired businesses.

The Fund also pursued its effort to optimize efficiencies and systems throughout the firm and continued its ongoing integration of recent acquisitions.

Our balance sheet remained solid, with a cash position of \$12.8 million as at December 31, 2007. On September 13, 2007, the Fund issued, pursuant to a public offering \$50 million in new equity from which \$11 million were invested by GENIVAR inc., the non-controlling unitholder. Through its credit facilities and its ability to raise additional equity, the Fund is well-positioned to continue the execution of its business plan of growth through organic initiatives and selected acquisitions.

## SUMMARY OF QUARTERLY RESULTS

	2007					2006		
	TTM	Q4	Q3	Q2	Q1	Q4	Q3	Q2 (37 days)
	TRAILING TWELVE MONTHS (AUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JULY 1 TO SEPTEMBER 30 (UNAUDITED)	FOR THE PERIOD FROM APRIL 1 TO JUNE 30 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO MARCH 31 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JULY 2 TO SEPTEMBER 30 (UNAUDITED)	FOR THE PERIOD FROM MAY 25 TO JULY 1 (UNAUDITED)
IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA								
<b>Results of operations</b>								
Revenues	\$ 257,205	\$ 70,528	\$ 68,543	\$ 63,791	\$ 54,343	\$ 49,703	\$ 42,555	\$ 17,523
Net revenues (1)	\$ 206,628	\$ 57,999	\$ 53,602	\$ 50,859	\$ 44,168	\$ 36,733	\$ 33,732	\$ 14,216
Gross margin	\$ 100,649	\$ 28,762	\$ 26,233	\$ 24,578	\$ 21,076	\$ 17,533	\$ 16,196	\$ 7,176
EBITDA	\$ 42,160	\$ 12,788	\$ 11,685	\$ 9,597	\$ 8,090	\$ 7,437	\$ 7,024	\$ 3,354
Net earnings	\$ 15,295	\$ 5,676	\$ 4,344	\$ 2,603	\$ 2,672	\$ 2,577	\$ 2,364	\$ 1,403
Basic and diluted net earnings per unit	\$ 1.32	\$ 0.44	\$ 0.38	\$ 0.24	\$ 0.24	\$ 0.24	\$ 0.21	\$ 0.13
Weighted average number of units (2)	11,543,532	12,858,533	11,305,396	10,992,394	11,000,000	11,000,000	11,000,000	11,000,000
Diluted weighted average number of units (2)	19,635,498	21,332,787	19,347,454	18,920,619	18,927,381	18,927,381	18,927,381	18,927,381
<b>Distributable Cash</b>								
Distributable Cash (3)(4)								
Standardized	\$ 23,749	\$ 18,293	\$ 4,784	\$ 1,623	(\$ 951)	\$ 7,918	\$ 5,682	(\$ 1,850)
Adjusted	\$ 33,952	\$ 11,218	\$ 9,575	\$ 6,718	\$ 6,441	\$ 6,269	\$ 6,097	\$ 3,269
Distributable Cash, per unit (3) (4)								
Standardized	\$ 1.11	\$ 0.86	\$ 0.22	\$ 0.09	(\$ 0.05)	\$ 0.42	\$ 0.30	(\$ 0.10)
Adjusted	\$ 1.59	\$ 0.53	\$ 0.45	\$ 0.35	\$ 0.34	\$ 0.33	\$ 0.32	\$ 0.17
Distributions declared	\$ 26,142	\$ 11,749	\$ 4,933	\$ 4,730	\$ 4,730	\$ 4,730	\$ 4,730	\$ 1,934
Distributions declared, per unit	\$ 1.30	\$ 0.55	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.25	\$ 0.10
Payout ratio								
Adjusted	77.0%	104.7%	51.5%	70.4%	73.4%	75.5%	77.6%	59.2%

- (1) Net revenues are defined as Revenues less subconsultants and other direct expenses (see glossary).
- (2) The basic and diluted weighted average number of units has been adjusted to reflect units purchased in the market during the year in connection with the long-term incentive plan and units issued pursuant to a public offering in Q3.
- (3) The definition of Distributable Cash has been revised in Q3 to comply with the recommendations provided in CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities." See section "Distributable Cash".
- (4) Distributable Cash and Distributable Cash per unit amounts are calculated for the combined interest of the Fund's units and Non-subordinated Exchangeable LP units and Subordinated Exchangeable LP units, which total 21,366,405 as at December 31, 2007 (18,927,381 at the same date in 2006). Number of units has not been adjusted to reflect units purchased in the market in connection with the long-term incentive plan since the distributions on these units continue to be declared and paid.

## SELECTED CONSOLIDATED FINANCIAL INFORMATION

### FINANCIAL HIGHLIGHTS

IN THOUSANDS OF DOLLARS, EXCEPT PER UNIT DATA	3 months		12 months	
	2007	2006	2007	2006
	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (COMBINED-UNAUDITED) (1)
Net revenues	\$ 57,999	\$ 36,733	\$ 206,628	\$ 127,979
EBITDA	\$ 12,788	\$ 7,437	\$ 42,160	\$ 25,989
Net earnings (3)	\$ 5,676	\$ 2,577	\$ 15,295	
Net earnings per Fund unit (2) (3)				
Basic	\$ 0.44	\$ 0.24	\$ 1.32	
Diluted	\$ 0.44	\$ 0.24	\$ 1.32	

IN THOUSANDS OF DOLLARS	3 months		12 months	220-day period
	2007	2006	2007	2006
	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)	FOR THE PERIOD FROM MAY 25 TO DECEMBER 31 (AUDITED)
Distributable Cash (4)				
Standardized	\$ 18,293	\$ 7,918	\$ 23,749	\$ 11,750
Adjusted	\$ 11,218	\$ 6,269	\$ 33,952	\$ 15,637
Aggregate Distributions, all units	\$ 11,749	\$ 4,730	\$ 26,142	\$ 11,394
Payout ratio				
Adjusted	104.7%	75.5%	77.0%	72.9%

## BALANCE SHEETS

IN THOUSANDS OF DOLLARS	2007	2006
	AS AT DECEMBER 31 (AUDITED)	AS AT DECEMBER 31 (AUDITED)
Total Assets	\$ 305,972	\$ 248,838
Long-term financial liabilities (5)	-	\$ 6,957

- (1) This combined financial information is the combination of financial results of GENIVAR Engineering Services Business PRE-IPO and financial results of the Fund POST-IPO.
- (2) The basic and diluted weighted average number of units has been adjusted to reflect units purchased in the market during the year in connection with the long-term incentive plan and units issued pursuant to a public offering in Q3.
- (3) Net earnings and Earnings per Fund unit have not been presented on a comparative basis due to the changes made with respect to the capital structure of the preceding entities as a result of the IPO completed on May 25, 2006.
- (4) The definition of Distributable Cash has been revised in Q3 to comply with the recommendations provided in CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities." See section "Distributable Cash."
- (5) Consistent with the original provisions of the credit facilities agreement, bank advances are reclassified as long-term liabilities.

## RESULTS OF OPERATIONS

	3 months		12 months	
	2007	2006	2007	2006
	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (COMBINED - UNAUDITED) (1)
IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA				
<b>Revenues</b>	<b>\$ 70,528</b>	<b>\$ 49,703</b>	<b>\$ 257,205</b>	<b>\$ 176,113</b>
Deduct: Subconsultants and other direct expenses	\$ 12,529	\$ 12,970	\$ 50,577	\$ 48,134
<b>Net revenues</b>	<b>\$ 57,999</b>	<b>\$ 36,733</b>	<b>\$ 206,628</b>	<b>\$ 127,979</b>
Direct project costs	\$ 29,237	\$ 19,200	\$ 105,979	\$ 65,123
<b>Gross margin</b>	<b>\$ 28,762</b>	<b>\$ 17,533</b>	<b>\$ 100,649</b>	<b>\$ 62,856</b>
Marketing, general, and administrative expenses and others	\$ 15,974	\$ 10,096	\$ 58,489	\$ 36,867
<b>EBITDA</b>	<b>\$ 12,788</b>	<b>\$ 7,437</b>	<b>\$ 42,160</b>	<b>\$ 25,989</b>
Interest	\$ 158	\$ 195	\$ 1,651	\$ 608
Depreciation of property, plant, and equipment	\$ 924	\$ 534	\$ 2,893	\$ 1,867
Amortization of intangible assets	\$ 3,061	\$ 2,130	\$ 10,687	\$ 7,052
<b>Earnings before income taxes and non-controlling interest</b>	<b>\$ 8,645</b>	<b>\$ 4,578</b>	<b>\$ 26,929</b>	<b>\$ 16,462</b>
Income tax expense (recovery) (2) (4)	(\$ 755)	\$ 144	\$ 1,034	
<b>Earnings before non-controlling interest</b>	<b>\$ 9,400</b>	<b>\$ 4,434</b>	<b>\$ 25,895</b>	
Non-controlling interest (2)	\$ 3,724	\$ 1,857	\$ 10,600	
<b>Net earnings (2)</b>	<b>\$ 5,676</b>	<b>\$ 2,577</b>	<b>\$ 15,295</b>	
<b>Basic net earnings per unit</b>	<b>\$ 0.44</b>	<b>\$ 0.24</b>	<b>\$ 1.32</b>	
Weighted average number of units (3) (5)	12,858,533	11,000,000	11,543,532	
Diluted net earnings per unit	\$ 0.44	\$ 0.24	\$ 1.32	
Diluted weighted average number of units (3) (5)	21,332,787	18,927,381	19,635,498	

(1) This combined financial information is the combination of financial results of GENIVAR Engineering Services Business PRE-IPO and financial results of the Fund POST-IPO.

(2) Income taxes, non-controlling interest and net earnings have not been presented on a comparative basis due to the changes in the capital structure of the preceding entities and the Fund in connection with the IPO on May 25, 2006.

(3) The basic and diluted weighted average number of units has been adjusted to reflect units purchased in the market during the year in connection with the long-term incentive plan and units issued pursuant to a public offering in Q3.

(4) See section "Results of operations – Income tax expense."

(5) As at March 10, 2008, the number of units is identical to what it was as at December 31, 2007.

## RESULTS OF OPERATIONS<sup>1</sup>

### Revenues

We operate in one reporting segment, consulting services. We believe that our financial performance and our results should be measured and analyzed in relation to our fee-based revenues, or net revenues, since direct recoverable costs can vary significantly from contract to contract and are not indicative of our Engineering Services business.

Our revenues for the three-month period ended December 31, 2007, increased by \$20.8 million (41.9%) from \$49.7 million in 2006 to \$70.5 million in 2007. Revenues for the twelve-month period ended December 31, 2007, were \$257.2 million compared to \$176.1 million for the same period in 2006, which represents an increase of \$81.1 million (46.0%).

Our net revenues, expressed as revenues less direct costs for subconsultants and other direct expenses that are recoverable directly from our clients, were in the amount of \$58.0 million for the three-month period ended December 31, 2007, and \$36.7 million for the corresponding period in 2006, which represents an increase of \$21.3 million (57.9%). For the twelve-month comparative period, net revenues increased from \$128.0 million for the twelve months ended December 31, 2006 to \$206.6 million for the corresponding period ended December 31, 2007, which represents an increase of \$78.6 million (61.4%).

The following table summarizes the impact of business acquisitions and organic growth on both revenues and net revenues:

IN THOUSANDS OF DOLLARS	3 months		12 months	
	Variation 2007 vs. 2006	%	Variation 2007 vs. 2006	%
<b>Revenues</b>				
Acquisition growth (2)	\$ 11,953	24.0%	\$ 49,710	28.2%
Organic growth	\$ 8,872	17.9%	\$ 31,382	17.8%
Total increase	\$ 20,825	41.9%	\$ 81,092	46.0%

IN THOUSANDS OF DOLLARS	3 months		12 months	
	Variation 2007 vs. 2006	%	Variation 2007 vs. 2006	%
<b>Net revenues</b>				
Acquisition growth (2)	\$ 10,622	28.9%	\$ 43,800	34.2%
Organic growth	\$ 10,644	29.0%	\$ 34,849	27.2%
Total increase	\$ 21,266	57.9%	\$ 78,649	61.4%

(1) Combined information for the twelve-month period ended December 31, 2006, was carved out, for the period from January 1, to May 24, 2006, from GENIVAR Engineering Services Business.

(2) Acquisition growth is calculated by comparing the current revenues of the acquired business to the revenues for the corresponding period of the previous year. Current revenues that exceed the average revenues of the acquired business at the acquisition's date are presented as organic growth.

For the three-month period ended December 31, 2007, on a net revenues basis, acquisition growth accounted for \$10.6 million, from which \$1.2 million was generated by way of the acquisitions concluded in the fourth quarter of 2007, \$1.9 by way of the acquisitions concluded in the third quarter and \$6.6 by way of the acquisitions concluded in the first two quarters. Finally, \$0.9 million originated from the Martoni acquisition concluded in fiscal 2006.

For the twelve-month period ended December 31, 2007, on a net revenues basis, acquisition growth accounted for \$43.8 million, from which \$1.2 million was generated by way of the acquisitions concluded in the fourth quarter of 2007, \$3.5 by way of the acquisitions concluded in the third quarter and \$24.9 by way of the acquisitions concluded in the first two quarters. Finally, \$14.2 million originated from the MacViro and Martoni acquisitions concluded in fiscal 2006.

Organic growth can be explained by an increase in the number of employees due to a higher level of both business activity and productivity as well as a growth within the acquired firms as a result of integration and cross-marketing. From December 2006 to December 2007, the number of employees increased by 50.0%, from 1,600 to 2,400 employees. Half of this increase came from organic growth.

Also, it is important to note that this significant growth will not necessarily be sustainable in the future.

## Expenses

Our operating expenses consist of two major components which are our direct project costs and marketing, general, and administrative expenses. Direct project costs include payroll costs relating to the delivery of consulting services and project delivery. Marketing, general, and administrative expenses 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 and interest expense.

We believe that the key performance indicators of our business are direct project costs, gross margin and marketing, general, and administrative expenses, all of which are expressed as a percentage of net revenues.

### **Direct project costs**

For the three-month period ended December 31, 2007, direct costs represented 50.4% of net revenues compared to 52.3% for the same period in 2006.

For the twelve-month period ended December 31, 2007, direct costs represented 51.3% of net revenues compared to 50.9% for the same period in 2006. The \$1.5 million net revenues recognized in the first quarter of 2006 on some very profitable projects continue to impact positively the percentage of direct costs over net revenues in the twelve months ended December 31, 2006.

As a percentage of net revenues, direct costs for the last four complete quarters slightly decreased:

- 50.4%      Q4-2007
- 51.1%      Q3-2007
- 51.7%      Q2-2007
- 52.3%      Q1-2007

This improvement over the last quarters is attributable to higher productivity levels and better performance and profitability on projects.

### **Gross margin**

For the three-month period ended December 31, 2007, the gross margin represented 49.6% of net revenues compared to 47.7% for the same period in 2006.

For the twelve-month period ended December 31, 2007, the gross margin represented 48.7% of net revenues compared to 49.1% for the same period in 2006.

As a percentage of net revenues, gross margin slightly increased over the last four complete quarters:

- 49.6%      Q4-2007
- 48.9%      Q3-2007
- 48.3%      Q2-2007
- 47.7%      Q1-2007

As previously mentioned, this improvement over the last quarters is attributable to higher productivity levels and better performance and profitability on projects.

### **Marketing, general and administrative expenses and others**

Marketing, general and administrative expenses and others for the three-month period ended December 31, 2007 increased to \$16.0 million compared to \$10.1 million for the same period in 2006. As a percentage of net revenues,

marketing, general and administrative expenses and others represent 27.5%, which represents the same percentage as the same period in 2006.

For the twelve-month period ended December 31, 2007, marketing, general, and administrative expenses represented 28.3% of net revenues compared to 28.8% for the same period in 2006.

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

- 27.5% Q4-2007
- 27.1% Q3-2007
- 29.5% Q2-2007
- 29.4% Q1-2007

Integration costs of recently-acquired companies continue to impact, in terms of dollars, the marketing, general and administrative expenses, but these costs are partially offset by the synergies created on some previous acquisitions. Also, since we have reached higher productivity levels on projects, there is less staff time charged to marketing and administration. Finally, marketing, general and administrative expenses are not in direct relation with net revenues and therefore may fluctuate from quarter to quarter.

### **EBITDA**

EBITDA for the three months ended December 31, 2007, stood at \$12.8 million, up \$5.4 million from \$7.4 million for the same period in 2006, thus representing a 72.0% increase. As a percentage of net revenues, EBITDA margin stood at 22.0% for the three-month period ended December 31, 2007, compared to 20.2% for the same period in 2006. EBITDA for the twelve months ended December 31, 2007, was \$42.2 million, up \$16.2 million from \$26.0 million for the same period in 2006, representing a 62.2% increase.

As a percentage of net revenues, EBITDA increased in the last quarter:

- 22.0% Q4-2007
- 21.8% Q3-2007
- 18.9% Q2-2007
- 18.3% Q1-2007

The increase in EBITDA during the fourth quarter of 2007 is mainly attributable to the increase in gross margin.

### **Depreciation and amortization**

Depreciation of property, plant and equipment for the three months ended December 31, 2007 was \$0.9 million compared to \$0.5 million for the same

period in 2006. For the twelve months ended December 31, 2007, depreciation of property, plant and equipment increased by \$1.0 million, from \$1.9 million in 2006 to \$2.9 million in 2007. The underlying cause is the depreciation of additional assets acquired through various business acquisitions.

Amortization of intangible assets, for the three months ended December 31, 2007, was \$3.1 million compared to \$2.1 million for the same period in 2006. For the twelve months ended December 31, 2007, amortization of intangible assets increased by \$3.6 million, from \$7.1 million in 2006 to \$10.7 million in 2007. The amortization expense increase is attributable to the business acquisition completed in the last quarter of fiscal year 2006, as well as those completed in fiscal year 2007.

### **Interest**

Interest expense for the three months ended December 31, 2007 and 2006, amounted to \$0.2 million. Interest expense for the twelve months ended December 31, 2007, increased to \$1.7 million compared to \$0.6 million during the same period in 2006. The increase can be explained by a higher debt position in 2007 than in 2006, which is directly related to business acquisitions.

### **Income tax expense**

Prior to June 12, 2007, the Fund was not subject to income taxes. The future income tax provision included in the Fund's financial statements before this date reflects only those temporary differences expected to reverse within two Fund's operating subsidiaries subject to income taxes.

On June 12, 2007, draft legislative proposals to implement a tax on distributions from publicly traded income trusts and partnerships passed third reading in the House of Commons and received Royal Assent on June 22, 2007 (Bill C-52). The Bill contained what has become known as the "SIFT Rules" to bring these tax changes into force. Since the second quarter, the Fund accounted for future income taxes. The cumulative effect of future income taxes recognized in addition to the taxes recognized by operating subsidiaries subject to income taxes, is based on existing temporary differences that are expected to reverse from January 1, 2011, when the new rules take effect. To calculate the adjustment required, the Fund forecasted the changes in its tax attributes between December 31, 2007 and December 31, 2010. This calculation also takes into account the temporary differences attributable to the non-controlling interest. These forecasts will be updated quarterly using the tax rate that is substantively enacted to be in effect for 2011 (29.5%). Any change will be reflected in net earnings.

For the twelve-month period ended December 31, 2007, the Fund recognized an amount of \$0.6 million as a charge to income tax expense and \$0.2 million as a reduction of issuance-related costs, with a net result of \$0.4 million as future income tax liabilities.

For the three-month period ended December 31, 2007, the Fund recognized an amount of \$0.7 million as an income tax recovery. This recovery during the fourth quarter is mainly attributable to the temporary differences on intangible assets and to the tax rate change from 31.5% to 29.5% effective December 2007.

In response to these changes, management has analyzed the current state of legislation and its implications. At present, we can formulate the following response to the issue at hand:

- The changes do not impact our business model and business strategies; management believes professional services firms are well-suited for income trusts since most professional services firms operate under a partnership structure where the most important assets are the employees and where low-capital expenditures are required to operate. The GENIVAR Income Fund remains a sustainable model even after the modifications will have been implemented in 2011.
- The changes do not impact our current strategy for cash distribution to Unitholders.
- The other changes included in the new law will not significantly impact our access to additional capital. In September 2007, the Fund issued \$50.0 million in new equity from which \$11.0 million were invested by GENIVAR inc., the Non-controlling Unitholder. For each calendar year 2008, 2009, and 2010, the Fund could issue up to 20.0% of its October 31, 2006, market capitalization (approximately \$135 million). This new equity, combined with our existing credit facilities, will sustain our growth plan.

Any relevant information will be considered in order to assess the optimal structure of GENIVAR in the future.

### **Net earnings and earnings per Fund unit**

The Fund's net earnings for the three-month period ended December 31, 2007 were \$5.7 million or \$0.44 per unit on both a basic and diluted basis.

The Fund's net earnings for the twelve-month period ended December 31, 2007 were \$15.3 million or \$1.32 per unit on both a basic and a diluted basis.

Earnings per unit have been affected in the third quarter by the issuance of units in connection with the public offering realized in September 2007.

### **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		12 months	220-day period
	2007	2006	2007	2006
IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)	FOR THE PERIOD FROM MAY 25 TO DECEMBER 31 (AUDITED)
<b>Cash flows from operating activities</b>	<b>\$ 19,735</b>	<b>\$ 8,833</b>	<b>\$ 31,801</b>	<b>\$ 13,333</b>
Capital expenditures paid	(\$ 1,442)	(\$ 915)	(\$ 8,052)	(\$ 1,583)
<b>Standardized Distributable Cash</b>	<b>\$ 18,293</b>	<b>\$ 7,918</b>	<b>\$ 23,749</b>	<b>\$ 11,750</b>
Change in non-cash working capital items (1)	(\$ 7,211)	(\$ 1,649)	\$ 8,461	\$ 3,887
Purchase of units in the market under the long-term incentive plan	-	-	(\$ 825)	-
Capital expenditures paid for non-recurring items (2)	\$ 136	-	\$ 2,567	-
<b>Adjusted Distributable Cash (3)</b>	<b>\$ 11,218</b>	<b>\$ 6,269</b>	<b>\$ 33,952</b>	<b>\$ 15,637</b>
<b>Adjusted Distributable Cash, per unit (3)</b>	<b>\$ 0.53</b>	<b>\$ 0.33</b>	<b>\$ 1.59</b>	<b>\$ 0.83</b>
<b>Payout ratio</b>				
<b>Adjusted</b>	<b>104.7%</b>	<b>75.5%</b>	<b>77.0%</b>	<b>72.9%</b>
<b>Distributions</b>				
Fund's units distributions	\$ 7,095	\$ 2,749	\$ 15,500	\$ 6,622
Class B Non-subordinated Exchangeable LP unit distributions	\$ 2,053	\$ 799	\$ 4,493	\$ 1,924
Class C Subordinated Exchangeable LP unit distributions	\$ 2,601	\$ 1,182	\$ 6,149	\$ 2,848
<b>Aggregate distributions, all units (3)</b>	<b>\$ 11,749</b>	<b>\$ 4,730</b>	<b>\$ 26,142</b>	<b>\$ 11,394</b>
<b>Aggregate distributions, all units, per unit (3)</b>	<b>\$ 0.55</b>	<b>\$ 0.25</b>	<b>\$ 1.30</b>	<b>\$ 0.60</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) Non-recurring capital expenditures pertain to a construction project which had for objective to expand square footage of the main office in Quebec City.
- (3) Distributable Cash and Distributable Cash per unit amounts are calculated for the combined interest of the Fund's units and Non-subordinated Exchangeable LP units and Subordinated Exchangeable LP units, which total 21,366,405 as at December 31, 2007 (18,927,381 at the same date in 2006). Number of units has not been adjusted to reflect units purchased in the market in connection with the long-term incentive plan since the distributions on these units continue to be declared and paid.

During the three months ended December 31, 2007, the Fund generated \$11.2 million of Adjusted Distributable Cash compared to \$6.3 million for the same period in 2006.

The adjusted payout ratio for the quarter is 104.7% compared to 75.5% for the same period in 2006. This increase is primarily due to the one-time special distribution of \$0.30 per unit declared in November 2007. Adjusted payout ratio for the year 2007 is 77.0%.

### 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 a 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. In 2007, investments in capital expenditures were primarily required to maintain up-to-date technology and systems in a context of organic growth but also to upgrade to our standards the information technology software and hardware of the acquired businesses. A non-recurring amount of \$2.6 million was also invested in a construction project to expand square footage of the main office in Quebec City.

### Long-term incentive plan (“LTIP”)

The officers and key employees are eligible to participate in GENIVAR LP’s LTIP. The purpose of the LTIP is to reward and retain officers and key employees for significant performance and associated per unit cash flows growth of the Fund. Pursuant to the LTIP, GENIVAR LP will set aside a pool of funds based upon the amount, if any, by which the Fund’s per unit distributions exceed certain defined per unit distributable cash threshold amounts.

The percentage amount of that excess will be determined in accordance with the table below:

Percentage by which Distributable Cash per unit Exceeds the Base Threshold	Maximum Proportion of Distributable Cash Available for LTIP Payments
5% or less	10% of any excess up to 5%
Over 5% to 10%	10% of the first 5% and 15% of any excess over 5% but not exceeding 10%
Greater than 10%	10% of the first 5% and 15% of any excess over 5% but not exceeding 10% and 20% of any excess over 10%

Until December 31, 2008, the base threshold will be \$1.00 per unit. After December 31, 2008, the board of directors of GENIVAR GP Inc or any authorized committee will review and assess the base threshold. Based on the December 31, 2007, distributable cash, the maximum amount of the 2008 LTIP is \$2.3 million.

For more details about the LTIP program, please refer to the note 17 of the audited consolidated financial statements.

## CASH DISTRIBUTION

Since the beginning of its operations on May 2006, the Fund declared a monthly distribution of \$0.0833 per unit or \$1.0 per unit on an annualized basis. On November 2007, the Fund announced a one-time special distribution of \$0.30 per unit for unitholders of record at the close of business on November 30, 2007.

	3 months		12 months
	2007	2006	2007
	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)
IN THOUSANDS OF DOLLARS			
<b>Cash flows from operating activities</b>	<b>\$ 19,735</b>	<b>\$ 8,833</b>	<b>\$ 31,801</b>
Net earnings	\$ 5,676	\$ 2,577	\$ 15,295
Non-controlling interest	\$ 3,724	\$ 1,857	\$ 10,600
<b>Earnings before non-controlling interest</b>	<b>\$ 9,400</b>	<b>\$ 4,434</b>	<b>\$ 25,895</b>
<b>Actual cash distributions declared</b>	<b>\$ 11,749</b>	<b>\$ 4,730</b>	<b>\$ 26,142</b>
Excess of cash flows from operating activities over cash distributions declared	\$ 7,986	\$ 4,103	\$ 5,659
Shortfall of earnings before non-controlling interest over cash distributions declared	(\$ 2,349)	(\$ 296)	(\$ 247)

### Excess of cash flows from operating activities over cash distributions declared

Cash flows from operating activities exceeded cash distributions declared for both the three-month and twelve-month periods ended December 31, 2007. The excess is more important in the three-month period than in the twelve-month period, because following the acquisition in January 2007 of certain assets of CDG and Kazmar (excluding receivables and costs and anticipated profits in excess of billings), cash flows from operating activities were affected by the required investments in working capital. Bank advances were used to finance the shortfall in accordance with the Credit Facilities. The investments in working capital concerning these acquisitions amounted to \$4.5 million for the twelve-month period ended December 31, 2007. If the impact of these non-recurring investments in working capital is excluded, cash flows from operating activities exceeded cash distributions declared by \$10.2 million. In addition, additional investments in working capital were required to fund organic growth in net revenues achieved

both during the three-month and the twelve-month periods ended December 31, 2007.

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

For the three-month period ended December 31, 2007, Earnings before non-controlling interest are lower than the cash distributions declared by \$2.3 million. This can be explained by the one-time special distribution of \$0.30 per unit of \$6.4 million declared and paid in the fourth quarter. As shown by the twelve-month minor shortfall of \$0.2 million, on an annual basis, the one-time special distribution did not exceed the Earnings before non-controlling interest or have a negative impact. It is also important to note that the Fund does not use net earnings as a basis to calculate cash distributions as net earnings, in accordance with GAAP, include expenses which do not affect cash such as amortization of intangible assets including non-compete agreements, customer relationships and contract backlogs. As a result of GENIVAR's acquisitions over the past several 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 exceeded cash distributions declared by \$0.4 million for the three-month period and by \$9.5 million for the twelve-month period ended December 31, 2007.

### **BACKLOG**

As at December 31, 2007, our backlog, which represents future revenues that stem from existing signed contracts to be executed, stood at \$207.5 million. As at December 31, 2006, our backlog was \$136.4 million. On a comparative basis, this represents a 52.1% increase. If we consider that our field of business measures backlog in terms of months of work, we can foresee that it represents approximately nine months of upcoming work.

- \$207.5 million      Q4-2007
- \$201.0 million      Q3-2007
- \$176.7 million      Q2-2007
- \$156.4 million      Q1-2007

## LIQUIDITY AND CAPITAL RESOURCES

	3 months		12 months	220-day period
	2007	2006	2007	2006
	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)	FOR THE PERIOD FROM MAY 25 TO DECEMBER 31 (AUDITED)
IN THOUSANDS OF DOLLARS				
<b>Cash Flows</b>				
Cash flows from operating activities	\$ 19,735	\$ 8,833	\$ 31,801	\$ 13,332
Cash flows from financing activities	(\$ 12,622)	\$ 1,528	\$ 3,244	\$ 33,661
Cash flows from investing activities	(\$ 4,467)	(\$ 2,175)	(\$ 30,376)	(\$ 38,807)
<b>Net change in cash position during the period</b>	<b>\$ 2,646</b>	<b>\$ 8,186</b>	<b>\$ 4,669</b>	<b>\$ 8,186</b>
<b>Distributions paid</b>	(\$ 11,749)	(\$ 6,073)	(\$ 25,939)	(\$ 9,029)
<b>Capital expenditures</b> (including capital expenditures paid for non-recurring items)	(\$ 1,442)	(\$ 915)	(\$ 8,052)	(\$ 1,583)

### Cash flows from operating activities

For the twelve-month period ended December 31, 2007, operations generated \$40.3 million of cash, of which \$8.5 million was used in non-cash working capital items for net cash from operating activities of \$31.8 million. The use of \$8.5 million in non-cash working capital is mainly attributable to an increase of \$16.8 million in accounts receivable and of \$6.8 million in costs and anticipated profits in excess of billings. This increase is offset by an increase of \$7.8 million in accounts payable and of \$6.8 million in billings in excess of costs and anticipated profits.

For the three-month period ended December 31, 2007, operations generated \$12.5 million of cash, of which \$7.2 million was generated by non-cash working capital items for net cash from operating activities of \$19.7 million. The decrease in costs and anticipated profits in excess of billings generated \$5.9 million and the increase in billings in excess of costs and anticipated profits generated \$2.3 million. This is partially offset by an increase in accounts receivable of \$2.4 million.

Accounts receivables and costs and anticipated profits in excess of billings represent approximately 108 days of annual sales, which is comparable to the previous quarters and to the industry standards for comparable businesses.

### Cash flows from financing activities

For the twelve-month period ended December 31, 2007, financing activities generated up to \$3.2 million of cash. Out of this amount, \$47.6 million came from the issuance of units pursuant to a public offering and a net amount of

\$16.9 million was used to reimburse bank advances and advances from the Non-controlling Unitholder. Finally, \$25.9 million was used to pay distributions to unitholders.

For the three-month period ended December 31, 2007, financing activities used up to \$12.6 million of cash. Out of this amount, \$0.5 million was used to reimburse advances from the Non-controlling Unitholder and \$0.4 million to pay some balances of purchase price related to business acquisitions. Finally, \$11.7 million was used to pay distributions to unitholders.

### **Cash flows from investing activities**

For the twelve-month period ended on December 31, 2007, investing activities used up to \$30.4 million of cash. Business acquisitions used up \$22.9 million of this amount and capital expenditures incurred totaled \$8.1 million. Capital expenditures include a non-recurring amount of \$2.6 million pertaining to a construction project to expand square footage of the main office in Quebec City.

For the three-month period ended on December 31, 2007, investing activities used up to \$4.5 million of cash. Business acquisitions used up \$3.0 million of this amount and capital expenditures incurred totaled \$1.4 million.

As at December 31, 2007, the cash position of the Fund amounted to \$12.8 million and consists of cash and cash equivalents.

In the third quarter, the Fund totally reimbursed the bank advances with the proceeds of the units issued in September pursuant to a public offering. Advances payable to the Non-controlling Unitholder were also reimbursed in September with the proceeds of the units issued.

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 facility has been mainly used to complete business acquisitions.

The Fund has credit facilities, totaling \$42.0 million, allocated as follows:

#### *Term facility*

Term facility of \$40.0 million for operations purposes and for the financing of acquisitions. The term facility may also be used for the payment of distributions to unitholders up to a maximum amount of \$5.0 million.

### *Treasury facility*

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

These credit facilities have a three-year term and mature in May 2010. 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 hypothec over the universality of movable assets and bear interest at prime rate, U.S. base rate or LIBOR rate plus an applicable margin that will vary depending on the type of advance and total consolidated debt to earnings before interest, income taxes, depreciation and amortization ratio, as defined in the agreement.

Under these credit facilities, the Fund is required, among other conditions, to respect certain covenants, which have been met as at December 31, 2007.

As at December 31, 2007, and since the beginning of its activities, the Fund does not hold any commercial papers. Consequently, the Fund has not been affected by asset backed commercial paper.

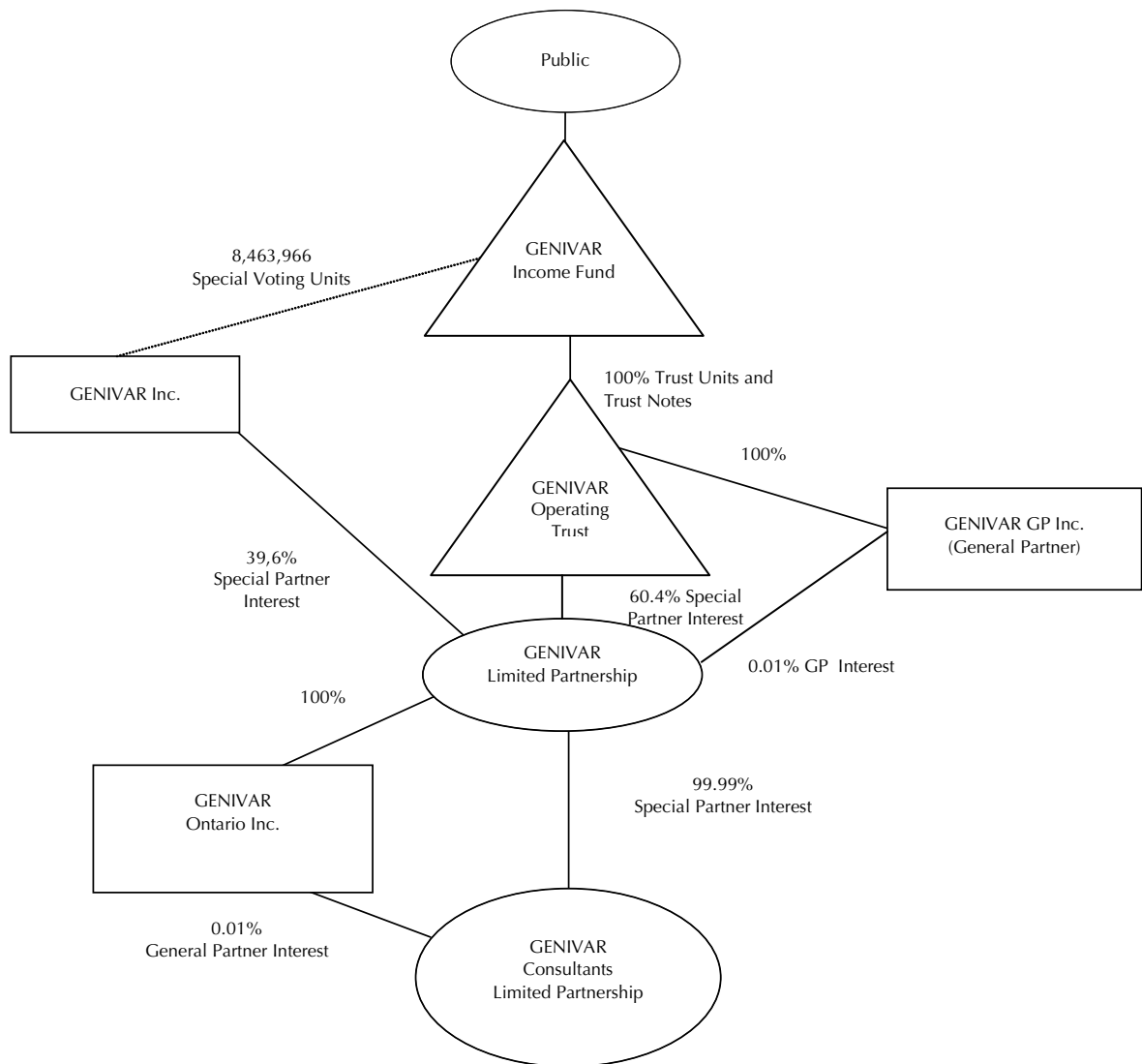
## **THE FUND**

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. ("GENIVAR GP"), 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 12,902,439 Class A LP Units of GENIVAR LP representing a 60.4% interest (58.1% before this transaction). The Non-controlling Unitholder holds 3,732,121 Class B partnership units (the "Non-subordinated Exchangeable LP units") and 4,731,845 Class C partnership units of GENIVAR LP (the "Subordinated Exchangeable LP units"), together representing the remaining 39.6% interest in GENIVAR LP (41.9% before this transaction). The Non-subordinated Exchangeable

LP units are exchangeable at any time into units on a one-for-one basis, subject to an adjustment. The Subordinated LP units are exchangeable, no earlier than July 1, 2008, into units, on a one-for-one basis, subject to an adjustment. In addition, the Non-controlling Unitholder holds 8,463,966 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 a Non-subordinated Exchangeable LP Unit or Subordinated Exchangeable LP Unit.

The following chart illustrates, on a simplified basis, the structure of the Fund:



1. Certain subsidiaries, each of which represents not more than 10% of the consolidated assets and not more than 10% of the consolidated revenues of GENIVAR, and all of which, in the aggregate, represent not more than 20% of the total consolidated assets and the total consolidated revenues of GENIVAR as at December 31, 2007 have been omitted.

## **GOVERNANCE**

### **Disclosure controls**

The Fund's Chief Executive Officer and Chief Financial Officer are responsible for establishing and maintaining the Fund's disclosure controls and procedures. These disclosure controls and procedures are designed to ensure that information required to be disclosed by the Fund in reports filed with securities regulatory authorities is recorded or disclosed on a timely basis, as required by law, and is accumulated and communicated to the Fund's Management, including its Chief Executive Officer and Chief Financial Officer, as appropriate to allow timely decisions regarding required disclosure. The Chief Executive Officer and Chief Financial Officer are assisted in this responsibility by the Disclosure Committee, which is composed of senior executives of the Fund. Based on an evaluation of the Fund's disclosure controls and procedures, the Fund's Chief Executive Officer and Chief Financial Officer have concluded that these disclosure controls and procedures operated effectively as of December 31, 2007 to ensure that material information relating to the Fund would have been known to them.

### **Internal control over financial reporting**

Internal control over financial reporting ("ICFR") is designed to provide reasonable assurances regarding the reliability of the Fund's financial reporting and its compliance with GAAP in its financial statements. The Chief Executive Officer and Chief Financial Officer have evaluated whether there were changes to its ICFR during the three months ended December 31, 2007 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

The Fund maintained its growth strategy through acquisitions by completing eleven transactions in 2007. During the year, the Fund added employees and external consultants to improve internal controls and procedures. However, the finance resources were devoting significant efforts on due diligence work and integration of acquired businesses. Delays were encountered in documenting and evaluating the design of the control procedures at the subsidiaries' level. In the upcoming quarters, management will continue to improve internal control over financial reporting for these acquired businesses, relying, in the meantime on manual and detective controls to mitigate risks.

## **CRITICAL ACCOUNTING POLICIES**

### **Use of estimates**

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires management to make estimates and assumptions that affect the amounts of assets and liabilities reported in the financial statements. Those estimates and assumptions also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of

revenues and expenses during the period. Actual results could differ from those estimates.

### **Costs and anticipated profits in excess of billings**

The Fund values its costs and anticipated profits in excess of billings based on the time and materials charged into each project. The costs and anticipated profits in excess of billings for each project is reviewed on a monthly basis to determine whether the amount is a true reflection of the amount that will be invoiced on the project. Where the review determines that the value of costs and anticipated profits in excess of billings exceed the amount that can be invoiced, adjustments are made to the costs and anticipated profits in excess of billings. The valuation of the costs and anticipated profits in excess of billings involves estimates of the amount of work required to complete the project. Errors in the estimation of work required to complete the projects could lead to the under or overvaluation of costs and anticipated profits in excess of billings.

### **Allowance for doubtful accounts**

Estimates are used in determining the allowance for doubtful accounts related to trade receivables. The estimates are based on management's best assessment of the collectability of the related receivable balance based, in part, on the age of the specific receivable balance and the current and expected collection trends. A provision is established when the likelihood of collecting the account has significantly diminished. Future collections of receivables that differ from management's current estimates would affect the results of operations in future periods.

### **Intangible assets**

Intangible assets with finite useful lives consist of software, customer relationships, contract backlogs and non-competition agreements. If the Fund's estimated useful lives of these assets were incorrect, the Fund could experience increased or reduced charges for amortization of intangible assets with finite lives in the future. The trade name is an indefinite-lived intangible asset and accordingly is not subject to amortization. However, the value of the trade name is tested for impairment on an annual basis, or more frequently if events or circumstances indicate that the carrying value may not be recoverable. If the indefinite-lived intangible asset is determined to have a finite life at some point in the future, the Fund could experience increased charges for amortization of intangible assets. Such charges do not result in a cash outflow and would not affect the Fund's liquidity or distributable cash.

## Impairment of long-lived assets

Long-lived assets are reviewed for impairment when events or circumstances indicate that costs may not be recoverable. Impairment exists when the carrying value of the asset is greater than the pre-tax undiscounted future cash flows expected to be provided by the asset. The amount of impairment loss, if any, is the excess of the carrying value over its fair value. If the future differed adversely from management's best estimate of key economic assumptions and associated cash flows were to materially decrease, the Fund could potentially experience future material impairment charges.

## Goodwill

Goodwill represents the excess of the purchase price of acquired businesses over the estimated fair value of net identifiable assets acquired. Goodwill is not subject to amortization but is tested for impairment on an annual basis, or more frequently if events or circumstances indicate that it might be impaired. The impairment test is accomplished mainly by determining whether the fair value of a reporting unit, based upon an accepted valuation method, exceeds the carrying amount of that reporting unit. If the fair value exceeds the carrying amount of the reporting unit, no impairment is necessary. If the carrying amount of the reporting unit exceeds its fair value, a second test must be performed whereby the fair value of the reporting unit's goodwill must be compared with its carrying value to measure the amount of the impairment loss, if any. Fair value of goodwill is estimated in the same way as it was determined at the date of the acquisition. When the carrying amount of the reporting unit's goodwill exceeds the fair value of the goodwill, an impairment loss equal to the excess is recognized.

The Fund has elected to carry out its annual impairment test in December of each year for all its existing reporting units. As at December 31, 2007, such test determined that no impairment exists.

## New accounting standards

On January 1, 2007, the Fund adopted the following new accounting standards issued by the Canadian Institute of Chartered Accountants ("CICA").

- Section 1506, "Accounting Changes." This section prescribes the criteria for changing accounting policies, together with the accounting treatment and disclosure of changes in accounting policies, changes in accounting estimates and corrections of errors.
- Section 1530, "Comprehensive Income." This section establishes standards for reporting and display of certain gains and losses recognized in comprehensive income, but excluded from net income. The adoption of this section implied that the Fund now presents a consolidated statement of earnings and comprehensive income as a part of the consolidated financial statements.

- Section 3855 “Financial Instruments – Recognition and Measurement”. This section describes the standards for recognizing and measuring financial instruments in the balance sheet and the standards for reporting gains and losses in the consolidated financial statements. Financial assets available for sale, assets and liabilities held for trading and derivative financial instruments, whether they are part of a hedging relationship or not, have to be measured at fair value. The Fund does not use hedge accounting.

The Fund has made the following classifications:

- Cash and cash equivalents are classified as financial assets held for trading and are measured at fair value. Gains and losses related to periodical revaluation are recorded in net earning.
  - Accounts receivables, costs and anticipated profits in excess of billings, and advances to companies controlled by the non-controlling unitholder are classified as loans and receivables and are initially measured at fair value, except for the related party transactions, which are measured at cost, and subsequently at amortized cost using the effective interest rate method. For the Fund, the measured amount corresponds to cost since the transactions occurred with related parties or either as a result of their short-term maturity.
  - Accounts payables and accrued liabilities, balances of purchase prices payable, advances payable to the non-controlling unitholder, billings in excess of costs and anticipated profits, distributions payable to unitholders, and bank advances are classified as other liabilities and are initially measured at fair value except for the related party transactions which are measured at cost and subsequently at amortized cost using the effective interest rate method. For the Fund, that measured amount corresponds to cost since the transactions occurred with related parties or either as a result of their short-term maturity or the one initially measured.
- Section 3251, “Equity.” This section describes standards for the presentation of equity and changes in equity for a reporting period as a result of the application of Section 1530, “Comprehensive Income.”
  - Section 3865, “Hedges.” This section provides an alternative to Section 3855 for entities that choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting Guideline AcG-13, “Hedging Relationships,” and on the hedging guidance in Section 1650, “Foreign Currency Translation.”
  - Section 1540, “Cash Flow Statements.” This section has been amended to include disclosure of the extent to which cash distributions are non-discretionary. All cash distributions of the Fund are discretionary. These

requirements apply to all cash distributions on financial instruments classified as equity that are determined in accordance with a contractual agreement or relevant constating document.

The Fund adopted these new recommendations prospectively. The implementation of these standards had no significant impact on the consolidated financial statements of the Fund.

In October 2007, the CICA issued EIC-167, "Future Income Tax Liabilities – Income Trusts and Other Specified Investment Flow-Throughs" and modified EIC-107, "Application of CICA 3465 to Mutual Fund Trusts, Real Estate Investment Trusts, Royalty Trusts and Income Trusts." EIC-167 addresses when future income tax assets and liabilities should be recognized as a result of changes to the Income Tax Act, whether the recognition of a future income tax asset and liability is a charge to income or a charge to equity, how to measure the future income tax asset or liability, and which disclosures should be made in the financial statements pertaining to the future income tax asset and liability. EIC-107 was amended as a consequence of a change to the Income Tax Act, which affects income trusts and specified income flow-throughs and the issuance of EIC-167. The impact of the implementation of these standards is presented in the Financial Statements.

## Future accounting standards

The CICA published the following new sections that are effective for the Fund for interim and annual financial statements beginning on January 1, 2008:

- Section 3862, "Financial Instruments – Disclosures." This section describes the required disclosures to evaluate the significance of financial instruments for the entity's financial position and performance as well as the nature and extent of risks arising from financial instruments to which the entity is exposed and how the entity manages those risks.
- Section 3863, "Financial Instruments – Presentation." This section establishes standards for presentation of financial instruments and non-financial derivatives. It details the presentation of standards described in Section 3861, "Financial Instruments – Disclosure and Presentation."
- Section 1535, "Capital Disclosures." This section establishes standards for disclosing information about an entity's capital and how it is managed. It describes the disclosure of the entity's objectives, policies and processes for managing capital as well as summary quantitative data on the elements included in the management of capital. The section seeks to establish whether the entity has complied with capital requirements and if not, the consequences of such non-compliance.

- Section 1400, “General Standards on Financial Statement Presentation.” This standard has been amended to include requirements to assess and disclose an entity’s ability to continue as a going concern.

These standards will be adopted by the Fund as of January 1, 2008. The application of these standards does not have a material impact on the financial position or results of operations of the Fund.

On December 4, 2007, CICA issued for comments the draft abstract EIC-D73, “Future income tax consequences of exchangeable interest in an income trust or specified investment flow-through.” This abstract described how a public income trust with exchangeable interests should account for future income taxes. Management does not expect a significant change to the Financial Statements of the Fund when the abstract is adopted.

## 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 has been concluded with unrelated parties. As a result, the transaction yields fiscal benefits for both the vendors and GENIVAR LP. The Fund acquired GLD, NOVE, NCE, SEG, Harmer Podolak, Terra, ASA, VIZ, BHM, TL, RFA, and Phoenix in this manner.

The Fund entered into the following transactions with construction companies controlled by GENIVAR inc.:

	2007	
	3 months	12 months
	FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD FROM JANUARY 1 TO DECEMBER 31 (AUDITED)
IN THOUSANDS OF DOLLARS		
Revenues	455	3,082
Costs	33	503

These transactions are in the normal course of operations and are measured at the exchange amount, which is the amount of consideration established and agreed upon by the related parties, taking in account the fair market value of comparable goods or services.

In 2007, the Fund also retained the services of one of these companies to realize the expansion project of an existing building. These costs, capitalized by the Fund in fixed assets, amounted to \$1.6 million for the twelve months ended December 31, 2007. Both the Fund and the Construction company occupy the building and the Construction company pays rent to the Fund based on square-footage at current market rates.

Some administrative employees and directors of the Fund also work for the Non-controlling Unitholder and its subsidiaries, and the cost pertaining to these employees is charged to them. These services amounted to less than 0.1 million for both the three and the twelve months ended December 31, 2007.

Finally, there are advances made between the Fund and the Non-controlling Unitholder. The interest rate applied is identical to the one used by the Bank. As at December 31, 2007, advances totaled \$0.2 million. Net interest expense charged to the Fund by the Non-controlling Unitholder amounted to less than \$0.1 million for the three months ended December 31, 2007, and \$0.5 million for the twelve months ended December 31, 2007.

## OFF-BALANCE SHEET AGREEMENTS

There were no off-balance sheet agreements as at December 31, 2007.

## COMMITMENTS

In 2007, management pursues its office facility consolidation strategy both in Montreal and in the Greater Toronto area. As a result of this consolidation strategy, lease commitments significantly increased in the fourth quarter due to the closing of an important lease with a ten-year term.

The following table provides a summary of our contractual obligations and should be read in conjunction with notes 23 and 26 to our audited consolidated financial statements for the year ended December 31, 2007.

	2008	2009	2010	2011	2012	Thereafter	Total
IN THOUSANDS OF DOLLARS							
Lease commitments	\$ 7,772	\$ 6,890	\$ 5,774	\$ 5,395	\$ 4,650	\$ 17,336	\$ 47,817
Closing payment for acquisitions completed after year end	\$ 34,839	\$ 9,245	-	-	-	-	-

## **FOREIGN CURRENCY FORWARD OPTIONS**

Since the Fund operates outside Canada, it is exposed to currency risks as a result of potential exchange rate fluctuations, mainly in Trinidad and Tobago.

In order to reduce the potential negative impact of fluctuations in the Canadian dollar, the Fund entered into foreign currency forward options and contracts to cover future sales anticipated in US dollars. Pursuant to these foreign currency forward options and contracts, the Fund is required to sell US dollars at a predetermined rate.

As at December 31, 2007, the Fund held foreign currency forward options to exchange, during the next eleven months, US\$250,000 each month at a rate of CAN\$0.984/US\$1. If the exchange rate reaches CAN \$1.04/US\$1 before the expiration date of the foreign currency forward options, all the foreign currency forward options not expired must be exercised before the expiration date. These foreign currency forward options, whose unrealized loss amounts to less than \$0.1 million, have been classified as liabilities.

## **SUBSEQUENT EVENT**

In January and February 2008, the Fund acquired all the assets and liabilities of Transenco Limited ("TL"), RFA Consulting Electrical Engineers Inc ("RFA"), Phoenix Engineering Inc. ("Phoenix"), and EXH Engineering Services Ltd. ("EXH"), four Canadian engineering firms for a total consideration of \$44 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 our control. This may cause a decline of the price of the Units and our ability to make distributions on the Units could be adversely affected.

## **Risks Related to the GENIVAR Engineering Services Business and the Engineering Services Industry**

### **Ability to Maintain Profitability and Manage Growth**

There can be no assurance that GENIVAR's business and strategy will enable GENIVAR to sustain profitability in future periods. GENIVAR's future operating results will depend on a number of factors.

GENIVAR's growth strategy depends, in part, on its ability to:

- offer a full range of Engineering Services;
- successfully cross-sell additional services to existing clients and attract new clients;
- consolidate its position in the Provinces of Quebec, Ontario, British Columbia, Saskatchewan and Manitoba and identify and acquire suitable acquisition candidates in order to expand in other regions; and
- successfully integrate acquired businesses with existing operations.

There can be no assurance that GENIVAR will be successful in achieving its strategic plan or that its strategic plan will enable GENIVAR to maintain its historical revenue growth rates or to sustain profitability. Failure to successfully execute any material part of its strategic plan could have a material adverse effect on its business, financial condition and results of operations and its ability to make distributions on the Units.

### **Reputational Risk**

GENIVAR depends to a large extent on its relationships with its clients and its reputation for high-quality Engineering Services. As a result, if a client is not satisfied with its services, it may be more damaging in its business than in other businesses. Moreover, its success depends in large part on whether GENIVAR fulfills its contractual obligations with clients and keep its clients satisfied. If GENIVAR fails to satisfactorily perform its contractual obligations or address performance issues, or make professional errors in the services that it provides, then clients could terminate projects, exposing GENIVAR to legal liability, loss of its professional reputation and risk of loss or reduced profits or, in some cases, a loss on that project. GENIVAR also depends on its reputation as an Engineering Services firm that abides to the highest ethical standards. As a result, if one of its employees commits unethical actions in order, for example, to obtain a contract, GENIVAR may be subject to legal liability or loss of client relationships.

### **Reliance on Key Professionals**

Employees who became shareholders of GENIVAR Inc. at the time of the IPO are subject to a discount of 25% of the purchase price for their shares if they leave before a period of two years from the date of the IPO. This restriction will cease to

apply to such employees to May 25, 2008. GENIVAR's operations are dependent on the abilities, experience and efforts of its professionals, many of whom have significant reputations and contacts in the industry in which GENIVAR operates. Should any members of its professional staff be unable or unwilling to continue their relationship with GENIVAR, its business, financial condition and results of operations and its ability to make distributions on the Units could be materially adversely impacted. GENIVAR obtained from its employee-owners non-competition and non-solicitation undertakings.

### **Shortage of Engineers**

GENIVAR's success depends in part on its continued ability to attract and retain qualified and skilled engineers. Over the years, a significant shortage of engineers has developed and resulted in continued upward pressure on engineer compensation packages. There can be no assurance that GENIVAR will be able to attract, hire and retain a sufficient number of engineers necessary to continue to maintain and grow its business. The inability to attract, hire and retain a sufficient number of engineers could limit its ability to sustain and increase revenues.

### **Competition in the Industry**

GENIVAR operates in highly competitive markets and have numerous competitors for all of the services it offers. Size and characteristics of competitors vary widely with the type of service it provides. On large capital infrastructure industrial and facilities projects, competitors are usually other full-service Engineering Services firms. However, GENIVAR also competes with small and medium sized multidisciplinary regional firms or niche players who offer specific services. Some of its competitors have longer operating histories, greater name recognition, larger customer bases and have achieved substantially more market penetration in certain of the areas in which it competes. In addition, some of its competitors have substantially more financial resources and/or financial flexibility and marketing resources than GENIVAR. These competitive forces could have a material adverse effect on its business, financial condition and results of operations and its ability to make distributions on the Units by reducing its current market share in the market segments in which GENIVAR operates.

### **Possible Acquisitions and Integrations**

GENIVAR intends to continue making acquisitions from time to time as part of its strategy to grow its business. Acquisitions, if they occur, will increase the size of its operations and may increase the amount of indebtedness that GENIVAR has to service. There is no assurance that GENIVAR will be able to acquire operations on satisfactory terms, or at all. The successful integration and management of acquired businesses, involve numerous risks that could adversely affect GENIVAR's growth and profitability, including: (i) the risk that GENIVAR may not be able to successfully manage the acquired operations and the integration may place significant demands on GENIVAR's Management, diverting their attention from existing operations; (ii) the risk that its operational, financial and management

systems may be incompatible with or inadequate to effectively integrate and manage acquired systems; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of its GENIVAR Engineering Services Business; (iv) the risk that major clients of the acquired firms may not be retained following the acquisition of such firms; and (v) the risk that acquisitions may result in liabilities and contingencies, which could be significant to GENIVAR's operations. The successful integration of an acquired business is also subject to the risk that personnel and professionals from the acquired business and GENIVAR's existing GENIVAR Engineering Services Business may not be able to work together successfully, which could affect its operations. In particular, GENIVAR may seek to require as a condition of its acquisitions that key personnel and professionals enter into employment agreements for specified post-acquisition periods and/or non-competition undertakings, but there are risks that those commitments will not be fulfilled or that the personnel and professionals subject to same or other personnel and professionals will not be successfully integrated as productive contributors to GENIVAR's business. There is no assurance that GENIVAR will be able to successfully integrate its acquisitions and GENIVAR's failure to do so could have a material adverse effect on its business, financial condition and results of operations and its ability to make distributions on the Units.

### **Reduction of Backlog**

GENIVAR cannot guarantee that the revenues projected in its backlog (as set out in GENIVAR's Management and Discussion Analysis) will be realized or, if realized, will result in profits. Projects may remain in GENIVAR's backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in its backlog. Backlog reductions adversely affect the revenues that GENIVAR actually receives from contracts reflected in its backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of its backlog and the revenues that it actually receives. Most contracts for services with its clients are terminable by the clients on short notice. If a reduction in its backlog occurs, it could incur costs resulting from reductions in staff that would have the effect of reducing its net earnings and affect its ability to make distributions on the Units.

### **Geographic Concentration and Dependence on Economic Conditions**

The market segments in which GENIVAR operates are affected by general economic conditions, including international, national, regional and local economic conditions, all of which are outside of its control. Furthermore, its business is largely conducted in the Province of Quebec and, accordingly, is highly dependent on the general economic conditions of this region. Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency exchange rates, reduced client spending and other factors could have a material adverse effect on its business, financial condition and results of operations and its ability to make distributions on the

Units. Although its operations are functionally diversified, significant erosion in levels of activity in any market segment in which GENIVAR operates could have a negative impact on its business, financial condition and results of operations and its ability to make distributions on the Units.

### **Fixed-Price Negotiated Fee Contracts**

A portion of GENIVAR's revenues comes from fixed-price negotiated fee contracts. Under fixed-price negotiated fee contracts, GENIVAR agrees to perform either all or a specified portion of work under the contract for a fixed amount of fees. Fixed-price negotiated fee contracts expose GENIVAR to a number of risks not inherent in hourly basis contracts, including underestimation of fees, ambiguities in specifications, unforeseen difficulties, problems with new technologies, delays beyond its control and economic or other changes that may occur during the contract period. Increasing use of fixed-price negotiated fee contracts and/or increasing size of such contracts would increase its exposure to these risks. Losses under fixed-price negotiated fee contracts could have a material adverse effect on its business, financial condition and results of operations and its ability to make distributions on the Units.

### **Dependence on Clients**

As most contracts for services with its clients are terminable by the clients on short notice, there can be no assurance that GENIVAR will be able to retain its relationships with its largest clients. GENIVAR's largest clients usually comprise many decision-making units, each of which is responsible for awarding a portion of such client's contracts. This situation reduces GENIVAR's dependence on such clients. However, there can be no assurance that any or all decision-making units of its largest clients will continue to use its services in the future. Any negative change involving any of its largest clients, including but not limited to a client's financial condition, or desire of such clients or of a significant number of decision-making units of such clients to continue using its services, could result in a significant reduction in business which could have a material adverse effect on its business, financial condition, results of operations and its ability to make distributions on the Units.

### **Increased Assumption of Risk by GENIVAR**

In order to adapt to the current trends affecting the manner in which projects are performed in the areas in which GENIVAR operates, it may participate in upfront qualification work, for example in the context of a RFQ, in order to participate in consortiums formed to bid on large projects. The qualification work GENIVAR performs is usually performed on a cost basis. The time invested in participating in consortiums for large projects and the related qualification work may ultimately not result in GENIVAR obtaining contracts on which it can generate profit margins.

### **Risk of Future Legal Proceedings**

GENIVAR is threatened from time to time with, or named as a defendant in, or may become subject to various legal proceedings in the ordinary course of conducting the GENIVAR Engineering Services Business, including lawsuits based upon professional errors and omissions. Because GENIVAR's projects are often large and can affect many people, its failure to make judgments and recommendations in accordance with applicable professional standards could result in large damages and, perhaps, punitive damages. Defending lawsuits of this nature or arising out of any of the services provided by GENIVAR could require substantial amounts of its Management's attention, which could divert its focus from operations and could materially adversely affect its financial condition. Any such claims may produce negative publicity that could hurt its reputation and business. A significant judgment against GENIVAR or the imposition of a significant fine or penalty as a result of a finding that GENIVAR has failed to comply with laws or regulations could have a material adverse effect on its business, financial condition and results of operations and its ability to make distributions on the Units.

### **Insurance Limits**

GENIVAR believes that its professional errors and omissions insurance and director and officer liability insurance coverage addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on economically feasible terms, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving GENIVAR's assets or operations.

### **Additional Capital Requirements**

GENIVAR believes that its operating income will be sufficient to fund operations and planned capital expenditures in the near term. However, GENIVAR may be required to raise additional capital in the future. The availability of future borrowings and access to capital markets for financing depends on prevailing market conditions and the acceptability of financing terms offered. There can be no assurance that future borrowings or equity financing will be available, or available on acceptable terms, in an amount sufficient to fund its needs.

### **Accounts Receivable**

As is common in the Engineering Services industry, GENIVAR carries a high level of accounts receivable on its balance sheet. This value is spread amongst numerous contracts and clients. Although GENIVAR has not experienced accounts receivable collection problems in the past, there can be no assurance that outstanding accounts receivable will be paid on a timely basis or at all.

## **Reduction in the Scope of Environmental Regulations**

A portion of GENIVAR Engineering Services Business is generated directly or indirectly as a result of laws and regulations regarding environmental protection. Changes in environmental regulations could affect GENIVAR's business more significantly than they would affect other Engineering Services firms. Accordingly, a reduction in the number of scope of these laws and regulations could significantly reduce the size of its market environment segment and have a material adverse effect on its business, financial condition and results of operations and on its ability to make distributions on the Units.

## **International Operations Subject to Numerous Risks**

In addition to its operations in Canada, GENIVAR has operations in Trinidad and Tobago and in other countries, pursue contracts for clients in Trinidad and Tobago and other countries and derive some of its revenues from such operations. Although its international operations in Trinidad and Tobago have represented less than 5% of its revenues for the year ended December 31, 2007 and that its international operations in countries other than Trinidad and Tobago were mostly conducted for Canadian-based clients, completed from resources of its Canadian offices and paid in Canadian dollars, its international operations could increase in the future. International business is subject to a variety of special risks, including (a) greater risk of uncollectible accounts and longer collection cycles; (b) currency fluctuations; (c) logistical and communications challenges; (d) potential adverse changes in laws and regulatory practices; (e) changes in labour conditions; (f) general economic and political conditions in the foreign markets; and (g) international hostilities. These and other risks associated with international operations could have a material adverse effect on its business, financial condition and results of operations and its ability to make distributions on the Units.

Since GENIVAR operates outside Canada, it is exposed to currency risks as a result of potential exchange rate fluctuations, mainly in Trinidad and Tobago.

In order to reduce the potential negative impact of fluctuations in the Canadian dollar, GENIVAR entered into foreign currency forward options and contracts during the period to cover future sales anticipated in US dollars. Pursuant to these foreign currency forward options and contracts, GENIVAR is required to sell US dollars at a predetermined rate.

## **Risks Relating to the Structure of the Fund**

### **Dependence upon the Trust and GENIVAR LP**

The Fund is entirely dependent upon the operations and assets of GENIVAR LP, through its indirect ownership of 60.4% of the GENIVAR LP Units. Cash distributions to Unitholders depends, among other things, upon the ability of the Trust to pay interest on the Trust Notes and to make cash distributions in respect of the Trust Units, which, in turn, is dependent on GENIVAR LP making cash

distributions in respect of the GENIVAR LP Units. The ability of the Trust and GENIVAR LP to make cash distributions or make other payments or advances is subject to applicable laws and regulations and contractual restrictions contained in the instruments governing any indebtedness of those entities.

### **Cash Distributions Are Not Guaranteed and Will Fluctuate with the GENIVAR Engineering Services Business Performance**

Although the Fund intends to distribute the interest received in respect of the Trust Notes and the cash distributions received in respect of the Trust Units, less expenses and amounts, if any, including in connection with the redemption of Units, there can be no assurance regarding the amounts of income to be generated by the GENIVAR Engineering Services Business or ultimately distributed to the Fund. The actual amount distributed in respect of the Units is not guaranteed and depends upon numerous factors, including GENIVAR's profitability, fluctuations in GENIVAR's working capital, its obligations under applicable credit facilities, sustainability of its margins and capital expenditures. The market value of the Units may deteriorate if the Fund is unable to meet its distribution targets in the future, and such deterioration may be significant. In addition, the composition of cash distributions for tax purposes may change over time and may affect the after-tax return for investors.

### **Nature of Units**

The Units do not represent a direct investment in the GENIVAR Engineering Services Business and should not be viewed by investors as limited partnership units in GENIVAR LP. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation, including, for example, the right to bring "oppression" or "derivative" actions. Each Unit represents an equal, undivided right to and interest in the distributions from the Fund. The Fund's primary assets are the Trust Notes and the Trust Units. The Units do not represent debt instruments and there is no principal amount owing to Unitholders under the Units. The price per Unit is a function of anticipated Distributable Cash and other market factors.

The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporations Act (Canada) and are not insured under the provisions of that Act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company.

### **Unpredictability and Volatility of Unit Price**

A publicly traded income trust such as the Fund does not necessarily trade at values determined by reference to the underlying value of the GENIVAR Engineering Services Business. The prices at which the Units trade cannot be predicted. The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results, monthly distributions, and

other factors. In addition, industry specific fluctuations in the stock market may adversely affect the market price of the Units regardless of GENIVAR's operating performance and there can be no assurance that the price of the Units will remain at current levels. The annual yield on the Units as compared to the annual yield on other financial instruments may also influence the price of Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

### **Fund not a Corporation**

Purchasers are cautioned that the Fund is not generally regulated by established corporate law and Unitholders' rights are governed primarily by the specific provisions of the Fund Declaration of Trust, which addresses such items as the nature of the Voting Units, the entitlement of Unitholders to cash distributions, restrictions respecting non-resident holdings, meetings of Voting Unitholders, delegation of authority, administration, Fund governance and liabilities and duties of the Fund Trustees to Unitholders. As well, under certain existing legislation such as the Bankruptcy and Insolvency Act and the Companies Creditor's Arrangement Act, the Fund is not a legally recognized entity within the definitions of these statutes. In the event of insolvency or restructuring of the Fund, the rights of Unitholders may be different from those of shareholders of an insolvent or restructuring corporation as the Fund and its stakeholders would not be able to access the remedies and procedures available thereunder.

### **Redemption of Units**

The redemption right is not the primary mechanism for Unitholders to liquidate their investments. Upon redemption of Units, the Fund Trustees may distribute the Trust Notes directly to the Unitholders, subject to obtaining any required regulatory approvals and complying with the requisite terms and conditions of such approvals. Trust Notes so distributed may not be qualified investments for trusts governed by Plans depending upon the circumstances at the time. Additionally, such Trust Notes will not be listed on any stock exchange and no established market is expected to develop in such Trust Notes and they may be subject to resale restrictions under applicable securities laws.

### **Distribution of Securities on Redemption or Termination of the Fund**

Upon redemption of Units or termination of the Fund, the Fund Trustees may distribute the Exchange Notes, the Trust Notes or the Trust Units directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for the Exchange Notes, the Trust Notes or the Trust Units. In addition, Exchange Notes, Trust Notes and Trust Units are not freely tradable or listed on any stock exchange. The Exchange Notes so distributed may not be qualified investments under the Tax Act for Plans, depending upon the

circumstances at the time. The Trust Notes and the Trust Units would not be qualified investments under the Tax Act for such Plans.

### **Leverage and Restrictive Covenants**

The degree to which GENIVAR is leveraged could have important consequences to the Unitholders, including (i) GENIVAR's ability to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited, (ii) a significant portion of GENIVAR's cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for future operations and to pay distributions, (iii) certain of GENIVAR's borrowings under the Credit Facility are at variable rates of interest, which exposes GENIVAR to the risk of increased interest rates and (iv) GENIVAR may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. These factors may increase the sensitivity of Distributable Cash to interest rate variations.

GENIVAR's ability to make distributions or make other payments or advances will be subject to applicable law and contractual restrictions contained in the instruments governing any of its indebtedness (including the Credit Facility). The Credit Facility contains numerous restrictive covenants, including covenants that limit the discretion of GENIVAR with respect to certain business matters. These covenants will place significant restrictions on, among other things, GENIVAR's ability to incur additional indebtedness, to create liens or other encumbrances, to pay distributions or make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Credit Facility contains a number of financial covenants that require GENIVAR to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in the Credit Facility could result in a default, which, if not cured or waived, could result in a termination of its distributions and permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility, including any possible hedge contracts with the lenders, were to be accelerated, there can be no assurance that GENIVAR's assets would be sufficient to repay in full that indebtedness or that any amount be left for distribution to Unitholders.

GENIVAR will eventually have to refinance its available credit facilities or other debt and there can be no assurance that GENIVAR will be able to do so or be able to do so on terms as favourable as those presently in place. If GENIVAR is unable to refinance these credit facilities or other debt, or is only able to refinance these credit facilities or other debt on less favourable and/or more restrictive terms, this may have a material adverse effect on its financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facility or debt may be less favourable or more restrictive than the terms of the existing credit facilities or other debt, which may indirectly limit or negatively impact its ability to make distributions on the Units.

## Income Tax Matters

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, Budget Implementation Act, 2007, which received Royal Assent on July 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), thereby reducing the amount of Distributable Cash. 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.

There can be no assurance that the Fund will be able to retain the benefit of the deferred application of the new tax regime until 2011. 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) on December 15, 2006 (the "Normal Growth Guidelines"), the SIFT Rules will become applicable to the Fund on a date earlier than January 1, 2011. The loss of the benefit of the deferred application of the new tax regime until 2011 could have a material and adverse effect on the value of the Units.

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 harbour" amount equal to a certain percentage of the trust's market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a trust's issued and outstanding publicly-traded units (not including debt, options or other interests that were convertible into Trust Units)) ("October 31, 2006 Market Capitalization"). The "safe harbour" for the intervening years up to 2011 will be as follows:

<b>Time Period</b>	<b>Safe Harbour Amount</b>
<i>November 1, 2006 to December 31, 2007</i>	<i>40% of October 31, 2006 Market Capitalization</i>
<i>2008</i>	<i>20% of October 31, 2006 Market Capitalization</i>
<i>2009</i>	<i>20% of October 31, 2006 Market Capitalization</i>
<i>2010</i>	<i>20% of October 31, 2006 Market Capitalization</i>

Considering its October 31, 2006 Market Capitalization and the 2007 issuance of Fund Units and interests convertible into Fund Units, \$50 million of Fund Units and interests convertible into Fund Units may be issued for each of the 2008, 2009 and 2010 year.

Although this was likely not the intent of the SIFT Rules, there can be no assurance that the SIFT Rules, as they currently read, may not be interpreted and applied in a manner that would cause the Trust, GENIVAR LP or GENIVAR Consultants Limited Partnership to be subject to the SIFT Rules. On December 20, 2007, the Minister of Finance (Canada) announced proposed technical amendments to the SIFT Rules to, among other things, ensure that trusts and partnerships that are not publicly traded and that are owned in a manner similar to the present case, would not be considered as SIFT. No assurance may however be given that these proposed amendments will be enacted as currently proposed or at all.

On June 26, 2007, the Ministre des finances (Quebec) (the "Ministere") published Information Bulletin 2007-5 confirming that Quebec's tax legislation will be harmonized with the SIFT Rules but that a separate Quebec tax regime relating to SIFT will be implemented. More specifically, the Ministere announced that a SIFT with an establishment in Quebec at any time in a taxation year will be subject to a Quebec tax at a rate generally equal to the Quebec tax rate relating to corporations and that a business allocation formula based on the gross income of a SIFT and the wages and salaries it pays, similar to the one used for the purpose of determining the tax payable by a corporation that has activities in Quebec and outside Quebec, will apply to determine the tax payable to Quebec by a SIFT that has, in a taxation year, an establishment both in Quebec and outside Quebec. The Minister of Finance (Canada) has not yet indicated how the SIFT Rules will be amended to take into account the proposed Quebec tax regime.

Income fund structures involve a significant amount of inter-company or similar debt, generating substantial interest expenses, which reduce earnings and therefore income tax payable. There can be no assurance that taxation authorities will not seek to challenge the amount of interest expenses deducted. If such a challenge

were to succeed against GENIVAR, it could adversely affect the amount of Distributable Cash available. Management believes that the amount of interest expenses inherent in the structure of the Fund is supportable and reasonable.

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner that adversely affects the Unitholders' Investment Eligibility.

There can be no assurance that the Units will continue to be qualified investments under the Tax Act for Plans. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

### **Enforcement of Indemnities under the Subscription Agreement**

Pursuant to the Subscription Agreement, GENIVAR Inc. agreed to indemnify GENIVAR in respect of breaches of representations and warranties of GENIVAR Inc. contained in that agreement. There is no restriction on the use of the cash proceeds received directly or indirectly by GENIVAR Inc. pursuant to the Subscription Agreement or on the ability of GENIVAR Inc. to dispose of its assets, including the assets related to the General Contracting Business, which may limit the recourses available to GENIVAR against GENIVAR Inc. As such, there can be no assurance that GENIVAR will be able to obtain any amount of any claim for indemnification made by GENIVAR against GENIVAR Inc. Furthermore, there can be no assurance as to the sufficiency of the assets of GENIVAR Inc., including the assets related to the General Contracting Business, to satisfy any judgments obtained against it in connection with a claim for indemnification under the Subscription Agreement.

### **Limitations on Non-Resident Ownership**

The Fund Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49.9% of the Units. In the event that GENIVAR becomes aware that non-residents of Canada are the owners of more than 49.9% of the Units, GENIVAR may require certain of the non-residents of Canada to sell their Units. The limitation on ownership of Units by non-residents of Canada may have an adverse impact on the liquidity of the Units. In addition, the sale by non-residents of Canada of a significant number of Units at GENIVAR's demand may have an adverse effect on the market price of the Units.

### **Restrictions on Potential Growth**

The payout by GENIVAR LP of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of the GENIVAR Engineering Services Business and the related cash flow to the Fund.

## **Dilution**

The Fund Declaration of Trust authorizes the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the Fund Trustees without the approval of any Unitholders. The Unitholders will have no pre-emptive rights in connection with such further issues. Additional Units will also be issued by the Fund upon the exchange of the Non-Subordinated Exchangeable LP Units and Subordinated LP Units.

## **Conversion to Corporate Structure**

Should the Fund decide to convert its current structure to a corporate structure prior to January 1, 2011, there may be an adverse impact on the market price of the Units resulting from the change in status.

## **Ownership Interest of GENIVAR Inc.; Potential Conflicts of Interest**

GENIVAR Inc. holds directly and indirectly 3,732,121 Non-Subordinated Exchangeable LP Units and 4,731,845 Subordinated Exchangeable LP Units representing, in the aggregate, 39.6% of the outstanding GENIVAR LP Units. Under the Exchange Agreement, the Non-Subordinated Exchangeable LP Units will be exchangeable for Units at any time after the Closing of the IPO on a one-for-one basis, subject to customary anti-dilution provisions. The Subordinated Exchangeable LP Units may be exchangeable for Units at any time after the Subordination End Date on a one-for-one basis, subject to customary anti-dilution provisions. GENIVAR Inc. has also been granted certain "demand" and "piggy-back" registration rights by the Fund. If GENIVAR Inc. sells substantial amounts of Units in the public market, the market price of Units could fall. The perception among the public that these sales will occur could also produce such effect.

As a result of this economic interest in the Fund and of its board appointment rights under the Securityholders' Agreement, GENIVAR Inc. may be able to exert significant influence over matters concerning the Fund. The timing and receipt of any takeover or control premium by Unitholders could depend on the determination of GENIVAR Inc. as to when to sell Units. This could delay or prevent a change of control that could be attractive to, and provide liquidity for, the Unitholders, and could limit the price that investors are willing to pay in the future for Units.

The interests of GENIVAR Inc. may conflict with those of the Unitholders.

## **Unitholder Liability**

The Fund Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. However, in jurisdictions outside the Provinces of Ontario, Quebec and Alberta, there remains a risk, which GENIVAR considers to be remote in the circumstances, that a Unitholder could be held personally liable, despite such statement in the Fund

Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. GENIVAR's affairs are conducted to seek to minimize such risk wherever possible.

## **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 our 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. Therefore, EBITDA may not be comparable to similar measures presented by other issuers.

### **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." 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.