GENIVAR
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Genivar Income Fund

First Financial Period Report

From May 25, 2006 to July 1, 2006

Management's Discussion & Analysis

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For the period from May 25, 2006 to July 1, 2006

The following management's discussion and analysis ("MD&A") dated as of August 14, 2006, is intended to assist readers in understanding GENIVAR Income Fund (the "Fund"), its business environment, strategies, performance and risk factors. It should be read together with the unaudited interim consolidated financial statements and accompanying notes of the Fund for the initial period extending from May 25, 2006 to July 1, 2006, in conjunction with the final prospectus of the Fund dated May 16, 2006. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). The fiscal year of the Fund ends on December 31.

The MD&A is in respect of the Fund's first reporting period, being May 25 to July 1, 2006, and consequently, no comparative financial information is provided in the Fund's unaudited interim consolidated financial statements. However, in order to enhance the purpose and relevance of this MD&A, certain financial and operating results of the Fund for its first reporting period are added to the financial and operating results of the GENIVAR Engineering Services Business (as defined below) for the period from January 1 to May 24, 2006 thereby covering a period of six months ended July 1, 2006. They are compared to the unaudited results of the GENIVAR Engineering Services Business for the period of six months ended June 30, 2005, prepared on a combined basis. Such information is for reference purposes only and is not intended to represent a comprehensive comparison of the unaudited interim 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. (the "Existing Investor") and which is now carried on by the Fund through GENIVAR Limited Partnership ("GENIVAR LP").

Foward-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 ("Management"), regarding the growth, results of operations, performance and business prospects and opportunities of GENIVAR or of the Engineering Services industry. Such forward-looking statements reflect current beliefs of Management and are based on information currently available to Management. 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", which may cause actual results to differ materially from 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. These forward-looking statements are made as of the date of this MD&A and, GENIVAR Income Fund and related parties do not assume any obligation to update or revise them to reflect new events or circumstances.

Formation of the Fund

On May 25, 2006, the Fund completed an initial public offering ("IPO"). Pursuant to the IPO, including the exercise by the underwriters of an over-allotment option to purchase 1,000,000 Units, the Fund issued a total of 11,000,000 Units to the public for gross proceeds of $110 million. These 11,000,000 Units are the only Units currently outstanding.

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. 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 in which the Fund indirectly holds 11,000,000 Class A partnership units, representing a 58.12% interest. The Existing Investor holds 3,195,536 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 41.88% interest in GENIVAR LP. 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 Existing Investor holds 7,927,381 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 LP Unit.

Overview of the Fund

The Fund is a leading Canadian Engineering Services firm providing private and public sector clients with a full range of professional consulting services through all execution phases of a project including planning, design, construction and maintenance. Its clients, who are of varying sizes, fall into five various market segments such as: building, industrial and power, urban infrastructure, transportation and environment. The Fund is one of the largest Engineering Services firm in Canada in terms of number of employees, with approximately 1,500 managers, professionals, technicians and technologists and support staff in over 30 offices in Canada and abroad, taking into consideration the additional workforce and premises resulting from the acquisition of MacViro Holdings Inc. ("MacViro").

The Existing Investor, on April 5, 2006, entered into an acquisition agreement with the 32 shareholders of MacViro, providing for the purchase by the Existing Investor of all of the shares of MacViro. MacViro is an Ontario engineering services firm providing a full range of professional consulting services in the areas of urban infrastructure, industrial, power and environment market segments, to both public and private sector clients. The MacViro Acquisition took place immediately before the Closing of the IPO such that, the GENIVAR Engineering Services Business that was indirectly acquired by the Fund concurrently with the IPO, also included the Engineering Services Business of MacViro.

Selected Consolidated Financial Information

In thousands except for per unit amounts	2006 PRE-IPO for the period from January 1 to May 24 (unaudited)	2006 POST-IPO for the period from May 25 to July 1 (unaudited)	2006 for the six months ending July 1 (unaudited)	2005 for the six months ending June 30 (unaudited)
Revenues	**$ 66,332**	**$ 17,523**	**$ 83,855** [(4)]	**$ 62,929**
Deduct: Subconsultants and other direct expenses	$ 23,035	$ 3,307	$ 26,342	$ 19,682
Net revenues (1)	**$ 43,297**	**$ 14,216**	**$ 57,513**	**$ 43,247**
Expenses				
Direct project costs	$ 21,346	$ 7,040	$ 28,3865	$ 22,983
Marketing, general and administrative	$ 13,778	$ 3,822	$ 17,600	$ 13,744
EBITDA (2)	**$ 8,173**	**$ 3,354**	**$ 11,527**	**$ 6,520**
Interest	$ 132	$ 35	$ 167	$ 199
Depreciation of property plant and equipment	$ 622	$ 199	$ 821	$ 637
Amortization of intangible assets	$ 1,661	$ 956	$ 2,617	$ 723
Net earnings before income taxes and non-controlling interests	$ 5,758	$ 2,164	$ 7,922	$ 4,961
Income taxes recovery (3)	-	$ (250)	-	-
Net earnings before non-controlling interest	-	**$ 2,414**		
Non-controlling interest (3)	-	$ 1,011	-	-
Net earnings (3)	-	**$ 1,403**	-	-
Basic net earnings per unit	-	**$ 0.13**	-	-
Weighted average number of units	-	11,000,000	-	-
Diluted net earnings per unit	-	$ 0.13	-	-
Diluted weighted average number of units	-	18,927,381	-	-

(1) Net revenues are not a measure in accordance with GAAP and do not have a 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 year (as determined in accordance with GAAP) as an indicator of the Fund's performance.

(2) EBITDA is defined as earnings before interest expense, income taxes recovery, depreciation, amortization and non-controlling interest. 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

(3) 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.

(4) Supplementary Non-GAAP Combined Information for the six-month period ended July 1, 2006 is the combination of financial results of GENIVAR Engineering Services Business PRE-IPO and financial results of the Fund POST-IPO. Such combination is for illustrative purpose only. As a result of this combined presentation, the results POST-IPO have been affected by the additional amortization and depreciation of intangible assets and property plant and equipment assets considering that these assets are recorded at fair value at the acquisition date..

Distributable Cash

In thousands except for per unit amounts	2006 for the period from May 25 to July 1 (unaudited)	PER UNIT
EBITDA	**$ 3,354**	-
Capital expenditures	$ (29)	-
Interest	$ (35)	-
Income tax recovered	$ 81	-
Distributable cash (1)	**$ 3,371**	**$ 0.1781**
Actual payout ratio	**57%**	-
Aggregate distributions, all units (1)	**$ 1,934**	**$ 0.1022**
Fund's unit	$ 1,124	$ 0.1022
Class B exchangeable unsubordinated units of the LP	$ 326	$ 0.1022
Class C exchangeable subordinated units of the LP	$ 484	$ 0.1022
Cash flows		
Cash flows used by operating activities	$ (1,821)	-
Change in non-cash working capital items *(see note 16a in interim financial statements)*	$ 5,119	-
Current income tax expense	$ 21	-
Income taxes recovered	$ 81	-
Capital expenditures paid	$ (29)	-
Distibutable cash (1)	$ 3,371	-

(1) 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 LP Units, which total 18,927,381.

NON-GAAP Measure – Distributable Cash

Distributable cash does not have a standardized meaning prescribed by GAAP, but is a measure generally used by Canadian open-ended income funds as an indicator of financial performance. The Fund defines distributable cash as EBITDA after capital expenditures paid, interest paid, income taxes recovered and contributions to any reserves that the Trustees of the Fund deem to be reasonable and necessary for the operation of the Fund.

The Fund's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund believes that its distributable cash is a useful supplemental measure that may assist investors in assessing the return on their investment in Units.

Results of Operations

Revenues

We operate in one reportable segment, consulting services, and our revenues for the first reporting period of 37 days from May 25, to July 1, 2006 were $17.5 million. For the six-month period ended July 1, 2006 revenues increased to $83.9 million compared to $62.9 million for the six months ended June 30, 2005. Revenues from growth through acquisitions accounted for approximately $11.6 million of the increase for the six months ended July 1, 2006, of which $2.7 million originates from the MacViro acquisition concluded on May 24, 2006. Approximately $9.3 million of the increase was generated through organic growth accomplished by increased staffing and higher productivity.

Our revenues include fees from consulting services, as well as other direct costs for subconsultants and other direct expenses that are recoverable directly from our clients. We believe 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 net revenues (the "net revenues" measure is a non-GAAP measure that does not have any standard measure prescribed by GAAP and, therefore, net revenues may not be comparable to similar measures presented by other issuers), expressed as revenues less costs for subconsultants and other direct expenses that are recoverable directly from our clients were $14.2 million for the period from May 25, 2006 to July 1, 2006. For the six-month comparative period, net revenues increased from $43.2 million for the six months ended June 30, 2005 to $57.5 million for the six months ended July 1, 2006. This increase over the prior period is due to acquisitions growth as well as organic growth.

Expenses

Our operating expenses consist of two major components which are our direct project costs and marketing, general and administrative expenses. The highest operating expense is compensation which includes salaries and employee benefits, payroll taxes and other staffing services. 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 net interest expense.

We believe that the key performance indicators of our business are gross margins and marketing, general and administrative expenses expressed as a percentage of net revenues.

Direct project costs

For the 37-day period ended July 1, 2006, the Fund's direct project costs amounted to $7 million resulting in a gross margin (net revenues less direct project costs) of $7.2 million representing a 50.5% gross margin on net revenues.

Direct project costs amounted to $28.4 million for the six-month period ended July 1, 2006 compared to $23 million for the same period in 2005, representing an increase of 23.5% essentially as a result of the higher level of activity.

As a result, the gross margin was $29.1 million compared to $20.3 million in the prior period. As a percentage of net revenues, the gross margin showed an improvement of approximately 3.7% reaching 50.5% for the six months ended July 1, 2006 compared to 46.9% for the previous period. This is explained by a lower proportion of total labour billed to projects as a result of better efficiencies in the execution of our projects, enhanced synergies provided by the integration of our acquisitions, and the ongoing benefits of project management training provided to our project directors.

Marketing, general and administrative expenses

Marketing, general and administrative expenses for the first 37-day reporting period of the Fund were $3.8 million, representing 26.9% of net revenues.

Marketing, general and administrative expenses for the six-month period ended July 1, 2006 increased to $17.6 million compared to $13.7 million for the same period in 2005. This increase in absolute terms is related to the increase in our work force and administrative support staff as well as additional rental expenses and marketing initiatives. However, as a percentage of net revenues, marketing, general and administrative expenses showed an improvement of 1.2% at 30.6% for the six months ended July 1, 2006, compared to 31.8% during the same period in 2005.

EBITDA

During the 37-day period from May 25, 2006 to July 1, 2006, net earnings before interest, income taxes, depreciation and amortization and non-controlling interest (EBITDA) of the Fund were $3.4 million. EBITDA for the six months ended July 1, 2006 was $11.5 million up $5.0 million from $6.5 million for the six months ended June 30, 2005, representing a 76.9% increase. As a percentage of net revenues, EBITDA margin stood at 20% compared to 15.1% for the same period in 2005. Improved gross margins and decreases in marketing, general and administrative expenses as a percentage of net revenues accounted for the improved EBITDA margin.

Interest

Interest expense for the six months ended July 1, 2006 was stable at $0.2 million compared to the same period in 2005. Interest expense for the first reporting period of the Fund, from May 25, 2006 to July 1, 2006, amounted to $35,000.

Depreciation and amortization

Depreciation of property, plant and equipment, increased from $0.6 million for the six months ended June 30, 2005 to $0.8 million for the six months ended July 1, 2006, essentially resulting from the depreciation of additional assets acquired through acquisitions of fiscal 2005, as well as the upgrading of certain technology infrastructure of these acquisitions.

Amortization of intangible assets, for the six months ended July 1, 2006, was $2.6 million compared to $0.7 million for the comparable six months period in the prior year. The amortization expense increase is attributable to acquisitions completed in fiscal 2006 as well as an amount of $1.0 million for the 37-day period from May 25, 2006 to July 1, 2006, arising from the acquisition of the GENIVAR Engineering Services business by the Fund at the closing of the IPO.

Net earnings before non-controlling interests

The Fund's net earnings before non-controlling interest for the period from May 25, 2006 to July 1, 2006 were $2.4 million or $0.13 per unit after accounting for the combined interest of the Fund's Units and the LP class A, plus the Non-subordinated Exchangeable LP Units and the Subordinated LP Units, which total 18,927,381.

Backlog

For the period ended July 1, 2006, our backlog of revenues, which represents future revenues from existing signed contracts to be executed, stood at $126.9 million.

Distributable Cash

During the period from May 25, to July 1, 2006, the Fund generated $3.371 million of distributable cash available. The amount estimated in the Fund's prospectus, prorated for the same period, was $1.919 million. On a per unit basis, distributable cash was $0.1781 for the period, compared to $0.1136 for the equivalent period as regards to the proportionate share of the anticipated annual distributable cash stated in the Fund's prospectus. This apparent favourable difference can be explained by the fact that the 37-day period extending from May 25 to July 1, 2006 is shorter than the Fund's normal annual working capital cycle and may not be representative of the Fund's distributable cash over a normal annual cycle.

On June 21, 2006, based on a payout ratio of 90% of the anticipated annual distributable cash stated in the Fund's Prospectus, a cash distribution of $0.1022 per unit was declared to each unitholder of record of the Fund as of June 30, 2006, payable on July 17, 2006. The total cash requirement for the distributions was $1.934 million, including distributions declared on Fund Units, Non-subordinated Exchangeable Units of the LP and Subordinated Exchangeable Units of the LP.

Liquidity and Capital Resources

For the 37-day period ended July 1, 2006, the Fund's cash flow from operating activities generated $3.4 million of distributable cash. However, it should be noted that the 37-day period extending from May 25, to July 1, 2006 is shorter than the Fund's normal annual working capital cycle and is not representative of the Fund's cash flow over a normal annual cycle. The Fund commenced operations on May 25, 2006 with a working capital of $21.5 million which reached $22.7 million on July 1, 2006.

Management believes that the working capital level is strong enough to sustain organic growth and continue to finance the distributions to unitholders through cash generated from operations.

Capital expenditures during the period from May 25, to July 1, 2006 were $129,000. From this amount, $29,000 were paid during the period.

The credit facility available to GENIVAR LP consists of a revolving term facility of up to $40 million (or the U.S. dollar equivalent thereof). The credit facility has a three-year term from Closing. The credit facility may be used for general corporate purposes and to finance future acquisitions. With respect to acquisitions, certain conditions as to, inter alia, the nature of the acquired business, level of interest acquired, financial covenants and security, will have to be met to the satisfaction of the Bank of Montreal (the "Lender").

On each anniversary of the Closing, the term of the credit facility can be extended at GENIVAR LP's request for an additional one-year period, subject to the prior approval of the Lender and payment of an extension fee.

The credit facility is secured by a first priority security interest and hypothec over the universality of movable assets of GENIVAR LP, GENIVAR Ontario Inc. and, to the extent required by the Lender, GENIVAR LP's other present and future subsidiaries and GENIVAR LP's general partner, with each such entity, as the case may be, providing a first priority security interest and hypothec over the universality of its movable assets, subject to certain exclusions and permitted liens as well as by a first priority pledge by the Trust over the Units of GENIVAR LP held by the Trust.

As of July 1, 2006, GENIVAR LP had $6.8 million cash on hand. The credit facility was undrawn. Total borrowings of $14.8 million were financed by the Existing Investor. From this amount $9.8 million were reimbursed in August 2006 by using the available cash. As per agreed upon by GENIVAR LP and the Lender, the balance is to be financed by the Existing Investor. The applicable interest rate to be applied is identical to the one used by the Lender.

Estimates and Critical Accounting Policies

Estimates

The preparation of financial statements in conformity with Canadian generally accepted accounting principles requires Management to make estimates that affect the amounts of assets and liabilities reported in the financial statements. Those estimates also affect the disclosure of contingencies at the date of the financial statements and the reported amounts of revenues and expenses during the year. Significant estimates include the allowance for doubtful accounts receivable, costs and anticipated profits in excess of billings, the estimated life of property, plant and equipment and of intangible assets, billings in excess of costs and anticipated profits and certain accrued liabilities. Actual results could differ from those estimates.

Joint ventures

The Fund conducts certain projects in joint ventures with other parties. The interests in such joint ventures are accounted for using the proportionate consolidation method, which results in the Fund recording its pro rata share of the assets, liabilities, revenues and expenses of each of these joint ventures. The Fund does not own any interests in variable interest entities.

Revenue recognition

Revenues and profits from cost-plus contracts with ceilings and from fixed price contracts are accounted for using the percentage-of-completion method, which is calculated on the ratio of contract costs incurred to total anticipated costs.

Revenues and profits from cost-plus contracts without stated ceilings and from short-term projects are recognized as costs which are incurred and are calculated based on billing rates for the services performed.

Certain costs incurred by the Fund for subconsultants and other expenses that are recoverable directly from clients are billed to them and therefore, are included in revenues.

Revisions of estimates are reflected in the accounts on a periodic basis and all foreseeable losses are included in earnings, when it is determined that such losses are estimated to be likely to occur.

Deferred revenue represents a deposit on a contract received in advance.

Intangible assets

Intangible assets include software, customer relationships, contract backlogs, non-competition agreements and trade name. 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.

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.

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 different valuation methods such as capitalized cash flow, merger and acquisition, guideline public company or any other accepted 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.

Net accounting standards

In January 2005, the CICA issued four new accounting standards in relation with financial instruments: Section 3855 "Financial Instruments – Recognition and measurement", Section 3865 "Hedges", Section 1530 "Comprehensive Income" and Section 3251 "Equity".

Section 3855 expands on Section 3860 "Financial Instruments – Disclosure and Presentation", by prescribing when a financial instrument is to be recognized on the balance sheet and at what amount. It also specifies how financial instrument gains and losses are to be presented.

Section 3865 provides alternative treatments to Section 3855 for entities which choose to designate qualifying transactions as hedges for accounting purposes. It replaces and expands on Accounting guideline AcG-13 "Hedging Relationship, and the hedging guidance in Section 1650 "Foreign Currency Translation" by specifying how hedge accounting is applied and what disclosures are necessary when it is applied.
Section 1530 "Comprehensive Income" introduces a new requirement to temporarily present certain gains and losses outside net income.

Consequently, Section 3250 "Surplus" has been revised as Section 3251 "Equity".

Sections 1530, 3251, 3855 and 3865 apply to fiscal years beginning on or after October 1, 2006. The Fund is currently assessing the effects of these new standards on its consolidated financial statements.

Related Party Transactions

During the period ended July 1, 2006, the Fund entered into the following transactions with a joint venture and companies controlled by the non-controlling unitholders:

Joint venture	
Revenues	$ 8,157
Companies controlled by the non-controlling unitholders	
Revenues	$ 295,188
Costs	$ 18,208
Marketing, general and administrative expenses	$ 20,013

These transactions are done within 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. Revenues from the joint venture represent revenues that have not been eliminated in the proportionate consolidation.

At the end of the period, as of July 1, 2006, the amounts due from and related parties have arisen from the transactions referred to above.

Commitments

The Fund is bound by lease commitments for office premises and equipment. Minimum payments, not including the share of the landlords' operating expenses, are expected to amount to:

2006 *6 months*	2007	2008	2009	2010	2011	After
$ 2,037,583	$ 4,125,621	$ 2,793,744	$ 2,165,659	$ 2,128,586	$ 2,023,895	$ 5,840,014

Foreign Exchange Contracts

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 contracts during the period to cover future sales anticipated in US dollars. Pursuant to these foreign currency forward contracts, the Fund is required to sell US dollars at a predetermined rate.

The fair value of foreign currency forward contracts is detailed as follows:

Unrealized liabilities on foreign currency forward contracts	$ 60,356

	Contractual rate	Contractual amounts *(US dollars)*
In the next eleven months	1.09	$ 2,750,000

Risk Factors

The result 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.

Ability to Maintain Profitability and Manage Growth

There can be no assurance that our business and growth strategy will enable us to sustain profitability in future periods. Our future operating results will depend on a number of factors, including our ability to continue to successfully execute the strategic initiatives.

Our growth strategy depends, in part, on our ability to:
- Offer a full range of Engineering Services;
- Successfully cross-sell additional services to existing clients and attract new clients;
- Consolidate our position in the provinces of Quebec and Ontario as well as identify and acquire suitable acquisition candidates in order to expand into other regions; and
- Successfully integrate acquired businesses with existing operations.

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

Reputational Risk

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

Reliance on Key Professionals

Our operations are dependent on the abilities, experience and efforts of our professionals, many of whom have significant reputations and contacts in the industry in which we operate. Should any members of our professional staff be unable or unwilling to continue their relationship with us, this may have a negative impact on our operations and our ability to effectively make distributions on the Units.

Shortage of Engineers

Our success depends in part on our 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 we will be able to attract, hire and retain a sufficient number of engineers necessary to continue to sustain existing activities and future growth of our business. Our potential inability to attract, hire and retain a sufficient number of engineers could limit our ability to sustain and increase revenues.

Fixed-Price Negotiated Fee Contracts

A portion of our revenues comes from fixed-price negotiated fee contracts. Under fixed-price negotiated fee contracts, we agree 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 us to a number of risks not inherent in hourly basis contracts, including underassessment of fees, ambiguities in specifications, unforeseen difficulties, problems with new technologies, delays beyond our control and economic or other changes to which may occur during the contract period. Increasing use of fixed-price negotiated fee contracts and/or the increasing scope of such contracts would increase our exposure to these risks. Losses under fixed-price negotiated fee contracts could have a material adverse effect on our business, financial condition and results of operations and our ability to make distributions on the Units.

Further details are provided in the "RISK FACTORS" section of the Fund's final prospectus dated May 16, 2006.