GENIVAR
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GENIVAR Income Fund

2006 Year-end financial report

Management's Discussion & Analysis

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2006 YEAR-END FINANCIAL REPORT

The following management's discussion and analysis of financial condition and results of operations («MD&A») dated as of MARCH 12, 2007, 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 period extending from May 25, to December 31, 2006 and in conjunction with the prospectus of the Fund dated May 16, 2006. The Fund's consolidated financial statements are expressed in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles («GAAP»).

In order to enhance the purpose and the relevance of this MD&A, certain financial and operating results of the Fund for its third reporting period are added to the unaudited combined financial and operating results of the GENIVAR Engineering Services Business (as defined below), hereby ended, covering a period of twelve months being from January 1, to December 31, 2006. They are compared to the unaudited combined results of the GENIVAR Engineering Services Business for the period of twelve months ended December 31, 2005, 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 unaudited 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 («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 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, other than as required by current legislation.

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 78,000 people in 2004 and recorded operating revenues of $12 billion. This industry is comprised of several hundred firms of varying sizes with most firms employing fewer than fifty (50) people and a few firms employing more than 1,000 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 resources 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 miscellaneous municipal facilities.

- **Industrial & Power:** We provide planning, engineering and project management services to private businesses of various industries such as mining and mineral processing, aluminium 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, modelling, 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.

The Fund is one of the largest Engineering Services firm in Canada in terms of number of employees, with more than 1,800 managers, professionals, technicians and technologists and support staff in over 40 offices in Canada and abroad. These numbers include the five recent acquisitions mentioned below.

Consolidation in Quebec and Ontario and Expansion in Western Canada

Our goal is to develop a national firm with a leading presence in all major regions of Canada with the objective of being market leaders in each of our operating segments and regions. 2006 has been a year of continued growth and expansion of our national platform in line with our development strategy. Since our Initial Public Offering, as at May 25, 2006, we have actively pursued our business strategy in achieving growth in the Canadian market and reaching important milestones due to the following acquisitions:

- The MacViro acquisition created a solid base in the Toronto region. MacViro is an engineering firm of 170 employees based in Markham, in the Greater Toronto Area, specialized in urban infrastructure, industrial and power and environment market segments.

- The Martoni, Cyr & Associates acquisition consolidated our expertise and position as one of Canada's leaders in the building sector. It also added an internationally recognized know-how in telecommunication tower design and reinforcement. The firm, based in Montreal, has 70 employees.

- Following Cochrane Design Group acquisition, an engineering firm of 150 employees, GENIVAR gained an important foothold in Western Canada by establishing a presence in major cities, including: Vancouver, Winnipeg, Saskatoon and Regina. We also have expanded our operations in Ontario. This transaction was effective January 1, 2007.

- The acquisition of Toronto-based Kazmar Associates, a structural engineering firm of approximately 25 employees, brought us additional expertise in structural engineering while at the same time strengthened our national platform in building engineering and enlarged our presence in Ontario.

- In February 2007, we completed the acquisition of Groupe G.L.D. inc. and established a presence in the Beauce Region in Quebec. We thus expanded our network and consolidated our building expertise in the greater Quebec City Region. The firm has 50 employees.

These acquisitions added a solid base of national repeat clients in all of our market segments. The integration of administrative functions, expansion of existing services and client marketing were achieved in Ontario, Quebec, as well as in Western Canada.

More acquisitions targeted

We will pursue our business strategy and growth in the Canadian marketplace both through leveraging of our existing client base by the cross-selling of services and through strategic acquisitions. The Fund expects to pursue its acquisition strategy and has, in that sense, proceeded in identifying potential acquisition targets in all provinces.

Strong Entrepreneurial Culture

We operate in a knowledge-based environment and our work force is our most important asset. Our business is generated by our employees and the alignment and commitment of our key resources is the cornerstone of our business model. To this effect, we maintain a partnership structure that sustains an entrepreneurial culture within the group by exercising a limited central control and focussing on regional autonomy. GENIVAR Inc., the Non-controlling Unitholder, holds 7,927,381 exchangeable units of the Fund and counts over 200 shareholders who are active employee-owners.

These partners are the entrepreneurial resources of the Fund who, through their technical expertise, client relations and management skills, run the business of the Fund through its different offices and market segments. 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.

Our effective business model represents an asset. We believe our decentralized philosophy serves as a selling feature when we approach acquisitions.

NEW INCOME FUND RULES

On October 31, 2006, the Minister of Finance of Canada announced changes to the taxation of publicly traded trusts and, on December 15, 2006, issued subsequent guidelines as to normal growth of existing trusts. Draft tax legislation was issued on December 21, 2006 and parliamentary hearings and discussions have been held since the beginning of 2007 on this matter. In response to these proposed changes, management has analyzed the draft legislation and its implication and is developing a plan to pro-actively respond to the modifications, if and when they occur. With the information currently available, we can formulate the following response to the issue at hand:

- The proposed 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 is a sustainable model if the proposed modifications are implemented in 2011;

- The proposed changes do not impact our current strategy for cash distribution to Unitholders;

- The proposed changes will not significantly impact our access to additional capital. Under the proposed guidelines, the Fund could issue $210 million in new equity in the four following years which, combined with our existing credit facilities, will sustain our growth plan. We have however made representations to the Minister of Finance to include, under the proposed "safe harbour" rules, all units on a fully diluted basis (including exchangeable units held by the Non-controlling Unitholders) in the calculation of the market capitalization of GENIVAR on October 31, 2006. This adjustment will enable the Fund to raise additional equity of $39 million in the first year of the four-year period up to 2011, if required. The Fund will be able to maintain its growth strategy through organic growth and acquisitions under these new guidelines.

Management and the Board of Trustees will continue to assess the situation as it unfolds and identify the impact of changes to taxation of the Fund as well as manage its strategic options going forward.

SELECTED CONSOLIDATED FINANCIAL INFORMATION

FINANCIAL HIGHLIGHTS

	2006			2005	2006	2005
	PRE-IPO	POST-IPO	TOTAL	TOTAL	Q4	Q4
IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	FOR THE PERIOD JANUARY 1 TO MAY 24 (COMBINED-UNAUDITED) (5)	FOR THE PERIOD MAY 25 DECEMBER 31 (AUDITED)	FOR THE TWELVE MONTHS ENDED DECEMBER 31 (COMBINED-UNAUDITED) (4)	FOR THE TWELVE MONTHS ENDED TO DECEMBER 31 (COMBINED-UNAUDITED) (5)	FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (COMBINED-UNAUDITED) (5)
Net revenues (1)	$ 43,297	$ 84,682	$ 127,979	$ 96,551	$ 36,733	$ 28,104
EBITDA (2)	$ 8,173	$ 17,816	$ 25,989	$ 17,440	$ 7,437	$ 6,093
Net earnings		$ 6,344			$ 2,577	
Earnings per Fund Unit						
Basic		$ 0.58			$ 0.24	
Diluted		$ 0.58			$ 0.24	

	2006			
	POST-IPO		Q4	
IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	FOR THE PERIOD MAY 25 TO DECEMBER 31 (AUDITED)	PER UNIT	FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	PER UNIT
Distributable Cash (3)	$ 15,712	$ 0.8301	$ 6,329	$ 0.3344
Aggregate Distributions, all Units	$ 11,394	$ 0.6022	$ 4,730	$ 0.2500
Actual payout ratio	72.5%		74.7%	

(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 period (as determined in accordance with GAAP), as an indicator of the Fund's performance. See reconciliation with revenues in selected consolidated financial information-Results of operations.
(2) 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. See reconciliation with earnings before income taxes and non-controlling interest in selected consolidated financial information-Results of operations.
(3) 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 cash flows from operating activities adjusted for change in non-cash working capital items, income taxes paid, capital expenditures paid, current income tax expense and interest unpaid. 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. 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. See reconciliation with cash flows from operating activities in selected consolidated financial information-Distributable cash.
(4) Supplementary Non-GAAP Combined Information for the twelve-month period ended December 31, 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 purposes only. As a result of this combined presentation, the POST-IPO earnings have been affected by the additional amortization and depreciation of intangible assets and property, plant and equipment assets considering that these assets were recorded at fair value at the acquisition date.
(5) This combined financial information was carved out from GENIVAR Engineering Services Business regrouping all of the engineering activities of GENIVAR Inc., the Non-controlling Unitholder.

RESULTS OF OPERATIONS

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	2006 PRE-IPO FOR THE PERIOD FROM JANUARY 1 TO MAY 24 (COMBINED-UNAUDITED) (5)	2006 POST-IPO FOR THE PERIOD FROM MAY 25 TO DECEMBER 31 (AUDITED)	2006 TOTAL FOR THE TWELVE MONTHS ENDED DECEMBER 31 (COMBINED-UNAUDITED) (4)	2005 TOTAL FOR THE TWELVE MONTHS ENDED DECEMBER 31 (COMBINED-UNAUDITED) (5)	2006 Q4 FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	2005 Q4 FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (COMBINED-UNAUDITED) (5)
Revenues	**$ 66,332**	**$ 109,781**	**$ 176,113**	**$ 129,997**	**$ 49,703**	**$ 33,447**
Deduct: Subconsultants and other direct expenses	$ 23,035	$ 25,099	$ 48,134	$ 33,446	$ 12,970	$ 5,343
Net revenues (1)	**$ 43,297**	**$ 84,682**	**$ 127,979**	**$ 96,551**	**$ 36,733**	**$ 28,104**
Direct project costs	$ 21,346	$ 43,777	$ 65,123	$ 50,942	$ 19,200	$ 14,313
Gross margin	**$ 21,951**	**$ 40,905**	**$ 62,856**	**$ 45,609**	**$ 17,533**	**$ 13,791**
Marketing, general and administrative expenses	$ 13,778	$ 23,089	$ 36,867	$ 28,169	$ 10,096	$ 7,698
EBITDA (2)	**$ 8,173**	**$ 17,816**	**$ 25,989**	**$ 17,440**	**$ 7,437**	**$ 6,093**
Interest	$ 132	$ 476	$ 608	$ 488	$ 195	$ 158
Depreciation of property, plant and equipment	$ 622	$ 1,245	$ 1,867	$ 1,449	$ 534	$ 424
Amortization of intangible assets	$ 1,661	$ 5,391	$ 7,052	$ 2,173	$ 2,130	$ 547
Earnings before income taxes and non-controlling interest	**$ 5,758**	**$ 10,704**	**$ 16,462**	**$ 13,330**	**$ 4,578**	**$ 4,964**
Income tax (recovery) (3)		($ 211)			$ 144	
Earnings before non-controlling interest		**$ 10,915**			**$ 4,434**	
Non-controlling interest (3)		$ 4,571			$ 1,857	
Net earnings (3)		**$ 6,344**			**$ 2,577**	
Basic net earnings per unit		**$ 0.58**			**$ 0.24**	
Weighted average number of Units (6)		11,000,000			11,000,000	
Diluted net earnings per Unit		$ 0.58			$ 0.24	
Diluted weighted average number of Units (6)		18,927,381			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 period (as determined in accordance with GAAP), as an indicator of the Fund's performance.
(2) 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.
(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 twelve-month period ended December 31, 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 purposes only. As a result of this combined presentation, the POST-IPO earnings 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.
(5) This combined financial information was carved out from GENIVAR Engineering Services Business regrouping all of the engineering activities of GENIVAR Inc., the Non-controlling Unitholder.
(6) As at March 12, 2007, the number of Units is the same as it was as at December 31, 2006.

SUMMARY OF QUARTERLY RESULTS (UNAUDITED)

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	2006 **Q2** **FOR THE PERIOD FROM MAY 25 TO JULY 1**	**Q3** **FOR THE PERIOD FROM JULY 2 TO SEPTEMBER 30**	**Q4** **FOR THE PERIOD FROM OCTOBER 1 TO DECEMBER 31**
Revenues	$ 17,523	$ 42,555	$ 49,703
Earnings before income tax recovery and non-controlling interest	$ 2,164	$ 3,962	$ 4,578
Net earnings	**$ 1,403**	**$ 2,364**	**$ 2,577**
Basic net earnings per unit	**$ 0.13**	**$ 0.21**	**$ 0.24**
Weighted average number of units	11,000,000	11,000,000	11,000,000
Diluted net earnings per unit	$ 0.13	$ 0.21	$ 0.24
Diluted weighted average number of units	18,927,381	18,927,381	18,927,381

BALANCE SHEET

IN THOUSANDS OF DOLLARS	**2006** **AS AT DECEMBER 31 (AUDITED)**
Total assets	$ 248,838
Long-term financial liabilities	---

RESULTS OF OPERATIONS [1]

Revenues

We operate in one reportable segment, consulting services. Our revenues for our first reporting period of 37 days (running from May 25, to July 1, 2006), accounted for $ 17.5 million and for the second reporting period of 91 days (running from July 2, to September 30, 2006), were $42.6 million. Comparatively, our revenues for the third reporting period of 92 days (running from October 1, to December 31, 2006), were $49.7 million, totalling $109.8 million in revenues for the POST-IPO period of 220 days.

For the twelve-month period ended December 31, 2006, revenues increased by 35.5% to $176.1 million compared to $130.0 million for the twelve months ended December 31, 2005. Revenues from growth through acquisitions[2] accounted for approximately $21.1 million of which $18.3 million originated from the MacViro acquisition concluded on May 24, 2006, $2.3 million from Labelle Ryan acquisition concluded on March 1, 2006 and $0.5 million from Martoni, Cyr & Associates concluded on December 1, 2006.

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 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 net revenues (a non-GAAP measure), expressed as revenues less costs for subconsultants and other direct expenses that are recoverable directly from our clients were $128.0 million for the twelve months ended December 31, 2006 and $96.6 during the same period in 2005. For the 92-day period ended December 31, 2006, net revenues increased from $28.1 million to $36.7 million. This increase over the prior year is due to a healthy combination of acquisition 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. Direct project costs include payroll costs relating to the delivery of consulting services and project delivery. Payroll costs include salaries and employee benefits, payroll taxes and other staffing services. 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 interest, the depreciation of property, plant and equipment and amortization of intangible assets.

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

[1] Supplementary Non-GAAP Combined Information for the twelve-month period ended December 31, 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 purposes only. As a result of this combined presentation, the PRE-IPO combined financial information was carved out from GENIVAR Engineering Services Business regrouping all of the engineering activities of GENIVAR Inc. ("the Non-controlling Unitholder"). Combined information for the twelve-month period ended December 31, 2005 was also carved out from GENIVAR Engineering Services Business.

[2] Growth through acquisitions is derived from revenues of acquired businesses from the date of acquisition to December 31 of the same year. Acquisitions realized in the last 45 days of the financial year are considered as growth through acquisitions for the current period and for the following period.

Direct project costs

For the twelve months ended December 31, 2006, direct costs represented 50.9% of net revenues compared to 52.8% for the same period in 2005. That improvement over the last year can be explained by a higher level of activity and increased productivity.

For the 92-day period ended December 31, 2006, the Fund's direct project costs amounted to $19.2 million or 52.3% of net revenues. Comparatively, for the same period in 2005, direct project costs amounted to $14.3 million or 50.9% of net revenues. It is important to note that this measure in terms of net revenues could slightly change from one period to another and for better comparison should be evaluated on a yearly basis.

Gross margin

For the twelve months ended December 31, 2006, the gross margin represented 49.1% of net revenues compared to 47.2% for the same period ended December 31, 2005. This is explained by a lower proportion of total labour allocated to projects as a result of better efficiency 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.

During the 92-day period ended December 31, 2006, the gross margin was $17.5 million compared to $13.8 million in the prior year. As a percentage of net revenues, the gross margin stood at 47.7% in 2006, representing a slight decrease of approximately 1.4% compared to 49.1% in 2005. It is important to note that this measure in terms of net revenues could slightly change from one period to another and for better comparison should be evaluated on a yearly basis.

Marketing, general and administrative expenses

Marketing, general and administrative expenses for the twelve-month period ended December 31, 2006 increased to $36.9 million compared to $28.2 million for the same period in 2005. This increase in dollars over last year results from up growth (organic and acquisition) in our work force and administrative support staff as well as additional rental expenses and marketing initiatives. It results, also, from additional accounting and other management expenses pertaining to public market information requirements. As a percentage of net revenues, marketing, general and administrative expenses represent 28.8% for the twelve months ended December 31, 2006, compared to 29.2% for the same period in 2005.

Marketing, general and administrative expenses from October 1 to December 31, 2006 were $10.1 million, representing 27.5% of net revenues compared to $7.7 million or 27.4% for the same period in 2005.

EBITDA

EBITDA (a non-GAAP measure) for the twelve months ended December 31, 2006 stood at $26.0 million, up $8.6 million from $17.4 million for the twelve months ended December 31, 2005, thus representing a 49.4% increase. Improved gross margin with a slight dercrease in marketing, general and administrative expenses as a percentage of net revenues accounted for the improved EBITDA.

During the 92-day period ended December 31, 2006, earnings before interest, depreciation, amortization and income tax (EBITDA) of the Fund were $7.4 million. As a percentage of net revenues, EBITDA margin for the 92-day period ended December 31, 2006 and for the whole twelve months ended December 31, 2006 stood at 20.3%.

Interest

Interest expense for the twelve-month period ended December 31, 2006, increased to $0.6 million compared to $0.5 million during the same period in 2005. Interest expense for the 92-day period ended December 31, 2006 was $0.2 million and the same in 2005.

Depreciation and amortization

Depreciation of property, plant and equipment, was $1.9 million for the twelve months ended December 31, 2006 compared to $1.5 million for the twelve months ended December 31, 2005. The underlying cause is the depreciation and amortization of additional assets acquired through various acquisitions during fiscal years 2005 and 2006 and as well, as a result of our constant efforts to upgrade the technology infrastructure of these acquisitions.

Amortization of intangible assets, for the twelve months ended December 31, 2006, was $7.0 million compared to $2.2 million for the twelve months ended December 31, 2005. The amortization expense increase is attributable to acquisitions completed in fiscal year 2006 (PRE-IPO), as well as an amount of $5.4 million for the 220-day period from May 25, to December 31, 2006, arising from the acquisition of the GENIVAR Engineering Services business by the Fund at the closing of the IPO.

Earnings before non-controlling interest

The Fund's earnings before non-controlling interest for the period from May 25, to December 31, 2006 were $10.9 million. The basic net earnings per unit were $0.58 after accounting for the combined interest of the 11,000,000 Class A partnership units, 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»), which total 18,927,381 Units.

DISTRIBUTABLE CASH

IN THOUSANDS OF DOLLARS EXCEPT PER UNIT DATA	2006 POST-IPO FOR THE PERIOD MAY 25 TO DECEMBER 31 (AUDITED)	2006 POST-IPO PER UNIT	2006 Q4 FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (UNAUDITED)	2006 Q4 PER UNIT
Cash flows				
Cash flows from operating activities	$ 13,333		$ 8,833	
Change in non-cash working capital items	3,886		(1,648)	
Current income tax expense	121		57	
Income taxes paid	(327)		(70)	
Capital expenditures paid	(1,583)		(915)	
Interest unpaid	282		72	
Distributable cash (1) (2)	**$ 15,712**	$0.8301	**$ 6,329**	$ 0.3344
Actual payout ratio (3)	**72.5%**		**74.7%**	
Fund's Units distributions	$ 6,622	$ 0.6022	$ 2,749	$ 0.2500
Class B Non-subordinated Exchangeable LP Units distributions	1,924	$ 0.6022	799	$ 0.2500
Class C Subordinated Exchangeable LP Units distributions	2,848	$ 0.6022	1,182	$ 0.2500
Aggregate distributions, all Units (1)	**$ 11,394**	**$ 0.6022**	**$ 4,730**	**$ 0.2500**
Distributable cash (1)	**$ 15,712**	**$ 0.8301**	**$ 6,329**	**$ 0.3344**
Capital expenditures paid	1,583		915	
Interest paid	194		123	
Income taxes paid	327		70	
EBITDA (4)	**$ 17,816**		**$ 7,437**	

(1) 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 cash flows from operating activities adjusted for change in non-cash working capital items, income taxes paid, capital expenditures paid, current income tax expense and interest unpaid. 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.

(2) 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.

(3) Payout ratio is defined as aggregate distributions divided by distributable cash.

(4) 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

During the period from May 25, to December 31, 2006, the Fund generated $15.7 million of distributable cash. The amount estimated in the Fund's prospectus, prorated for the same period, was $12.7 million. Based on a payout ratio of 90% of the anticipated annual distributable cash stated in the Fund's Prospectus, the total distributions were $11.4 million. On a per-unit basis, distributable cash was $0.8301 for the period, compared to $0.6691 for the equivalent period as regards the proportionate share of the anticipated annual distributable cash stated in the Fund's prospectus.

This apparent favorable difference can be explained by the fact that the 220-day period, extending from May 25 to December 31, 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.

The actual payout ratio for the 220-day period ended December 31, 2006, is 72.5%.

During the period from October 1, to December 31, 2006, based on a payout ratio of 90% of the anticipated annual distributable cash stated in the Fund's Prospectus, a monthly cash distribution totalling $0.25 per unit was declared to each unitholder of record of the Fund for this period. The total cash requirement for the distributions was $4.7 million, including distributions declared on Fund's Units, Non-Subordinated Exchangeable LP Units and Subordinated Exchangeable LP Units.

The actual payout ratio for the 92-day period ended December 31, 2006, is 74.7%.

BACKLOG

As at December 31, 2006, our backlog of revenues, which represents future revenues that stem from existing signed contracts to be executed, stood at $136.4 million. If we consider that our field of business measures backlog in terms of months of work, we can foresee that it represents approximately 9.3 months of upcoming work.

LIQUIDITY AND CAPITAL RESOURCES

	2006	
	POST-IPO	**Q4**
IN THOUSANDS OF DOLLARS	**FOR THE PERIOD MAY 25 TO DECEMBER 31 (AUDITED)**	**FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (UNAUDITED)**
Cash Flows		
Cash provided from operating activities	$ 13,332	$ 8,833
Cash provided from financing activities	33,661	1,528
Cash used by investing activities	(38,807)	(2,175)
Cash as at December 31, 2006	**$ 8,186**	**$ 8,186**
Distributions paid	**$ (9,029)**	**$ (6,073)**
Capital expenditures	**$ (1,583)**	**$ (915)**

For the 220-day period ended December 31, 2006, cash flows from operations generated $17.2 million of cash and $3.9 million were used in non-cash working capital items for net cash from operating activities of $13.3 million. The use of non-cash working capital items is explained by a $7.7 million accounts receivable increase. Billings in excess of costs and anticipated profits increased by $2.5 million and costs and anticipated profits in excess of billings decreased by $0.5 million. This is all due to our effective billing process. Receivables and work in progress represent approximately 107 days of annual sales which correspond to the industry standards for comparable businesses.

Financing activities generated $33.7 million of cash. As a result of the IPO, the issuance of Units generated a net amount of $100 million. From this amount, the Fund used $62.8 million to reimburse the note payable issued at the acquisition of assets from GENIVAR inc. and $37.2 million for business acquisitions (presented in investing activities). The Fund also used $9.0 million to pay distributions to unitholders. Finally, bank advances and advances from the Non-controlling Unitholder contributed by $5.5 million of the $33.7 million.

Investing activities used $38.8 million of cash. As previously mentioned, business acquisitions used up to $37.2 million of this amount. Finally, $1.6 million were used for capital expenditures.

As at December 31, 2006, the net cash position of the Fund amounted to $1.2 million and is detailed as follows:

	2006
IN THOUSANDS OF DOLLARS	AS AT DECEMBER 31
Cash and cash held in trust	$ 8.2
Bank advances	(7.0)
Net cash	$ 1.2

Cash held in trust amounting to $4.2 million was reserved for a business acquisition concluded on January 1, 2007.

It should be noted that the 220-day period extending from May 25, to December 31, 2006 is shorter than the Fund's normal annual cash flow cycle and is not representative of the Fund's cash flow over a normal annual cycle.

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 operations.

The credit facility available to GENIVAR LP consists of a revolving term facility of up to $40 million (or the US 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 December 31, 2006, the Fund had total borrowings of $15.8 million. From this amount, $7.0 million were financed by the bank and, as per agreed upon by the Fund and the Lender, $8.8 million by the Non-controlling Unitholder. The interest rate applied is identical to the one used by the Lender. As of December 31, 2006, the Fund had $8.2 million cash in trust and cash on hand.

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 in exchange of proceeds amounting to $110 million.

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 Non-controlling Unitholder 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 Non-controlling Unitholder 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.

FINANCIAL INFORMATION

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 and/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, 2006 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 assurance 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 period from May 25, to December 31, 2006 that have materially affected, or that are reasonably likely to materially affect its ICFR. No such changes were identified through their evaluation.

CRITICAL ACCOUNTING POLICIES

Estimates

The reparation 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. Significant estimates include purchase price allocation resulting from business acquisitions, the allowance for doubtful accounts receivable, costs and anticipated profits in excess of billings, the useful life of property, plant and equipment and intangible assets, billings in excess of costs and anticipated profits and certain accrued liabilities such as bonuses and litigation. Actual results could differ from those estimates.

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 are incurred and are calculated based on billing rates for the services performed.

Certain costs are 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.

Goodwill and intangible assets

Acquisitions have been a key component of the growth strategy of the Fund. The purchase price of acquired companies is determined based on a number of factors including the operating cash flows, the ability of management to grow revenues and cash flows, the service offering, the competitive position, the cultural compatibility with our organization, and our judgment. Service companies are not capital intensive. Therefore, the majority of the purchase price is allocated to goodwill and intangible assets. Intangible assets generally result from the customer relationships, contract backlogs, non-competition agreements and trade name of the acquired companies. Such evaluations are largely subjective and involve significant assumptions. The amount of intangible assets is recorded on the balance sheet and amortized over the expected useful life of the asset. The trade name is an indefinite - lived intangible asset and accordingly is not subject to amortization. Any balance of purchase price that is unallocated is recorded as goodwill.

Pursuant to current accounting rules, 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. We performed these tests at year-end. The impairment test was accomplished mainly by determining whether the fair value of a reporting unit, based primarily upon the discounted cash flows 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. Further to this exercise, we concluded that our goodwill was not impaired.

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.

New accounting standards

Financial Instruments

The CICA issued Section 3855 of the CICA Handbook, Financial Instruments - Recognition and Measurement. The section is effective for fiscal years beginning on or after October 1, 2006. It describes the standards for recognizing and measuring financial assets, financial liabilities and non-financial derivatives.

This section requires that:

- All financial assets be measured at fair value, with some exceptions such as loans and investments that are classified as held to maturity;

- All financial liabilities be measured at fair value if they are derivatives or classified as held for trading purposes. Other financial liabilities are measured at their carrying value;

- All derivative financial instruments are measured at fair value, even when they are part of a hedging relationship.

The CICA has also reissued Section 3860 of the CICA Handbook as Section 3861, Financial Instruments - Disclosure and Presentation, which establishes standards for presentation of financial instruments and non-financial derivatives, and identifies the information that should be disclosed about them. These revisions come into effect for fiscal years beginning on or after October 1, 2006.

These new accounting standards are not expected to have a significant effect on the Fund's financial results.

FINANCIAL INSTRUMENTS

Cash, cash held in trust, accounts receivable, advances to companies controlled by the Non-controlling Unitholder, bank advances, accounts payable and accrued liabilities, advances payable to the Non-controlling Unitholder and distributions payable to unitholders are financial instruments whose fair values approximate their carrying value due to their short-term maturity or to variable interest rates.

Financial instruments which potentially subject the Fund to significant credit risk consist principally of accounts receivable.

The distribution of the Fund's customers and the business risk management procedures have the effect of avoiding any concentration of credit risk.

Generally, the Fund does not require collateral or other security from customers for trade accounts receivable; however, credit is extended following an evaluation of creditworthiness. In addition, the Fund performs on-going credit reviews of all its customers and establishes an allowance for doubtful accounts when accounts are determined to be uncollectible.

RELATED PARTY TRANSACTIONS

During the period ended December 31, 2006, the Fund entered into the following transactions with related parties:

	2006	
	POST-IPO	**Q4**
IN THOUSANDS OF DOLLARS	**FOR THE PERIOD MAY 25 TO DECEMBER 31 (AUDITED)**	**FOR THE PERIOD OCTOBER 1 TO DECEMBER 31 (UNAUDITED)**
Companies controlled by the Non-controlling Unitholder		
Revenues	$ 2,137	$ 1,210
Costs	$ 355	$ 205
Marketing, general and administrative expenses	$ 150	$ 74
Non-controlling Unitholder		
Marketing general and administrative expenses	$ 99	$ 39
Net interest expense	$ 282	$ 72

The Fund uses the services of companies controlled by the Non-controlling Unitholder, to realize certain contracts as well as the Fund is a subconsultant of those companies in certain projects. Companies controlled by the Non-controlling Unitholder offer construction services.

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 and or services.

In the last quarter, the Fund also retained the services of one of these companies to realize the extension of an existing building on Des Gradins Boulevard. 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 related of these employees is charged to them.

Finally, there are advances between the Fund and the Non-controlling Unitholder. The interest rate applied is identical to the one used by the Lender. As at December 31, 2006, advances amounted to $8.8 million.

On December 1, 2006, the Fund acquired the assets of Martoni, Cyr & Associates («Martoni»), a Quebec-based engineering consulting firm previously owned by GENIVAR inc. The purchase price of $4.0 million was fully settled in cash. On the same day, GENIVAR inc. acquired all of the outstanding shares of Martoni for a consideration of $4.0 million.

OFF-BALANCE SHEET AGREEMENTS

There were no off-balance sheet agreements.

COMMITMENTS

The following table provides a summary of our contractual obligations and should be read in conjunction with notes 6, 20 and 23 to our consolidated financial statements.

	2007	**2008**	**2009**	**2010**	**2011**	**Thereafter**
IN THOUSANDS OF DOLLARS						
Lease commitments	$ 4,698	$ 3,092	$ 2,472	$ 2,390	$ 2,295	$ 6,176
Costs to complete building under construction [1]	$ 1,558	-	-	-	-	-
Closing payments for acquisitions completed after year-end [2]	$ 10,650	$ 150	-	-	-	-

FOREIGN CURRENCY FORWARD 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.

As at December 31, 2006, the Fund held foreign currency forward contracts to exchange $1.250M US in the next five months at an average exchange rate of CAN$1.09/US$1. The fair value of these foreign currency forward contracts amounts to $0.09 million and is classified as liabilities even if not realized as at December 31, 2006.

SUBSEQUENT EVENTS

On May 30, 2006, the Fund accepted an offer to sell a building, which was concluded on February 7, 2007. The Fund's building, situated at 780 Louis XIV, Quebec City, was sold at its net carrying value for a cash consideration of $0.5 million (see commitments above-note 1).

On December 20, 2006, the Fund entered into an agreement, effective on January 1, 2007, providing for the acquisition of certain assets of Cochrane Design Group («CDG»), a Western Canada-based engineering consulting firm, for a consideration of $4,7 million settled as follows: a cash amount of $4,2 million and the issuance of a note payable to the vendors in the amount of $0.5 million.

On January 9, 2007, the Fund entered into an agreement effective on January 1, 2007, providing for the acquisition of certain assets of Kazmar Associates («Kazmar»), an Ontario-based engineering consulting firm, for a consideration of $2.1 million settled as follows: a cash amount of $1.8 million and a balance of purchase price of $0.3 million.

On February 22, 2007, the Fund entered into an agreement, effective on February 24, 2007, providing for the acquisition of all assets and liabilities of Groupe G.L.D. inc. («GLD»), a Quebec-based engineering consulting firm previously owned by GENIVAR inc., for a cash amount of $4.0 million.

On March 12, 2007, the board of directors of GENIVAR GP inc. and the trustees of the Fund approved, in relation to the long-term incentive plan, the purchase of Units on the market for an amount totalling $0.8 million.

1 This amount relates to a $2.6 million construction project to expand square footage of the main office in Quebec City, from 45,000 square feet to 65,000 square. feet. In relation with this construction project, GENIVAR sold its second building in February 2007 for an amount of $0.5 million and cancelled a lease for office space in the vicinity. This was part of the strategy of the Fund to regroup the employees in a single office space and creating a cost-effective synergy. Since the project has been financed by way of the current credit facilities, the Fund believes that there will be no material impact on future cash distributable.

2 Closing payments are related to acquisitions of Cochrane Design Group, Kazmar Associates and Groupe G.L.D. inc. and will be financed using the Fund's credit facilities.

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.

Income tax matters

The Fund will evaluate the potential consequences of the new rules proposed, on October 31, 2006 and the draft legislation released for comment on December 21, 2006, concerning the income trust structure, as presented by the Minister of Finance of Canada. The rules applicable to publicly traded trusts and partnerships will be significantly modified. In particular, certain income of (and distributions made by) these entities will be taxed in a manner similar to income earned by (and distributions made by) a corporation. These rules will be effective in 2011 for the trusts whose units were publicly traded prior to November 1, 2006, which is the case for the Fund. At such time, as the proposed rules apply to the Fund, the distributable cash of the Fund may be reduced and such reduction may be material.

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 an adverse effect on our business, financial condition and results of operations as well as our ability to make distributions on the Units.

Reputation 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, and 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 as well as our ability to make distributions on the Units.

Further details are provided in the “RISK FACTORS” section of the Fund’s prospectus dated May 16, 2006.