MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the consolidated financial statements and accompanying notes ("financial statements") of IBI Income Fund (the "Fund") for the three and six months ended June 30, 2010. Results are reported in Canadian dollars and have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP").

This MD&A is dated as of August 4, 2010. Additional information that has been filed concerning the Fund, including the Fund's annual information form for the year ended December 31, 2009, is or will be available on SEDAR at www.sedar.com.

Overview of the Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Fund's Declaration of Trust. The Fund is entirely dependent upon the operations and assets of IBI Group in which it indirectly holds 12,842,226 Class A partnership units, representing 71.9% of the issued and outstanding Class A and Class B partnership units (the "Partnership Units") of IBI Group. IBI Group Management Partnership ("Management Partnership") holds 5,025,778 Class B partnership units of IBI Group, representing the remaining 28.1% of the issued and outstanding Partnership Units of IBI Group. In addition, the Management Partnership holds 5,025,778 non-participating voting units ("Non-Participating Voting Units") of the Fund which, together with the Class B partnership units of IBI Group, are exchangeable into trust units ("Units") of the Fund on a one for one basis, subject to adjustment.

In addition to the Class B Units, the Management Partnership and IBI Group Investment Partnership, the partners of which are also partners of the Management Partnership or are controlled by a person who controls a partner of the Management Partnership, together hold 3,202,050 Units of the Fund. These interests represent an interest of approximately 46.0% in the Fund on a partially diluted basis, assuming the exchange of the Class B Units for Units of the Fund. There are currently 12,842,226 Units issued and outstanding (17,868,004 Units issued and outstanding on a partially-diluted basis).

IBI Group is a leading, international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI Group's business is concentrated in four main areas of development, being urban land, building facilities, transportation networks and systems technology. The professional services provided by IBI Group include planning, design, implementation, analysis of operations and other consulting services related to these four main areas of development.

IBI Group's professionals have a broad range of academic backgrounds and experience in urban design and planning, architecture, civil engineering, transportation engineering, traffic engineering, systems engineering, urban geography, real estate analysis, landscape architecture, communications engineering, software development and many other areas of expertise, all contributing to the four areas in which IBI Group practices.

The firm’s clients include national, provincial, state and local government agencies and public institutions, as well as leading companies in the real estate building, land and infrastructure development, transportation and communication industries and in other business areas. IBI Group provides these services in major cities across Canada, the United States, Western Europe and the Middle East, as well as in other international centers.

Changes in Tax Legislation

On October 31, 2006, the Minister of Finance (Canada) announced tax proposals (the “Proposal”) concerning the taxation of most publicly traded income trusts and other flow-through entities (the “SIFT Rules”). The SIFT Rules were subsequently enacted. The SIFT Rules apply a tax on certain income (other than dividends and certain non-Canadian income directly received by the Fund) earned by a SIFT trust as defined in the Income Tax Act (Canada) (the “Tax Act”), and would treat the taxable distributions of such income received by Unitholders of a SIFT trust as “eligible dividends”. Pursuant to the SIFT Rules, the Fund will constitute a SIFT trust and, as a result, the Fund and its Unitholders will be subject to the SIFT Rules. The SIFT Rules generally do not apply until the 2011 taxation year for income trusts the units of which were publicly traded prior to November 1, 2006, such as the Fund. However, the SIFT Rules will apply immediately in any taxation year ending after 2006 if the SIFT trust exceeded normal growth during the period from November 1, 2006 to December 31, 2010, as described in the press release issued by the Department of Finance (Canada) on December 15, 2006 (the “Normal Growth Guidelines”) as subsequently modified.

The Normal Growth Guidelines indicate that the Fund will not lose the benefit of the deferred application of the SIFT Rules to 2011 if the equity capital of the Fund does not grow as a result of issuances of new equity (which includes Units, debt that is convertible into Units, and potentially other substitutes for such equity) before 2011 by an amount that exceeds the greater of $50 million per year and an objective "safe harbour" amount based on a percentage of the Fund’s October 31, 2006 market capitalization. The Fund’s October 31, 2006 market capitalization was approximately $111 million. Effective December 4, 2008, the Department of Finance revised the Normal Growth Guidelines to allow for the remaining safe harbour, and the $50 million *de minimis* amounts for each of 2009 and 2010, to be fully available on and after December 4, 2008. This change does not affect the maximum available growth of IBI Group, but allows it to use all of its remaining growth room in a single year, rather than staging it over 2009 and 2010. It is assumed for the purposes of this MD&A that the Fund will not be subject to the SIFT Rules until January 1, 2011. However, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) exceeding amounts permitted before 2011, the Fund may become subject to the SIFT Rules prior to 2011. No assurance can be given that the SIFT Rules will not apply to the Fund prior to 2011. Loss of the benefit of the deferred application of the SIFT Rules through 2011 could have a material and adverse effect on the value of Units of the Fund.

On June 26, 2007, the ministère des Finances (Québec) (the “Ministère”) published Information Bulletin 2007-5 confirming that Québec’s tax legislation will be harmonized with the SIFT Rules, but that a separate Québec tax regime will be implemented. On June 18, 2008, the federal tax legislation relating to the provincial portion of the SIFT tax was amended to provide that the tax rate of the provincial portion will be prescribed. The relevant changes in

Income Tax Regulations were enacted on March 12, 2009. The changes relating to provincial allocation provided that the provincial portion of the SIFT tax will be based on the general provincial corporate income tax rate in each province in which a SIFT has a permanent establishment and if the province is Quebec, the rate will be nil to take into account the SIFT tax imposed by Quebec.

On July 14, 2008, the Minister of Finance (Canada) released draft tax legislation that will facilitate the conversion of income trusts into corporations. This legislation was enacted with minor modifications, on March 12, 2009.

Subsequent to the end of the quarter, the Fund announced its plan to convert to a dividend-paying corporation as of January 1, 2011.

Operating Highlights

The second quarter 2010 results demonstrated the firming of the operating results of IBI Group as compared to the fourth quarter 2009 and the first quarter of 2010. The results of the second quarter of 2010 are based on 63 available working days which is consistent with an average quarter. The highlights are:

- Revenue at $69.8 million, was $1.2 million below the second quarter of 2009 and up $1.7 million compared with the first quarter of 2010;
- EBITDA[1] of $10.1 million was $1.9 million below the second quarter of 2009, and up $1.1 million compared with the first quarter of 2010;
- Distributable cash[1] of $7.3 million was $2.8 million below the second quarter of 2009, and up $1.1 million compared with the first quarter of 2010.

The basis of this performance is discussed in paragraphs below.

Revenue Activity

Revenue for the second quarter exceeded that of the first quarter on an average daily basis, and as a result of one additional working day for the quarter, revenue was up $1.7 million. The revenue in the second quarter was lower than expected, caused by the slippage of progress on certain public projects in Canada and further softening of the markets in Florida, Michigan and New York in the USA. However, the backlog of committed work continued to increase during the quarter, and now stands at over ten months activity at the pace of the first half of 2010, and over nine months based on the greater pace that IBI Group anticipates for the second half of 2010. This backlog includes notable projects such as the McGill Medical Centre, (which has now achieved financial close), Women's College Hospital (which has now achieved financial close) and many other new substantial projects.

(1) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures.

Organic growth in the second quarter of 2010 declined by $10.0 million (14.1%) as compared with the second quarter of 2009, and declined by $0.7 million (1.0%) as compared to the first quarter 2010. This performance relative to the first quarter of 2010 was below expectations as noted for the reasons above. However with the continuing increase of new assignments in the private sector, increased activity in the public sector including the substantial projects referred to above, IBI Group anticipates net organic growth being achieved through subsequent quarters of 2010. There will also be new strategic growth through the merger of Nightingale Architects in Health care as well as Education and Science Facilities, along with the other earlier acquisitions and new acquisitions currently under consideration.

Public sector work grew proportionately and in this quarter exceeded 67% of the $69.8 million of revenue.

Strategic Program of Growth

During the second quarter, IBI Group completed the acquisition of Nightingale Architects Ltd ("Nightingale"). Nightingale is a leading architectural practice, specialising in facilities for health care and for education and science. The practice has been in existence for over twenty years and has grown steadily to its current complement of 240 members operating in six offices in the UK, as well as an office in South Africa. Nightingale is a practice leader in social infrastructure in the UK, actively engaged in major building projects in that base of operation and other projects internationally including Eastern Europe, the Gulf, Australia and South Africa. The firm is an architect of choice of public agencies, as well as private development proponents/construction contractors for the delivery of health care facilities through private finance initiatives, public private partnerships and design build. These major private companies, operating in the UK, are also similarly engaged in other world markets affording Nightingale the opportunity to provide architectural services for these clients for projects elsewhere. The integration of the executive team of Nightingale is a strategic advancement in relation to three basic objectives of IBI Group: building the world platform of IBI, becoming a leader in world scale projects in health care and other areas of social infrastructure, and strengthening the business of IBI. In fact, as we approach the end of only the second month of working together, there are underway, joint efforts and business development initiatives targeting professional work opportunities.

During the first quarter IBI Group completed the acquisition of MAAK Technologies Inc. ("MAAK"). This firm's expertise in water engineering and systems applications extends IBI Group's work in systems technology to the important area of water resources. It also broadens the IBI Group practice geographically with further strengthening in the Caribbean.

IBI Group is engaged in discussions with other firms for acquisitions in international markets where IBI Group is currently active including China and India.

IBI Group is in discussion with firms in Canada to complement certain functional skills and improve overall strength in areas where IBI Group is currently practicing.

IBI Group continues to be committed to further growth in the USA. Discussions are under way with several USA based firms in connections with potential acquisitions. These acquisitions could add professional skills and strengthen IBI Group's presence in major centres of population in the six urban regions of the USA. IBI Group expects such acquisitions to be concluded during the remainder of 2010 and continuing in 2011. As IBI Group has noted previously, the firms being acquired may not achieve the levels of profitability of which they are capable within the current economic environment in the USA. While this may dampen EBITDA and distributable cash as a percentage of net fee revenue in the short term and is of concern to the IBI Group, the firm continues to believe this is a sound strategic investment program which will realise significant results within an improved economic environment, strengthened with the international reach of the IBI Group within the next few years.

Currency Gains/Losses

IBI Group continues to manage the US/Canadian currency fluctuations using borrowings in US funds approximately equivalent to the US dollar accounts receivable in Canadian dollar functional entities to achieve an internal counter balancing effect. In this second quarter IBI Group did experience a $0.4 million currency gain. Management continually monitors the levels of foreign currency assets and liabilities to ensure that there is not an imbalance which could cause risks due to fluctuations in the foreign currencies.

Major Projects

As noted above, the McGill University Centre has now achieved financial close with the affiliated architectural firms of IBI Group being the lead building architects working in support of the Consortium led by SNC Lavalin. This significant project together with Women's College Hospital and other public work, as well as in the revitalisation of the private sector across Canada, where IBI Group services the design of housing, which will all lead to increased fee volumes in the ensuing quarters.

Other Professional Progress

Other progress in the professional work of IBI Group in the second quarter of 2010 included:

- Continuing work on a suite of tolling and traffic management projects in Greece which, have withstood the financial challenges regarding the relatively large debt of that country;
- Continued further work in the growing health care practice of IBI Group; which has very significantly increased opportunities arising from the Nightingale merger. IBI Group and Nightingale are now engaged in healthcare projects in Canada, the UK , Eastern Europe, Australia, on existing work with increased business development opportunities in these jurisdictions along with others including China and India;
- Further continuing organic growth of the IBI Group practice in China;
- Further progress in the growth of the practice in India with additional new private sector assignments.

Convertible Debenture Offering

Building on the improvements effected during 2009, IBI Income Fund concluded the issuance of convertible unsecured subordinated debentures for net proceeds of $19.2 million on April 28, 2010. The debentures have a maturity date of June 30, 2017, and have a coupon rate of 5.75% with a conversion price of $20.52. This was a significant move strengthening the long term capital base of the Fund and provides IBI Group with considerable flexibility for continuing its growth and acquisition program.

Selected Consolidated Financial Information

in thousands of dollars except for per Unit amounts	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Revenue	$ 69,790	$ 71,032	$ 137,865	$ 136,696
Expenses				
Salaries, fees and employee benefits	47,913	45,053	94,542	90,830
Other operating costs (other than interest)	12,222	11,955	24,327	23,821
Foreign exchange loss (gain)	(433)	2,075	(117)	825
	59,702	59,083	118,752	115,476
Earnings before income taxes, interest and amortization (EBITDA) (2)	10,088	11,949	19,113	21,220
Interest	2,446	1,451	4,677	2,634
Income taxes - current	1,209	2,222	1,559	3,172
Income taxes - future	(203)	(506)	(422)	(988)
Amortization of property and equipment and intangible assets	2,943	3,132	5,652	6,172
Amortization of deferred credit - leases	(13)	(28)	(25)	(56)
Net earnings before non-controlling interest	$ 3,706	$ 5,678	$ 7,672	$ 10,286
Non-controlling interest	1,044	1,699	2,163	3,118
Net earnings	$ 2,662	$ 3,979	$ 5,509	$ 7,168
Basic and diluted net earnings per Unit	$ 0.2076	$ 0.3380	$ 0.4297	$ 0.6215
Total assets	$ 461,029	$ 390,403	$ 461,029	$ 390,403

(1) Per Unit amounts are calculated by including both the Class A partnership units and the Class B partnership units in the denominator.

(2) See “Definition of EBITDA, Distributable Cash and Non-GAAP Measures.

Results of Operations

Revenue

The Fund reports revenue net of direct recoverable costs as these costs can vary significantly from contract to contract and are not indicative of our professional services business.

For the three months ended June 30, 2010, revenue was down $1.2 million (1.7%) to $69.8 million compared to $71.0 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, revenue was up $1.2 million (0.9%) to $137.9 million compared to $136.7 million for the six months ended June 30, 2009. .

The following table summarizes the impact of strategic growth through acquisition and the organic growth on net revenue for the three and six months ended June 30, 2010.

	Three months ended June 30, 2010 vs. 2009		Six months ended June 30, 2010 vs. 2009	
	$ million's	%	$ million's	%
Acquisition growth	8.8	12.4	16.6	12.2
Organic growth	(10.0)	(14.1)	(15.4)	(11.3)
Total increase in revenue	(1.2)	(1.7)	1.2	0.9

Revenue from strategic growth through acquisitions was approximately $8.8 million of the increase for the three months ended June 30, 2010. This strategic growth was generated through the additional revenues resulting from the acquisitions/mergers of Gruzen Samton in the beginning of May 2009, BFGC and SGA in the third quarter of 2009, Tetra Design in the fourth quarter of 2009, MAAK Technologies Inc. in the first quarter of 2010 and Nightingale in the second quarter of 2010.

Expenses

Salaries, fees and employee benefits for the three months ended June 30, 2010 were up $2.9 million (6.3%) to $47.9 million compared with $45.1 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, salaries, fees and employee benefits were up $3.7 million (4.1%) to $94.5 million compared to $90.8 million for the six months ended June 30, 2008. This increase was the result of the growth in staff levels and increased wages. Salaries, fees and employee benefits as a percentage of revenue for the three months ended June 30, 2010 were 68.7% compared with 65.3% for the three months ended June 30, 2009. For the six months ended June 30, 2010, salaries, fees and employee benefits as a percentage of revenue were 68.6% compared with 66.9% for the six months ended June 30, 2009. The percentage for 2010 was above the targeted range of between 64% and 65%. This was due to staff chargeability percentages being below targeted levels.

Other cash operating costs (other than interest) for the three months ended June 30, 2010 were up $0.3 million (2.2%) to $12.2 million compared with $11.9 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, other cash operating costs (other than interest) were up $0.5 million (2.1%) to $24.3 million compared to $23.8 million for the six months ended June 30, 2009. As a percentage of revenue, other operating costs (other than interest) for the three months ended June 30, 2010 were 17.5% compared with 16.8% for three months ended June 30, 2009.

Foreign exchange loss (gain) for the three months ended June 30, 2010 was a gain of $0.4 million compared with a loss of $2.1 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, there was a foreign exchange gain of $0.1 million compared to $0.8 million loss for the six months ended June 30, 2009. These foreign exchange gains and losses arose on the translation of the foreign-denominated assets and liabilities held in the Fund's Canadian subsidiaries. The Fund works to minimize its exposure to foreign exchange fluctuations by matching US-dollar assets with US-dollar liabilities.

Amortization for the three months ended June 30, 2010 was down $0.2 million to $2.9 million compared with $3.1 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, amortization was down $0.5 million to $5.6 million compared with

$6.1 million for the six months ended June 30, 2009. Amortization for the three months ended June 30, 2010 on client relationships, contracts and non-competition provisions was $2.0 million compared with $2.2 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, amortization expense on client relationships, contracts and non-competition provisions was $3.9 million compared with $4.3 million for the six months ended June 30, 2009.

Income taxes of the Fund for three months ended June 30, 2010 were down $0.7 million to $1.0 million compared with $1.7 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, income tax expense was down $1.1 million to $1.1 million compared with $2.2 million for the six months ended June 30, 2009. Current tax expense for the three months ended June 30, 2010 was down $1.0 million to $1.2 million, compared with $2.2 million for the three months ended June 30, 2009. This decrease was due to lower net income in taxable entities.

Net earnings before non-controlling interest of the Fund for the three months ended June 30, 2010 were $3.7 million, or $0.2076 per Unit (on a fully diluted basis) compared with $5.7 million, or $0.3380 per Unit (on a fully diluted basis) for the three months ended June 30, 2009. For the six months ended June 30, 2010, net earnings before non-controlling interest were $7.7 million or $0.4297 per Unit (on a fully diluted basis) compared with $10.3 million or $0.6215 per Unit (on a fully diluted basis) for the six months ended June 30, 2009. As a percentage of revenue, net earnings before non-controlling interest were 5.3% for the three months ended June 30, 2010, compared with 8.0% for the three months ended June 30, 2009. For the six months ended June 30, 2010, net earnings before non-controlling interest as a percentage of revenue were 5.6% compared with 7.5% for the six months June 30, 2009.

EBITDA for the three months ended June 30, 2010 was down $1.9 million (15.6%) to $10.1 million compared with $12.0 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, EBITDA was down $2.1 million (9.9%) to $19.1 million compared with $21.2 million for the six months ended June 30, 2009. As a percentage of revenue, EBITDA for the three months ended June 30, 2010 was 14.5% compared with 17.3% for the three months ended June 30, 2009. As a percentage of revenue, EBITDA for the six months ended June 30, 2010 was 13.9% compared with 15.6% for the six months ended June 30, 2009.

Distributable Cash (2)

in thousands of dollars except for per Unit amounts	Three months ended June 30, 2010	Three months ended June 30, 2009	Six months ended June 30, 2010	Six months ended June 30, 2009
Cash flow from operating activities	$ 6,316	$ (520)	$ 1,376	$ (1,897)
Less capital expenditures	(865)	(413)	(1,325)	(883)
Standardized distributable cash	$ 5,451	$ (933)	$ 51	$ (2,780)
Add (deduct):				
Change in non-cash operating working capital	223	8,796	11,661	17,311
Current income tax expense	1,209	2,222	1,559	3,172
Income taxes recovered (paid)	459	62	336	(641)
Distributable cash (2)	$ 7,342	$ 10,147	$ 13,607	$ 17,062
Weighted average basic and diluted distributable cash per Unit (1)	$ 0.4114	$ 0.6040	$ 0.7632	$ 1.0278
Aggregate distributions declared	$ 7,187	$ 6,853	$ 14,291	$ 13,379
Basic and diluted aggregate distributions declared per Unit (1)	$ 0.3999	$ 0.3999	$ 0.7998	$ 0.7998
Payout ratio	97.2%	66.2%	104.8%	77.8%

(1) Distributable cash per Unit amounts are calculated by including both the Class A partnership units and the Class B partnership units in the denominator.

(2) See "Definition of EBITDA, Distributable Cash and Non-GAAP Measures.

Standardized Distributable Cash is calculated in accordance with the recommendations provided in CICA's publication "Standardized Distributable Cash in Income Trusts and Other Flow-Through Entities." For the three months ended June 30, 2010, the Fund generated $7.3 million of Distributable Cash, down $2.8 million, (27.6%) compared with $10.1 million for the three months ended June 30, 2009. For the six months ended June 30, 2010, Distributable Cash was down $3.5 million (20.2%) to $13.6 million compared with $17.1 million for the six months ended June 30, 2009. On a per Unit basis, based on the weighted average number of Units outstanding, Distributable Cash was $0.4114 for the three months ended June 30, 2010; a decrease of $0.1926 compared with $0.6040 for the three months ended June 30, 2009. This represents a payout ratio of 97.2% for the three months ended June 30, 2010, compared with 66.2% for the three months ended June 30, 2009.

On July 21, 2010, a distribution of $0.1333 per Unit was declared to each Unitholder of record at July 30, 2010, which is payable on August 31, 2010. In addition, on July 21, 2010 IBI Group declared a distribution of $0.1333 per Class B partnership unit of IBI Group payable to each holder of Class B partnership units of record at July 30, 2010 which is payable on August 31, 2010. The total cash requirement for these distributions was $2.4 million.

Liquidity and Capital Resources

The following table represents the working capital information as at June 30, 2010 compared to December 31, 2009:

in thousands of dollars	June 30, 2010	December 31, 2009	$ Change
Current assets	250,394	220,674	29,720
Current liabilities	(149,220)	(120,271)	(28,949)
Working capital	101,174	100,403	771

Note: Working capital is calculated by subtracting current liabilities from current assets.

Cash flows from operating, financing and investing activities, as reflected in the Consolidated Statement of Cash Flows, are summarized in the following table:

in thousands of dollars	Three months ended June 30, 2010	Three months ended June 30, 2009	$ Change
Cash flows from (used in) operating activities	6,316	(520)	6,836
Cash flows from (used in) financing activities	15,917	2,707	13,210
Cash flows used in investing activities	(15,060)	(3,429)	(11,631)

in thousands of dollars	Six months ended June 30, 2010	Six months ended June 30, 2009	$ Change
Cash flows from (used in) operating activities	1,376	(1,897)	3,273
Cash flows from financing activities	22,936	5,695	17,241
Cash flows used in investing activities	(16,332)	(3,899)	(12,433)

IBI Group and the affiliated architectural firms continued to achieve strategic growth during 2010 with the acquisition of Nightingale in the second quarter and MAAK in the first quarter. This strategic growth for the six months ended June 30, 2010 has resulted in the increase in accounts receivable of $5.7 million and work in process of $2.9 million as compared with the balances at December 31, 2009. Current liabilities have increased $28.9 million for the six months ended June 30, 2010 to $149.2 million compared with $120.3 million at December 31, 2009. The increase in current liabilities was the result of the advances made by the Management Partnership in the amount of $26.0 million, which was offset by a reduction in term debt, accounts payable and accrued liabilities and notes payable.

Cash flows from operating activities for the three months ended June 30, 2010 were up $6.8 million to $6.3 million compared cash used in operating activities of $0.5 million for the three months ended June 30, 2009.

Cash flows from financing activities were up $13.2 million to $15.9 million for the three months ended June 30, 2010 compared with $2.7 million of cash used in financing activities for the three months ended June 30, 2009. This increase was the result of the convertible debenture offering of $19.0 million and additional borrowings of $6.2 million, offset by distributions paid of $7.2 million and $2.0 million paid to reduce notes payable. The increase in financing activities during the second quarter of 2010, were used in the acquisition of Nightingale.

Cash flows used in investing activities for the three months ended June 30, 2010 related to the payments made on the closing of the acquisitions during 2010 as well as on capital assets. Capital expenditures during the three months ended June 30, 2010 were up $0.5 million to $0.9 million compared with $0.4 million for the three months ended June 30, 2009.

IBI Group has credit facilities totalling $150.0 million, consisting of a $10.0 million swing facility (the “Swing Facility”), an $80.0 million term facility (the “Term Facility”), and a $60.0 million revolver facility (the “Revolver Facility”). The availability of each of the credit facilities is subject to compliance with certain financial and other covenants. The credit facilities are expected to provide sufficient capital resources through which the business can continue to grow organically as well as providing for improved flexibility in the financing of future acquisitions over the terms of the facilities. See “Forward Looking Statements and Risk Factors”. The credit facilities have been extended to mature on August 31, 2012.

The Swing Facility and the Revolver Facility are revolving facilities to be used by IBI Group (a) to repay existing bank debt, (b) for working capital purposes, (c) to normalize distributions to holders of Class A Units and Class B Units, (d) to finance the payment by the borrower of the remaining acquisition payments and (e) to finance permitted acquisitions (which for certainty, shall not include any hostile take-over bid). As at June 30, 2010, IBI Group had borrowings of 5.4 million under the Swing Facility and $21.3 million of borrowings under the Revolver Facility, compared with $6.4 million under the Swing Facility and $25.9 million of borrowings under the Revolver Facility as at December 31, 2009.

The Term Facility is a non-revolving facility to be used by IBI Group to repay existing Debt to the lender. As at June 30, 2010, IBI Group had borrowings of $50.6 million (December 31, 2009 – $50.0 million) under the Term Facility.

In addition, a bid bond guarantee facility (the “Bid Bond Facility”) of up to USD$20.0 million continues to be made available to IBI Group to be used by IBI Group to meet certain project requirements calling for the issuance of bid bonds to international customers. As at June 30, 2010, IBI Group had issued bid bonds in the amount of $9.4 million (December 31, 2009 – $5.8 million) under the Bid Bond Facility.

Guarantees from certain subsidiaries of IBI Group as well as IBI Group Architects (Ontario), and a first ranking security interest in all of the assets of IBI Group and the guarantors, subject to certain permitted encumbrances have been pledged as security for the indebtedness and obligations of IBI Group under the Operating Facility, the Term Facility and the Bid Bond Facility. The indebtedness secured by these security interests will rank senior to all other security over the assets of IBI Group and the guarantors, subject to certain permitted encumbrances.

The Fund's objective in managing capital is to maintain a strong capital base to maintain investor, creditor and market confidence and to sustain future growth within the business. The Fund defines its capital as the aggregate of long-term debt and unit holders' equity.

The Fund seeks to maintain a sufficient balance of available bank credit to allow it to take advantage of acquisition opportunities on a timely basis without being required to access the public capital markets. The Fund has historically operated on the basis of using bank debt for acquisitions and as the bank debt increases, the Fund will then raise equity through a public offering, using the proceeds to reduce the bank debt. During the quarter, the Fund issued $0.5 million of equity as payment of a promissory note owing on the acquisition of Gruzen Samton and on April 28, 2010, the Fund issued convertible debentures in the amount of $20.0 million. The amount of equity that the Fund can raise up until December 31, 2010 without exceeding limits legislated by the federal government for income trusts is approximately $3.4 million.

The Fund is subject to compliance with certain financial and other covenants related to its credit facilities. These covenants include but are not limited to, debt to EBITDA ratio, fixed charge coverage ratio, current ratio and distributions not to exceed distributable cash. Failure to meet the terms of one or more of these covenants may constitute a default, potentially resulting in accelerating the repayment of the debt obligation. As at and for the quarter ended June 30, 2010, the Fund was in compliance with the debt to EBITDA ratio, current ratio and distribution covenants. The Fund was slightly under on the fixed charge coverage ratio covenant for which it has received a waiver from the banking syndicate.

Summary of Quarterly Results

The following table provides quarterly historical financial data for the Fund for each of the eight most recently completed quarters. This information should be read in conjunction with the applicable interim unaudited and annual audited consolidated financial statements and related notes thereto.

$,000's except for per Unit amounts	2nd Qtr 2010 Unaudited	1st Qtr 2010 Unaudited	4th Qtr 2009 Unaudited	3rd Qtr 2009 Unaudited	2nd Qtr 2009 Unaudited	1st Qtr 2009 Unaudited	4th Qtr 2008 Unaudited	3rd Qtr 2008 Unaudited
Revenue	$ 69,790	$ 68,075	$ 68,194	$ 68,783	$ 71,032	$ 65,664	$ 66,185	$ 67,242
Net (Loss) Earnings	2,662	2,847	(1,693)	3,693	3,979	3,189	3,267	5,097
Non-controlling interest	1,044	1,119	(667)	1,466	1,699	1,419	1,502	2,361
Interest	2,446	2,231	2,605	1,900	1,451	1,183	1,372	1,352
Income taxes	1,006	131	62	1,166	1,716	468	(1,973)	760
Amortization of property and equipment and intangible assets	2,943	2,709	3,029	3,580	3,132	3,040	3,371	3,315
Amortization of deferred credit - leases	(13)	(12)	(28)	(28)	(28)	(28)	(50)	(51)
Impairment of goodwill and intangibles	-	-	3,039	-	-	-	5,354	-
Purchase price adjustment	-	-	2,346	-	-	-	-	-
Earnings before income taxes, interest and amortization (EBITDA)	10,088	9,025	8,693	11,777	11,949	9,271	12,856	12,834
EBITDA as a percentage of Revenue	14.5%	13.3%	12.7%	17.1%	16.8%	14.1%	19.4%	19.1%
Distributable Cash reconciliation								
Cash flow (used in) from operating activities	6,316	(4,940)	(6,070)	1,361	(520)	(1,378)	12,052	534
Less capital expenditures	(865)	(460)	(526)	(395)	(413)	(470)	(636)	(825)
Standardized Distributable Cash	5,451	(5,400)	(6,596)	966	(933)	(1,848)	11,416	(291)
Add (deduct):								
Change in non-cash operating working capital	223	11,438	12,938	6,891	8,796	8,516	(647)	9,788
Current income tax expense	1,209	350	(780)	1,625	2,222	950	79	1,160
Income taxes recovered (paid)	459	(123)	(986)	(868)	62	(703)	(948)	(259)
Distributable Cash	7,342	6,265	4,576	8,614	10,147	6,915	9,900	10,398
Basic and diluted Distributable Cash per Unit	0.4114	0.3518	0.2576	0.4872	0.6040	0.4237	0.6229	0.6633
Basic and diluted aggregate distributions declared per Unit	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999	0.3941
Payout ratio	97.2%	113.4%	155.3%	82.1%	66.2%	94.4%	64.2%	59.4%
Basic and diluted net (loss) earnings per Unit	0.2076	0.2228	(0.1329)	0.2918	0.3380	0.2824	0.3006	0.4785
Personnel – average	2,333	2,235	2,237	2,227	2,152	2,184	2,289	2,216
Personnel – quarter end	2,547	2,252	2,230	2,242	2,212	2,107	2,270	2,314

Transactions with Related Parties

IBI Group leased its Toronto office space from a corporation which was indirectly owned by the partners of the Management Partnership which owns all of the Class B partnership units of IBI Group, representing 28.2% of the outstanding partnership units of IBI Group, and which, with its and IBI Group Investment Partnership's share in the indirect interest of the Fund, holds a combined 46.1% interest in the Fund (on a partially-diluted basis). The leases were entered into in 2002 at then current market rates of approximately $1.8 million per annum, and were to expire on December 31, 2012. On March 11, 2010, the buildings were sold to an outside party with IBI Group extending its lease until December 31, 2013 and maintaining the current market rental rates that it had been paying for premises.

Pursuant to the Administration Agreement entered into in connection with the closing of the Fund's initial public offering of Units, IBI Group and certain of its subsidiaries are paying to the Management Partnership an amount representing the base compensation for the services provided by the principals of the partners of the Management Partnership and by entities affiliated with the Management Partnership. The amount paid for such services during the three months ended June 30, 2010 was $4.7 million compared with $3.9 million in 2009 and the amount paid for such services during the six months ended June 30, 2010 was $8.6 million (2009 - $7.6 million).

IBI Group is managing the collection of the residual accounts receivable and other working capital of the Management Partnership that was on hand as at August 31, 2004. These amounts are being repaid to the Management Partnership as they are realized. As at June 30, 2010, $0.3 million had been realized and is shown on the Fund's balance sheet as a current liability.

In the first quarter of 2010, Management Partnership advanced $26.0 million to IBI Group. The loan bears interest at the same rate as the operating line of credit that IBI Group has with its bank lender, less any commitment fees payable to its bank lender. The loans are subordinated to the Fund's indebtedness to its bank lender and are unsecured.

Internal Control over Financial Reporting

Management is responsible for establishing and maintaining a system of disclosure controls and procedures to provide reasonable assurance that all material information relating to the Fund and its subsidiaries is gathered and reported to senior management on a timely basis so that appropriate decisions can be made regarding public disclosure.

Management is also responsible for establishing and maintaining adequate internal controls over financial reporting to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP.

In designing such controls, it should be recognized that due to inherent limitations, any controls, no matter how well designed and operated, can provide only reasonable assurance of achieving the desired control objectives and may not prevent or detect misstatements. Additionally, management is necessarily required to use judgment in evaluating controls and procedures.

There was no change in the Fund's internal control over financial reporting during the first six months of 2010 that has materially affected, or is reasonably likely to materially affect, the Fund's internal control over financial reporting. As noted in the December 31, 2009 MD&A the Fund, has concluded that it did not possess adequate internal expertise with respect to the accounting for income taxes, specifically related to the accounting for income taxes in foreign jurisdictions and the underlying impact on critical accounting estimates such as future income tax expense, future income tax assets/liabilities and goodwill. Management has implemented plans to remediate this matter in 2010 through engaging an external party with appropriate income tax knowledge and expertise to assist in accounting for income taxes.

International Financial Reporting Standards

The Canadian Accounting Standards Board confirmed in February 2008 that publicly accountable entities will be required to adopt International Financial Reporting Standards ("IFRS") for interim and annual financial statements for periods beginning on or after January 1, 2011. The Fund's established project plan for implementing IFRS consists of four phases (initial scoping and planning, detailed assessment, design, and implementation) and is designed to address:

- Changes to accounting policies and disclosure requirements;
- Changes to information systems and business processes;
- Changes to internal control over financial reporting and disclosure controls and procedures; and
- Training requirements and communications.

The Fund has completed the initial scoping and planning phase of the project plan, which involved the identification of the key differences between IFRS and Canadian GAAP, and an assessment of the exemptions and elections available upon transition under IFRS 1, *First-time Adoption of International Reporting Standards*. The completion of this phase yielded the following key differences between IFRS and Canadian GAAP:

Standard	Deviation from GAAP	Anticipated Impact
IAS 1: Presentation of Financial Statements	IFRS requires significantly more disclosure than existing Canadian GAAP. In addition, classification and presentation may be different for some balance sheet and income statement items.	The Fund is analyzing the impact of the classification and presentation changes on its financial statements
IFRS 1: First-time Adoption of IFRS	A number of mandatory and optional exemptions and elections are available upon first-time adoption of IFRS. For the Fund, the material exemptions relate primarily to the restatement of prior business combinations.	The Fund has completed an analysis on the impact of IFRS 1 on the Fund and has made the following tentative conclusions: The Fund expects not to restate business combinations executed

	The most significant election for the Fund relates to the valuation of fixed and intangible assets on the date of transition at deemed cost.	prior to January 1, 2010. The Fund expects the net book value of its capital and intangible assets at January 1, 2010 to approximate its fair value.
IFRS 3 Business Combinations	IFRS and Canadian GAAP require the acquisition method of accounting for all business combinations, but differences exist in other areas. The most significant difference for the Fund is that transaction costs are expensed immediately whereas under Canadian GAAP, such amounts are included in the cost of the assets. Under IFRS 3, an acquirer recognizes contingent consideration as part of the consideration transferred and measures it at the acquisition-date fair value. Re-measurement at the end of each quarter impacts earnings until the liability is settled. Under Canadian GAAP, contingent consideration is recorded as goodwill when the contingency is resolved.	No impact on the opening balance as the Fund intends to use the exemption provided under IFRS 1. After the transition, transaction costs will be expensed when incurred. For acquisitions after the transition, the Fund will measure the contingent consideration at the acquisition-date fair value with subsequent changes in fair value impacting net income.
IAS 36: Impairment of Assets	IFRS uses a one-step approach for both testing for and measurement of impairment, with asset carrying values compared directly with the higher of fair value less costs to sell, and value in use. In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under Canadian GAAP.	Impairment losses may be recognized earlier, or recorded when they may not have been recorded at all under existing GAAP.
IAS 32: Financial Instruments: Presentation	Under IFRS, a financial instrument which gives the holder the right to put the instrument back to the issuer for cash should be classified as a financial liability, unless certain criteria are met to allow for classification as equity.	The Fund is currently analysing the impact of this section on its classification as equity.

IAS 16: Property, Plant and Equipment	IFRS requires the componentization of assets, where all significant components of an asset are recognized and depreciated separately. IFRS allows the periodic revaluation of property, equipment and leaseholds.	The Fund is currently analyzing the impact of this section, but does not anticipate this to be material. The Fund has elected not to periodically revalue its property, equipment and leaseholds.
IAS 37: Provisions, Contingent Liabilities and Contingent Assets	Under IFRS, provisions are recognized if they are "more likely than not", a lower threshold than the existing GAAP criterion, "probable". This determination can be dictated by the past (and confirmed in the future).	Some provisions may be recorded earlier, or recorded when they may not have been recorded at all under existing GAAP. The Fund is analyzing the impact of the changes on its financial statements.
IAS 12: Income Taxes	While IAS 12 is similar to the existing CICA standard, any material adjustments to balances resulting from the adoption of IFRS would have a corresponding effect on future income taxes balances.	Any impact will depend primarily on other adjustments made upon transition to IFRS.

Several IFRS standards are in the process of being amended by the International Accounting Standards Board ("IASB"), and are expected to remain as such up to the date of transition January 1, 2011. As a result, the differences highlighted above may differ from those actually realized as at the date of transition. The Fund will continue to monitor the status of upcoming amendments to existing standards.

The Fund is currently completing the detailed assessment phase of the project plan, which involves:

- Finalizing the impact of those key accounting differences identified in phase one, and of the IFRS 1 exemptions and elections to be taken;
- Assessing the Fund's current information systems environment and accounting processes to identify where changes are needed in order to support the transition to IFRS;
- Finalizing accounting and policy disclosure choices required under IFRS.

This phase is expected to be completed by the third quarter of 2010.

The design phase will immediately follow the completion of the detailed assessment phase, during which the Fund will perform the following:

- Designing and implementing business and accounting processes that will facilitate the collection of data required in a timely and accurate manner.
- Designing and implementing internal controls required by the new business and accounting processes.

The Fund anticipates the completion of this phase during the latter part of 2010.

The fourth and final phase, implementation, will commence on January 1, 2011 with the adoption of IFRS. All new policies, processes, and controls will be implemented and monitored to ensure efficient and effective delivery.

At June 30, 2010, the Fund cannot reasonably determine the full impact that adopting IFRS would have on its financial statements, as the current status of the project reflects the Fund's most recent assumptions and expectations. Circumstances may arise, such as changes in existing IFRS, or changes in the regulatory or economic environment, which could alter our above assumptions and expectations. These disclosures reflect the Fund's expectations based on information available at June 30, 2010. Changes in IFRS standards or circumstances relating to the Fund may cause the Fund to revise its expectations, its project plan, and its potential IFRS accounting policy choices prior to the conversion date.

Key Factors Affecting the Business of IBI Group

The Fund believes that IBI Group has a strategy that will allow it to adapt to current trends affecting the manner in which professional services are provided in the industries in which it operates.

Globalization and increasing concentration in ownership and management of assets in all four areas of development in which IBI Group practices is resulting in clients acquiring an increasing share of the professional services that they require from fewer, larger and more broadly based firms. IBI Group, through its regional network of offices, is well positioned to provide services on a strategic basis to clients for their national and international portfolios. The Fund believes that IBI Group's continued program of strategic and organic growth will enhance IBI Group's position in the markets that it serves.

Another trend involves the growth in private finance initiatives ("PFI"), design-build projects and outsourcing in the public sector. In PFI, design-build and outsourcing projects, competing entities are required to make financial offers for the provision of a facility to be privately financed with the capital to be recouped through future revenue streams or capital repayments. Participation in bids for work of this kind requires IBI Group to undertake enough professional work to responsibly estimate the capital and operating costs of the project. IBI Group's work in such circumstances is partially or wholly at risk until it is awarded the project. IBI Group's increasing size will allow it to devote more resources to obtaining work of this nature, while maintaining targeted chargeable time for staff on revenue producing contracts.

The health of the economy in each of the regions in which IBI Group operates and the levels of professional fees related to capital expenditures in each of IBI Group's four main areas of practice have represented, and are expected to continue to represent key determinants of IBI Group's profitability and cash flow. The industries in which IBI Group operates are affected by general economic conditions, including international, national, regional or local economic conditions, all of which are outside of IBI Group's control. Economic slowdowns or downturns, adverse economic conditions, cyclical trends, increases in interest rates, variations in currency exchange rates, reduced client spending and other factors could have a material adverse effect on the results of operations, financial condition and cash flow of IBI Group and the Fund.

IBI Group has a strategy for addressing discontinuities or shifts in the levels of economic activity geographically or in activity levels in the four areas of development which IBI Group serves. This strategy is based on IBI Group's program of successfully deploying people geographically to serve different market areas through relocation, travel and increasingly through internet platforms for delivery of work. Similarly, IBI Group's strategy for shifting staff involvement between the four broad areas that IBI Group serves is based on recruiting and training staff to have capability in more than one area.

A current relevant example of shifts in economic activity is the slowdown in housing production in the southern United States, including Florida and California, where IBI Group has substantial activity in land development and facilities relative to new multiple housing creation. Large land planning projects are continuing as they take many years to achieve statutory approvals and major landowners continue to pursue approvals in order to have sites ready for development when there is an upturn in new housing development. However, there are slowdowns in the production of land development and actual building starts, which are affecting IBI Group's land engineering and architectural activity in these areas. Balancing these slowdowns is intensification of activity in land development and building design in Canada and in China, which is more than absorbing the effect that the slowdown in the southern United States is having on IBI Group. Overall IBI Group continues to search for more human resources in order to satisfy its continuing backlog of committed contracted work.

IBI Group's financial results are expected to be affected by its ability to retain senior management and professional staff and effectively control expenses incurred to deliver its services. IBI Group has completed twenty-four acquisitions since the completion of its initial public offering on August 31, 2004, adding approximately 1,760 professional staff through such acquisitions.

IBI Group will face a number of challenges associated with integrating the businesses of firms which it has acquired and which it may acquire in the future as part of its growth strategy. Risks associated with integration of these businesses which could adversely affect IBI Group's results of operations, financial condition and distributable cash include: (i) the risk that management may not be able to successfully manage the acquired operations and the integration may place significant demands on management, diverting their attention from existing operations; (ii) the risk that IBI Group's operating, financial and management systems may be incompatible with or inadequate to effectively integrate and manage acquired systems; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of the business of IBI Group; (iv) the risk that major clients of the acquired firms may not be retained following the acquisition of such firms; and (iv) the risk that acquisitions may result in liabilities and contingencies which could be significant to the operations of IBI Group.

IBI Group faces competition in each of the four main areas in which it operates. This competition is based on quality of service, reputation, expertise, local presence, the ability to provide services in different localities and price. IBI Group's success is based on combining a local presence based on a local/regional model, through which relationships are developed with governments and businesses in specific localities in Canada, the United States, Europe, the Middle East and most recently China and India with developed excellence in functional skills in the four main areas in which it operates. This model is designed to enable IBI Group to effectively deploy its functional skills in areas of specialization to different regions in which IBI Group is based and to strengthen its regional role by importing such specializations to other regions. However, some of IBI Group's competitors have achieved substantially more market penetration in certain of the areas in which IBI Group competes. In addition, some of IBI Group's competitors have substantially more financial resources and/or financial flexibility than IBI Group. These competitive forces could have a material adverse effect on the Fund's results of operations, financial condition or distributable cash by reducing IBI Group's relative share in the areas it serves.

IBI Group faces risk from variations in exchange rates due to its operations in the United States and other foreign markets. IBI Group's strategy for addressing such risk involves a program of maintaining a relative balance between revenues and expenditures earned and incurred in any foreign currency.

IBI Group is also exposed to inflation risk. However, in inflationary cycles as inflation affects the cost of creating assets, IBI Group's professional services related to the research, planning and design of asset creation are expected to generate increased fees offsetting increased salary costs.

IBI Group may be exposed to fluctuations in interest rates under its borrowings, including its credit facilities. Increases in interest rates may have an adverse effect on the results of operations, financial condition and distributable cash of IBI Group and the Fund.

In addition to the risks referred to above, the business of IBI Group is subject to a number of other risks on an ongoing basis. The principal risks to which the business of IBI Group is subject are set out under the heading "Risk Factors" in the Fund's annual information form for the year ended December 31, 2009.

Outlook

IBI Group commenced its professional practice in November 1974. The vision that IBI Group had at the time and continues to pursue is the establishment of a comprehensive practice for the planning and design of urban environments including the transportation infrastructure, urban built form and facilities in major urban regions throughout the world. Urbanization, which is the clustering of population in urban environments, is a continuing phenomena in the growing as well as the mature economies of the world. With the growth and intensification within urban areas, there is growing demand for the services of IBI Group in its four main areas of practice, being the planning and design of urban land, building facilities, transportation networks and system technology.

The initial practice of IBI Group was exclusively Canadian, based primarily in Toronto. IBI Group extended its practice across Canada in the 1970's, established bases of operations in the United States in the 1980's, extended into Europe in the 1990's and into Asia since 2000.

From 1974 through to 2000, all of the growth within IBI Group was organic growth within the firm. In 2000, IBI Group established the target of extending its practice to operate effectively in the rapidly growing economies in Asia and elsewhere throughout the world on a global scale. In order to achieve global scale, IBI Group decided to consider strategic growth for the acquisition and integration of firms within IBI Group. By 2004 IBI Group had acquired five firms and had proven its ability to successfully integrate leadership and practices within IBI Group.

In 2004, IBI Group embarked on a program of intensifying the strategic growth through acquisition, integration and consolidation, while maintaining organic growth. Equity required for this strategic growth was obtained by the IBI Group Management Partnership entering into a partnership with outside investors through the Initial Public Offering (IPO), completed on August 31, 2004. Since that time IBI Group has successfully grown from a staff of approximately 770 people and approximately $89.0 million in annual revenue to the current level at June 30, 2010 of 2,547 staff and revenue of approximately $274.8 million over the past twelve months.

During this period of growth from 1974 to 2009, IBI Group has experienced recessions that included: the severe recession in North America in the mid 1970’s when IBI Group commenced its operations; the recession of the early 1980’s; the more severe slowdown of the first half of the 1990’s; the demise of the Dot Com bubble and the impact of 9/11 in the early decade of 2000. During these past 36 years, IBI Group continued to grow from its initial group of 30 people through to the current level of 2,547. Each of these recessions presented particular challenges.

The IBI Group operating structure, model and seasoned, experienced leadership which provided the motivation and discipline in the management of growth over the past 36 years, equally provides the experience of managing in the context of recessionary times such as the current financing and economic challenges. Accordingly, IBI Group continues to be confident in its ability to achieve a program of continuing to build with successful financial results, the global practice in the comprehensive planning and design of urban environments, including infrastructure, urban and facilities development. This confidence is based on the following factors:

- The IBI Group committed fee volume continued to increase during the quarter, and now stands at over ten months activity at the pace of the first half of 2010, and over nine months based on the greater pace that IBI Group anticipates for the second half of 2010. Backlog for Government and public institutional clients is now in excess of 67% of total backlog. Backlog continues to increase in building facility areas in health care (with a significant step up with the merger of NAL), education, transportation terminals, transportation networks and systems technology. IBI Group is increasingly receiving new mandates in the design stage of new private sector projects, as well as some of these now moving into design development and working drawings as projects proceed to sales;

- IBI Group committed backlog is approximately 15% of fee volume for projects outside of North America, 24% for the United States and 61% in Canada, the percentage in international has increased with the Nightingale purchase and in

Canada had increased with the significant and new major assignments in health care discussed above;

- IBI Group is progressing with the integration of Nightingale, and MAAK in 2010 and the firms acquired through 2009 and;

- IBI Group is working on further acquisitions infilling IBI Group's broad based practice in Canada, the United States, and outside North America..

Accordingly, the outlook for IBI Group as reported previously continues to be encouraging. As stated, IBI Group has confidence the firm will experience organic growth in the second quarter and forward through ensuing quarters of 2010, as well as achieving further strategic growth through new acquisitions.

Accordingly, the outlook for IBI Group for the remainder of 2010 continues to be very encouraging:

- Committed fee volume for 2010 represents in excess of ten months activity at the pace of the first half of 2010, and over nine months based on the greater pace that IBI Group anticipates for the second half of 2010;

- The current staff complement is appropriately sized for the backlog of ongoing committed work at the professional standards of the firm, with capacity to handle the work from the significant projects that IBI Group now has full authorization to proceed, other than the markets that have softened in the past quarter and could require further trimming of staff as necessary;

- IBI Group's lenders continue to be very supportive of IBI Group efforts.

Forward Looking Statements and Risk Factors

Certain statements in this MD&A may constitute "forward-looking" statements which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund and its subsidiary entities, including IBI Group (collectively, the "Fund"), or the industry in which they operate, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this MD&A, such statements use words such as "may", "will", "expect", "believe", "plan" and other similar terminology. These statements reflect management's current expectations regarding future events and operating performance and speak only as of the date of this MD&A. These forward-looking statements involve a number of risks and uncertainties, including those related to: (i) the Fund's ability to maintain profitability and manage its growth; (ii) the Fund's reliance on its key professionals; (iii) competition in the industry in which the Fund operates; (iv) timely completion by the Fund of projects and performance by the Fund of its obligations; (v) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) acquisitions by the Fund; (viii) risk of future legal proceedings against the Fund; (ix) the international operations of the Fund; (x) reduction in the Fund's backlog; (xi) fluctuations in interest rates; (xii) fluctuations in currency exchange rates; (xiii) potential undisclosed liabilities associated with acquisitions; (xiv) increased assumption by risk by the Fund; (xv) limits under the Fund's insurance policies; (xvi) the Fund's reliance on distributions from its subsidiary entities and, as a result, its susceptibility to fluctuations in the performance of the Fund's subsidiary entities; (xvii) unpredictability and volatility of the price of Units; (xviii) the degree to which the Fund is leveraged may affect its operations; (xix) cash distributions are not guaranteed and will fluctuate with the Fund's performance; (xx) the nature of the Units; (xxi) the possibility of the distribution of securities on redemption or termination of the Fund; (xxii) the possibility that the Fund may issue additional Units diluting existing Unitholders' interests; (xxiii) the potential liability of Unitholders for obligations of the Fund; (xxiv) the continued investment eligibility of the Units; and (xxv) income tax matters. These risk factors are discussed in detail under the heading "Risk Factors" in the Fund's annual information form for its year ended December 31, 2009. New risk factors may arise from time to time and it is not possible for management of the Fund to predict all of those risk factors or the extent to which any factor or combination of factors may cause actual results, performance or achievements of the Fund to be materially different from those contained in forward-looking statements. Given these risks and uncertainties, investors should not place undue reliance on forward-looking statements as a prediction of actual results. Although the forward-looking statements contained in this MD&A are based upon what management believes to be reasonable assumptions, the Fund cannot assure investors 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 the Fund assumes no obligations to update or revise them to reflect new events or circumstances.

Definition of EBITDA, Distributable Cash and Non-GAAP Measures

Distributable cash is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP. The term is generally used by Canadian open-ended income funds as an indicator of financial performance. The Fund defines distributable cash as cash flow from operating activities before change in non-cash operating working capital and income taxes and after capital expenditures and income taxes paid. Reconciliations of distributable cash to cash flow from operating activities have been provided under the headings "Distributable Cash" and "Summary of Quarterly Results".

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. Management of the Fund believes that distributable cash is a useful supplemental measure that may assist readers in assessing the return on an investment in Units.

References in this MD&A to "EBITDA" are to earnings before interest, income taxes, depreciation and amortization. Management of the Fund believes that in addition to net earnings, EBITDA is a useful supplemental measure as it provides readers with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Readers should be cautioned, however, that EBITDA should not be construed as an alternative to net earnings determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating activities as a measure of liquidity and cash flows. EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP, and the Fund's method of calculating EBITDA may differ from the methods used by other similar entities. Accordingly, EBITDA may not be comparable to similar measures used by such entities. Reconciliations of net earnings to EBITDA have been provided under the headings “Selected Consolidated Financial Information” and “Summary of Quarterly Results”.