MANAGEMENT'S DISCUSSION AND ANALYSIS

This management's discussion and analysis ("MD&A") should be read in conjunction with the interim consolidated financial statements and accompanying notes ("financial statements") of IBI Income Fund (the "Fund") for the three and nine months ended September 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 November10, 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 12,906,873 Class A partnership units, representing 72.0% 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 28.0% 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 45.9% in the Fund on a partially diluted basis, assuming the exchange of the Class B Units for Units of the Fund. There are currently 12,906,873 Units issued and outstanding (17,932,651 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. 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.

On June 21, 2010, the Fund announced its plan to convert to a dividend-paying corporation as of January 1, 2011. Unitholder approval was received at a special meeting held August 5, 2010. The final order of the Ontario Superior Court of Justice with respect to the conversion was obtained August 10, 2010.

Operating Highlights

The third quarter 2010 results further demonstrated the firming of the operating results of IBI Group over the past three quarters. The results of the third quarter of 2010 are based on 63 available working days which is consistent with an average quarter. The highlights are:

- Revenue at $76.8 million, was $7.0 million above the second quarter of 2010, up $8.7 million compared with the first quarter of 2010 and up $8.6 million compared with the fourth quarter of 2009;
- EBITDA[1] of $11.4 million was $1.3 million above the second quarter of 2010, up $2.3 million compared with the first quarter of 2010 and up $2.7 million compared with the fourth quarter of 2009;
- EBITDA[1] as a percentage of revenue increased for the third consecutive quarter, to 14.8%, up from 14.5% in the second quarter, 13.3% in the first quarter and 12.7% from the fourth quarter of 2009; and
- Distributable cash[1] of $7.5 million was $0.2 million above the second quarter of 2010, up $1.3 million compared with the first quarter of 2010 and up $3.0 million compared with the fourth quarter of 2009.

The basis of this performance is discussed in paragraphs below.

Revenue Activity

Revenue for the third quarter exceeded that of the second quarter and was up $7.0 million. The revenue in the third quarter met expectations, which included the full quarter of revenue provided by Nightingale Architects (compared with only one month in the second quarter). There was $2.1 million (3%) of organic growth in the third quarter of 2010 as compared to the second quarter 2010.

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

Public sector work continued to constitute the majority of IBI work and in this quarter again exceeded 67% of the $76.8 million of revenue.

Commitment of new work for IBI Group continued to increase during the third quarter, replacing the $76.8 million of work completed during the quarter and adding additional work for the future. Backlog for the next twelve months now continues as reported in the last quarter in excess of nine months at the greater pace that IBI Group is achieving for the second half of 2010. This backlog is based on a very wide range of substantial projects.

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 230 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 the fifth month of working together, joint efforts and business development initiatives targeting professional work opportunities are under way.

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 a number of 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 first half of 2011. As IBI Group has noted previously, the firms being acquired are profitable. However, such firms may not be achieving, under the current economic environment in the USA, the higher levels of profitability as they have in the past and levels that are equivalent to the performance of IBI Group. IBI Group continues to believe this is a sound strategic investment program which will realise significant results over the next few years, within an improved economic environment, strengthened by the synergy and global reach within IBI Group. IBI Group is experiencing a strengthening in the USA market for the services that IBI Group provides.

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 third quarter IBI Group experienced a $0.1 million currency loss. Management continually monitors the levels of foreign currency assets and liabilities to ensure that there is not an imbalance which could cause exposure due to fluctuations in the foreign currencies.

Other Professional Progress

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

- Continuing work on a suite of tolling and traffic management projects in Greece which have withstood the financial challenges with respect to 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, and on existing work with increased business development opportunities in these jurisdictions along with others including China and India. Work continues on the McGill University Health Centre and Women's College Hospital in Toronto;
- 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;
- Strengthening of activity in the Middle East; and
- The opening of offices in Eastern Europe.

Selected Consolidated Financial Information

in thousands of dollars except for per Unit amounts	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Revenue	$ 76,770	$ 68,783	$ 214,635	$ 205,479
Expenses				
Salaries, fees and employee benefits	50,942	44,151	145,484	134,981
Other operating costs (other than interest)	14,326	10,841	38,653	34,661
Foreign exchange loss	130	2,014	14	2,839
	65,398	57,006	184,151	172,481
Earnings before income taxes, interest and amortization (EBITDA) (2)	11,372	11,777	30,484	32,998
Interest	2,817	1,900	7,493	4,534
Income taxes - current	2,089	1,625	3,648	4,797
Income taxes – future	(859)	(459)	(1,281)	(1,447)
Amortization of property and equipment and intangible assets	2,887	3,580	8,540	9,752
Amortization of deferred credit - leases	(13)	(28)	(38)	(84)
Net earnings before non-controlling interest	$ 4,451	$ 5,159	$ 12,122	$ 15,446
Non-controlling interest	1,249	1,466	3,412	4,584
Net earnings	$ 3,202	$ 3,693	$ 8,710	$ 10,862
Basic and diluted net earnings per Unit	$ 0.2484	$ 0.2918	$ 0.6789	$ 0.9122
Total assets	$ 455,104	$ 403,355	$ 455,104	$ 403,355

(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

For the three months ended September 30, 2010, revenue was up $8.0 million (11.6%) to $76.8 million compared to $68.8 million for the three months ended September 30, 2009. For the nine months ended September 30, 2010, revenue was up $9.2 million (4.5%) to $214.6 million compared to $205.5 million for the nine months ended September 30, 2009.

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

	Three months ended September 30, 2010 vs. 2009		Nine months ended September 30, 2010 vs. 2009	
	$ millions	%	$ millions	%
Acquisition growth	10.7	15.5	27.3	13.3
Organic growth	(2.7)	(3.9)	(18.1)	(8.8)
Total increase in revenue	8.0	11.6	9.2	4.5

Revenue from strategic growth through acquisitions was approximately $10.7 million of the increase for the three months ended September 30, 2010. This strategic growth was generated through the additional revenues resulting from the acquisitions/mergers of 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.

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.

Expenses

Salaries, fees and employee benefits for the three months ended September 30, 2010 were up $6.8 million (15.4%) to $50.9 million compared with $44.1 million for the three months ended September 30, 2009. For the nine months ended September 30, 2010, salaries, fees and employee benefits were up $10.5 million (7.8%) to $145.5 million compared to $135.0 million for the nine months ended September 30, 2009. 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 September 30, 2010 were 66.4% compared with 64.2% for the three months ended September 30, 2009. For the nine months ended September 30, 2010, salaries, fees and employee benefits as a percentage of revenue were 67.8% compared with 65.7% for the nine months ended September 30, 2009. The percentage for third quarter of 2010 was above the targeted range of between 64% and 65%, but has improved from 68.7% for the second quarter of 2010 as a result of the increase in staff chargeability during the third quarter.

Other cash operating costs (other than interest) for the three months ended September 30, 2010 were up $3.5 million (32.2%) to $14.3 million compared with $10.8 million for the three months ended September 30, 2009. For the nine months ended September 30, 2010, other cash operating costs (other than interest) were up $4.0 million (11.5%) to $38.7 million compared to $34.7 million for the nine months ended September 30, 2009. As a percentage of revenue, other cash operating costs (other than interest) for the three months ended September 30, 2010 were 18.7% compared with 15.8% for three months ended September 30, 2009. For the nine months ended September 30, 2010, other cash operating costs (other than interest) as a percentage of revenue were 18.0% as compared with 16.9% for the nine months ended September 30, 2009.

Foreign exchange loss for the three months ended September 30, 2010 was a loss of $0.1 million compared with a loss of $2.0 million for the three months ended September 30, 2009.

For the nine months ended September 30, 2010, there was a nominal foreign exchange loss compared to $2.8 million loss for the nine months ended September 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 September 30, 2010 was down $0.7 million to $2.9 million compared with $3.6 million for the three months ended September 30, 2009. For the nine months ended September 30, 2010, amortization was down $1.2 million to $8.5 million compared with $9.8 million for the nine months ended September 30, 2009. Amortization for the three months ended September 30, 2010 on client relationships, contracts and non-competition provisions was $1.9 million compared with $2.6 million for the three months ended September 30, 2009. For the nine months ended September 30, 2010, amortization expense on client relationships, contracts and non-competition provisions was $5.8 million compared with $6.9 million for the nine months ended September 30, 2009.

Income taxes of the Fund for three months ended September 30, 2010 were consistent at $1.2 million when compared with the three months ended September 30, 2009. For the nine months ended September 30, 2010, income tax expense was down $1.0 million to $2.4 million compared with $3.4 million for the nine months ended September 30, 2009. Current tax expense for the three months ended September 30, 2010 was up $0.5 million to $2.1 million, compared with $1.6 million for the three months ended September 30, 2009. This increase was due to growth in net income in taxable entities.

Net earnings before non-controlling interest of the Fund for the three months ended September 30, 2010 were $4.5 million, or $0.2484 per Unit (on a fully diluted basis) compared with $5.2 million or $0.2918 per Unit (on a fully diluted basis) for the three months ended September 30, 2009. For the nine months ended September 30, 2010, net earnings before non-controlling interest were $12.1 million or $0.6789 per Unit (on a fully diluted basis) compared with $15.4 million or $0.9122 per Unit (on a fully diluted basis) for the nine months ended September 30, 2009. As a percentage of revenue, net earnings before non-controlling interest were 5.8% for the three months ended September 30, 2010, compared with 7.5% for the three months ended September 30, 2009. For the nine months ended September 30, 2010, net earnings before non-controlling interest as a percentage of revenue were 5.6% compared with 7.5% for the nine months ended September 30, 2009.

EBITDA for the three months ended September 30, 2010 was down $0.4 million (3.5%) to $11.4 million compared with $11.8 million for the three months ended September 30, 2009. For the nine months ended September 30, 2010, EBITDA was down $2.5 million (7.6%) to $30.5 million compared with $33.0 million for the nine months ended September 30, 2009. As a percentage of revenue, EBITDA for the three months ended September 30, 2010 was 14.8% compared with 17.1% for the three months ended September 30, 2009. As a percentage of revenue, EBITDA for the nine months ended September 30, 2010 was 14.2% compared with 16.1% for the nine months ended September 30, 2009.

Distributable Cash (2)

in thousands of dollars except for per Unit amounts	Three months ended September 30, 2010	Three months ended September 30, 2009	Nine months ended September 30, 2010	Nine months ended September 30, 2009
Cash flow from operating activities	$ 3,376	$ 1,361	$ 4,752	$ (536)
Less capital expenditures	(515)	(395)	(1,840)	(1,278)
Standardized distributable cash	$ 2,861	$ 966	$ 2,912	$ (1,814)
Add (deduct):				
Change in non-cash operating working capital	3,209	6,891	14,870	24,203
Current income tax expense	2,089	1,625	3,648	4,797
Income taxes recovered (paid)	(632)	(868)	(296)	(1,509)
Distributable cash (2)	$ 7,527	$ 8,614	$ 21,134	$ 25,677
Weighted average basic and diluted distributable cash per Unit (1)	$ 0.4202	$ 0.4872	$ 1.1835	$ 1.5150
Aggregate distributions declared	$ 7,132	$ 7,074	$ 21,423	$ 20,453
Basic and diluted aggregate distributions declared per Unit (1)	$ 0.3999	$ 0.3999	$ 1.1997	$ 1.1997
Payout ratio	95.2%	82.1%	101.4%	79.2%

(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 September 30, 2010, the Fund generated $7.5 million of Distributable Cash, down $1.1 million, (12.6%) compared with $8.6 million for the three months ended September 30, 2009. For the nine months ended September 30, 2010, Distributable Cash was down $4.6 million (17.7%) to $21.1 million compared with $25.7 million for the nine months ended September 30, 2009. On a per Unit basis, based on the weighted average number of Units outstanding, Distributable Cash was $0.4202 for the three months ended September 30, 2010; a decrease of $0.0669 compared with $0.4872 for the three months ended September 30, 2009. This represents a payout ratio of 95.2% for the three months ended September 30, 2010, compared with 82.1% for the three months ended September 30, 2009.

On October 20, 2010, a distribution of $0.1333 per Unit was declared to each Unitholder of record at October 29, 2010, which is payable on November 30, 2010. In addition, on October 20, 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 October 29, 2010 which is payable on November 30, 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 September 30, 2010 compared to December 31, 2009:

in thousands of dollars	September 30, 2010	December 31, 2009	$ Change
Current assets	246,537	220,674	25,863
Current liabilities	(149,062)	(120,271)	(28,791)
Working capital	97,475	100,403	(2,929)

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 September 30, 2010	Three months ended September 30, 2009	$ Change
Cash flows from (used in) operating activities	3,376	1,361	2,015
Cash flows from (used in) financing activities	(6,690)	7,551	(14,241)
Cash flows used in investing activities	(581)	(6,978)	6,397

in thousands of dollars	Nine months ended September 30, 2010	Nine months ended September 30, 2009	$ Change
Cash flows from (used in) operating activities	4,752	(536)	5,288
Cash flows from financing activities	16,246	13,246	3,000
Cash flows used in investing activities	(16,913)	(10,877)	(6,036)

Current assets have increased by $25.9 million as at September 30, 2010 as compared with December 31, 2009. This is the result of the increase in accounts receivable and work in process, which together are up $21.9 million, which includes $10.1 million attributable to the acquisitions made in the first and second quarter of 2010. Accounts receivable and work in process as at September 30, 2010 improved in relation to the net revenue compared with June 30, 2010 and December 31, 2009. Current liabilities have increased $28.8 million for the nine months ended September 30, 2010 to $149.1 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 first quarter of 2010 in the amount of $26.0 million and an increase in accounts payable and accrued liabilities which was offset by a reduction in notes payable.

Cash flows from operating activities for the three months ended September 30, 2010 were up $2.0 million to $3.4 million compared to cash from operating activities of $1.4 million for the three months ended September 30, 2009.

Cash flows used in financing activities was $6.7 million for the three months ended September 30, 2010 compared with $7.6 million of cash from financing activities for the three months ended September 30, 2009. During the third quarter of 2009, the Funds financing activities included the issuance of convertible debentures in the amount of $46.0 million, of which the proceeds were used to pay down notes payable in the amount of $14.4 million and term debt of $18.1 million. In addition, distributions of $7.0 million were paid. This resulted in net cash provided from financing activities of $7.6 million. During the third quarter of 2010, the financing activities of the Fund included the reduction of notes payable in the amount of $6.2 million, payment of $5.8 million of distributions, offset by additional bank borrowings of $5.5 million.

Cash flows used in investing activities for the three months ended September 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 September 30, 2010 were up $0.1 million to $0.5 million compared with $0.4 million for the three months ended September 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 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 September 30, 2010, IBI Group had borrowings of $1.8 million under the Swing Facility and $31.2 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 September 30, 2010, IBI Group had borrowings of $49.7 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 September 30, 2010, IBI Group had issued bid bonds in the amount of $9.3 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. 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 $4.7 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 September 30, 2010, the Fund was in compliance with all covenants under its credit facilities.

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	3rd Qtr 2010 Unaudited	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
Revenue	$ 76,770	$ 69,790	$ 68,075	$ 68,194	$ 68,783	$ 71,032	$ 65,664	$ 66,185
Net (Loss) Earnings	3,202	2,662	2,847	(1,693)	3,693	3,979	3,189	3,267
Non-controlling interest	1,249	1,044	1,119	(667)	1,466	1,699	1,419	1,502
Interest	2,817	2,446	2,231	2,605	1,900	1,451	1,183	1,372
Income taxes	1,230	1,006	131	62	1,166	1,716	468	(1,973)
Amortization of property and equipment and intangible assets	2,887	2,943	2,709	3,029	3,580	3,132	3,040	3,371
Amortization of deferred credit - leases	(13)	(13)	(12)	(28)	(28)	(28)	(28)	(50)
Impairment of goodwill and intangibles	-	-	-	3,039	-	-	-	5,354
Purchase price adjustment	-	-	-	2,346	-	-	-	-
Earnings before income taxes, interest and amortization (EBITDA)	11,372	10,088	9,025	8,693	11,777	11,949	9,271	12,856
EBITDA as a percentage of Revenue	14.8%	14.5%	13.3%	12.7%	17.1%	16.8%	14.1%	19.4%
Distributable Cash reconciliation								
Cash flow (used in) from operating activities	3,376	6,316	(4,940)	(6,070)	1,361	(520)	(1,378)	12,052
Less capital expenditures	(515)	(865)	(460)	(526)	(395)	(413)	(470)	(636)
Standardized Distributable Cash	2,861	5,451	(5,400)	(6,596)	966	(933)	(1,848)	11,416
Add (deduct):								
Change in non-cash operating working capital	3,209	223	11,438	12,938	6,891	8,796	8,516	(647)
Current income tax expense	2,089	1,209	350	(780)	1,625	2,222	950	79
Income taxes recovered (paid)	(632)	459	(123)	(986)	(868)	62	(703)	(948)
Distributable Cash	7,527	7,342	6,265	4,576	8,614	10,147	6,915	9,900
Basic and diluted Distributable Cash per Unit	0.4202	0.4114	0.3518	0.2576	0.4872	0.6040	0.4237	0.6229
Basic and diluted aggregate distributions declared per Unit	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999	0.3999
Payout ratio	95.2%	97.2%	113.4%	155.3%	82.1%	66.2%	94.4%	64.2%
Basic and diluted net (loss) earnings per Unit	0.2440	0.2076	0.2228	(0.1329)	0.2918	0.3380	0.2824	0.3006
Personnel – average	2,558	2,333	2,235	2,237	2,227	2,152	2,184	2,289
Personnel – quarter end	2,534	2,547	2,252	2,230	2,242	2,212	2,107	2,270

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 28.0% 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 45.9% 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 September 30, 2010 was $4.7 million (2009 - $3.9 million) and the amount paid for such services during the nine months ended September 30, 2010 was $13.3 million (2009 - $11.5 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 September 30, 2010, $0.2 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 nine 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 engaged a third-party service provider to provide the necessary software and assist with the completion of all elements of the project plan.

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 the initial scoping and planning phase identified the key differences between IFRS and Canadian GAAP as outlined in the below table.

The Fund has completed the detailed assessment phase of the project plan for the key differences identified and has outlined the anticipated impact of these differences in the below table. This phase of the implementation process involved:

- 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; and

- Finalizing accounting and policy disclosure choices required under IFRS.

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's current disclosures will require expansion under IFRS. Items previously aggregated in the financial statements will require separate presentation. The Fund has identified those items in the notes that will require more detailed breakdown and explanation.
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 most significant election for the Fund relates to the valuation of fixed and intangible assets on the date of transition at deemed cost.	The Fund has completed an analysis on the impact of IFRS 1 on the Fund and has made the following tentative conclusions: The Fund will not apply retrospective restatement to business combinations executed prior to January 1, 2010. The Fund will elect not to retrospectively restate its capital and intangible assets, recording these items at historical cost under previous GAAP at January 1, 2010.
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	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

	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.	impacting net income. For comparative purposes, the 2010 acquisitions (to date: Nightingale and MAAK) will be reported on the comparative balance sheet and income statement under IFRS. Contingent consideration for the purchase of Nightingale will be estimated and accrued, and transaction costs associated with these acquisitions will be shown as an expense.
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 determining the value of the asset, the future cash flows must be discounted under IFRS, whereas under Canadian GAAP undiscounted figures are used. In addition, IAS 36 requires, under certain circumstances, the reversal of impairment losses, which is not allowed under Canadian GAAP.	The Fund's current methods of determining impairment are adequate in timing and frequency. Under IFRS, the Fund will be required to test the assets of all of its cash generating units (split by member firm). Currently impairment is only tested on assets whose associated cash generating units have a fair value less than carrying value. Therefore, impairment losses may be recognized earlier, or recorded when they may not have been recorded at all under existing GAAP Further disclosure regarding the calculated impairment will be required in the notes to the financial statements.
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 has examined the criteria for puttable financial instruments and determined that classification as equity is not appropriate for its convertible debentures. The Fund's recently issued convertible debentures are currently allocated between debt and equity appropriately under the IFRS rules for compound

		financial instruments.
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.	Upon initial assessment of the Fund's property, equipment and leaseholds, it is unlikely that a material change will result in the net book value on electing to use approximate fair value at date of transition as deemed cost.. Given the nature and low materiality of those items included in this section, further componentization will not likely be required. The Fund will elect not to periodically revalue its property, equipment and leaseholds and therefore will continue to use the cost method to account for these items.
IAS 37: Provisions, Contingent Liabilities and Contingent Assets	Under Canadian GAAP, provisions are recognized when it is likely that there will be an outflow of resources to settle the obligation. Likely is a higher recognition threshold than more likely than not. Under IFRS, a provision is recognized when there is a probable outflow of resources to settle the obligation. Probable means more likely than not. Therefore, there is lower a threshold for recognizing such obligations under IFRS than under Canadian GAAP. This determination can be dictated by the past (and confirmed in the future).	The Fund's internal controls over determining the provision amounts are adequate. Management responsible for assessing the amount of provisions to be recorded will assess provisions with a higher level of scrutinization. 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	Any impact will depend primarily on other adjustments made upon transition to IFRS.

	the adoption of IFRS would have a corresponding effect on future income taxes balances.	

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 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 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 September 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 September 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 September 30, 2010 of 2,534 staff and revenue of approximately $282.8 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 2,534. 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:

- IBI Group has shown improved performance each successive quarter this year over the preceding quarter with EBITDA and Distributable Cash growing to $11.4 million and $7.5 million respectively in the third quarter of 2010 from $8.7 million and $4.6 million in the fourth quarter of 2009. Revenue is up $8.6 million over this same period;

- The pace of new committed fee volume continued during the quarter, and now stands over nine months based on the greater pace that IBI Group is achieving 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, 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 16% of fee volume for projects outside of North America, 23% 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 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 fourth quarter and forward through ensuing quarters of 2011, 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:

- Commitment of new work for IBI Group continued to increase during the third quarter, replacing the $76.8 million of work completed during the quarter and adding the additional work for the future. Backlog for the next twelve months now continues as reported in the last quarter in excess of nine months at the greater pace that IBI Group is achieving for the second half of 2010. This backlog is based on a very wide range of substantial projects;

- 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; and

- 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".