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INTERIM MANAGEMENT'S DISCUSSION AND ANALYSIS

For the periods ended March 31, 2010 and March 31, 2009

Armtec Infrastructure Income Fund

Management's Discussion and Analysis

For the three months ended March 31, 2010

The following Management's Discussion and Analysis ("MD&A") of Armtec Infrastructure Income Fund for the three months ended March 31, 2010, should be read in conjunction with the unaudited interim consolidated financial statements and accompanying notes thereto as well as the audited annual consolidated financial statements and MD&A for the year ended December 31, 2009, and accompanying notes thereto and other public disclosures available. In this MD&A, the term "the Fund" or "Armtec" means Armtec Infrastructure Income Fund, together with its portion of the joint venture, Fixon-Armtec Ltd., and its subsidiaries: Armtec Operating Trust ("AOT"), Armtec Exchangeable Partnership, Armtec AEP GP Limited, Armtec Holdings Limited, Armtec Limited Partnership Corp., Armtec Limited Partnership and Durisol Consulting Services Inc. Unless otherwise stated, external economic and industry factors remain substantially unchanged from the most recent annual MD&A.

The financial information contained herein has been prepared in accordance with Canadian Generally Accepted Accounting Principles ("GAAP"). The Fund has included certain non-GAAP measures, which are used by management as a measure of financial performance. These measures are not necessarily comparable to similarly titled measures used by other income funds or companies and should not be construed as an alternative to net earnings or cash flow from operating activities as determined in accordance with Canadian GAAP. See the sections entitled "Liquidity, Distributable Cash and Distributions" and "Non-GAAP Measures" for further information.

Unless indicated otherwise all dollar amounts, except per unit amounts, are expressed in thousands of Canadian dollars. All prior period results have been reclassified to conform to the current presentation.

This MD&A has been prepared as at May 5, 2010. Additional information regarding the Fund, including continuous disclosure materials such as the Annual Information Form, is available on the Fund's website at www.armtecincomefund.com or through SEDAR at www.sedar.com. The Fund's units trade on the Toronto Stock Exchange under the symbol ARF.UN.

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 a Declaration of Trust dated June 15, 2004, as amended and restated on July 27, 2004 (the "Declaration of Trust"). The Fund commenced active operations on July 27, 2004.

Armtec is a leading manufacturer and marketer of a comprehensive range of infrastructure products and engineered construction solutions for customers in a diverse cross-section of industries that are located in every region of Canada, as well as in selected markets globally. These markets include Canada's national and regional public infrastructure markets and private sector markets in residential construction, commercial building, agricultural drainage and natural resources. Operating through its network of regional offices and production facilities across the country, Armtec's broad range of engineered solutions include products for drainage, bridge applications, soil retention, rehabilitation and water management systems including corrugated high-density polyethylene, corrugated steel and concrete pipe; an array of architectural and structural precast and pre-stressed concrete products from steps, paving stones, slabs and wall panels to highly engineered structural components designed and installed for projects such as bridges, sports venues and parking garages; and, a full suite of noise barriers, acoustic enclosure and wall systems along with associated retaining wall and traffic barrier systems.

In this MD&A, the Fund refers to engineered solutions and construction and infrastructure application ("CIA") products. The Fund considers engineered solutions to represent highly engineered precast systems such as parkades, bridges, sport venues and building envelopes. Construction and infrastructure application products refer to common application products such as paving stones, small retaining walls, utility vaults, traffic barriers and pipe products including smaller bridge products.

Caution Regarding Forward-Looking Statements

This MD&A may contain "forward-looking" statements within the meaning of applicable securities legislation, which involve known and unknown risks, uncertainties and other factors which may cause the actual results, performance or achievements of the Fund or industry results, to be materially different from any future results, events, expectations, performance or achievements expressed or implied by such forward-looking statements. All such forward-looking statements are made pursuant to the “safe harbour” provisions of applicable Canadian securities legislation. Forward-looking statements may include comments with respect to the Fund’s objectives, strategies to achieve those objectives, expected financial results, and the outlook for the Fund’s business. Forward-looking statements typically contain such words or phrases as "may", "outlook", "objective", "intend", "estimate", "anticipate", "should", “could”, “would”, "will", "expect", "believe", "plan" and other similar terminology suggesting future outcomes or events. These statements reflect current expectations regarding future events and operating performance and are based on information currently available to the Fund's management.

Forward-looking statements involve numerous assumptions and should not be read as guarantees of future performance or results. Such statements will not necessarily be accurate indications of whether or not such future performance or results will be achieved. Forward-looking statements should not unduly be relied upon, as a number of factors, many of which are beyond the control of the Fund, could cause actual results to differ materially from the results discussed in the forward-looking statements, including, but not limited to the factors listed below and those discussed in the Fund's materials filed with the Canadian securities regulatory authorities from time to time, including the Annual Information Form and the Annual MD&A. These uncertainties and risks include, but are not limited to: industry cyclicality; competition; acquisition and expansion risk; capital and liquidity risk; current global financial conditions; reduction in demand for products; information management; credit risk; relationships with suppliers; lack of long-term agreements; expiration of rights under license and distribution arrangements; availability and price volatility of raw materials; product liability; intellectual property; reliance on key personnel; labour markets; environmental; collective bargaining; pension plans; currency fluctuations; interest rates; uninsured and underinsured losses; operating hazards; risk of future legal proceedings; securities laws compliance and corporate governance standards; geographical risk; seasonality and adverse weather; geopolitical; and certain risks related to the structure of the Fund including dependence on the Fund’s subsidiaries; income tax matters; unitholder limited liability; leverage and restrictive covenants; Credit Facilities; nature of units; distribution of securities on redemption or termination of the Fund; restrictions on potential growth; effect of market interest rates on price of units; undiversified and illiquid holdings in AOT; and potential dilution. These and other factors may cause the Fund’s performance to differ materially from that contemplated by forward-looking statements.

There have been no material changes to the Fund’s business or other events or circumstances from January 1, 2010 to May 5, 2010, that require an update to the discussion of the applicable risks or forward-looking statements. Although the forward-looking statements contained in this MD&A are based upon what management of the Fund believes are reasonable assumptions, the Fund cannot assure investors that actual results will be consistent with these forward-looking statements. All forward-looking statements in this MD&A are qualified by these cautionary statements. These forward-looking statements and outlook are made as of the date of this MD&A and, except as required by applicable law, the Fund assumes no obligation to update or revise them to reflect new events or circumstances.

Overview

The results for the first quarter of 2010 reflected the continued benefits of fast turnaround infrastructure stimulus funded construction projects, particularly in Central and Eastern Canada. Residential markets continued to build strength and commercial construction markets showed some improvement. The Fund's CIA base business growth partially offset a decline in engineered solutions revenue levels. Benefits from larger projects, most of which are for infrastructure related applications, are expected to have a more significant impact for Armtec during the second half of 2010.

As anticipated, the volume of larger engineered solutions projects was lower in the first quarter of 2010 than in the same period in 2009, reflecting the changes in the construction schedules which exacerbated the traditional lower seasonal production volumes experienced by the Fund in the first quarter of a fiscal year. The resulting excess production capacity in the first quarter translated into lower gross margins and a loss from operations.

Effective January 1, 2010 the Fund brought together the Fund's former Armtec, Con-Force and Durisol divisions into one regionally based organization, supported by a centralized services group headquartered in Guelph, Ontario (the "Reorganization"). The underlying management structure in the regions was optimized, sales forces were realigned and marketing strategies are currently being implemented. The Reorganization will allow the Fund to capitalize on its new operational scale, product diversity and market depth to deliver a full range of innovative products and enhanced quality services to customers in local markets across Canada. During the first quarter of 2010, the Fund incurred $0.7 million in Reorganization expenses and anticipates incurring approximately $0.8 million in additional costs in 2010. To date, 80 positions have been removed with Reorganization savings realized of approximately $1.2 million.

To support the new organizational structure, the Fund is in the process of implementing the SAP enterprise resource planning ("ERP") system across its operations. The first go live milestone was successfully achieved on March 1, 2010. The ERP system implementation is expected to be completed by March 2011 with a total capital cost of approximately $4.2 million, of which $1.9 million is expected to be incurred in 2010.

Financial Performance

Results of Operations

(in thousands of Canadian dollars except per unit amounts) (unaudited)	Three Months Ended **March 31, 2010**	**March 31, 2009**
Revenue	**$ 73,293**	**$ 63,747**
Cost of sales	56,784	49,049
Amortization of property, plant and equipment	3,730	2,794
Gross margin	**12,779**	**11,904**
As a % of revenue	17.4%	18.7%
Distribution and warehousing	3,697	2,844
Selling, general and administrative	13,720	10,989
Reorganization expenses	676	521
Amortization of intangible assets	3,309	2,480
Loss from operations	**(8,623)**	**(4,930)**
Interest and financing expenses	(3,728)	(2,882)
Loss before taxes	**(12,351)**	**(7,812)**
Interest and financing expenses	3,728	2,882
Total amortization	7,039	5,274
Reorganization expenses	676	521
Fair value increments of acquired inventory	-	41
EBITDA	**$ (908)**	**$ 906**
As a % of revenue	(1.2)%	1.4%
Basic and diluted loss per unit	**$ (0.60)**	**$ (0.39)**
Basic distributable cash per unit[1]	**$ (0.28)**	**$ (0.21)**
Diluted distributable cash per unit[1]	**$ (0.27)**	**$ (0.21)**

[1] Please refer to the Liquidity, Distributable Cash and Distributions section of this MD&A for the reconciliation of this non-GAAP measure. Distributable cash per unit excludes the impact of Reorganization expenses.

First Quarter Results

Revenue

The Fund recorded revenue of $73.3 million during the first quarter of 2010; an increase of $9.5 million or 15.0% over the same period in 2009. The acquisitions of Groupe Tremca and Pre-Con, completed during 2009 (the "2009 Acquisitions"), contributed incremental revenue of $10.7 million. Base business volumes declined slightly by $1.1 million or 1.7% relative to the same period last year. The increased CIA product volumes partially offset the delayed engineered solutions deliveries. On a product basis, revenue from CIA products was $33.6 million, an increase of 51.7% over the same period in 2009, reflecting the impact of stimulus funding and favourable weather conditions. Revenue from engineered solutions of $39.7 million was 5.1% lower than 2009. Incremental revenue from the 2009 Acquisitions was predominantly in engineered solutions.

CIA product revenue improvements were driven by increased demand for drainage products, principally in the Central and Eastern Canadian municipal markets, reflecting the benefits of the government stimulus spending, along with growing demand for residential concrete products mainly in the Prairie region. These gains were offset in part by continued weakness in British Columbia, which was impacted by the construction pause around the 2010 Winter Olympics.

Base business revenue declines in engineered solutions, primarily in the Pacific region, were partially offset by the incremental revenue from the 2009 Acquisitions. While the 2010 results reflected bridge girder manufacturing for the Anthony Henday Drive project in Edmonton, there were fewer major projects than in the same period last year where significant revenue was generated from the Calgary Airport Parkade and the WinSport Canada Athletic Complex. This uneven activity level for large infrastructure projects is inherent in the pre-cast engineered solutions operations. Demand for sound barriers products remained consistent with the prior year.

Loss from Operations

The loss from operations for the first quarter was $8.6 million compared to a loss of $4.9 million in the same period of 2009. The loss from operations includes a charge of $0.7 million in 2010 in connection with the Reorganization announced in the fourth quarter of 2009. Excluding the impact of the Reorganization expenses, the loss from operations was $7.9 million or $3.5 million higher than 2009 levels. The higher loss from operations in 2010 was attributable to the incremental operating losses from the 2009 Acquisitions, higher total amortization from the 2009 Acquisitions, and lower volumes of major engineered solutions projects.

Gross margin for the first quarter of 2010 was $12.8 million; an increase of $0.9 million from $11.9 million in 2009. As a percentage of revenue, gross margin fell to 17.4% as compared to 18.7% in 2009. The decline in the gross margin percentage reflected the impact of lower manufacturing levels, and more competitive pricing, in the precast engineered solutions operations. This decline was partially offset by improved gross margin percentages on CIA products as a result of improved manufacturing efficiencies associated with higher demand.

Distribution and warehousing was $3.7 million, compared to $2.8 million in the first quarter of 2009. As a percentage of revenue, these costs were comparable with the same period last year.

Selling, general and administrative expenses were $13.7 million, or 18.7% of revenue, as compared to $11.0 million or 17.2% of revenue in 2009. The additional costs reflected the incremental impact of the 2009 Acquisitions offset in part by savings from the Fund's Reorganization initiatives. Relative to revenue, the increase was the result of increased seasonality due to the addition of the 2009 Acquisitions.

Amortization of intangible assets was $3.3 million compared to $2.5 million in 2009. These changes principally reflected the amortization on intangible assets associated with the 2009 Acquisitions.

Interest and Financing Expenses

During the three months ended March 31, 2010, interest and financing fees incurred on borrowings was $3.7 million as compared to $2.9 million in the same period of 2009. The year over year increase was attributable to the incremental debt incurred in connection with the 2009 Acquisitions; both of which closed in the second quarter of 2009.

Swap instruments, converting the interest rate from a floating rate to a blended fixed rate of 2.8% plus pricing margin, were in place on $91.5 million of the Fund's term debt as required under the terms of the Credit Facility.

Income Taxes

Being an income trust, the income tax provision primarily relates to changes in the temporary differences associated with timing of the deductibility of certain reserves and the amortization of intangible assets of the Fund. For the three month periods ended March 31, 2010 and 2009, there was a recovery of future income taxes in the amount of $0.1 million and $0.6 million, respectively. There were no changes in tax legislation during the first quarter ended March 31, 2010 that materially affected the Fund.

Cash Flow

(in thousands of Canadian dollars) (unaudited)	Three Months Ended March 31, 2010	 March 31, 2009
Cash provided by (used in):		
Operating activities	$ (193)	$ 5,825
Investing activities	(2,368)	(6,333)
Financing activities	(10,888)	41,667
Net (decrease) increase in cash	(13,449)	41,159
Cash – beginning of period	13,492	8,883
Cash – end of period	**$ 43**	**$ 50,042**

As at March 31, 2010, the Fund's cash and cash equivalents amounted to $43 compared to $50.0 million in the same period of the prior year. The 2009 cash balance was the result of an equity issuance in the quarter which was used to repay the $50.0 million Bridge facility on April 1, 2009. The Fund had working capital of $61.7 million as at March 31, 2010; $3.6 million less than at December 31, 2009, and a decrease of $15.4 million compared to $77.1 million as at March 31, 2009 despite the additional working capital from the 2009 Acquisitions.

Management is of the opinion that the level of working capital is sufficient to meet short-term obligations. During the fourth quarter of 2009, the Fund determined that a balance of $15,000 was payable to the vendors of Durisol as the earnings of the acquired business exceeded a set predetermined threshold. The Fund expects this amount will be paid in May of 2010. The Fund's Revolving Credit Facility is available to finance temporary increases in working capital requirements throughout the construction installation season.

Operating Activities

For the three months ended March 31, 2010, the Fund used $0.2 million of cash from operations compared to $5.8 million generated during the same period of 2009. Cash of $4.8 million was used before the change in non-cash working capital for the first quarter of 2010 compared to $2.3 million used during the same period of 2009. This additional $2.5 million use of cash was due to the higher loss in the quarter, partially offset by higher amortization attributable to the 2009 Acquisitions. Non-cash working capital decreased $4.6 million for the first quarter of 2010 compared to $8.2 million for 2009. The decrease in both 2010 and 2009 in non-cash working capital reflects the improved collection of outstanding accounts receivable, net of payables, partially offset by the seasonal build up of inventory for the summer months. Management remains focused on managing working capital levels in relation to seasonal volumes.

Investing Activities

Cash used in investing activities totalled $2.4 million for the three months ended March 31, 2010, compared to $6.3 million used in the same period of 2009. Purchases of property, plant and equipment and intangibles totalled $2.4 million for the three months ended March 31, 2010, with $1.4 million (2009 – $2.1 million) considered sustaining capital expenditures for the purposes of determining distributable cash. For the three month period ended March 31, 2010, generative expenditures included $0.3 million related to a wet cast line expansion in Central Region and $0.6 million for the Fund's implementation of a common ERP platform. For the same period of 2009, generative expenditures included $0.5 million related to an expansion of a plant in the Prairie Region.

During the first three months of 2009, Armtec made final payments of $3.3 million to certain vendors associated with acquisitions made in 2008.

Financing Activities

Cash used in financing activities for the three months ended March 31, 2010, was $10.9 million as compared to $41.7 million generated in the same period of 2009. During the first quarter of 2009, the Fund issued additional units for net proceeds of $51.3 million which were used to repay the $50.0 million bridge facility on April 1, 2009.

Distributions paid to unitholders in the first quarter of 2010 were $11.9 million, of which $1.0 million related to a special distribution declared in December of 2009 and paid in January of 2010. Distributions declared in the first three months of 2010 and 2009 were $0.18 per unit per month.

Outlook

The outlook for the infrastructure market remains positive with various levels of government committed to addressing the national infrastructure deficit. The incremental stimulus spending related to fast turnaround projects continued to benefit the Fund's CIA product lines in the first quarter of 2010. Many existing project commitments are anticipated to commence subcontracting and begin production throughout the 2010 construction season. However, management still expects lower engineered solutions activity in the first half of 2010 based on project schedules on work that is already in the backlog or on which the Fund is "low and probable". Accordingly, the focus remains on maintaining market share in 2010 in an environment of more aggressive competition and lower project margins relative to 2009, and realizing the anticipated cost reductions from the Reorganization. While construction in the British Columbia market paused for the 2010 Winter Olympics, stimulus-funded and other project activity has resumed. Given the deadline for deploying the additional stimulus funding, management anticipates a significant number of projects being bid in the second quarter of 2010, with production commencing as early as the third quarter.

The Fund's private markets experienced a significant drop in activity during the recession. Management expects residential and commercial end-use markets will continue to show improvement. Natural resource markets, particularly forestry, remain below historical levels with only slight and tentative signs of improvement. Agriculture markets, which are dependent on weather conditions, which have been favourable so far in the spring installation season, continue to benefit from the improved financial strength of our customers.

Construction activity in the Fund's markets tapers off with the onset of winter weather conditions and remains at low levels through the first quarter. It is not uncommon for the Fund to experience losses in the first quarter of the year as a result. In 2010, this was exacerbated by the timing of production in the engineered solutions business of the Fund. Based on the current construction schedules of projects in backlog, management anticipates the normal seasonal increase in production activity in the second quarter of 2010, offsetting the decline associated with the lower year-over-year engineered solutions volumes noted in the first quarter.

Subsequent to the quarter end, management completed the re-negotiation of the Bridge facility and extended the maturity to be co-terminus with that of the existing Term facility.

Management remains focused on Armtec's 2010 Corporate Priorities (refer to the 2009 annual MD&A for more details):

- *"One Company"* Integration
- Sales Excellence
- Invest in Employees
- Operational Excellence
- Conclusion of the Trust Structure

Management remains focused on furthering the integration of its acquisitions. The management teams are committed to building resiliency into the business in order to remain responsive to end-use and geographic market fluctuations, and to the underlying economic drivers impacting the Fund, while delivering value to employees, customers and unitholders. The Fund will make the changes necessary to address challenging demand conditions in order to emerge as a stronger, more customer focused business as the private markets recover.

On April 26, 2010, Armtec announced its intention to convert the Fund into a corporation effective on or about January 1, 2011 in response to the legislative changes to the tax treatment of business income trusts. The conversion must be approved by not less that 66 $^{2/3}$% of votes cast by unitholders at Armtec's annual and special meeting on June 24, 2010. Armtec also announced that following the conversion, it expects to pay quarterly dividends at an initial annualized rate of $1.60 per share. The dividend policy reflects the current distribution level adjusted to take into account the expected level of income taxes to be incurred. An individual holder of an Armtec unit will generally have the same after tax return under the dividend payout as compared to the current distributions.

The Fund plans to maintain its current distributions of $0.18 per month, or $2.16 annualized for the remainder of 2010.

Liquidity, Distributable Cash and Distributions

Definition and Disclosure of Distributable Cash

Distributable cash is not a defined term under Canadian GAAP but is determined by the Fund as cash provided by or used in operating activities adjusted for items not affecting cash, non-recurring expenses, expenditures required to sustain the current state of operations, and the change in non-cash working capital.

Management believes that distributable cash is a useful supplemental measure of performance as it provides investors with an indication of the amount of cash available for distribution to unitholders of the Fund by adjusting for the seasonality of the business via changes in non-cash working capital, adjusting for sustaining capital purchases and other items not affecting cash. Investors are cautioned, however, that distributable cash should not be construed as an alternative to using net earnings and comprehensive earnings as measures of profitability or the statement of cash flows. Furthermore, the Fund's method of calculating distributable cash may not be comparable to other similarly named calculations from other issuers.

Distributable cash for the three months ended:

(in thousands of Canadian dollars except unit and per unit amounts) (unaudited)	**Three Months Ended** **March 31, 2010**	**March 31, 2009**
Cash (used in) provided by operating activities	**$ (193)**	**$ 5,825**
Items not affecting cash:		
Fair value increments of acquired inventory	-	41
Other	(91)	(6)
Items not affecting operating cash flow:		
Sustaining capital purchases	(1,400)	(2,066)
Net decrease in non-cash working capital	(4,570)	(8,156)
Distributable cash	(6,254)	(4,362)
Reorganization expenses	676	521
Distributable cash excluding Reorganization expenses	$ (5,578)	$ (3,841)
Basic and diluted distributable cash per unit	$ (0.31)	$ (0.24)
Basic distributable cash per unit excluding Reorganization expenses	$ (0.28)	$ (0.21)
Diluted distributable cash per unit excluding Reorganization expenses	$ (0.27)	$ (0.21)
Distributions declared	$ 10,941	$ 10,367
Distributions declared per unit	$ 0.54	$ 0.54
Net loss for the period	$ (12,211)	$ (7,193)
Basic and diluted loss per unit	$ (0.60)	$ (0.39)
Basic weighted average number of units outstanding	20,216,153	18,407,477
Diluted weighted average number of units outstanding	20,285,650	18,407,477

The following table reconciles the purchases of sustaining and generative capital expenditures to the purchases of property, plant and equipment, as well as intangible assets:

(in thousands of Canadian dollars) (unaudited)	Three Months Ended March 31, 2010	Three Months Ended March 31, 2009
Sustaining capital purchases	$ 1,400	$ 2,066
Generative capital purchases	968	985
Total purchases	**$ 2,368**	**$ 3,051**
Purchase of property, plant and equipment	$ 1,772	$ 2,993
Purchase of intangible assets	596	58
Total purchases	**$ 2,368**	**$ 3,051**

For a discussion of working capital polices and effects on distributable cash; the relationship between distributions, investing and financing activities; and the definition, history and management strategy of productive capacity please refer to the most recently issued annual MD&A. There have been no material changes since the December 31, 2009 MD&A.

Financing Strategy and Compliance with Financial Covenants

The Fund has a $50.0 million Revolving Credit Facility that provides the cash resources necessary to fund changes in working capital levels. See the section entitled "Capital Resources" for further discussion.

The Fund regularly monitors current and forecasted debt levels to ensure the Credit Facility covenants are achieved. Generally, the most significant financing restrictions relate to permitted investments and distributions, as well as the maintenance of certain financial ratios. The Fund's financial covenant ratios are primarily linked to the trailing four quarter operating earnings before interest, taxes, depreciation and amortization, adjusted for certain inclusions, such as the pro-forma earnings related to acquisitions, and certain exclusions ("Adjusted Earnings"). At March 31, 2010, the Fund must maintain a ratio of funded debt to Adjusted Earnings on a rolling four quarters basis ("Debt to EBITDA Ratio"), of not more than 3.25:1 as well as a ratio above 4:1 of Adjusted Earnings over interest expensed. The Fund was in compliance with all covenants for the period ended March 31, 2010, with a Debt to EBITDA Ratio of 2.63 times.

In order to maintain its status as a mutual fund trust under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act. Accordingly, the Declaration of Trust provides that at no time may non-residents of Canada be the beneficial owners of more than 49% of the units then outstanding. The Fund is in compliance with this requirement for the period ended March 31, 2010.

Distributions

The Fund makes regular monthly distributions to unitholders of record on the last business day of each month. Distributions to unitholders were calculated and recorded when declared. Distributions declared for the three months ended March 31, 2010 were $10.9 million. Distributions were financed through cash from operations and seasonal borrowings under the Revolving Credit Facility.

Capital Resources

As at March 31, 2010, there was no balance outstanding on the Revolving Credit Facility. The Revolving Credit Facility of up to $50.0 million is available to fund seasonal working capital requirements and distributions.

As required under the Fund's Credit Agreement, the $183.0 million Term facility and the $40.0 million Bridge facility were fully drawn. Each facility bears interest at rates that depend on certain financial ratios and vary in accordance with borrowing rates in Canada. The Term facility matures in October 2012 whereas the Bridge facility will mature on March 31, 2011. Management has completed the re-negotiation of the Bridge facility extending the maturity to be co-terminus with that of the existing Term facility.

Swap instruments that convert a portion of the $183.0 million Term facility from a floating interest rate to a fixed interest rate, designated as hedges for accounting purposes, contributed a mark-to-market gain of $0.4 million during the period, which was reflected in the Fund's Consolidated Statement of Comprehensive Income. The Fund has converted $91.5 million of its term debt to a fixed interest rate as required under the terms of the Credit Facility.

Financial Instruments

Please refer to the annual MD&A and Note 18 of the separately issued annual consolidated financial statements of the Fund for the year ended December 31, 2009, for disclosure of the Fund's financial instruments and sensitivity to various currency, interest, credit and liquidity risk. There have been no material changes regarding the Fund's financial instruments to date in 2010.

Off-Balance Sheet Arrangements

The Fund's off-balance sheet arrangements primarily consist of operating leases. Please refer the annual MD&A and Note 19 of the separately issued audited annual consolidated financial statements of the Fund for disclosure of these operating leases. There have been no material changes since the December 31, 2009 MD&A.

Outstanding Unit Data

An unlimited number of trust units may be issued by the Fund pursuant to the Fund's Declaration of Trust. Each unit is transferable and represents an equal, undivided beneficial interest in any distributions from the Fund and in the net assets of the Fund. Each unit entitles the holder to one vote at all meetings of unitholders. During the first quarter of 2010, 51,432 exchangeable partnership units were exchanged for units of the Fund. Also during the first quarter of 2010, 235,294 warrants were exercised for 133,110 units of the Fund. As at May 5, 2010, there were 19,955,295 Fund units issued and outstanding. As at May 5, 2009, there were 392,489 exchangeable partnership units issued and outstanding.

As at May 5, 2010, the number of units issued and outstanding using the "if converted" method was 20,347,784.

Summary of Quarterly Results

(in thousands of Canadian dollars except for unit data)
(unaudited)

Three months ended	Mar 31, 2010	Dec 31, 2009	Sep 30, 2009	Jun 30, 2009	Mar 31, 2009	Dec 31, 2008	Sep 30, 2008	Jun 30, 2008
Revenue	$ 73,293	$116,969	$165,161	$117,952	$ 63,747	$117,084	$137,794	$ 90,758
Gross margin	$ 12,779	$ 32,737	$ 54,835	$ 39,389	$ 11,904	$ 33,744	$ 42,820	$ 26,425
EBITDA	$ (908)	$ 17,638	$ 38,097	$ 23,662	$ 906	$ 18,937	$ 26,093	$ 15,556
Net earnings (loss)	$ (12,211)	$ 8,135	$ 26,859	$ 15,687	$ (7,193)	$ 6,154	$ 19,670	$ 10,271
Basic earnings (loss) per unit	$ (0.60)	$ 0.40	$ 1.33	$ 0.78	$ (0.39)	$ 0.36	$ 1.16	$ 0.67
Diluted earnings (loss) per unit	$ (0.60)	$ 0.40	$ 1.33	$ 0.78	$ (0.39)	$ 0.36	$ 1.16	$ 0.67

The Fund's business is seasonal in nature, with sales increasing in the spring months and generally reaching peak levels in the summer months. As such, losses in the first quarter are not unexpected with the Fund historically generating positive net earnings throughout the remainder of the year.

Non-GAAP Measures

Earnings before Interest, Taxes, Depreciation and Amortization ("EBITDA")

References to EBITDA are to earnings before interest, taxes (other than capital taxes), depreciation and amortization, certain non-recurring expenses and certain non-cash amounts resulting from purchase accounting. Management believes that in addition to net earnings, EBITDA is a useful supplemental measure of cash available for distributions prior to debt service, changes in working capital, capital expenditures and income taxes. However, EBITDA is not a recognized measure under Canadian GAAP. Investors are cautioned that EBITDA should not be construed as an alternative to net and comprehensive earnings determined in accordance with GAAP as an indicator of the Fund's performance or as an alternative to cash flows from operating, investing and financing activities as a measure of the Fund's liquidity and cash flows. The Fund's method of calculating EBITDA may differ from the methods used by other issuers and, accordingly, the Fund's EBITDA may not be comparable to similarly named measures used by other issuers.

(in thousands of Canadian dollars) (unaudited)	Three Months Ended March 31, 2010	 March 31, 2009
Loss for the period	**$ (12,211)**	**$ (7,193)**
Amortization of property, plant and equipment	3,730	2,794
Amortization of intangible assets	3,309	2,480
Interest and financing expenses	3,728	2,882
Recovery of future income taxes	(140)	(619)
Reorganization expenses	676	521
Fair value increments of acquired inventory	-	41
EBITDA	**$ (908)**	**$ 906**

See the section entitled "Liquidity, Distributable Cash and Distributions" of this MD&A for the disclosure of the definition of distributable cash that is not a recognized measure under Canadian GAAP.

Critical Accounting Estimates

Management's discussion and analysis of its financial condition and results of operations, including the discussion on liquidity and capital resources, is based upon the Fund's interim consolidated financial statements, which have been prepared in accordance with Canadian GAAP except where noted. The preparation of these interim consolidated financial statements requires the Fund to make estimates and judgments that affect the reported amounts of assets, liabilities, revenue, expenses, and related disclosure of contingent assets and liabilities. There have been no material changes to the methods used in preparing the annual financial statements and there were no material changes to these estimates based on events from January 1, 2010 to May 5, 2010.

Accounting Policy Changes Including Initial Adoptions

Recently Issued and Initial Adoptions and Applications of Accounting Pronouncements

As at May 5, 2010, there have been no recently issued and initial adoptions and applications of accounting pronouncements.

International Financial Reporting Standards ("IFRS")

Background, Project Approach and Progress

IFRS uses a conceptual framework similar to Canadian GAAP; however, there are significant differences in accounting policies that must be evaluated Management's philosophy is to align with current accounting practices and policies, where possible, to minimize the impact of changes to the financial reporting of the Fund. Regardless of the policy changes, an increased level of disclosure will be reported under IFRS.

To date, the Fund has completed phases (i) preliminary diagnosis and (ii) detailed assessment and planning in which the Fund identified the major recognition, measurement and reporting differences and assessed the IFRS impact on business processes and information systems. During 2010, the Fund will complete phases (iii) design of the solution, and (iv) implementation.

The Fund will maintain Canadian GAAP for reporting purposes throughout 2010 and develop reconciliations for each interim and annual period from Canadian GAAP to IFRS beginning with an opening balance sheet on the Fund's transition date of January 1, 2010. These reconciliations between Canadian GAAP and IFRS for the interim and annual periods will be presented during the fiscal 2011 year, with comparable results for 2010, beginning with the Fund's first quarter results for March 31, 2011.

Potential Accounting Changes as a Result of Transition to IFRS

The Fund provided a table with a brief summary of select IFRS standards, their differences from current Canadian GAAP and their potential impact on the Fund in its annual MD&A. There have been no material changes to this table since December 31, 2009.

The International Accounting Standards Board has several projects slated for completion in 2010 and 2011 that may significantly impact the transition to IFRS and the reported results of the Fund. Due to these potential changes in

IFRS prior to the Fund's implementation, the table, as provided, may not have included all the standards that could have a significant impact on the Fund's consolidated financial condition.

At this time, the Fund cannot quantify the impact of IFRS on its reported results. Once finalized, the Fund will communicate its conclusions and accounting policy choices.

Impact on Information Systems and Technology

The Fund's information systems will be impacted by IFRS because of the requirement to track the differences between Canadian GAAP and IFRS for 2010. The Fund's transition to a common ERP system will simplify this process of tracking adjustments and gathering additional information required to support more extensive disclosures.

The Fund will continue to assess the impact on its information systems during the design and implementation stages of this project.

Impact of IFRS on Reporting and Internal Controls

The Fund's transaction-level controls will not be materially affected by the transition to IFRS. As previously noted, the transition to IFRS most significantly impacts the presentation and related disclosure requirements. The Fund's disclosure controls and procedures and internal controls over financial reporting will require changes to the Fund's reporting process which will be documented and tested for effectiveness as the changes under IFRS are implemented.

Controls and Procedures

Management of the Fund does not expect that the disclosure and internal controls and procedures will prevent or detect all misstatements due to error or fraud. Management has used the Internal Control – Integrated Framework published by the Committee of Sponsoring Organization of the Treadway Commission (COSO) as the control framework in designing its internal controls over financial reporting. Management has evaluated whether there were changes in the Fund's internal controls over financial reporting during the interim period ended March 31, 2010 that would have materially affected, the Fund's internal controls over financial reporting. Management has determined no material changes occurred.

Disclosure Controls and Procedures

Management is responsible for establishing and maintaining disclosure controls and procedures. These procedures have been designed to ensure that information requiring disclosure is recorded, processed, summarized and reported on a timely basis as well as accumulated and communicated to the Fund's management team as appropriate to allow for timely required disclosures.

Internal Control over Financial Reporting

Management is responsible for the design of internal controls over financial reporting within the Fund in order to provide reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements for external purposes in accordance with Canadian GAAP. Internal control systems, no matter how well designed, have inherent limitations and therefore can only provide reasonable assurance as to the effectiveness of internal controls over financial reporting, including the possibility of human error and the circumvention or overriding of internal procedures.

Proposed Transactions

At this time, the Fund does not have any proposed transactions.