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This prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities in those jurisdictions. No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. These securities have not been and will not be registered under the United States Securities Act of 1933, as amended (the "U.S. Securities Act"), or any state securities laws and, subject to certain exceptions may not be offered or sold in the United States. See "Plan of Distribution".

PRELIMINARY PROSPECTUS

Initial Public Offering

July 27, 2004



IBI INCOME FUND

\$ ●
● UNITS

This prospectus qualifies the distribution (the "Offering") of ● units (the "Units") of IBI Income Fund (the "Fund"). The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario to indirectly hold approximately ● % (● % if the over-allotment option described below is exercised in full) of the outstanding partnership interests of IBI Group, a partnership formed under the laws of the Province of Ontario for the purposes of this Offering. IBI Group will acquire certain of the assets currently used by the existing partnership operating as IBI Group (the "Management Partnership") to carry on its business of providing professional services, including planning, design, implementation, analysis of operations and other consulting services in relation to four main areas of development, being urban land, building facilities, transportation networks and systems technology.

The Fund intends to make monthly distributions of its available cash to holders of the Units (the "Unitholders") although such distributions are not assured. The first cash distribution is expected to be made on or about ●, 2004 for the period from the closing of the Offering to ●, 2004 and is estimated to be \$ ● per Unit. See "Description of the Fund — Distribution Policy". The Fund will be entirely dependent upon the operations and assets of IBI Group (as defined herein). As a result, cash distributions are not guaranteed and will fluctuate with the performance of IBI Group. The actual amount distributed in respect of the Units will depend on numerous factors, including the operating and financial performance, debt covenants and fluctuations in working capital of IBI Group. The market value of the Units may deteriorate if the Fund is unable to meet its cash distribution targets in the future and that deterioration may be material.

PRICE \$10.00 PER UNIT

	Price to the Public ⁽¹⁾	Underwriters' Fee	Net Proceeds ⁽²⁾
Per Unit	\$10.00	\$ ●	\$ ●
Total Offering ⁽³⁾	\$ ●	\$ ●	\$ ●

Notes:

- (1) The offering price of the Units has been determined by negotiation between the Fund, the Management Partnership and the Underwriters.
- (2) Before deducting the expenses of the Offering estimated at \$ ●, which, together with the Underwriters' fee, will be paid from the proceeds of the Offering. The expenses of the Offering and the Underwriters' fee will be paid by IBI Group. See "Funding, Acquisition and Related Transactions".
- (3) The Fund has granted to the Underwriters an over-allotment option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to a total of ● additional Units on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised in full, the total "Price to Public", "Underwriters' Fee" and "Net Proceeds" will be \$ ●, \$ ● and \$ ●, respectively. This prospectus qualifies the distribution of the over-allotment option and the issuance and subsequent transfer of the Units issuable on exercise of that option. See "Plan of Distribution".

An investment in the Units is subject to a number of risks that should be considered by a prospective purchaser. Cash distributions to Unitholders are not guaranteed and depend on IBI Group's ability to pay cash distributions which will be entirely derived from the business operated by IBI Group. Such business is susceptible to a number of risks. See "Risk Factors".

The after-tax return to Unitholders from an investment in Units subject to Canadian federal income tax will depend, in part, on the composition for tax purposes of distributions paid by the Fund, portions of which may be fully or partially taxable or may constitute non-taxable returns of capital. The composition of cash distributions for tax purposes may change over time and this may affect the after-tax return for investors. Management expects that substantially all distributions will be taxable to Unitholders and not a return of capital. See "Certain Canadian Federal Income Tax Considerations".

There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under this prospectus. No stability rating for the Units has been applied for or obtained from any rating agency.

The underwriters of the Offering are CIBC World Markets Inc., BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc. (collectively the "Underwriters"). In connection with this Offering, the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail in the open market.

The Underwriters, as principals, conditionally offer the Units, subject to prior sale, if, as and when issued, sold and delivered by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to the approval of certain legal matters on behalf of the Management Partnership, the Fund, the Holding Trust, IBI LP and IBI Group by Goodman and Carr LLP and on behalf of the Underwriters by Goodmans LLP. Subscriptions will be received subject to rejection or allotment in whole or in part and the Underwriters reserve the right to close the subscription books at any time without notice. A book-entry only certificate representing the Units will be issued in registered form to The Canadian Depository for Securities Limited ("CDS") or its nominee and will be deposited with CDS on the date of the closing of the Offering, which is expected to occur on or about ●, 2004, or such later date as the Fund and the Underwriters may agree, but in any event not later than ●, 2004 (the "Closing Date"). A purchaser of Units will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased.

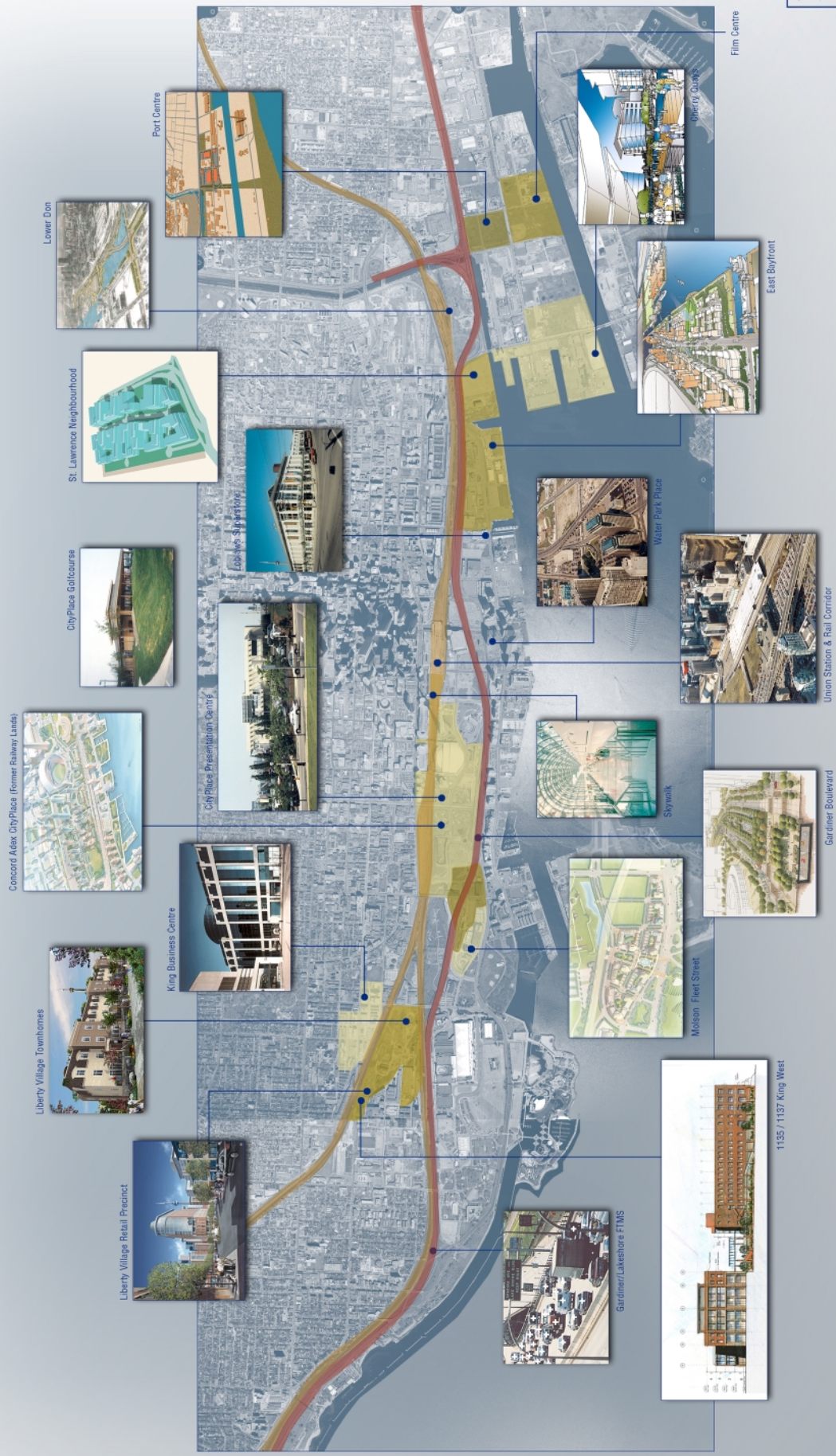
Toronto Waterfront Experience

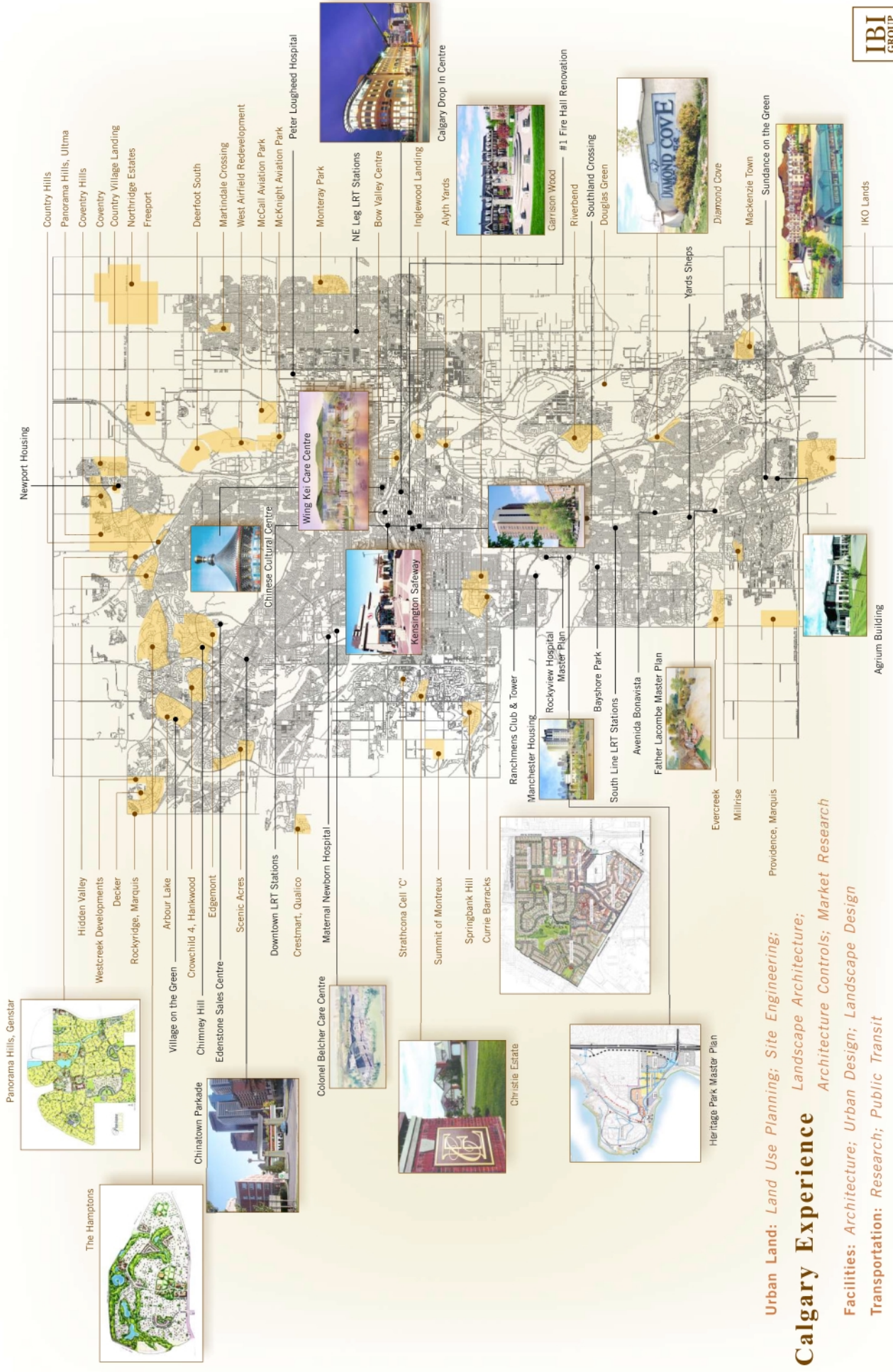
Urban Land: Land Use Planning; Sustainable Development; Site Engineering; Regulatory Control; Approvals Processing; Real Estate Research, Economics and Finance

Facilities: Architecture; Programming; Urban Design; Landscape Design

Transportation: Research; Public Transit; Goods Movement; Traffic Operations; Parking; Fare Collection; and

Systems: Intelligent Transportation Systems; Communications Systems; Building Systems; Software Development and Integration; Operations Support





Panorama Hills, Genstar



The Hamptons



Newport Housing

Country Hills
Panorama Hills, Ultima
Coventry Hills
Coventry
Country Village Landing
Northridge Estates
Freepoint

Hidden Valley
Westcreek Developments
Decker
Rockyridge, Marquis

Village on the Green
Chimney Hill
Edenstone Sales Centre



Arbour Lake
Crowchild 4, Hankwood
Edgemont
Scenic Acres



Chinese Cultural Centre

Downtown LRT Stations
Crestmart, Qualico

Colonel Belcher Care Centre



Deerfoot South
Martindale Crossing
West Airfield Redevelopment
McCall Aviation Park
McKnight Aviation Park
Peter Loughheed Hospital



Wing Kai Care Centre

Monterey Park
NE Leg LRT Stations
Bow Valley Centre



Calgary Drop In Centre



Christie Estate

Strathcona Cell 'C'
Summit of Montreux
Springbank Hill
Currie Barracks



Ranchmens Club & Tower
Manchesters Housing



Rockyview Hospital Master Plan



Kensington Safeway

South Line LRT Stations

Avenida Bonavista
Father Lacombe Master Plan



Riverbend
Southland Crossing
Douglas Green



Diamond Cove

Evercreek

Millrise

Providence, Marquis

Mackenzie Town
Sundance on the Green



IKO Lands

Agrium Building



The Calgary Experience
Urban Land: Land Use Planning; Site Engineering; Landscape Architecture; Architecture Controls; Market Research
Facilities: Architecture; Urban Design; Landscape Design
Transportation: Research; Public Transit



The Edmonton Experience

Urban Land: Land Use Planning, Engineering, Landscape Architecture
 Facilities: Land Use Planning, Engineering, Landscape Architecture
 Transportation: Functional Planning, Design, Public Transportation
 Systems: Communications, Transportation Control

CUMBERLAND/CARLTON/HUDSON
OXFORD NEIGHBOURHOODS



THE GRANGE NEIGHBOURHOOD



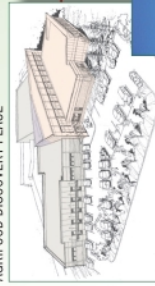
THE HAMPTONS



RIVERBEND / FALCONER



UNIVERSITY OF ALBERTA-
AGRIFOOD DISCOVERY PLACE



UNIVERSITY OF ALBERTA-
EAST CAMPUS



WINDERMERE
RIDGE



TERWILLEGAR GARDENS



WEDGEWOOD



HOTEL MACDONALD



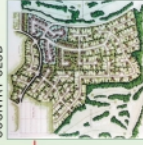
Alberta Urban Hospitals



EPS SOUTH EAST



COUNTRY CLUB



COMPUTER RENTAL CENTRE



RAILTOWN PARK



EPS NORTH DIVISION



EUX CLAIRES NEIGHBOURHOOD



BELLE RIVE



LECTURE TRAINING FACILITY



ENGINEERING SERVICES

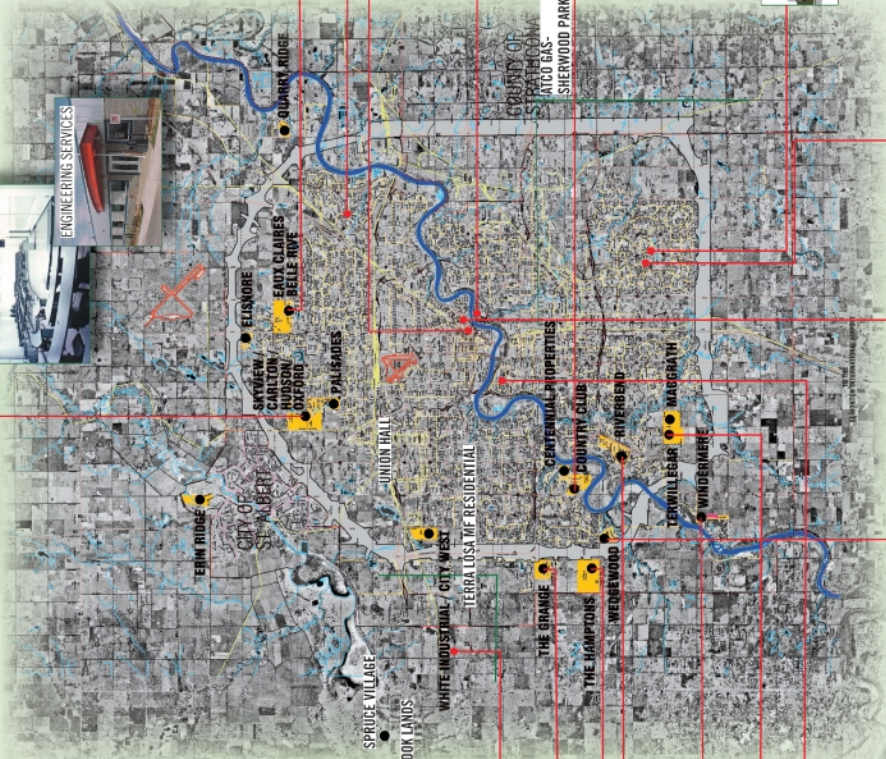


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ELIGIBILITY FOR INVESTMENT

Based on legislation in effect at the date hereof and subject to compliance with the prudent investor standards and the general provisions and restrictions of the following statutes (and, where applicable, the regulations made under these statutes) and, in certain cases, subject to the satisfaction of additional requirements relating to investment or lending policies, standards, procedures or goals and, in certain cases, subject to the filing of such policies, standards, procedures or goals, the Units would not, if the date hereof was the date of the closing of the Offering, be precluded as investments under the following statutes:

<i>Insurance Companies Act</i> (Canada)	<i>The Trustee Act</i> (Manitoba)
<i>Trust and Loan Companies Act</i> (Canada)	<i>Pension Benefits Act</i> (Nova Scotia)
<i>Cooperative Credit Associations Act</i> (Canada)	<i>Trustee Act</i> (Nova Scotia)
<i>Pension Benefits Standards Act, 1985</i> (Canada)	<i>Pension Benefits Act</i> (Ontario)
<i>Loan and Trust Corporations Act</i> (Alberta)	<i>The Trustee Act</i> (Ontario)
<i>Insurance Act</i> (Alberta)	<i>Loan and Trust Corporations Act</i> (Ontario)
<i>Employment Pension Plans Act</i> (Alberta)	<i>An Act respecting insurance</i> (Quebec)
<i>Alberta Heritage Savings Trust Fund Act</i> (Alberta)	<i>An Act respecting trust companies and savings companies</i> (Quebec)
<i>Financial Institutions Act</i> (British Columbia)	<i>Supplemental Pension Plans Act</i> (Quebec)
<i>Pension Benefits Standards Act</i> (British Columbia)	<i>The Pension Benefits Act, 1992</i> (Saskatchewan)
<i>The Insurance Act</i> (Manitoba)	
<i>The Pension Benefits Act</i> (Manitoba)	

In the opinion of Goodman and Carr LLP, counsel to the Fund, and of Goodmans LLP, counsel to the Underwriters, provided that the Fund is a mutual fund trust within the meaning of the *Income Tax Act* (Canada) (the “Tax Act”) on the date of this prospectus: (i) the Units will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans, each as defined in the Tax Act (collectively, the “Plans”) on that date; and (ii) based, in part, on a certificate of the Fund as to certain factual matters, the Units, if issued on the date of this prospectus, would not on that date constitute “foreign property” for the purposes of the tax imposed under Part XI of the Tax Act on the Plans (other than registered education savings plans), registered investments and other tax exempt entities, including most registered pension funds or plans. Registered education savings plans are not subject to the foreign property rules. See “Certain Canadian Federal Income Tax Considerations” and “Risk Factors”.

The Fund will be a “business income trust” and the Units will constitute “restricted investment property” as described in the Budget Proposals (as defined herein). Certain investors, including trusts governed by registered pension plans and pension corporations, will be liable to a penalty tax commencing in 2005 if they hold restricted investment property or units of a business income trust in excess of the limits described in the Budget Proposals. The Budget Proposals do not propose that Plans will be subject to this penalty tax. On May 18, 2004, the Minister of Finance (Canada) announced that the Budget Proposals will be suspended to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. See “Certain Canadian Federal Income Tax Considerations — Budget Proposals”.

FORWARD-LOOKING STATEMENTS

Certain statements in this prospectus 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, the Holding Trust, IBI LP, IBI Group, or the industry, to be materially different from any future results, performance or achievements expressed or implied by such forward looking statements. When used in this prospectus, 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 prospectus. These forward-looking statements involve a number of risks and uncertainties. See “Risk Factors”. Although the forward-looking statements contained in this prospectus 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 prospectus, and the Fund assumes no obligations to update or revise them to reflect new events or circumstances.

NON-GAAP MEASURES

References in this prospectus to “EBITDA” are to earnings before interest, income taxes, depreciation and amortization. Management believes that in addition to net income (loss), EBITDA is a useful supplemental measure as it provides investors with an indication of cash available for distribution prior to debt service, capital expenditures and income taxes. Investors 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 IBI Group’s performance or to cash flows from operating, investing and financing 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 IBI Group’s method of calculating EBITDA may differ from other issuers. Accordingly, EBITDA may not be comparable to similar measures used by other issuers.

“Adjusted EBITDA” is determined by making adjustments to EBITDA to arrive at what is, in management’s view, an appropriate basis on which to measure the results of IBI Group going forward. Specifically, Adjusted EBITDA is net of the Directors’ and Associate Directors’ Compensation Amount (in place of the partnership drawings that were historically paid) and reflects the removal of items which are not expected to continue following the closing of the Offering, including consulting fees paid to a related party that have historically been paid by IBI Group. See “Financial Statements”. Adjusted EBITDA is not a recognized measure under GAAP and does not have a standardized meaning prescribed by GAAP, and the qualifications outlined above with respect to EBITDA apply equally to Adjusted EBITDA. Accordingly, Adjusted EBITDA may not be comparable to similar measures used by other issuers. A reconciliation of net income with Adjusted EBITDA, based on the financial statements of IBI Group, has been provided under the heading “Reconciliation of Net Income With Adjusted EBITDA”.

References in this prospectus to “distributable cash” are to cash available for distribution to Unitholders and the Management Partnership in accordance with the distribution policies described in this prospectus. Distributable cash does not have a standardized meaning prescribed by GAAP and IBI Group’s method of calculating distributable cash may differ from other issuers and, accordingly, distributable cash may not be comparable to similar measures used by other issuers.

PROSPECTUS SUMMARY

The following is a summary of the principal features of the Offering and should be read together with the more detailed information and financial statements and data contained elsewhere in this prospectus. Capitalized terms used in this prospectus have the meanings provided for in this prospectus unless otherwise indicated. Unless otherwise indicated, the disclosure contained in this prospectus assumes (i) the steps under the heading “Funding, Acquisition and Related Transactions” have been completed, and (ii) the over-allotment option has not been exercised.

In this prospectus, unless otherwise indicated, all dollar amounts are expressed in Canadian dollars. References in this prospectus to “\$” are to Canadian dollars and references to “US\$” are to United States dollars.

IBI Income Fund

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust to acquire and hold securities, including Holding Trust Units and Holding Trust Notes, and, indirectly, LP Units of IBI LP, which will, in turn, hold Class A Units of IBI Group. See “Funding, Acquisition and Related Transactions”, “Principal Agreements — Purchase Agreement” and “Description of the Fund — Activities of the Fund”. The Fund intends to make monthly distributions of its available cash to the maximum extent possible. The first distribution to Unitholders is expected to be made on or about ●, 2004 for the period from the closing of the Offering to ●, 2004 and is estimated to be \$ ● per Unit.

Business of IBI

Overview

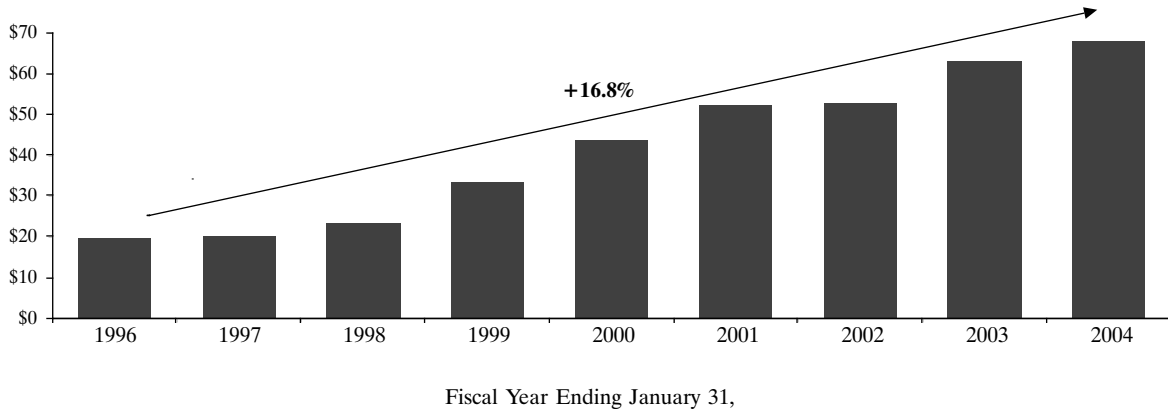
IBI is a leading, international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI’s business is concentrated in four main areas of development, being urban land, building facilities, transportation networks and systems technology.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

IBI’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 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 communications industries and in other business areas. IBI provides these services in major cities across Canada, the United States and western Europe, as well as in other international centres.

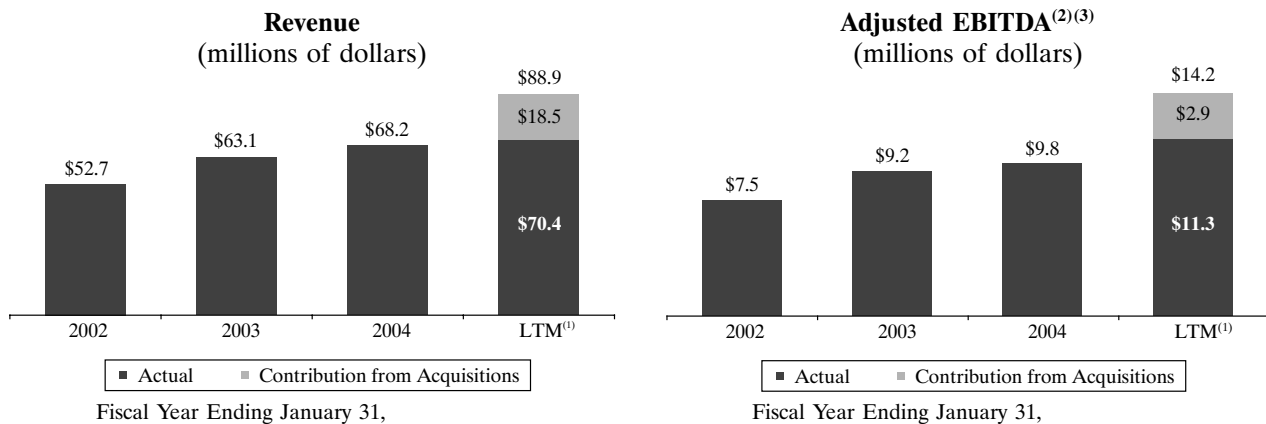
IBI was founded in 1974 and, since its inception, has focused on growing through geographic expansion and through increasing the scope of its business to provide a broader range of services. Historically, IBI’s growth has been primarily the result of internal growth. However, IBI has recently embarked on a program of strategic growth through acquisitions, completing one acquisition in each of 2000 and 2002. Since its fiscal year ended January 31, 1996, IBI’s revenue has grown at a compound annual rate of 16.8% (including organic growth at a compound annual rate of 15.6%).

Historical Revenue
(millions of dollars)



IBI expects that its growth will continue to be driven both internally and through strategic acquisitions. IBI has entered into binding agreements providing for the acquisition of three additional firms, Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited, which will add approximately 170 staff to the ranks of IBI. The three firms had aggregate revenue and EBITDA of approximately \$18.5 million and \$2.9 million, respectively, for the most recent twelve month period for which IBI has such information, being the twelve months ended May 31, 2004 for Cumming Cockburn Limited and CCL Consultants Inc. and the twelve months ended February 29, 2004 in the case of Marshall Cummings & Associates Limited. The completion of these acquisitions is a condition of, but is not contingent on, the closing of the Offering and will be financed internally by IBI.

For the twelve months ended April 30, 2004, IBI's revenue and Adjusted EBITDA were \$70.4 million and \$11.3 million, respectively. Including the financial contribution of the three acquisitions, IBI's revenue and Adjusted EBITDA for the twelve months ended April 30, 2004 would have been \$88.9 million and \$14.2 million, respectively. The following charts illustrate IBI's revenue and Adjusted EBITDA for the fiscal years ended January 31, 2002 through 2004 and revenue and Adjusted EBITDA for the twelve months ended April 30, 2004 (including revenue and EBITDA for Cumming Cockburn Limited and CCL Consultants Inc. for the twelve months ended May 31, 2004 and for Marshall Cummings & Associates Limited for the twelve months ended February 29, 2004).



Notes:

- (1) Twelve month period ended April 30, 2004 (unaudited).
- (2) See "Reconciliation of Net Income With Adjusted EBITDA".
- (3) See "Non-GAAP Measures".

IBI believes that it possesses several competitive advantages that will enable it to maintain a leadership position in the markets it serves and continue to grow. IBI's competitive strengths include its functional diversification and integration of services, its geographic reach, its highly motivated, talented and experienced team of professionals, its flexible business strategy and operating model and its client diversification.

On completion of this Offering, the 29 Directors of IBI, including Philip H. Beinhaker and Neal Irwin, the Chairman Directors of IBI, Scott E. Stewart and David M. Thom, the Managing Directors of IBI, and Peter Moore, the Operating Director of IBI with responsibility for overseeing the firm's practice in Alberta, together with the 10 Associate Directors of IBI will beneficially own (indirectly) through the Management Partnership all of the Class B Units representing a minimum of 50% of the total outstanding interests of IBI Group. This significant retained interest is designed to align the interests of management with those of the Unitholders.

Selected Consolidated Financial Information of IBI Group

The selected consolidated financial information set out below for the fiscal years ended January 31, 2004, January 31, 2003 and January 31, 2002, for the three month interim periods ended April 30, 2004 and April 30, 2003 and for the twelve month period ended April 30, 2004 has been derived from IBI's consolidated financial statements which appear elsewhere in this prospectus. These financial statements are prepared in accordance with GAAP. The following information should be read in conjunction with those statements and the related notes and with "Management's Discussion and Analysis" also appearing elsewhere in this prospectus.

	Twelve Months Ended April 30, 2004	Three Months Ended April 30,		Years Ended January 31,		
	(unaudited)	2004	2003	2004	2003	2002
		(unaudited)				
		(in thousands of dollars)				
Revenue	\$70,449	\$17,964	\$15,689	\$68,174	\$63,122	\$52,742
Net Earnings	15,400	4,450	2,796	13,746	12,818	11,215
Adjusted EBITDA ⁽¹⁾	11,349	2,902	1,364	9,811	9,227	7,452
Adjusted EBITDA as a percentage of Revenue ⁽¹⁾	16.1%	16.2%	8.7%	14.4%	14.6%	14.1%

Note:

(1) See "Non-GAAP Measures" and "Reconciliation of Net Income With Adjusted EBITDA".

Analysis of Distributable Cash

Management of IBI views distributable cash as an important operating performance measure as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Fund will distribute substantially all of its cash on an on-going basis (after providing for certain amounts) and since Adjusted EBITDA is a metric used by many investors to compare issuers on the basis of ability to generate cash from operations, the Fund believes that Adjusted EBITDA is the appropriate measure from which to make adjustments to determine its distributable cash.

The following analysis has been prepared by management of IBI on the basis of the information contained in this prospectus, more recent financial results available to management of IBI and management of IBI's estimate of the amount of expenses and expenditures to be incurred by the Fund. **This analysis is not a forecast or a projection of future results. The actual results of operations of the Fund for any period will differ, and such differences may be material. Additionally, IBI Group's operations are subject to certain risks, and in reviewing the following analysis of distributable cash investors are encouraged to consider the risks outlined under "Risk Factors".**

Management believes that, upon completion of the Offering, the Fund and IBI Group will incur interest expenses, incremental administrative expenses and taxes that will differ from those contained in the historical financial statements of IBI and the *pro forma* financial statements of the Fund that are included elsewhere in this prospectus. Although the Fund and IBI Group do not have firm commitments for all of those costs, expenses and expenditures and, accordingly, the complete financial impacts of all of these items are not objectively determinable, management of IBI believes, based on past experience, that the following represents a reasonable estimate of the amount of cash that would have been available for distribution for the twelve months ended April 30, 2004 had the Fund been in existence during such period:

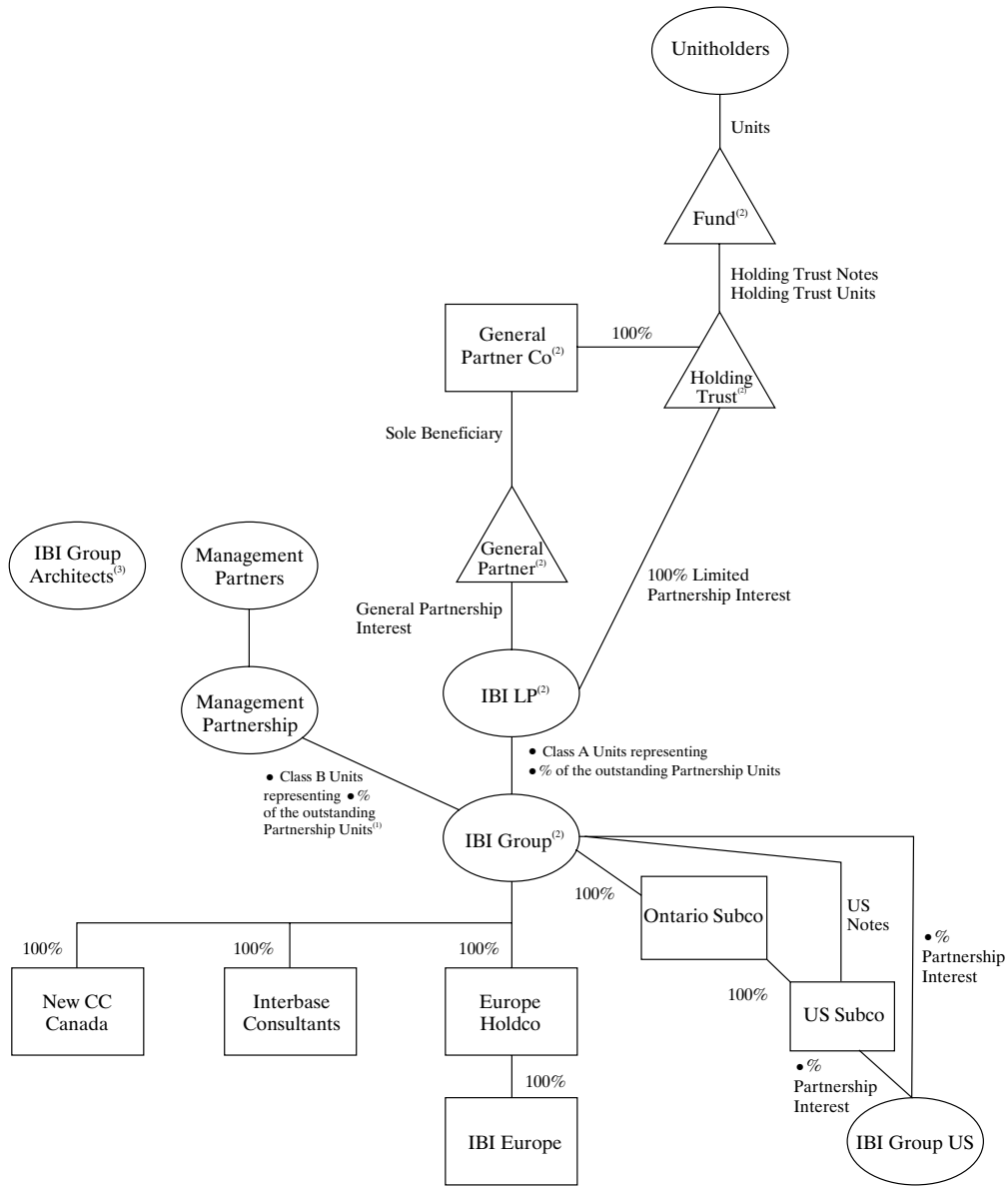
	Twelve Months Ended April 30, 2004
	(unaudited) (in thousands, except per Unit amounts)
Adjusted EBITDA ⁽¹⁾	\$11,349
EBITDA attributable to certain acquisitions ⁽²⁾	2,893
Incremental administrative expenses ⁽³⁾	(450)
Interest expense on Operating Loan ⁽⁴⁾	(760)
Maintenance capital expenditures ⁽⁵⁾	(1,000)
Cash taxes ⁽⁶⁾	(1,057)
Distributable cash	<u>\$10,975</u>
Distributable cash per Unit ⁽⁷⁾	\$ ●

Notes:

- (1) See "Non-GAAP Measures", "Selected Consolidated Financial Information of IBI Group" and "Reconciliation of Net Income With Adjusted EBITDA".
- (2) IBI Group has entered into binding agreements providing for the acquisition of Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited. The completion of these acquisitions is a condition of, but is not contingent on, the closing of the Offering. Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited had aggregate EBITDA (unaudited) of approximately \$2.9 million (unadjusted for any potential cost savings) for the most recent twelve month periods for which IBI has such information, being the twelve months ended May 31, 2004 for each of Cumming Cockburn Limited and CCL Consultants Inc. and the twelve months ended February 29, 2004 for Marshall Cummings & Associates Limited.
- (3) IBI Group estimates that, subsequent to the Offering, it will incur additional general and administrative costs on a continuing basis in connection with reporting to Unitholders, investor relations and other related expenses.
- (4) Represents estimated interest expense on the Operating Loan which will be used principally to fund working capital as described under "Principal Agreements — Credit Facilities", based on an annual average drawdown of \$19 million at an interest rate of 4%, based on a 12 month period.
- (5) See "Business of IBI — Capital Expenditures".
- (6) Estimated cash taxes payable on the amounts set out above, computed on the assumption that the proposed structure of the Fund and updated transfer pricing policies amongst entities in the structure were in place throughout such period.
- (7) Calculated on a fully-diluted basis to include all Units, including Units issuable upon the indirect exchange of all Class B Units held by the Management Partnership.

Structure of The Fund

The structure of the Fund and its principal subsidiaries and other affiliated entities on completion of the Offering and the transactions described under “Funding, Acquisition and Related Transactions”, assuming the exercise in full of the over-allotment option, will be as set out below:



Notes:

- (1) All holders of Class B Units will also be issued a number of Non-Participating Voting Units equivalent to the number of Class B Units held by them.
- (2) On the closing of the Offering, the Fund, the Holding Trust, General Partner Co, the General Partner Trustee, the General Partner, IBI LP, IBI Group and the Management Partnership will enter into the Administration Agreement. See “Principal Agreements — Administration Agreement”.
- (3) Represents IBI Group Architects (Ontario), IBI Group Architects (Alberta) and Beinhaker Architecte. In order to comply with regulations governing the practice of architecture, IBI Group will not have any interest, direct or indirect, in these firms. However, the amount of income and distributions allocated to the Class B Units will be adjusted to reflect the income and cash allocated by these firms to their partners. See “Business of IBI — Regulation” and “Description of IBI Group — Partnership Interests”.

SUMMARY OF THE OFFERING

Offering:	● Units.
Amount:	\$ ● .
Price:	\$10.00 per Unit.
Attributes:	Each Unit represents an equal undivided beneficial interest in the Fund and any distributions from the Fund. Each Unit is transferable, entitles the holder thereof to participate equally in distributions of the Fund, is not subject to future calls or assessments, entitles the holder to rights of redemption and to one vote at all meetings of Unitholders and Non-Participating Unitholders. See “Description of the Fund”.
Over-Allotment Option:	The Fund has granted to the Underwriters an over-allotment option to purchase up to ● additional Units at the price of \$10.00 per Unit payable in cash against delivery of such additional Units. The over-allotment option is exercisable from time to time in whole or in part until 30 days following the closing of the Offering for the purpose of covering over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised, the Underwriters will receive a fee of \$ ● per additional Unit purchased pursuant to such option.
Use of Proceeds:	<p>The proceeds of \$ ● from the issuance of the Units will be used by the Fund to indirectly acquire Class A Units of IBI Group. IBI Group will then pay the expenses of the Offering (estimated to be \$ ●) and the Underwriters’ fees and purchase the IBI Assets from the Management Partnership in consideration for the issuance of Class B Units of IBI Group. IBI Group will then make a capital distribution in cash in the amount of approximately \$4 million on the Class B Units. The balance of the cash received by IBI Group in respect of the subscription for Class A Units will continue to be held by the IBI Group and, together with an amount equal to the aggregate net proceeds which will be realized from the over-allotment option if it is exercised in full, will, subject to adjustment, represent the Priority Capital Amount. The Class B Units will have a preferred entitlement to the capital of IBI Group represented by the Priority Capital Amount or the portion thereof, if any, that remains outstanding from time to time, and shall, in the event of a liquidation or dissolution of IBI Group, be entitled to the distribution of such amount, if any, in priority to any distribution of capital on the Class A Units. In addition, the holder of the Class B Units shall be entitled at any time to direct IBI Group to distribute to it all or any part of the Priority Capital Amount then outstanding.</p> <p>If the over-allotment option is exercised, the proceeds therefrom will be used by the Fund to indirectly acquire additional Class A Units of IBI Group (with the net proceeds to be for the benefit of the holder of the Class B Units). To the extent that the over-allotment option is not exercised in full, the Priority Capital Amount shall be reduced by an amount equal to the net proceeds that would have been realized on the exercise of the portion of the over-allotment option which was not exercised had it been exercised and the holder of the Class B Units shall be issued additional Class B Units equal to the number of Units in respect of which the over-allotment option was not exercised. An equivalent number of additional Non-Participating Voting Units will also be issued to the holder of the Class B Units.</p>

Retained Interest:

Following the closing of the Offering (assuming the over-allotment option is exercised in full), the Management Partnership will hold ● Class B Units (● Class B Units if the over-allotment option is not exercised) and an equivalent number of Non-Participating Voting Units. Following the Conversion Date, the Class B Units held by the Management Partnership will be indirectly exchangeable for Units on the basis of one Class B Unit for one Unit (subject to adjustment). If all such Class B Units were exchanged for Units on the Closing Date, the Units issued on such exchange would represent a ● % interest in the Fund (● % if the over-allotment option is not exercised). See “Retained Interest” and “Exchange Rights”.

On any issuance of Units or Partnership Units (other than an issuance in consideration for non-cash assets), the Management Partnership shall have a pre-emptive right to subscribe (on the same terms as offered generally) for such number of Units or Partnership Units as will allow it to maintain its proportionate ownership in IBI Group (and to restore its proportionate ownership in IBI Group in respect of any previous pre-emptive subscription opportunities not exercised and in respect of any previous issuance of Units or Partnership Units to which this pre-emptive right did not apply for any reason). The Management Partnership may finance the exercise of this pre-emptive right out of the Priority Capital Amount.

Except for certain transfers to affiliated entities and transfers pursuant to the exercise of tag-along rights on certain transactions involving a change of control of the Fund, the Management Partnership has agreed not to transfer or encumber Class B Units or Units issued on the exchange thereof (i) if following such transfer the Management Partnership would beneficially own less than 35% of the Units issued and outstanding on the closing of the Offering (on a fully-diluted basis) or (ii) if following such transfer the Management Partnership would beneficially own less than 20% of the Units issued and outstanding (on a fully-diluted basis). In addition, the Management Partnership has agreed to participate in issuances such that it never beneficially owns less than (i) 35% of the Units issued and outstanding on the closing of the Offering (on a fully-diluted basis) or (ii) 20% of the Units issued and outstanding (on a fully-diluted basis), other than as a result of permitted transfers as referred to above.

Distribution Policy of the Fund:

The Declaration of Trust provides that the Fund will, subject to applicable law, make monthly distributions of all of its available cash (specifically, all cash received from its indirect interest in Class A Units), less the expenses of the Fund and amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of Units to holders of Units. Subject to the subordination described under “Description of IBI Group — Partnership Interests”, distributions of available cash by IBI Group will generally be made *pro rata* to the Management Partnership in respect of its Class B Units and to Unitholders (through the Class A Units held by IBI LP). The initial cash distribution for the period from the closing of the Offering to ● , 2004 is expected to be paid on or before ● , 2004 and is estimated to be approximately \$ ● per Unit. See “Description of the Fund — Distribution Policy”.

Distribution Policy of the Holding Trust:

Pursuant to the Holding Trust Declaration of Trust, the Holding Trust will, subject to applicable law, make monthly distributions of all of its available cash to holders of Holding Trust Units, after:

- satisfaction of its debt service obligations (principal and interest) on the Holding Trust Notes;
- satisfaction of its other expense obligations; and
- any cash redemptions or repurchases of Holding Trust Units or Holding Trust Notes.

Distribution Policy of IBI LP:

The IBI LP Partnership Agreement will require that IBI LP distribute, subject to applicable law and the terms of the IBI LP Partnership Agreement, all of IBI LP's available cash by way of monthly distributions on its LP Units or other securities, after:

- satisfaction of its debt service obligations (principal and interest); and
- satisfaction of its other expense obligations.

Distribution Policy of IBI Group:

The IBI Group Partnership Agreement will require that IBI Group distribute, subject to applicable law and the terms of the IBI Group Partnership Agreement, all of IBI Group's available cash by way of monthly distributions on its Partnership Units or other securities, after:

- satisfaction of its debt service obligations (principal and interest), including on the Operating Loan;
- provision for capital expenditures;
- satisfaction of its other expense obligations; and
- retaining reasonable reserves for administrative and other expense obligations and reasonable reserves for working capital as may be considered appropriate by the board of directors of the General Partner Trustee.

Restrictions and Limitations on Distributions to Holders of Class B Units:

Until the Conversion Date, distributions on the Class B Units, other than the distributions of income earned by IBI Group in respect of the Priority Capital Amount which shall be made in priority to any other distributions, will be subordinated to distributions on the Class A Units. During such period, 40% of the distributions which would otherwise be made monthly on the Class B Units will be subordinated and will be paid quarterly, subject to distributions for such fiscal year on the Class A Units having been made in an aggregate amount equal to the initially targeted distribution level of \$ ● for each month up to the relevant quarter end.

Specifically, such distributions will be made in the following priority (after funding of cash redemptions and repurchases of Units, if any, and expenses of IBI LP, the Holding Trust and the Fund through distributions on the Class A Units held by IBI LP): (i) holders of Class A Units and Class B Units will be entitled to receive monthly cash distributions such that each Unitholder shall receive a distribution of \$ ● per Unit for such month (through distributions on the Class A Units held by IBI LP) and each holder of Class B Units shall receive a distribution of \$ ● per Class B Unit for such month (60% of the amount referred to above to be paid per Unit); if there is insufficient available cash to make distributions in such amounts, the amounts to be distributed to holders of Units (through distributions on the Class A Units held by IBI LP) and Class B Units for such month shall be reduced proportionately; (ii) at the end of each fiscal quarter of the Fund, including the fiscal quarter ending on the fiscal year end, available cash shall be distributed (a) first, to Unitholders (through distributions on the Class A

Units held by IBI LP) and to holders of Class B Units in proportion to their respective monthly entitlements set out in (i) above, but only to the extent that monthly distributions per Unit and per Class B Unit in respect of such fiscal year to date (and not, for greater certainty, in respect of any previous fiscal year) averaged less than \$ ● and \$ ● per month, respectively, and (b) second, to holders of Class B Units in a per unit amount of \$ ● (\$ ● for the fiscal quarter ending September 30, 2004) plus, to the extent that distributions to holders of Class B Units in respect of any previous fiscal quarter(s) during that fiscal year (and not, for greater certainty, in any previous fiscal year), commencing with the fiscal quarter ending September 30, 2004, were not made or were made in amounts less than \$ ● per Class B Unit (\$ ● for the fiscal quarter ending September 30, 2004), the difference between \$ ● (\$ ● for the fiscal quarter ending September 30, 2004) and the amount of any distributions made for each such previous fiscal quarter(s), and (c) third, to the extent of any excess, *pro rata*, subject to certain adjustments, to the holders of Units (through distributions on the Class A Units held by IBI LP) and Class B Units (specifically, distributions of any such excess will be made on each class of Partnership Unit such that the excess would be shared equally on a per unit basis, subject to certain adjustments, by holders of Units and holders of Class B Units). After the Conversion Date, distributions made to Unitholders (through distributions on the Class A Units held by IBI LP) and holders of Class B Units, other than distributions of income earned by IBI Group in respect of the Priority Capital Amount, will be made monthly on a *pro rata* basis, subject to certain adjustments, (after funding of cash redemptions and repurchases of Units, if any, and expenses of IBI LP, the Holding Trust and the Fund through distributions on the Class A Units held by IBI LP).

Risk Factors:

An investment in the Units involves a number of risks. Cash distributions to Unitholders will depend entirely on the ability of the Holding Trust, IBI LP and IBI Group to pay distributions which will in turn depend on the ability of the business of IBI Group to generate income. IBI Group's income will be earned from the operation of its business which is susceptible to a number of risks. These risks, and other risks associated with an investment in the Units, include those related to: (i) IBI's ability to maintain profitability and manage its growth; (ii) IBI's reliance on its key professionals; (iii) competition in the industry in which IBI operates; (iv) timely completion by IBI of projects and performance by IBI of its obligations; (v) reliance on fixed-price contracts; (vi) the general state of the economy; (vii) possible acquisitions by IBI; (viii) risk of future legal proceedings against IBI; (ix) the international operations of IBI; (x) reduction in IBI's backlog; (xi) fluctuations in interest rates; (xii) fluctuations in currency exchange rates; (xiii) potential undisclosed liabilities associated with acquisitions; (xiv) increased assumption of risk by IBI; and (xv) limits under IBI's insurance policies. In addition, there are certain risks associated with the structure of the Fund, including: (i) the Fund's reliance on distributions from the Holding Trust, IBI LP and IBI Group and, as a result, its susceptibility to fluctuations in IBI Group's performance; (ii) unpredictability and volatility of the price of Units; (iii) the degree to which IBI Group is leveraged may affect its operations; (iv) cash distributions are not guaranteed and will fluctuate with IBI's performance; (v) the nature of the Units; (vi) the absence of a prior public market for the Units; (vii) the possibility of the distribution of securities on redemption or termination of the Fund; (viii) the possibility that the Fund may issue

additional Units diluting existing Unitholders' interests; (ix) the potential liability of Unitholders for obligations of the Fund; (x) the continued investment eligibility of the Units and that the Units will not be foreign property; and (xi) income tax matters. See "Risk Factors".

GLOSSARY OF TERMS

In this prospectus, the following terms shall have the following meanings unless indicated otherwise:

“**Administration Agreement**” means the administration agreement to be entered into on the Closing Date among the Fund, the Holding Trust, General Partner Co, the General Partner Trustee, the General Partner, IBI LP, IBI Group and the Management Partnership pursuant to which, among other things, IBI Group will provide all administrative and support services required by the Fund, the Holding Trust, General Partner Co, IBI LP and the General Partner and the Management Partnership will provide services to IBI Group and IBI Group US.

“**affiliated entity**” shall have the meaning ascribed thereto in Rule 45-501 — Exempt Distributions of the Ontario Securities Commission as it exists as of the date hereof.

“**Associates**” means senior professionals of IBI Group with proven quality of work and management capabilities appointed to this level whose compensation is based, in part, on the net income of IBI Group.

“**Associate Directors**” means the individuals who are the principals of the corporations for whom a partnership interest in the Management Partnership is held in trust pursuant to the partnership agreement governing the Management Partnership and who provide their professional services to IBI Group.

“**BA Rate**” means the rate of Canadian dollar 30-day bankers’ acceptances as it appears on the Reuters screen “CDOR Page”.

“**Beinhaker Architecte**” a partnership existing under the laws of the Province of Quebec.

“**Book-Entry Only System**” means the book-entry only system operated by CDS.

“**Budget Proposals**” means the proposed amendments to the Tax Act announced by the Minister of Finance (Canada) on March 23, 2004 to restrict direct and indirect holdings in certain “business income trusts” (as defined in the proposals) by certain tax-exempt investors, including trusts governed by registered pension plans and pension corporations.

“**Business**” means the business of providing professional services, including planning, design, implementation, analysis of operations and other consulting services in relation to four main areas of development, being urban land, transportation networks, building facilities and systems technology.

“**CC Canada**” means the corporation to result from the amalgamation under the laws of the Province of Ontario of Cumming Cockburn Limited, 1240863 Ontario Inc. and 1626698 Ontario Limited.

“**CCRA**” means the Canada Customs and Revenue Agency.

“**CDS**” means The Canadian Depository for Securities Limited.

“**Class A Units**” means the Class A ordinary partnership units of IBI Group.

“**Class B Units**” means the Class B subordinated partnership units of IBI Group that will be held initially by the Management Partnership.

“**Closing Date**” means the date of the closing of the Offering which is expected to be on or about ●, 2004, or such other date as may be agreed to by the Underwriters and the Fund, but in any event not later than ●, 2004.

“**Code**” means the United States *Internal Revenue Code of 1986*, as amended, together with the Treasury Regulations promulgated thereunder.

“**company**” shall have the meaning ascribed thereto in the *Securities Act* (Ontario) as it exists as of the date hereof.

“**Conversion Date**” means the first date on which the Trustees approve audited financial statements for a fiscal year of the Fund commencing with the fiscal year ending December 31, 2006 in which (i) average monthly distributions have been paid or are payable on each of the Units in an amount which is not less than \$ ● per Unit (on a diluted basis, including the exchange of the Class B Units), and (ii) the Fund earned EBITDA in such fiscal year of not less than \$14.242 million.

“**Declaration of Trust**” means the declaration of trust dated as of the 23rd day of July, 2004 pursuant to which the Fund was created, as same may be amended or restated from time to time.

“**Directors**” means the individuals who are principals of the corporations that are the partners of the Management Partnership and who provide their professional services to IBI Group.

“**Directors and Associate Directors Compensation Amount**” means the amounts to be paid by IBI Group and certain of its subsidiary entities to the Management Partnership in respect of the base compensation for the services of the principals of the partners of the Management Partnership, which amount shall be determined in accordance with the compensation policies established by IBI Group and approved by the compensation committee of the General Partner Trustee and shall initially be an aggregate of \$7.8 million per annum.

“**Europe Holdco**” means IBI Europe Holdings Limited, a corporation incorporated under the laws of the Province of Ontario.

“**Exchange Agreement**” means the exchange agreement to be entered into among the Fund, the Holding Trust, IBI LP, IBI Group, the Management Partnership and the General Partner pursuant to which the Management Partnership will have the right to indirectly exchange Class B Units for Units of the Fund on the basis of one Unit of the Fund for each Class B Unit exchanged, subject to adjustment, and direct IBI Group to indirectly transfer all or part of its directly held interest in IBI Group US to US Subco.

“**Fund**” means IBI Income Fund, an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario and governed by the Declaration of Trust.

“**GAAP**” means generally accepted accounting principles in Canada.

“**General Partner**” means IBI General Partner Trust, an unincorporated, limited purpose trust established under the laws of the Province of Ontario to be the general partner of IBI LP.

“**General Partner Co**” means IBI GP Holdings Limited, a corporation incorporated under the laws of Canada to be the sole beneficiary of the General Partner.

“**General Partner Trustee**” means IBI GP Limited, a corporation incorporated under the laws of Canada to be the trustee of the General Partner and a wholly-owned subsidiary of the Holding Trust.

“**Holding Trust**” means IBI Holding Trust, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario and governed by the Holding Trust Declaration of Trust.

“**Holding Trust Declaration of Trust**” means the declaration of trust dated as of the ● day of ●, 2004 pursuant to which the Holding Trust was created, as same may be amended or restated from time to time.

“**Holding Trust Note Indenture**” means the indenture to be made between the Holding Trust and the Note Trustee, providing for the issuance of the Holding Trust Notes.

“**Holding Trust Notes**” means the Series 1 Trust Notes, Series 2 Trust Notes and Series 3 Trust Notes, collectively.

“**Holding Trust Trustees**” means the trustees of the Holding Trust.

“**Holding Trust Units**” means the units of the Holding Trust, each of which represents an equal undivided interest therein.

“**IBI**” means, (i) prior to the completion of the transactions contemplated by the Purchase Agreement, the Management Partnership and its affiliated entities and other associated firms, including IBI Group Architects (Alberta), IBI Group Architects (Ontario) and Beinhaker Architecte, and (ii) following the completion of the transactions contemplated by the Purchase Agreement, IBI Group and the entities controlled by it as well as IBI Group Architects (Alberta), IBI Group Architects (Ontario) and Beinhaker Architecte.

“**IBI Assets**” means the assets used by the Management Partnership to carry on its Business, consisting of all customer contracts, employment agreements, leasehold interests, furniture and equipment and goodwill (including all assets of such nature acquired from Marshall Cummings & Associates Ltd.), the shares of Ontario Subco, the Management Partnership’s partnership interest in IBI Group US, the shares of Europe Holdco, the shares of New CC Canada, the receivable owing by New CC Canada to the Management Partnership in connection with the acquisition of Cumming Cockburn Limited, the US Notes, the shares of Interbase Consultants and the shares of Axsys System Integrators Inc., but excluding the Intellectual Property and any net working capital as of the closing of the Offering.

“**IBI Europe**” means Irwin Beinhaker Interbase Limited, a corporation incorporated under the laws of Cyprus.

“**IBI Group**” means IBI Group, a general partnership to be formed under the laws of the Province of Ontario between the Management Partnership and IBI LP.

“**IBI Group Architects (Alberta)**” means IBI Group Architects and Engineers, a general partnership existing under the laws of the Province of Alberta.

“**IBI Group Architects (Ontario)**” means IBI Group Architects, a general partnership existing under the laws of the Province of Ontario.

“**IBI Group Partnership Agreement**” means the partnership agreement to be entered into between the Management Partnership and IBI LP pursuant to which IBI Group will be governed, as same may be amended from time to time.

“**IBI Group US**” means IBI Group, a general partnership existing under the laws of California.

“**IBI LP**” means IBI Group L.P., a limited partnership established under the laws of the Province of Manitoba.

“**IBI LP Partnership Agreement**” means the limited partnership agreement to be entered into between the General Partner Trustee, on behalf of the General Partner, and the Holding Trust Trustees, on behalf of the Holding Trust, pursuant to which IBI LP will be governed, as same may be amended from time to time.

“**IBI UK**” means IBI Group (UK) Limited, a corporation incorporated under the laws of England and Wales.

“**Independent Trustee**” means a Trustee who is “independent” (as such term is defined in proposed Multilateral Policy 58-201 — Effective Corporate Governance as it exists as of the date hereof) to each of the Fund, the Holding Trust, the Management Partnership, IBI LP, IBI Group and each of their affiliated entities.

“**Intellectual Property**” means all of the intellectual property rights held by IBI Group in the software programs referred to as lane controller software, plaza controller software, central software, open road tolling — OPSP software, advance traffic controller software, central systems software, web-based traffic management software, web-based system software, IVR platform software, airport ground site — electronic tolling software, rail corridor charging software, license plate recognition software, video sharing software, airport ground site traffic management software, route mapper — special video GPS system software and security and commercial goods — port software.

“**InterBase Consultants**” means InterBase Consultants Ltd, a corporation incorporated under the laws of Canada.

“**IRS**” means the United States Internal Revenue Service.

“**License Agreement**” means the license agreement to be entered into on the Closing Date of the Offering between the Management Partnership and IBI Group pursuant to which the Management Partnership will license the Intellectual Property to IBI Group.

“**LP Special Resolution**” means a resolution passed by a majority of not less than 66⅔% of the votes cast, either in person or by proxy, at a meeting of the holders of LP Units or approved in writing by holders of LP Units representing not less than 66⅔% of the votes attached to LP Units entitled to vote on such resolution.

“**LP Units**” means the limited partnership units of IBI LP.

“**Management Partnership**” means IBI Group, a limited partnership established under the laws of the Province of Ontario, which, contemporaneously with the transactions contemplated by the Purchase Agreement, will change its name to IBI Group Management Partnership.

“**New CC Canada**” means the corporation to be formed on the amalgamation under the laws of the Province of Ontario of CC Canada and 1626697 Ontario Limited.

“**Non-Participating Unitholders**” means holders of Non-Participating Voting Units from time to time.

“**Non-Participating Voting Units**” means the units of the Fund to be issued to represent voting rights in the Fund that accompany securities convertible into or exchangeable for Units, including the Class B Units held by the Management Partnership.

“**Note Trustee**” means • .

“**Ontario Subco**” means 1626699 Ontario Limited, a corporation incorporated under the laws of the Province of Ontario.

“**Operating Loan**” means an operating loan in the principal amount of \$ • million which will be used by IBI Group for working capital purposes and to normalize distributions to holders of Class A Units and Class B Units as more particularly discussed under “Principal Agreements — Credit Facilities”.

“**Partnership Special Resolution**” means a resolution passed by a majority of not less than 66⅔% of the votes cast, either in person or by proxy, at a meeting of the holders of Partnership Units or approved in writing by holders of Partnership Units representing not less than 66⅔% of the votes attached to Partnership Units entitled to vote on such resolution.

“**Partnership Units**” means the Class A Units and the Class B Units of IBI Group.

“**person**” shall have the meaning ascribed thereto in the *Securities Act* (Ontario) as it exists as of the date hereof.

“**Plans**” means trusts governed by registered retirement savings plans, registered retirement income funds, deferred profit sharing plans and registered education savings plans.

“**Priority Capital Amount**” has the meaning ascribed thereto under the heading “Funding, Acquisition and Related Transactions”.

“**Profit Participation Bonuses**” means the bonuses paid by IBI UK to the Directors and Associate Directors who are resident in the UK based on their profit participation in respect of IBI UK.

“**Purchase Agreement**” means the asset purchase agreement to be dated as of the • day of •, 2004 among the Management Partnership, IBI Group, the Fund, the Holding Trust and IBI LP providing for the sale of the IBI Assets by the Management Partnership to IBI Group in exchange for Class B Units.

“**Series 1 Trust Notes**” means the Series 1 unsecured subordinated demand notes of the Holding Trust bearing interest at a rate of three percent per annum to be issued to the Fund on the closing of the Offering under the Holding Trust Note Indenture.

“**Series 2 Trust Notes**” means the interest bearing Series 2 unsecured subordinated notes of the Holding Trust issuable under the Holding Trust Note Indenture.

“**Series 3 Trust Notes**” means the interest bearing Series 3 unsecured subordinated notes of the Holding Trust issuable under the Holding Trust Note Indenture.

“**Special Resolution**” means a resolution passed by a majority of not less than 66⅔% of the votes cast, either in person or by proxy, at a meeting of Unitholders and Non-Participating Unitholders called for the purpose of approving such resolution, or approved in writing by the holders of not less than 66⅔% of the Units and Non-Participating Voting Units, entitled to be voted on such resolution.

“**subsidiary entity**” shall have the meaning ascribed therein in Rule 45-501 — Exempt Distributions of the Ontario Securities Commission as it exists as of the date hereof.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder.

“**Trustees**” means the trustees of the Fund.

“**Underwriters**” means CIBC World Markets Inc., BMO Nesbitt Burns Inc., TD Securities Inc. and National Bank Financial Inc.

“**Units**” means the units of the Fund, other than Non-Participating Voting Units, each representing an equal undivided beneficial interest in the Fund.

“**Unitholders**” means the holders of Units from time to time.

“**US Notes**” means the notes to be issued by US Subco to IBI Group to fund the acquisition of CCL Consultants Inc. and the working capital needs of IBI Group US having the attributes referred to in this prospectus under “Certain U.S. Federal Tax Considerations”.

“**US Subco**” means IBI Subco Inc., a corporation incorporated under the laws of the State of Delaware.

“**US Tax Amount**” means any amount in respect of US tax on income earned by IBI Group US that IBI LP becomes liable to pay, including amounts paid in respect of any such US tax liability that is being disputed to the extent that it is not refunded.

IBI INCOME FUND AND OTHER PARTIES

IBI Income Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. See “Description of the Fund”. The business of the Fund, which will be conducted indirectly through IBI Group, will be the provision of professional services, including planning, design, implementation, analysis of operations and other consulting services, in four main areas, being urban land, building facilities, transportation networks and systems technology. The Fund will be administered by the Trustees and managed by IBI Group pursuant to the Administration Agreement. See “Description of the Fund” and “Principal Agreements — Administration Agreement”. The principal and head office of the Fund is located at 230 Richmond Street West, 5th Floor, Toronto, Ontario M5V 1V6.

The Fund has been created to indirectly acquire securities (debt and equity), including the Class A Units, provided that the Fund will not make any investments that would jeopardize the Fund’s status as a “unit trust” or a “mutual fund trust” under the Tax Act or result in the Units being considered “foreign property” for the purposes of the Tax Act. See “Funding, Acquisition and Related Transactions”. The Fund intends to make monthly distributions of its available cash to the maximum extent possible. See “Description of the Fund — Distribution Policy”.

The Holding Trust is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Holding Trust Declaration of Trust to indirectly acquire securities (debt and equity), including the Class A Units. The Holding Trust is wholly-owned by the Fund, and will generally be the indirect holder of the Fund’s operating assets and investments. The principal and head office of the Holding Trust will be located at 230 Richmond Street West, 5th Floor, Toronto, Ontario M5V 1V6.

IBI LP is a limited partnership formed under the laws of the Province of Manitoba pursuant to the IBI LP Partnership Agreement. Upon completion of the closing of the Offering and the transactions set out under “Funding, Acquisition and Related Transactions”, IBI LP will be wholly-owned by the Holding Trust. The general partner of IBI LP will be the General Partner, a trust, the sole beneficiary of which will be General Partner Co, a wholly-owned subsidiary of the Holding Trust. The principal and head office of IBI LP will be located at 230 Richmond Street West, 5th Floor, Toronto, Ontario M5V 1V6.

IBI Group is a general partnership formed under the laws of the Province of Ontario pursuant to the IBI Group Partnership Agreement. Upon completion of the closing of the Offering and the transactions set out under “Funding, Acquisition and Related Transactions”, assuming the exercise in full of the over-allotment option, IBI Group will be owned as to ● % by IBI LP (● % if the over-allotment option is not exercised) and as to ● % by the Management Partnership (● % if the over-allotment option is not exercised). The principal and head office of IBI Group will be located at 230 Richmond Street West, 5th Floor, Toronto, Ontario M5V 1V6.

INDUSTRY OVERVIEW

IBI is a professional services firm that provides professional services, including planning, design, implementation, analysis of operations and other consulting services, in four main areas of development, being urban land, building facilities, transportation networks and systems technology. IBI’s activities in each of these areas is broadly established which management believes provides a platform for future growth. IBI expects to continue to benefit from the pace of activity in these broad industry areas. IBI’s geographic reach enables it to deploy its services to segments of these industries that are active in different regions at different times.

The principal client base for professional services of the types provided by IBI include national, provincial, state and local government agencies and public institutions, as well as private businesses, all of which are becoming increasingly reliant on professional services that are either not readily available from internal sources or are not within their core competencies. Industry growth and change is being further influenced by certain trends, including the trends towards outsourcing and private finance initiatives and increased concentration in the development and ownership of real estate portfolios.

Urban Land

Brown field redevelopment is under way within all major metropolitan areas in the form of infill of underdeveloped sites and the redevelopment of underdeveloped and derelict areas into renewed areas of employment, residential communities and retail and social facilities. These redevelopments involve intensification of use in urban areas with buildings of multiple floors from low to mid to high-rise. This activity is expanding as people in urban areas seek to live and work in or near central areas. The pace of activity of this type in any given year is impacted by economic activity. Professional services provided in this area are focused on buildings, transportation accessibility, enhancement of urban infrastructure and the cleaning of lands impacted by former industrial activities. These services include research, urban planning, urban design, architectural design of the buildings, transportation facilities for accessibility and communication systems for security and for traffic control. IBI provides all of these types of services. IBI originally established its presence in these activities in the Toronto market and has extended that presence to other centres. IBI has been and continues to be active in such work in all major cities in Canada and in some centres in the United States, as well as in western Europe and the Middle East. These redevelopments are typically long term with requirements for a broad range of services and provide opportunities for long term relationships for IBI, such as has been the case in respect of the railway lands in the waterfront area of Toronto.

New community green field development tends to occur on the periphery of metropolitan areas throughout the western world, providing for new development for industrial activity, distribution and retail services, employment space and technology and residential and community developments. IBI believes that the residential sector alone in Canada represents approximately 100,000 acres of new development annually and the residential sector represents approximately 1,000,000 acres of new development annually in the United States. Management estimates that the costs of such development typically range from \$100,000 to \$150,000 per acre (depending on conditions and infrastructure requirements). Professional services provided in this area include market research, land planning, regulatory planning, transportation planning and design, civil engineering, landscape architecture and low-rise housing design. Fees for the types of services that IBI provides in this area typically range from 4% to 10% of the costs of development depending on the services provided. IBI has established market positions in green field development in Calgary and Edmonton, Alberta and believes that it currently accounts for a substantial share of the technical professional services provided to the green field land development industry in those cities. IBI is extending its capabilities in this area to other geographic regions as part of its growth strategy. The large scale land assemblies required in this area provide for continuing opportunities for IBI services.

Building Facilities

The building facilities industry provides building facilities for many different uses, including residential high-rise and low-rise buildings, industrial and low-rise employment space, high-rise office buildings, retail space, institutional space in health care, schools, colleges and universities and recreation and resort facilities. Similar to the urban land industry, technical professional services to the building facilities industry are provided at the local level in various metropolitan regions.

Building permits in Canada in the residential sector and non-residential sector in 2003 represented approximately \$32 billion and \$19 billion of building, respectively. In the United States, total building permits in the residential sector and non-residential sector in 2003 represented approximately US\$483 billion and US\$300 billion of building, respectively. Fees for the types of services provided by IBI in this area typically range from 1% to 5% of these costs depending on the types of services provided.

In this area, IBI provides services in the research of requirements, programming and design, interior design and project management of the development of facilities, and security and control systems within facilities.

Transportation

The transportation industry within urban areas includes all modes of private and public transportation for passengers (bus, light rail transit, heavy commuter rail, subway heavy rail, high-speed rail, airports, marine transportation and highway and road systems) and for freight transportation (trucks, rail, air and marine).

The approximate order of magnitude of annual capital expenditures for infrastructure in transportation in Canada and the United States are approximately \$8 billion and US\$88 billion, respectively. Management of IBI expects capital expenditures to continue at these levels in order to meet the requirements for maintenance of networks and upgrading for technological change and expansion of capacity. Fees for the types of services provided by IBI in this area typically range from 1% to 7% of the costs of development for the creation of facilities.

IBI provides services in the research, planning, design of infrastructure and analysis of operation in all of these modes of transportation. In addition, IBI develops real time computer-based communication and control systems and software for transportation applications.

Systems Technology

Computer and communications systems are an increasingly important part of human economic and social activity and are influencing the location decisions relating to workplaces and living environments. Growth in communications and new technology are requiring capital investments for networks and for physical plant. Examples include fibre optic networks which provide direct access to homes for a broad range of services and augment and replace established networks of telephone lines and cable. There are applications to transport industries for real time computer-based communication and controls as well as to other industries, including facilities in education, health and industrial production.

Examples of the types of services that IBI provides to the communications industry include developing real time computer-based communication and control systems and software for applications in transportation (traffic management systems for highways and transit and revenue management systems for tolling and fare collection), as well as systems in communications in urban environments and buildings, supporting the efficient operation of urban environments.

Capital expenditures in Canada in the communications industry represent approximately \$2 billion per year and in the United States represent approximately US\$13 billion per year. Fees for the types of services that IBI provides in this area typically range between 1% and 12% depending on services provided.

Industry Trends

Management believes that a number of current trends are affecting the manner in which professional services are provided in the industries in which IBI operates, including growth in private finance initiatives and outsourcing in the public sector and increasing concentration of ownership and management of real estate portfolios.

Private Finance Initiatives and Outsourcing

The public sector is increasingly outsourcing projects as a method of procuring facilities for infrastructure (toll roads and transit operations) and building facilities. The most comprehensive form of private finance initiative (“PFI”) is a competitive arrangement for outside financial, development and operations capability to finance, design, build and operate a facility (or service) financed by the securitisation of a long-term income stream through user charges and/or rent or other forms of revenue for the financing capital requirements and ongoing operating expenses. PFIs include public private partnerships, design-build, operate and maintain projects and design build projects. Common characteristics of PFIs include the following:

- design and creation activities relating to the facility are outsourced as a package to a design development group;

- financing is provided privately rather than through public institutional direct financing; and
- the operation and maintenance of the facility is outsourced to private groups.

In some cases only the design-build functions are outsourced, while in other cases the outsourcing is extended to include finance and operation as well.

This sector of the market is expanding as public agencies are looking to create facilities and infrastructure networks required for public purposes through the mechanism of more effectively using the private sector to enhance efficiency and, in some cases, directly putting the burden of payment for use on the users of the facilities. IBI has become active with financial institutions, construction contractors and facility operators in the creation of facilities through these methods, as well as in assisting government agencies as users and ultimate owners of facilities for public purposes. This is an opportunity which IBI plans to exploit through the expanding regional deployment of its functional skills in the four main areas in which it operates.

IBI has worked with successful proponents in PFI and outsourcing projects. Some examples of PFI and outsourcing projects in which IBI has been involved include:

- the Vancouver Ambulatory Care Center for which IBI (in joint venture with Henriquez Partners & Associates) is providing programming and complete architectural services to a PFI consortium led by ABN AMRO Bank and PCL Constructors, Inc.;
- Ottawa Airport Garage for which IBI provided the architectural services for the outsource design build work by Ellis Don;
- Attiki Odos Motorway for which IBI provided the integrated tolling and traffic management system for a consortium of large construction contractors based in Greece; and
- traffic management system deployment for Highway 6: the Cross Israel Highway.

Real Estate Portfolios

An increasing concentration is also developing in the ownership and management of real estate portfolios. Established areas of IBI practice in planning and design and development of office, industrial and retail space, as well as rental apartment facilities, are being influenced by the increasing acquisition of large real estate portfolios by large pools of capital in institutions, real estate investment trusts and other real estate management entities. This has resulted in a growing concentration of ownership and management in fewer client groups with a tendency to acquire services strategically from fewer larger providers. This trend is evident across Canada, the United States and western Europe.

IBI through its regional networks of offices is well positioned to provide services on a strategic basis to such clients for their national portfolios. IBI believes that this will provide its clients with a higher level of service with greater efficiency at reduced cost because of the expanding strategic relationship.

BUSINESS OF IBI

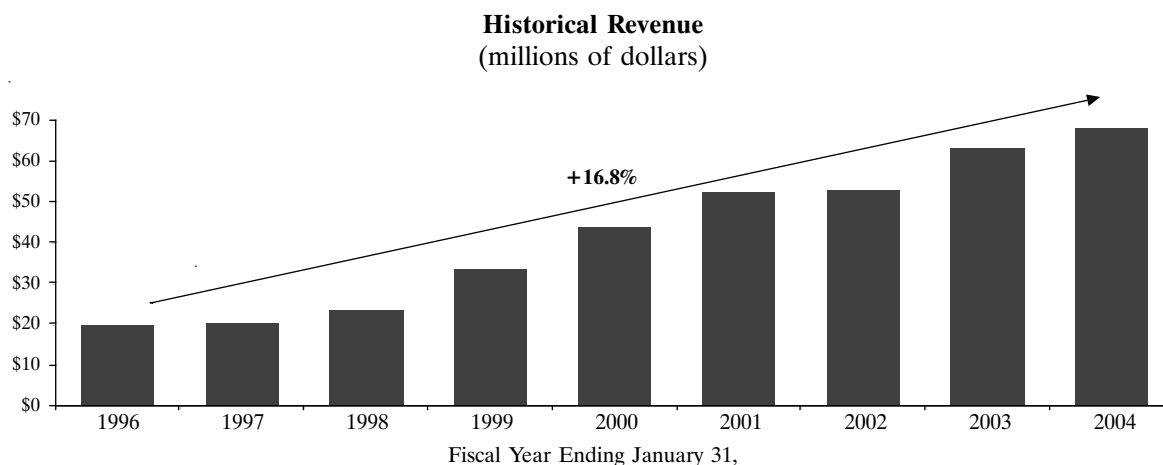
Overview

IBI is a leading, international, multi-disciplinary provider of a broad range of professional services focused on the physical development of cities. IBI'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 include planning, design, implementation, analysis of operations and other consulting services related to these four main areas of development.

IBI professionals have a broad range of intellectual and academic backgrounds and experience in urban design/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 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 communications industries and in other business areas. IBI provides these services in major cities across Canada, the United States and western Europe, as well as in other international centres.

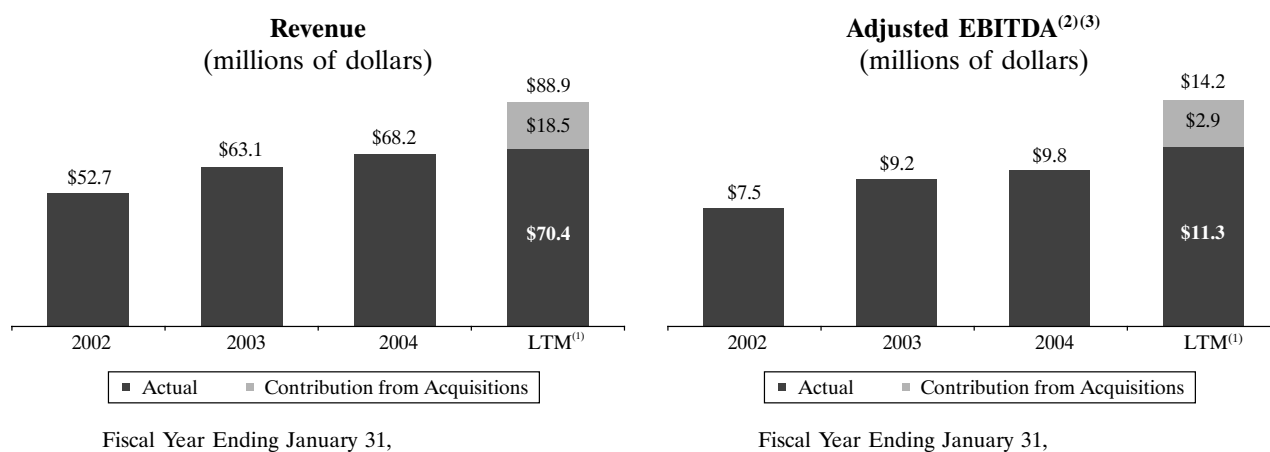
IBI was founded in 1974 and, since its inception, has focused on growing through geographic expansion and through increasing the scope of its business to provide a broader range of services. Historically, IBI's growth has been primarily the result of internal growth. However, IBI has recently embarked on a program of strategic growth through acquisitions, completing one acquisition in each of 2000 and 2002. Since its fiscal year ended January 31, 1996, IBI's revenue has grown at a compound annual rate of 16.8% (including organic growth at a compound annual rate of 15.6%).



IBI expects that its growth will continue to be driven both internally and through strategic acquisitions. IBI has entered into binding agreements providing for the acquisition of three additional firms, Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited, which are expected to add approximately 170 staff to the ranks of IBI. The three firms had aggregate revenue and EBITDA of approximately \$18.5 million and \$2.9 million, respectively, for the most recent twelve month period for which IBI has such information, being the twelve months ended May 31, 2004 for Cumming Cockburn Limited and CCL Consultants Inc. and the twelve months ended February 29, 2004 in the case of Marshall Cummings & Associates Limited. The completion of these acquisitions is a condition of, but is not contingent on, the closing of the Offering and will be financed internally by IBI.

For the twelve months ended April 30, 2004, IBI's revenue and Adjusted EBITDA were \$70.4 million and \$11.3 million, respectively. Including the financial contribution of the three acquisitions, IBI's revenue and Adjusted EBITDA for the twelve months ended April 30, 2004 would have been \$88.9 million and \$14.2 million,

respectively. The following charts illustrate IBI's revenue and Adjusted EBITDA for the fiscal years ended January 31, 2002 through 2004 and revenue and Adjusted EBITDA for the twelve months ended April 30, 2004 (including revenue and EBITDA for Cumming Cockburn Limited and CCL Consultants Inc. for the twelve months ended May 31, 2004 and for Marshall Cummings & Associates Limited for the twelve months ended February 29, 2004).



Notes:

- (1) Twelve month period ended April 30, 2004 (unaudited).
- (2) See "Reconciliation of Net Income With Adjusted EBITDA".
- (3) See "Non-GAAP Measures".

Competitive Strengths

IBI believes it possesses several competitive strengths that will enable it to maintain a leadership position in the markets that it serves and to continue to grow.

Functional Diversification and Integration of Services

From the outset, IBI integrated different professional disciplines relevant to providing comprehensive services in the four main areas of development in which the firm practices. IBI believes that this unique functional diversification allows it to address the significant physical aspects that determine the quality and sustainability of cities and urban areas. IBI provides these professional services in each of the following four main areas of development, being urban land, building facilities, transportation networks and systems technology.

IBI is not dependent on the provision of services within any of the four areas of development. Management believes that no single area accounted for less than 15% or in excess of 35% of IBI's revenues in any of the last 10 fiscal years.

Adding to this competitive strength is IBI's ability to provide diverse professional services on an integrated basis for specific projects. For each project, IBI establishes a team of professionals that comprises:

- a Director or Associate Director who is responsible for leading the effort;
- an Associate who acts as Project Manager; and
- professional staff drawn from the various areas of expertise of the firm relative to the respective project.

Through the implementation of this model, IBI deploys the full range of its services relevant to each project. Work is undertaken on an integrated basis rather than in separate administrative and functional divisions. Clients benefit from the integration of the knowledge, experience and information derived from each discipline. This approach helps in defining and understanding the challenges, identifying and assessing solutions

and completing plans, designs and programs for implementation on an integrated basis. Most IBI clients use more than one of the services that IBI provides.

Geographic Reach

IBI provides services from 22 offices, including offices in major cities in Canada and in selected states in the United States and international locations. IBI has expanded its geographic scope in response to requests by clients of IBI for its services in support of their operations which were extending to other geographic areas and a result of IBI's own initiative after identifying attractive market opportunities.

The following map shows the current location of IBI offices in North America, including the offices to be acquired on the completion of the acquisitions of Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited.

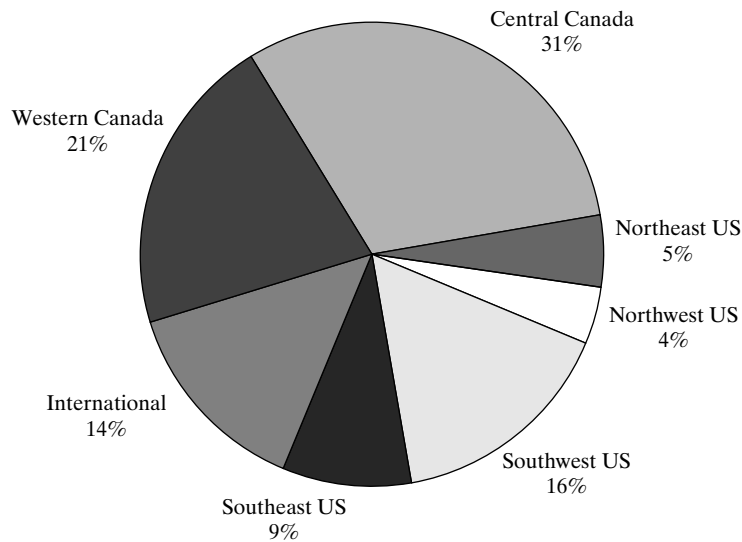
IBI Offices — North America



CANADA	USA	
Vancouver BC	Seattle WA	Boston MA
Edmonton AB	Portland OR	Maitland FL
Calgary AB	San Francisco CA	Jupiter FL
London ON	Irvine CA	Pompano Beach FL
Waterloo ON	San Diego CA	
Toronto ON	Park City UT	
Richmond Hill ON	Salt Lake City UT	
Kingston ON	Denver CO	
Ottawa ON	Detroit MI	
Montreal PQ	Washington DC	

IBI's geographic expansion and the broadening of the scope of the services that it provides through each office is intended to insulate the firm from downturns in the economic cycle in various geographic areas as well as strengthen the firm and the deployment of its services. The following chart provides a breakdown of the fees which management estimates were earned by IBI in various geographic areas during the twelve months ended April 30, 2004 (including estimated fees in each of the various geographic areas for Cumming Cockburn Limited and CCL Consultants Inc. for the twelve months ended May 31, 2004 and for Marshall Cummings & Associates Limited for the twelve months ended February 29, 2004).

**IBI Estimated Fees by Region for the
Twelve Months Ended April 30, 2004**



Highly Motivated, Talented and Experienced Team of Professionals

The most valuable asset of any professional services firm is its personnel. IBI has a highly talented, dedicated, experienced and motivated work force, strategically located across North America, western Europe and the Middle East, led by a proven and motivated management team. A large percentage of IBI's personnel have technical and professional backgrounds in more than one of the four areas of development and the majority of them have advanced degrees.

Management believes that key element in the successful growth of IBI has been its ability to develop and retain senior management. IBI's leadership group today comprises 29 Directors, 10 Associate Directors and 96 Associates leading a group of over 630 professional and support staff for a total complement of approximately 770 personnel (assuming the completion of the acquisitions of Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited). IBI's Directors who manage its day-to-day activities and client relationships have an average of 21 years of experience with the firm and 28 years in the industry. Of the original nine Directors, four Directors are still practicing full-time. Some of the other original Directors are participating part-time.

IBI Group's operating structure will continue after the completion of the Offering and senior management will, through the Management Partnership, retain a significant stake in IBI. As leaders of the practice, the members of senior management control the quality of the work and manage the practice with a view to meeting the firm's financial performance targets. The retention of the management group is considered to be a significant competitive strength of IBI providing continuity on long-term projects, a significant accumulated knowledge base, stability in the practice and continuity in IBI's relationships with its clients. IBI encourages Directors and others in leadership positions within the firm who are retiring to continue to practice on a part-time basis to enhance this continuity. In addition to establishing and supporting enduring client relationships and leading the execution of IBI's projects, IBI's Directors focus on mentoring IBI's professionals at all levels to develop the next generation of leadership. IBI's philosophy has long been directed at providing Directors and Associate Directors with additional motivation and an incentive to optimize their performance by basing each Director's and Associate Director's participation in the income of the firm on their individual performance. On completion of this Offering, the Directors and Associate Directors of IBI will own (indirectly) through the Management Partnership all of the Class B Units, representing at least 50% of the total outstanding interests in IBI Group. The participation of each Director and Associate Director in the ownership and earnings of IBI through the Management Partnership will continue to be based on their individual performance which is designed to ensure that the interests of management of IBI are aligned with the interests of the firm.

IBI also has what it believes to be a very low rate of turnover of its professional staff. IBI achieves this through careful selection of personnel, regular and sustained training and development programs, career counselling as to direction of growth and career path, and promotion of staff as they prove their capabilities to accept higher levels of responsibility and authority. Ultimately, promotions lead to positions within the leadership of the firm.

This competitive strength enables IBI to deploy experienced professionals on projects and to achieve efficiency and effectiveness in delivery of service.

Flexible Business Strategy and Operating Model

IBI operates according to a business strategy and operating model that IBI has refined over the past thirty years. The major components of this business strategy and operating model include:

- Overall firm management/governance: this component consists of: (i) professional functional skills deployed through regional bases of operation; (ii) assumption of responsibility for each professional assignment by a designated Director or Associate Director; (iii) peer review by a designated reviewing Director; (iv) leadership of all projects by the management group; (v) expansion of IBI's management group through appointment of personnel with proven professional skills, management capability and business development initiative as Directors, Associate Directors and Associates; and (vi) contractual arrangements for motivation of senior personal of firms acquired by IBI for strategic growth;
- Management of projects: this component consists of: (i) professional leadership of each project by responsible Director or Associate Director; (ii) management information systems for project control and performance; (iii) contracts with clients for each respective assignment with stipulated milestones and contract fee budgets; (iv) invoicing for progress within milestones on a monthly basis; and (v) responsibility for collection of receivables with each responsible Director or Associate Director;
- Resource management: this component consists of: (i) a strategic plan, market plan and business plan updated annually, with the market plan aggregated from assessments of each project and proposal outstanding, the business plan incorporating staff and overhead costs; and (ii) the adjustment of staff levels to market plan targeting a minimum of six months and maximum of eight months backlog;
- Staff utilization: This component involves (i) management of utilization of staff such that 70% to 80% of available time is committed to client projects and the remaining 20% to 30% of staff time is available for training and professional development, research and development projects and business development efforts or to deal with surges in workload and availability for additional new work; (ii) staff sharing between regions and functional areas; and (iii) management information systems for tracking staff utilization; and
- Motivation of Director and Associate Director performance: This component involves (i) measurement of performance annually; (ii) determination of responsibility and participation in income; (iii) an established procedure for equitable participation; and (iv) bases of motivation and long-term retention of Directors and Associate Directors.

Client Diversification

IBI provides its services to a large number of clients operating in each of the main areas of development that the firm serves. As a result, IBI is not dependent upon any single client or group of clients with no single client accounting for more than 10% of IBI's revenues in any of the last three years.

Growth Strategy

IBI expects that its future growth will result from internal growth and from growth through strategic acquisitions. By continuing to grow organically and accelerating the pace of acquisitions, IBI believes it will be better-positioned to lead large assignments across new and broader geographic areas.

In particular, IBI believes that such additional growth and the resultant increased scale and scope capabilities will enable it to compete even more effectively than it currently does for:

- private finance initiative (“PFI”) projects, including “design-build” projects, for transportation and other facilities; and
- projects with owners and managers of increasingly large real estate portfolios.

Growth Vision

IBI plans to continue to pursue growth in an organized manner by establishing regional centres of concentration similar to IBI’s existing centres of concentration in central and western Canada. Each such centre of concentration is planned to have a broad range of capabilities and a team of professional staff to serve clients in their local areas as well as to export its particular capabilities to other regions.

Over time, IBI intends to increase its presence in the United States and expects to grow in strength in the regions in which it is currently represented, being the southwest (based in Southern California), the northwest (based in Seattle) and the northeast (based in Boston). IBI plans to establish operations as well in the northern mid-west, in the southern mid-west and in the southeast. CCL Consultants Inc., which is one of the companies which IBI has a binding agreement to acquire, operates in northern and southern Florida and will provide a base for IBI’s operations in the southeastern United States.

Similarly, IBI plans to expand its base in western Europe (based in London), as well as in eastern Europe. Other potential areas for operations include Australia, New Zealand, India and southeast Asia.

IBI’s strategy for achieving growth through the establishment of new regions of concentration involves three stages. The initial stage consists of IBI establishing an initial presence in a region based on a specific functional skill of IBI, either through succeeding in initial projects using that skill base or through the acquisition of a local firm possessing skills in one of the four areas in which IBI operates.

During the second or development stage, IBI broadens the functional range of skills in the region by adding personnel with skills in the other areas of IBI’s functional diversity.

Finally, during the mature stage, IBI will grow its local presence to approximately 200 staff and begin to export the skills from that office to other regions. This exporting of services may actually commence during the development stage.

IBI currently has two such regions of concentration:

- central Canada totalling approximately 240 people in the Toronto, Montreal and Ottawa offices along with other smaller offices; and
- western Canada comprising the Calgary, Edmonton and Vancouver offices, totalling approximately 200 people.

From these two centres of regional concentration, IBI currently provides a broad range of services for its clientele in central and western Canada. IBI also exports services from these two regions to serve clients’ needs under the leadership of the local offices in the United States and in western Europe. This export of services from Canada is effective in terms of professional service as the teams of professional staff in these offices provide a breadth and depth of experience to support work elsewhere. With today’s communications through the internet, professionals leading the work in local offices elsewhere can relate to clients and draw on remote services for peak requirements as well as for specific technical inputs from the larger centres of activity.

There are also economies of scale in operating this way. All IBI offices are networked together which enables IBI to form teams of individuals with specialized skills drawn from different offices. Communication among the IBI team and with IBI’s clients is enhanced through IBI’s in-office digital video conferencing facilities in selected offices in western North America.

There are additional advantages in IBI exporting services from the two existing regions of concentration of activity in central and western Canada. The cost of performing services in Canada is less than it would be in the

United States or western Europe due in part to the exchange rate of the Canadian dollar against the United States dollar and the Euro.

With the establishment of additional regions of concentration by IBI, IBI believes that its network will become even more effective in serving a growing range of clients and opportunities. IBI expects that the two Canadian regions will also continue to increase in size as the firm continues to grow overall.

Organic Growth

IBI's history of internal growth provides it with a successful model upon which to manage the continued growth of the firm as it expands its reach both geographically and functionally. IBI has grown from its initial complement of 30 professionals to the 600 that it has today (before the acquisitions of Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited). Since its fiscal year ended January 31, 1996, IBI's revenue has grown organically at a compound annual rate of 15.6%. IBI expects to continue its established pattern of organic growth.

Strategic Growth

IBI believes acquisitions can be made in the fragmented professional services industry at attractive purchase prices. Firms that IBI targets for acquisition will typically have a lower EBITDA margin than IBI and be closer to what IBI believes to be the typical industry normal range of 5% to 8%. IBI believes there are a number of potential opportunities to realize synergies from acquisitions, including:

- reduced overhead as a result of the enhanced economies of scale for services and other aspects provided by IBI, such as professional liability insurance, corporate accounting, project management accounting systems and billing procedures; and
- increased stability as a result of participating in the broader base of IBI's clientele and its functional and geographic diversification of services.

IBI has successfully consummated and integrated two acquisitions: Murray & Murray Architects in Ottawa, a firm of approximately 12 people which was acquired in 2000; and Walker Newby Civil/Land Development Engineers and Land Surveyors in Calgary, Alberta, a firm of approximately 55 people which was acquired in 2002. These two initial efforts at strategic growth were successfully undertaken involving:

- a commitment by the former principals of the acquired firms to continue with IBI under service contracts for a transition period of a few years;
- the assumption of responsibility for the on-going practice of the acquired firms by a Director and/or Associate Director of IBI; and
- building upon the existing IBI areas of practice by adding additional skills and resources to help the acquired firms provide a more complete range of services in offices which had previously offered services in only one or two of IBI's four main areas of practice.

In each case, the former practice has improved its financial performance following its integration within IBI. IBI expects to take a similar approach in its future acquisitions.

IBI has entered into binding agreements providing for the acquisition of three additional consulting firms which management expects will add to its capabilities geographically and functionally: Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited. Cumming Cockburn Limited is a regional engineering firm located in southern Ontario, CCL Consultants Inc. is an engineering firm located in Florida servicing the southeastern United States, and Marshall Cummings & Associates Limited is an interior design firm located in Toronto servicing clients across Canada. The acquisition of these firms by IBI will raise IBI's total staff complement from approximately 600 to approximately 770.

IBI intends to finance strategic growth out of current income, bank borrowings and through issuance of Units. See "Funding, Acquisition and Related Transactions".

Services/Clients

The projects summarised below illustrate the functional nature of IBI's services, IBI's geographic representation, the broad range of clients that IBI serves and the market position of the firm.

Toronto

IBI practices throughout the Greater Toronto Area for public and private clients in the four areas of its practice. IBI's market position is illustrated by IBI's activities in the Toronto Waterfront and Central Area. Since its inception in Toronto in 1974, IBI has been a leading provider in the research, planning and design of the former transportation and industrial areas between Lake Ontario and Toronto's Central Business District. The Toronto Waterfront map located at the inside front cover of this prospectus illustrates the broad range of projects in which IBI has been involved. These projects include the following:

Toronto Railway Lands

Changing land use patterns in the City of Toronto left its Central Business District and other inner-city residential communities separated from the waterfront of Lake Ontario by an underutilised former transportation and industrial land mass. The redevelopment of these partly contaminated "brown field lands" to new residential, recreational, retail and economic activities has been a primary challenge and objective of public policy and private development interests of Toronto.

In the early 1980s, IBI was retained by Canadian National Railway ("CN") to act as the lead consultant for the planning, design and approvals relating to the transformation of the approximate 200 acres of CN lands in downtown Toronto from Union Station to Bathurst Street and from Front Street south to Lakeshore Boulevard/Gardiner Expressway. In addition to its regular professional work, IBI played a lead role in the processing of the approvals through official plan amendments, re-zoning by-laws, the development agreement and related implementation agreements. The first phase of this redevelopment comprised the Stadium Precinct, ultimately leading to the development of the SkyDome and the adjacent infrastructure.

Following the sale of the lands from CN to Canada Lands Corporation, IBI continued its work as urban planners, transportation consultants and architects in the co-ordination of the implementation of this project. Canada Lands subsequently sold the project to Concord Adex Development Corp. ("Concord Adex") which has proceeded with a large scale residential development on the site. IBI has continued to date as consultants to Concord Adex and most recently prepared the plan for the Bathurst Spadina neighbourhood located between Spadina Avenue on the east and Bathurst Street on the west, and the architectural design of the presentation centre for the development. IBI's work in relation to this large development venture has spanned a period in excess of twenty years.

Transportation Corridor

The transportation corridor through the Toronto waterfront comprises:

- Union Station, which is the transportation interchange hub between inter-city rail, commuter rail, commuter bus and subway;
- the rail corridor connecting Union Station to the rail network east and west; and
- the Gardiner Expressway and Lakeshore Boulevard.

IBI has been involved in the research, planning, design and operations analysis for improvements of this transportation corridor for over two decades on behalf of agencies of the Ontario provincial government, the City of Toronto (formerly for both the Municipality of Metropolitan Toronto (prior to the amalgamation of its constituent cities and boroughs into the City of Toronto) and the City of Toronto), GO Transit and other operating agencies. The projects in which IBI has been involved in connection with this corridor include:

- the Waterfront Transportation Corridor Review and Assessment: This work included forecasts, analysis of demands and the examination of the capacity of the corridor relative to future requirements and recommendations on corridor improvements;

- Front Street Extension and the redevelopment of the Gardiner Expressway along with improved public transit in the corridor;
- Union Station Transportation Improvements: IBI is a member of the three member team charged with responsibility for the overall management of transportation improvements for the Union Station hub. This is a continuing mandate expected to involve a program of improvements over the next decade; and
- Rescue Traffic Management System: IBI developed and continues to assist in the use of the Rescue Traffic Management System for the Gardiner Expressway and Lakeshore Boulevard. This system has improved performance and enhanced safety of operations of these roads.

Developments in the Central Business District

IBI has acted as urban designer for a number of major projects in Toronto's Central Business District, including Scotia Plaza, the Bay Adelaide Centre, Waterpark Place and the former Canada Post Office site on which the Air Canada Centre was subsequently developed. Typical of this work was IBI's effort on behalf of Campeau Corporation in the urban design and planning of Waterpark Place. IBI's role included physical site planning and design and extended into the approval process, including official plan amendments, re-zoning by-laws and development agreements.

Liberty Village

Liberty Village is a 45 acre brown field redevelopment project located west of Strachan Avenue to Hanna Avenue and from King Street and the CP/CN rail corridor south to the CN lakeshore rail corridor. The owners are redeveloping this former transportation, distribution and industrial manufacturing land into a new community within the central area of Toronto. This new community is expected to comprise a retail village approximately 4,500 units of residential and live/work accommodation and employment space for office and technology uses. IBI is providing comprehensive services for this redevelopment project in all four areas of its expertise.

Official plan amendments and rezoning by-laws were secured in August 2000, development agreements were secured and registered in the fourth quarter of 2002 and development commenced on the site in 2003. The first phase of infrastructure and roads has now been completed along with the first phase of the retail village. The first phase of housing is expected to be completed in the first half of 2005. The project could continue for a further five to 10 year period depending on market conditions and the pace of development.

Montreal

Bell (formerly Molson) Centre

During the 1990s through to substantial completion of the project in 1996, IBI acted as the lead in the project management for the development of the Molson Centre, now known as the Bell Centre, the new hockey arena which is the home of the Montreal Canadiens. In addition to overall management of the project, IBI undertook certain areas of specific professional work, including the design of the security system for the complex and the design and procurement management of the jumbotron and television studio for the system. This project comprised the hockey arena with 21,600 seats, including luxury suites and executive seating, the development of the new commuter rail station on the west side of the hockey arena, a major underground parking garage, access connections to the underground metro system and refurbishment of some of the existing historic CP buildings adjacent to the project.

Alberta

New Community Development

The cities of Calgary and Edmonton have been expanding rapidly. The majority of this expansion has been in the form of new communities and expanding suburban areas on previously undeveloped lands.

Over the past 25 years, IBI has established a comprehensive practice in all facets related to the development of new communities in suburban residential areas. This practice includes market research, planning, design,

preparation of construction documents and field supervision for development of land, residential areas, retail facilities, community facilities, transportation and infrastructure and systems. In these capacities, IBI is active in every major quadrant of Edmonton and Calgary in all facets of this work. IBI accounts for a substantial amount of the professional activity related to new community development in these two urban areas.

SuperNet Project

IBI is providing the engineering services for the design of 10,000 kilometres of fibre optic cable for the Alberta SuperNet project, a public/private partnership involving the Government of Alberta and Bell West. The SuperNet will provide high-speed internet services to over 4,000 provincial and local government facilities throughout Alberta, reducing the need for travel, assisting governments in overcoming the “digital divide” between large urban centers and more remote rural towns and providing a framework for other private service providers to deliver new services to smaller centers. The project was awarded early in 2002 and is expected to be completed in the fall of 2004.

As the designer for the network, IBI developed and applied new technology based on spatially-encoded video to assist in the design process. This technology supported IBI’s efforts in achieving a very demanding schedule, improved efficiency of production and ensured a quality engineered product. This product, “RouteMapper”, is now being considered by other major telecommunications providers who are undertaking large scale construction of new telecommunications networks.

Calgary

Calgary Light Rail Transit System

Much of the development in south Calgary is adjacent to MacLeod Trail, a very congested arterial road. One of IBI’s initial assignments in Calgary examined public transit for the City of Calgary as a whole and, specifically, the construction of a light rail transit (“LRT”) system.

IBI provided transportation planning, architectural and civil services for all of the stations along the south, north east and downtown legs of the system. As a result of the success of the system, additional stations were added and IBI provided full services for the Canyon Meadows station, a complex which includes a parking structure (the first for the system) and an overpass structure which spans both MacLeod Trail and the CN railway tracks.

Expertise in LRT established in the Calgary project has subsequently been deployed in projects elsewhere, including Toronto, Vancouver and the Middle East. IBI is also currently playing a major role in the Orange County Transit Authority LRT Project in California.

Rocky Ridge

Rocky Ridge, developed by Marquis Developments, is a comprehensively designed 314 acre community. The initial phase included a community/sales centre with outdoor amenities. IBI’s architectural and landscape group provided full services for this important amenity and IBI’s engineering and landscape architecture group provided ongoing services for the balance of the development. The buildings were coordinated through comprehensive development guidelines, administered by IBI’s own architectural controls team.

Agrium Inc. Head Office

IBI was selected by Agrium Inc. to provide full architectural services for Agrium’s new head office to a design-build team headed up by Opus Developments. IBI believes that its design was chosen because it established an identity for Agrium, facilitated communication between Agrium’s diverse components and provided a quality work environment.

Edmonton

Similar to Calgary, IBI has established a substantial market position in Edmonton in the four areas of its practice.

Glastonbury, The Grange

IBI has been extensively involved in the design and approvals for this comprehensively planned suburban residential area in southwest Edmonton. Initially, IBI prepared the area structure plan for The Grange, comprising over 1,400 acres of land and, ultimately, some 5,200 homes. Once it has been fully developed, approximately 17,000 residents are expected to be located in this community which will have unique natural environmental features, a man-made storm water lake system and an open space network forming an integral part thereof.

Subsequent to the approval of the area structure plan, IBI prepared the neighbourhood structure plan for Glastonbury Neighbourhood 1 of The Grange. The detailed planning of this neighbourhood, which will accommodate some 1,500 dwelling units, required careful attention to the integration of the existing resource extraction operations, utilities and transmission corridors, and the unique man-made storm water lake and open space systems.

In addition, IBI completed the engineering and landscape design of approximately 160 acres of Glastonbury Neighbourhood 1 over a four year period. The project comprised a 12-acre commercial site, 20 acres of multi-family housing and 530 single-family residential lots.

University of Alberta

IBI has been retained to provide services to a series of continuing projects for the University of Alberta including:

- Sector Plans: IBI is managing the landscaping and planning consultant's work relating to the preparation of the detailed site development criteria, as well as architectural and landscaping guidelines for the various districts created within the overall structure of the long range development plan;
- Lister Hall Student Housing Programming: IBI prepared the space programming for this new \$19 million, 400-bed student housing and conference facility adjacent to the existing Lister Hall complex;
- Lister Hall Student Housing "Bridging" Consultant Assignment: IBI prepared the performance specifications and the conceptual drawings for this student residence and conference facility. IBI's responsibilities also included interviewing the various design/build teams and evaluating their design and price submissions on behalf of the University; and
- East Campus Village Student Housing: IBI were the architects on the Ledcor design/build team which constructed this \$7.5 million, 156 bed student housing in the East Campus area of the University of Alberta.

Vancouver

Vancouver Ambulatory Care Centre

The Vancouver Ambulatory Care Center, a \$100 million health care centre to be constructed on the Vancouver General Hospital site, is the Province of British Columbia's first private finance initiative project in health care, involving the construction and operation of a large integrated health care facility. This facility is a 365,000 square foot building that will support 200 medical students, 600 medical and allied professionals and an estimated 600,000 visits annually. The project sponsors are the Vancouver Coastal Health Authority and the University of British Columbia Faculty of Medicine which will occupy 60% of the facility, with the balance a mix of public sector and pure commercial space. IBI (in joint venture with Henriquez Partners & Associates) is providing programming and complete architectural services to a PFI consortium led by ABN Amro Bank and PCL Constructors, Inc.

The Vancouver Ambulatory Care Center is one project among IBI's substantial practice in the area of facilities in health care. Projects undertaken by IBI in this area also include Victoria General Hospital, Lethbridge Regional Health Care Centre, University of Alberta (in conjunction with Cohos Evamy), the Alberta Urban Hospitals (a major hospital in each of Calgary and Edmonton) in respect of which IBI was the overall

Project Manager and Lakeridge Hospital in Oshawa, Ontario (a comprehensive redevelopment program in respect of which IBI acted as project manager and provided a range of other services).

Vancouver Hotels

IBI provided full architectural services for the new hotel at the Vancouver International Airport and the complete refurbishment of the Hotel Vancouver, an important heritage building. These important projects are examples of IBI work in Vancouver as well as of IBI developing a functional skill within the building development area and exporting that skill to another region. IBI has now been retained for hotel building design work in other cities and resort areas in North America.

United States

Ski Resort Development — Park City

The Vancouver office of IBI originally became involved in ski resort development through the design of facilities at Whistler, British Columbia, one of North America's leading ski resorts. This experience was subsequently extended to other ski centres and includes experience in a full range of attributes of ski resorts: village centre and retail activity; resort hotels; condominium residential buildings; and community facilities.

In North America, the resort practice is coordinated from Vancouver, home base for many of our resort specialist practitioners and a large technical team which provides creative direction and staff support to our network of offices for resort/hospitality projects. The IBI practice in Salt Lake City provides substantial services to a broad range of private development clients in the Park City/Deer Valley area of Utah related to the ski and golf resort and living opportunities. IBI is also involved in professional work for ski and golf resort communities across North America. This is an illustration of the manner in which IBI successfully moves an area of experience and functional skill to other geographic areas. IBI work at Park City Resort performed from its offices Salt Lake City and Vancouver include:

- The Canyons: preparing the master plan for this new all season resort and complete architectural services for the SunDial Lodge, a retail and condominium hotel development;
- Tuhaye Golf Community: Architectural services for the clubhouse and ancillary buildings and other community components; and
- Ritz Carlton Hotel: IBI has recently been retained as architects for this prestigious resort hotel.

IBI's resort practice illustrates the advantages of the firm's functional and geographic diversity to its clients.

IBI works on a wide array of projects, from the planning of all-season resort villages from California to New England, to the design of large full-service hotels and smaller luxury lodges. While IBI's clients are primarily in the private sector, it also works for resort municipalities on broad level planning and policy development.

Orange County Transit Authority LRT

IBI has been intensively involved in projects on behalf of transportation agencies throughout California including state, county and local authorities. Projects in which IBI has been involved include the high speed rail system from Los Angeles to San Diego, a Magnetic Levitation Regional Transportation Program for the Greater Los Angeles Area in conjunction with Lockheed Corporation and the LRT Project for Orange County Transit Authority ("OCTA").

The OCTA LRT project has involved a number of assignments undertaken by IBI in conjunction with Parsons Brinckerhoff. Assignments have included the research phase and the general planning phase, and now involve the preliminary engineering of the first line of the proposed comprehensive LRT System. Services being provided by IBI for this project include land planning, station design, right-of-way design, civil engineering of the right-of-way, structural engineering and the architecture of all of the stations. This phase is nearing completion and on-going work will involve final engineering for construction for portions of the line as well as preliminary engineering for other lines in the future.

International

IBI is involved in wide ranging projects in each of the four main areas in which it practices in western Europe (based in the UK), the Middle East, the Far East, Australia and New Zealand. The systems technology practice of IBI has been successfully marketed both within and outside of North America. A major representative project in the systems technology area is the Attiki Odos Highway in Athens, Greece.

IBI was retained by the consortium of private construction companies who succeeded in obtaining the contract to act as Concessionaire for the financing, construction and operation of the Attiki Odos Motorway in Athens, Greece, to provide the integrated toll and traffic management system (“ITTMS”). This motorway has been under construction since the late 1990s and was completed in June 2004. In its final form, it is over 72 kilometres long, with 4.3 kilometres of tunnels, 200 toll lanes and traffic in excess of 300,000 paying travellers per day, each paying a toll in excess of 2.00 Euros. The motorway, which cost in excess of US\$1.4 billion, has had a profound impact on Athens and is one of the critical infrastructure projects in support of the 2004 Athens Olympics.

IBI’s role was to design, specify, procure, develop, integrate and make operational the full ITTMS. The budget for the system was in excess of \$60 million, including all of the field equipment and the installation and commissioning thereof. The overall project was delivered in multiple stages, starting in June 2002. IBI delivered all stages on time and to the satisfaction of the Concessionaire and the Greek government.

IBI continues to provide services to the private Attiki Odos Operating Company, the operating entity for the 18 years of the concession. IBI’s continuing role includes providing maintenance and support as well as system upgrades and expansion.

Business Strategy and Operating Model

IBI operates based on a flexible business strategy and operating model incorporating certain principles of governance, methods of project management, principles of resource management, methods of staff utilization and capacity and methods of motivating performance of its professionals, each of which is summarized below.

Firm Management/Governance

The fundamentals of the IBI model of operation combines:

- establishing IBI presence in growing numbers of regions through the introduction of a professional skill in one of the four areas of IBI practice; and
- expanding IBI activity in each region by gradually introducing all the professional areas in the four areas of practice.

The overall management of IBI is consistent with this basic business growth strategy.

The marketing of IBI’s services combines IBI’s regional focus with IBI’s functional skills. This marketing involves identifying needs in each respective region in which IBI currently operates or plans to operate, meeting the public officials and business executives who are the users of such services and competing to provide services. IBI marketing integrates the functional skills in each of the four main areas in which IBI practices in order to enhance this marketing in each region.

Similarly, IBI conducts its projects through a combination of regional and functional responsibility. A specific Director is charged with the overall responsibility for the project, including the relationship with the project client and the local regulatory bodies and business environment, and the integration of the various skills of IBI required for the work. The various IBI disciplines required for the project are under the leadership of specific Directors and Associate Directors with the technical expertise in those disciplines, who support the Director or Associate Director who has overall responsibility for the project.

IBI requires that each project be the direct responsibility of a designated Director or Associate Director. A Director or Associate Director together with other senior members of the firm and participating staff are identified in order to meet the professional requirements of each project. To further enhance this responsibility, IBI requires that all professional proposals as offers of services and all professional contracts as commitments to

services be signed by the designated Director or Associate Director together with one of the senior Directors. This dual approval process provides a further measure of quality control.

In addition, the firm has established a process of peer review of professional work undertaken. The peer review is the responsibility of another senior professional who did not directly participate in the work undertaken, but has relevant experience in the respective field.

The Directors and Associate Directors provide the professional leadership on projects. Associates are senior professionals with proven quality of professional work and managerial capabilities. The Associates together with the Directors and Associate Directors constitute the managing group of the practice. The Associates share in the profits of the firm along with the Directors and Associate Directors.

As IBI has grown over the years, more Directors and Associate Directors have been invited to join the ownership group of IBI, additional Associates have been appointed and more staff has been hired. Senior Directors manage areas of the practice in the four areas both functionally and regionally. With this model, IBI is organised to expand by further increasing the number of personnel with proven capability at each level.

The appointment to the management group in IBI at the level of Directors, Associate Directors and Associates is always on the basis of proven performance and professional work, managerial ability and commitment to contributing to the growth of the practice. IBI has never appointed individuals to these levels of responsibility directly from outside the firm. It is required that all personnel prove themselves within IBI to merit such election. This practice has promoted integration within IBI's culture and the commitment to quality of professional work and overall financial performance.

In the case of acquisitions, special interim arrangements with specific contracts and methods of motivating the performance of senior personnel have been instituted, with ultimate election to Associate, Associate Director and Director status decided based on the same criteria applied to all IBI personnel.

Management of Projects

The fundamental responsibility for the performance of the professional work continues to rest with the responsible Director or Associate Director for each and every project. Each client deserves and receives the commitment of the performance of the professional work from a Director or Associate Director of the firm who has the authority to conduct and lead that work. The dual approval process and peer review system is designed to enhance that individual's performance, not to detract from that focus of responsibility and authority.

IBI has systems in place to manage performance with respect to projects as well as the utilization of IBI personnel. The responsibility for achieving project performance and minimum levels of utilization of personnel rests with the Directors and Associate Directors. This performance is reviewed by IBI's accounting department and the senior Directors on a monthly basis for each and every project and each and every grouping of staff.

IBI contracts typically provide for invoicing on a monthly basis for progress achieved within stipulated milestones. IBI invoices are due upon submission and in any case within thirty days.

Responsibility for collection of receivables lies with the Director or Associate Director responsible for each project. Overdue receivables are reviewed by the accounting department and senior Directors with action taken as required by the responsible Directors, Associate Directors and senior Directors.

Resource Management

Staff salaries and benefits constitute the majority of IBI's expenditures. Significant components of overhead are professional liability insurance and premises costs.

IBI annually prepares a market plan and a business plan. The market plan is an aggregation of all the individual projects currently being undertaken by the firm, together with all project proposals of services that are outstanding and all prospects. An assessment is made of the likelihood of success of proposals and prospects and the market plan revenue forecast is arrived at through the build up of this assessment on a project-by-project, client-by-client basis.

The business plan is based on a comparison of the market plan to the staff and overhead costs forecast for the operation of the firm for the next year. IBI's policy is to maintain the staff complement required for a backlog that represents the equivalent of at least six months and at most eight months of work. The six months minimum backlog provides adequate time to identify, compete for and secure new project work for continuing effective staff deployment. A backlog in excess of eight months requires higher staff utilization and the retention of additional personnel to accomplish the work. By managing its human resources in this fashion, IBI's goal is to ensure that it has the appropriate amount of staff required to complete its client assignments, leading to efficient staff utilization.

These plans are approved annually by the Directors and monitored during the course of the year by the senior Directors with performance reported monthly in summary to all Directors and Associate Directors. Business plans are updated quarterly based on the quarterly results and updates of the projections prepared by the responsible Directors.

Staff Utilization/Capacity to Deliver

In preparing the business plan, IBI's policy is to target utilization of staff in the range of 70% to 80% of available time committed to client projects. The remaining 20% to 30% of staff time is available for:

- training and professional development;
- research and development projects by the firm; and
- business development efforts.

This excess capacity can also be used to deal with surges in IBI's workload.

As the firm grows, this available capacity beyond work committed on current client projects ensures the availability of the capacity of the firm to respond to new projects as they emerge. It also enables the firm to undertake development of intellectual property. Finally, it enables the firm to undertake efforts at risk as part of competitive business development with clients. This latter aspect is of particular importance due to the increasing scope of business being contracted through private finance initiatives. In these opportunities, the 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 to undertake enough professional work to responsibly estimate the capital and operating costs of the project. IBI's work in such circumstances is partially or wholly at risk until it is awarded the project. IBI's increasing size allows it to devote more resources to obtaining work of this nature.

IBI manages economic downturns in various localities by sharing staff over different regions. To this end, IBI has greater staff resources in central and in western Canada, the areas in which it is most broadly established, and exports professional services and, when appropriate, transfers staff from these regions to serve other centres of IBI activity. This facilitates resource sharing between regions and the management of resources in times of economic downturn in certain regions. The sharing of resources over different regions has the added benefit of providing for the exchange of knowledge and experience between professional staff in IBI's different offices.

IBI manages staff utilization on a regular basis through:

- tracking of staff utilization via its online time recording system;
- regular updating of the market plan and business plan analysing the backlog for each and every project aggregated to the total backlog of the firm and then comparing the backlog to staff requirements and availability; and
- staff development programs, including acquisition of new staff and acquisition of firms.

IBI then adjusts staffing levels when necessary.

Motivation of Director and Associate Director Performance

The Directors and Associate Directors of IBI Group have practiced over the past thirty years on the premise that the results of the firm are based on the performance of individual Directors and Associate Directors. Within the partnership, there is recognition of the performance of Directors and Associate Directors in terms of the professional calibre of their work, the volume of the work they manage and the volume of the work they secure through new business development. On a continuing basis measured over five years (to smooth out short term discrepancies), the comparative performance of the Directors and Associate Directors determines participation in the income of the firm. Through a series of established procedures and methods of calculation, IBI effectively measures the respective performance of its Directors, Associate Directors, Associates and professional staff in determining their suitability for advancement and for participation in such income. The equity in these procedures is one of the fundamental reasons for the success of IBI and of the fairness of the partnership as seen by all of the senior practitioners. This in turn has directly contributed to the continued participation of the IBI Directors and Associate Directors in the firm over the past thirty years as well as to the interest and continuing commitment of new Directors and Associate Directors to joining the firm and building it further.

Capital Expenditures

IBI has spent an average of approximately \$1.0 million per year on capital expenditures over its past five fiscal years. These expenditures were principally related to electronic data processing equipment, furniture and equipment and leasehold improvements. The table below sets out capital expenditures in each of these categories over the past five fiscal years.

	Year ended January 31,					Five year Average
	2004	2003	2002	2001	2000	
	(in thousands of dollars)					
Electronic data processing equipment	\$ 580	\$ 602	\$ 575	\$ 654	\$ 512	—
Office furniture and equipment — Maintenance	205	388	274	156	134	—
Leasehold improvements — Maintenance	71	66	—	5	—	—
Total Maintenance Capital Expenditures	\$ 856	\$1,056	\$ 849	\$ 815	\$ 646	\$ 844
Office furniture and equipment — Relocation	33	—	—	138	—	—
Leasehold improvements — Relocation	161	392	113	137	—	—
Total Capital Expenditures	\$1,050	\$1,448	\$ 962	\$1,090	\$ 646	\$1,039

Expenditures for office furniture and leasehold improvements in the past two years are not expected to continue, as they were the result of office relocations and expansions in Toronto, Calgary, Edmonton, Vancouver, Irvine, Seattle and Salt Lake City. These offices are now of suitable size to meet their existing needs as well as future expansion with limited additional capital expenditures required.

Capital expenditures for the maintenance of IBI's business are relatively low and are primarily required for the acquisition of technology, including hardware and software. Technology spending will continue to represent the largest segment of capital expenditures due to the need to maintain current technology and replace aged electronic data processing equipment within IBI as well as the companies that IBI acquires.

Management anticipates that, for the foreseeable future, capital expenditures will be approximately \$1 million annually.

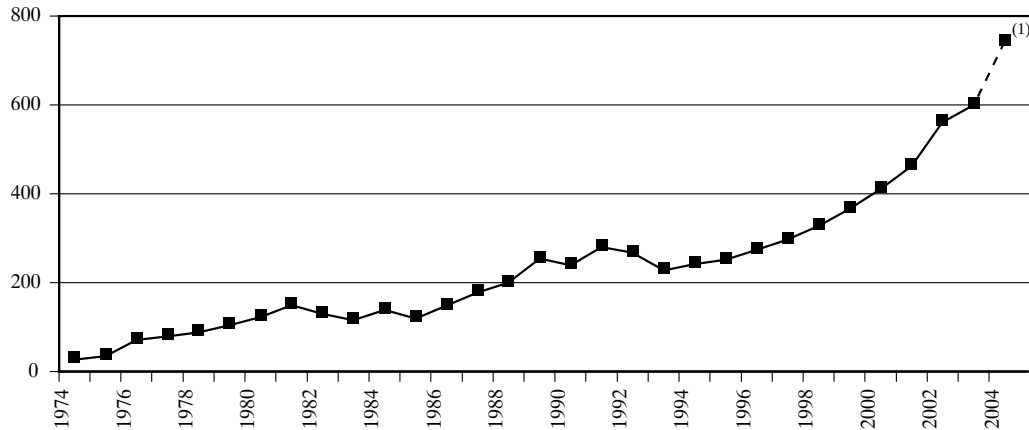
Employees

Growth of the Human Resources of the Firm

Since its inception with 30 staff members, consisting of nine Directors, seven Associates and 14 other staff, IBI has grown steadily as follows:

- **1970s:** IBI tripled in size during the 1970s to approximately 100 people: 40 in Toronto; 50 in the three offices located in Vancouver, British Columbia, Calgary, Alberta and Edmonton, Alberta; five in Montreal, Quebec; and five in Southern California;

- **1980s:** IBI tripled in size again to approximately 300 people by the end of the 1980s. Very substantial growth was achieved in Toronto with that office reaching approximately 130 people by 1990, while the three offices located in Vancouver, British Columbia, Calgary, Alberta and Edmonton, Alberta had grown to approximately 110 people, the Montreal, Quebec office had grown to approximately 15 people and the United States offices had grown to approximately 45 people; and
- **1990 to present:** Since 1990 IBI has again grown significantly, including through expansion to western Europe in the early 1990s to help to insulate IBI from downturns in the economic cycle in North America. Including the additional staff from the three strategic acquisitions the completion of which is a condition of, but is not contingent on, the closing of the Offering, IBI has approximately 770 staff members.



Note:

(1) Assuming the completion of the acquisitions of Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited.

Professional Leadership and Promotion of Employees

To achieve the desired growth in human resources and geographic reach, IBI adopted systematic policies and procedures for the hiring, training and development of professional staff. These procedures are embedded within the professional quality control and management of professional work on IBI's assignments on behalf of clients.

These quality control procedures have enabled IBI to grow while maintaining its professional standards of performance on behalf of clients. They also provide for control of the experience of new staff and growth of staff to higher levels of responsibility, including becoming managers of projects, participating in the management of the firm, and ultimately leading to election as Associates, Associate Directors and Directors.

To lead the growth in human resources and geographic spread, IBI has consistently promoted people to the partnership ranks from the professional staff within IBI. This has been done with a view to ensuring that individuals have the opportunity to prove their professional talent, managerial skills and commitment to contributing to the growth and scope of the practice within IBI as a basis of election to leadership of IBI and to partnership. Consistent with this policy, no Director has ever been appointed directly from outside the firm.

The promotion by IBI of professionals internally to the ranks of Directors and Associate Directors, along with the appointment of Associates, has provided the leadership strength to successfully manage the organic growth of IBI over the past 30 years. The number of Directors has grown from the original nine to a current total of 29 Directors and 10 Associate Directors and the number of Associates has increased from the original seven to 96.

Competition

IBI competes to provide professional services to clients for projects against the following types of competitors in the four main areas in which it operates:

- Urban Land: there are competitors in land planning, landscape architecture, civil engineering and real estate research;
- Facilities: there are competitors in urban design, architecture, programming and project management;
- Transportation: there are competing firms in research, planning, design of facilities and assessment of operations; and
- Systems Technology: there are competing firms in the design and development and provision of systems technology.

Professional firms in architecture, civil engineering and other professions that compete for work in the urban land and building facilities industries are usually organised on a local basis and are focused on a specific local market. Some firms become larger by growing to a regional scale. Some competitors in these areas in the larger United States market specialize in specific building types, including health care specialists, retail specialists and hotel specialists, and practice nationally in these areas.

Firms competing to provide services in the transportation and systems technology industries are typically organised on a functional basis and compete nationally and internationally. Such firms usually specialise in specific transportation modes or specific areas of systems in transportation and communications.

Competition in the areas in which IBI operates is based on quality of service, reputation, expertise, local presence, the ability to provide services in different localities and price. IBI'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, western Europe and the Middle East, with developed excellence in functional skills in the four main areas in which it operates. This model is designed to enable IBI to effectively deploy its functional skills in areas of specialisation to different regions in which IBI is based and to strengthen its regional role by importing such specialisations to other IBI regions.

Regulation

IBI provides services in architecture, landscape architecture and engineering in the four main areas in which it practices. The delivery of professional engineering and architectural services is regulated by regulatory bodies at state and provincial levels in North America and at national levels in western Europe and the Middle East. IBI Group is registered as an engineering practice and provides engineering services directly. In certain jurisdictions, it is permissible for IBI Group to provide architectural services directly so long as such services are delivered under the direction of an architect licensed in the relevant jurisdiction. In other jurisdictions, including Ontario, Alberta and Quebec, architectural services are provided by IBI Group Architects (Ontario) in Ontario, by IBI Group Architects (Alberta) in Alberta and by Beinhaker Architecte in Quebec. These practices are owned by some, but not all, of the Directors of IBI, in order to comply with the requirements of the regulatory bodies regulating the practice of architecture in those jurisdictions that provide that only licensed architects can be partners of firms that provide architectural services. These separate entities are provided project management and engineering services by IBI Group for the conduct of their work.

In order to continue to comply with the regulations governing the practice of architecture, the Fund will not have any interest, direct or indirect, in IBI Group Architects (Ontario), IBI Group Architects (Alberta) or Beinhaker Architecte. Following the closing of the Offering, the amount of income and distributions allocated to the Class B Units will be adjusted to reflect the income and cash allocated by the associated firms of IBI Group that practice architecture to their partners. See "Description of IBI Group — Partnership Interests".

Intellectual Property

Through its systems practice, IBI has developed a broad range of software in which it maintains common law intellectual property rights, including the following.

Tolling Software

IBI has developed and installed software for tolling applications. This includes software that operates at each lane (monitoring and controlling the various lane devices), the plaza level (providing supervisory functions) and the central location (providing back office services, including the setting up of accounts, billing and customer service, with associated applications that take advantage of the internet, mobile applications and voice response systems).

IBI has also developed the middle ware software for an “open road” tolling application that has been demonstrated in England and which could become a standard for other tolling applications.

These systems have been installed for various clients in North America and internationally.

Traffic Management Software

IBI has developed a variety of traffic management software packages that have been installed for clients in North America, Europe and the Far East. The applications include software for the local field controller and central system software, as well as a variety of web-based applications that support the declaration of events as well as the dissemination of information to travellers.

Traveller Information Systems Software

IBI has developed a variety of traveller information systems using the internet, intelligent voice response, email and fax. These have often been implemented in conjunction with traffic management systems that IBI has installed or have been integrated into systems provided by others.

These systems have been installed in North America, Europe, and Australasia.

Revenue Management Software

IBI has developed a variety of revenue collection and management systems for various applications including:

- airport groundside management systems to monitor, manage and toll. These systems include, taxis, limousines on other groundside vehicles;
- the tracking and monitoring of use of rail cars and containers for the purpose of applying charges and issuing bills to the rail authorities; and
- licence plate recognition software to identify vehicles and their licence plates and automatically process the image or manipulate the image to assist with character recognition. This is used in a variety of applications, including enforcement and tolling.

Miscellaneous Software

IBI has developed and continues to develop unique software to address marketplace needs as well as applications that can assist IBI in establishing a unique position in traditional professional service markets. Selected systems include:

- the streaming of digital video. These special applications have been applied to a variety of applications, including transportation and security. The benefit of these applications is that the video stream can be transmitted using conventional internet protocol techniques that can benefit a variety of clients because of the manner by which streams can be switched, the opportunity to apply the output to mobile devices, including telephones and personal digital assistants, and the low cost nature of the solution; and
- spatial video global positioning systems, such as RouteMapper. This is a system that allows an object identified in the video image to be position in space, to an accuracy of approximately one metre.

Legal Matters and Insurance

IBI is threatened from time to time with, or is named as defendant in, or may become subject to various legal proceedings in the ordinary course of conducting its business, including lawsuits based on professional

errors and omissions. IBI is not currently subject to any legal proceedings which are material to a purchaser of the Units either individually or in the aggregate.

IBI's carries professional errors and omissions insurance which, in management's view, provides coverage that addresses all material insurable risks, is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions.

Facilities

IBI's corporate headquarters are located in Toronto, Ontario. All of IBI's facilities are leased. The following table lists, for each of IBI's facilities, its approximate square footage and term of the relevant lease:

<u>Location</u>	<u>Approximate Square Footage</u>	<u>Term of Lease</u>
Toronto, Ontario ⁽¹⁾	30,505	10 year lease ending December 31, 2012
Toronto, Ontario ⁽¹⁾	22,321	10 year lease ending December 31, 2012
Calgary, Alberta	27,778	Six and one half year lease ending November 30, 2011
Calgary, Alberta	2,095	Three year lease ending June 30, 2005
Calgary, Alberta ⁽²⁾	9,355	Two and three quarter year lease ending December 31, 2005
Ottawa, Ontario	4,116	Five year lease ending May 31, 2007
Montreal, Quebec	2,400	Five year lease ending June 30, 2009
Edmonton, Alberta	20,715	Eight year lease ending June 30, 2012
Vancouver, British Columbia	9,389	Five year lease ending September 30, 2008
Irvine, California	13,066	Five year lease ending March 31, 2008
San Francisco, California	240	One year lease ending June 30, 2005
San Diego, California	1,895	Three year lease ending January 31, 2007
Boston, Massachusetts	2,151	Five year lease ending January 31, 2005
Boston, Massachusetts	6,129	Three and one quarter year lease ending March 31, 2006
Seattle, Washington	5,381	Five year lease ending March 31, 2008
Denver, Colorado	2,661	Three year lease ending October 31, 2006
Portland, Oregon	1,620	Month to month lease
Salt Lake City, Utah	3,999	Five year lease ending January 31, 2008
London, United Kingdom	3,600	Nine year lease ending August 8, 2008
Paris, France ⁽³⁾	1,000	Two year lease ending May 31, 2006
Athens, Greece	950	Two year lease ending May 31, 2006

Notes:

- (1) This space is leased from a corporation that is indirectly owned by the partners of the Management Partnership.
- (2) This space was acquired in connection with the acquisition of Walker Newby and has been sublet until October 31, 2004.
- (3) This office space is shared.

FUNDING, ACQUISITION AND RELATED TRANSACTIONS

On the closing of the Offering, the following transactions will take place:

- (a) the Fund will use the proceeds of the Offering to subscribe for a combination of Holding Trust Units and Holding Trust Notes;
- (b) the Holding Trust will use the proceeds from the issuance of the Holding Trust Units and the Holding Trust Notes above to capitalize General Partner Co, make a contribution to the General Partner and subscribe for LP Units;
- (c) the General Partner will use the amount contributed to it by the Holding Trust to acquire the general partnership interest in IBI LP;

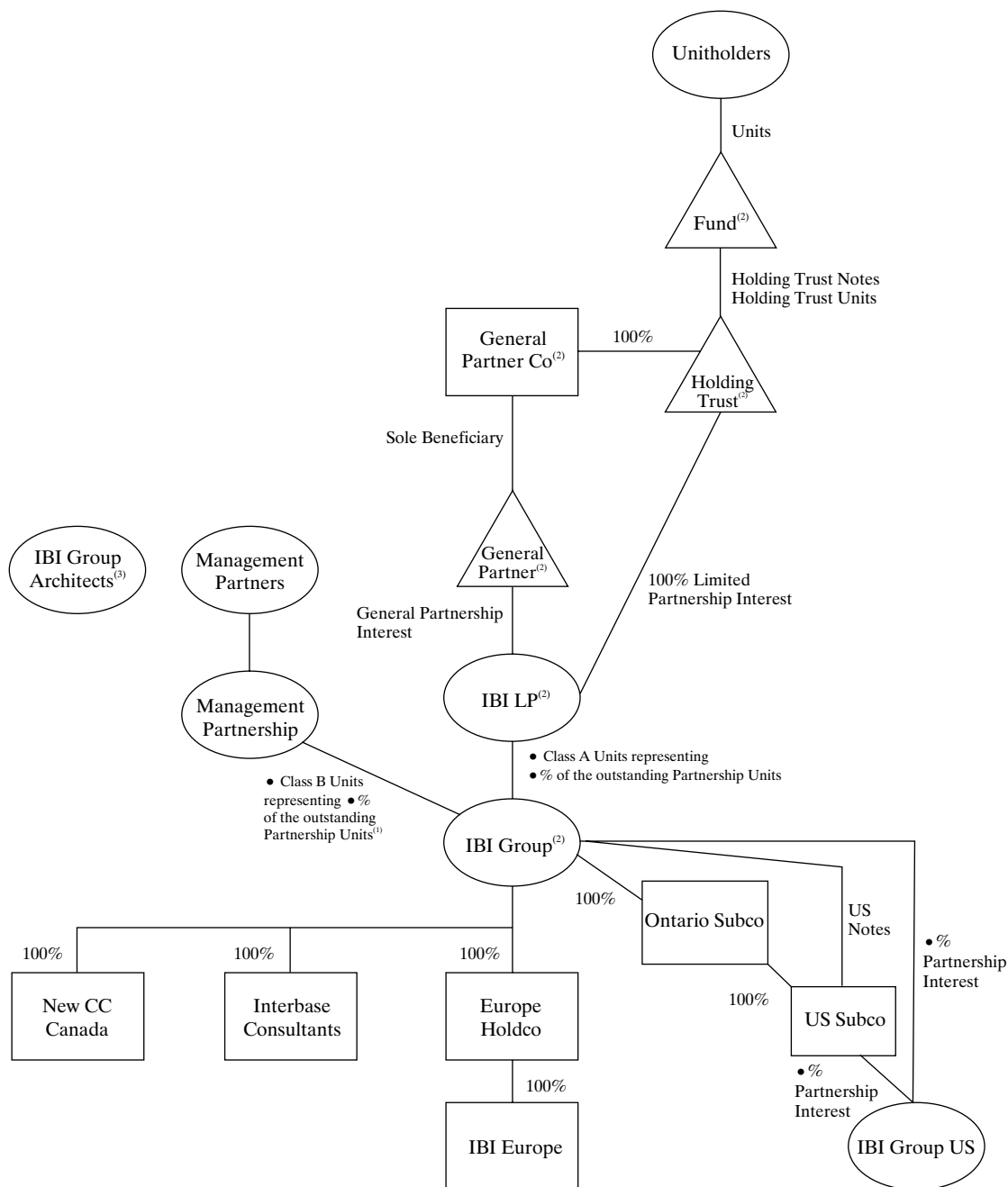
- (d) IBI LP will purchase ● Class A Units of IBI Group for an aggregate purchase price of \$ ● payable in cash representing the proceeds realized from the issuance of the LP Units to the Holding Trust;
- (e) IBI Group will purchase the IBI Assets from the Management Partnership for a purchase price of \$ ● , payable by the issuance of ● Class B Units of IBI Group, and pay the fees payable to the Underwriters and the expenses of the Offering;
- (f) IBI Group will make a distribution of capital in the amount of approximately \$4 million on the Class B Units issued to the Management Partnership;
- (g) IBI Group will hold the balance of the funds received on the issuance of Class A Units to IBI LP (which, together with an amount equal to the aggregate net proceeds which will be realized from the exercise of the over-allotment option, will represent the “Priority Capital Amount”) to be dealt with as described below under “Description of IBI Group — Entitlements to Capital”; and
- (h) the Management Partnership and IBI Group will enter into the License Agreement.

Upon the closing of the Offering and the related transactions, the Fund will hold all of the Holding Trust Units and the Holding Trust Notes, the Holding Trust will, in turn, hold all of the LP Units and IBI LP will, in turn, own all of the Class A Units, representing ● % of the Partnership Units (● % if the over-allotment option is not exercised), and the Management Partnership will hold all of the Class B Units, representing ● % of the Partnership Units (● % if the over-allotment option is not exercised), and all of the Non-Participating Voting Units.

The Class B Units will have a preferred entitlement to the capital of IBI Group represented by the Priority Capital Amount or the portion thereof, if any, that remains outstanding from time to time, and shall, in the event of a liquidation or dissolution of IBI Group, be entitled to the distribution of such amount, if any, in priority to any distribution of capital on the Class A Units. In addition, the holder of the Class B Units shall be entitled at any time to direct IBI Group to distribute to it all or any part of the Priority Capital Amount then outstanding.

If the over-allotment option is exercised, the proceeds therefrom will be used by the Fund to indirectly acquire additional Class A Units of IBI Group. To the extent that the over-allotment option is not exercised in full, the Priority Capital Amount shall be reduced by an amount equal to the net proceeds that would have been realized on the exercise of the portion of the over-allotment option which was not exercised had it been exercised and the holder of the Class B Units shall be issued additional Class B Units equal to the number of Units in respect of which the over-allotment option was not exercised. An equivalent number of additional Non-Participating Voting Units will also be issued to the holder of the Class B Units.

The structure of the Fund on completion of the Offering, acquisition and the related transactions, assuming the exercise in full of the over-allotment option, will be as set out below:



Notes:

- (1) All holders of Class B Units will also be issued a number of Non-Participating Voting Units equivalent to the number of Class B Units held by them.
- (2) On the closing of the Offering, the Fund, the Holding Trust, General Partner Co, the General Partner Trustee, the General Partner, IBI LP, IBI Group and the Management Partnership will enter into the Administration Agreement. See “Principal Agreements — Administration Agreement”.
- (3) Represents IBI Group Architects (Ontario), IBI Group Architects (Alberta) and Beinhaker Architecte. In order to comply with regulations governing the practice of architecture, IBI Group will not have any interest, direct or indirect, in these firms. However, the amount of income and distributions allocated to the Class B Units will be adjusted to reflect the income and cash allocated by these firms to their partners. See “Business of IBI — Regulation” and “Description of IBI Group — Partnership Interests”.

RETAINED INTEREST

As consideration for the transfer of IBI Assets to IBI Group, the Management Partnership will be issued

- Class B Units and an equivalent number of Non-Participating Voting Units. The Class B Units to be owned by the Management Partnership immediately following the closing of the Offering and the transactions contemplated by the Purchase Agreement, assuming the over-allotment option is exercised in full, will represent a ● % interest in IBI Group (● % if the over-allotment option is not exercised) and, if all such Class B Units were indirectly exchanged for Units on the Closing Date, would represent a ● % interest in the Fund (● % if the over-allotment option is not exercised).

Except for certain transfers to affiliated entities and transfers pursuant to the exercise of tag-along rights on certain transactions involving a change of control of the Fund, the Management Partnership has agreed not to transfer or encumber Class B Units or Units issued on the exchange thereof (i) if following such transfer the Management Partnership would beneficially own less than 35% of the Units issued and outstanding on the closing of the Offering (on a fully-diluted basis) or (ii) if following such transfer the Management Partnership would beneficially own less than 20% of the Units issued and outstanding (on a fully-diluted basis). In addition, the Management Partnership has agreed to participate in issuances such that it never beneficially owns less than (i) 35% of the Units issued and outstanding on the closing of the Offering (on a fully-diluted basis) or (ii) 20% of the Units issued and outstanding (on a fully-diluted basis), other than as a result of permitted transfers as referred to above.

These restrictions on transfer will also terminate in the circumstances described under “Description of the Fund — Take-over Bids”.

Pursuant to the Exchange Agreement, following the Conversion Date, the Management Partnership is entitled to indirectly exchange the Class B Units held by it, together with the related Non-Participating Voting Units, for an equivalent number of Units (subject to adjustment). See “Exchange Rights”.

On any issuance of Units or Partnership Units (other than an issuance in consideration for non-cash assets), the Management Partnership shall have a pre-emptive right to subscribe (on the same terms as offered generally) for such number of Units or Partnership Units as will allow it to maintain its proportionate ownership in IBI Group (and to restore its proportionate ownership in IBI Group in respect of any previous pre-emptive subscription opportunities not exercised and in respect of any previous issuance of Units or Partnership Units to which this pre-emptive right did not apply for any reason). The Management Partnership may finance the exercise of this pre-emptive right out of the Priority Capital Amount.

PRINCIPAL AGREEMENTS

Purchase Agreement

The Management Partnership will enter into the Purchase Agreement with IBI Group, the Fund, the Holding Trust and IBI LP which provides for the following:

- (a) the sale of the IBI Assets by the Management Partnership to IBI Group in exchange for Class B Units;
- (b) the Purchase Agreement will contain customary representations and warranties from the Management Partnership in favour of the Fund as to various matters, including that this prospectus does not contain any misrepresentation with respect to the business of IBI in the context of the Offering and representations as to corporate and partnership matters, conduct of the Business, financial statements, taxes, title to assets, liabilities, intellectual property, consents, litigation, environmental, occupational safety and health matters and compliance with regulatory obligations. The representations and warranties will survive the closing for a period two years, except for: (i) certain limited representations which will survive indefinitely; (ii) the representation with respect to environmental, occupational safety and health matters which will survive for a period of six years; (iii) the representation with respect to tax matters which will survive until the expiry of the statutory limitation period under applicable tax legislation; and (iv) the representation that this prospectus does not contain any misrepresentation with respect to the business of IBI in the context of the Offering which will survive for a period of three years;
- (c) the completion of the transactions contemplated by the Purchase Agreement will be conditional upon the completion of the Offering and the receipt of certain consents; and

- (d) the Management Partnership will indemnify the Fund in respect of breaches of its representations and warranties. The maximum liability of the Management Partnership under its indemnity in the Purchase Agreement and the Underwriting Agreement will not exceed the aggregate of the cash proceeds of the Offering received by the Management Partnership. In addition, claims are subject to an aggregate threshold in the amount of \$500,000 and all claims are subject to a minimum individual claim amount of \$100,000. For greater certainty, once the threshold of \$500,000 in claims aggregating a minimum of \$100,000 each has been reached, claims may be made in respect of all claims aggregating a minimum of \$100,000 each. As qualifications and limitations apply, there can be no assurance of recovery by IBI Group from the Management Partnership for breaches of its representations and warranties.

Administration Agreement

On the closing of the Offering, the Fund, the Holding Trust, IBI LP, General Partner Co, the General Partner, the Management Partnership and IBI Group will enter into the Administration Agreement. Under the terms of the Administration Agreement, IBI Group will provide all administrative and support services required by the Fund, the Holding Trust, IBI LP and the General Partner, including (without limitation) those necessary to: (i) ensure compliance by the Fund with continuous disclosure obligations under applicable securities legislation; (ii) provide investor relation services; (iii) provide or cause to be provided to Unitholders all information with respect to income taxes; (iv) call and hold meetings of Unitholders and distribute required materials, including notices of meetings and information circulars, in respect of all such meetings; (v) provide for the calculation of distributions to Unitholders; (vi) attend to all administrative and other matters arising in connection with any redemption of Units, Holding Trust Units and Holding Trust Notes or any exchange of Class B Units; and (vii) ensure compliance with the Fund's limitations on non-resident ownership. The Administration Agreement will also provide that: (i) IBI Group shall be reimbursed for all costs and expenses reasonably incurred by IBI Group in carrying out such administrative and support services; and (ii) the Management Partnership shall make available to IBI Group the services of the Directors and Associate Directors of the Management Partnership.

Under the terms of the Administration Agreement, IBI Group will also agree to provide certain information and reports to the Fund. See "Description of the Fund — Information and Reports".

Under the Administration Agreement, IBI LP will pay to IBI Group as consideration for its services all out-of-pocket expenses incurred by IBI Group in providing such services. IBI Group and certain of its subsidiary entities will also pay to the Management Partnership an amount equal to the Directors and Associate Directors Compensation Amount, which is initially estimated to be \$7.8 million per annum, as compensation for providing the services of the principals of the partners of the Management Partnership to IBI Group clients.

The Administration Agreement has a term equal to the term of the Fund and the Holding Trust. The Administration Agreement may be terminated by any of the parties in the event of the insolvency or receivership of another party, or in the case of default by one of the other parties in the performance of a material obligation of the Administration Agreement (other than as a result of the occurrence of a force majeure event) which is not remedied within 30 days after written notice thereof has been delivered.

In exercising its powers and discharging its duties under the Administration Agreement, IBI Group will be required to exercise the degree of care, diligence and skill that a reasonably prudent manager having responsibilities of a similar nature would exercise in comparable circumstances.

License Agreement

On the closing of the Offering, the Management Partnership and IBI Group will enter into the License Agreement. Pursuant to the License Agreement, the Management Partnership will grant IBI Group a perpetual license for a nominal annual license fee to use the Intellectual Property in connection with the Business.

Credit Facilities

IBI Group is in negotiations, and expects to enter into a commitment letter, with a Canadian chartered bank (the "Lender") providing IBI Group with an Operating Loan in the amount of up to \$25 million or its United States dollar equivalent to fund working capital. IBI Group will pay fees for this loan to the Lender in amounts usual for loans of this nature. Interest will be payable at rates which will vary with the prime rate and

the BA Rate. IBI Group will enter into a loan agreement with the Lender containing provisions usual for loans of this nature.

The Operating Loan will have a one year term and will provide IBI Group with working capital required from time to time and will be used by IBI Group to normalize distributions in the manner described under “Description of the Fund — Distribution Policy”.

The indebtedness and liability of IBI Group under the Operating Loan will be secured by a first ranking security interest in all of the assets of IBI Group. The indebtedness secured by the Lenders’ security interest will rank senior to all other indebtedness of IBI Group.

The Management Partnership will make available up to \$10 million of the Priority Capital Amount as security for the Operating Loan until the first anniversary of the closing of the Offering.

TRUSTEES, DIRECTORS AND MANAGEMENT

Trustees of the Fund

The following table sets forth the names, municipalities of residence and principal occupations of the initial Trustees of the Fund.

Name and Municipality of Residence	Principal Occupation
Philip H. Beinhaker Jerusalem, Israel	Chairman Director, IBI Group
Marshall A. Cohen, O.C. ⁽¹⁾⁽²⁾ Toronto, Ontario	Counsel, Cassels Brock & Blackwell LLP, Barristers and Solicitors
Dale E. Richmond ⁽¹⁾⁽³⁾ Toronto, Ontario	President, The Canadian Council for Public-Private Partnerships
Scott E. Stewart Toronto, Ontario	Managing Director, IBI Group
David M. Thom Vancouver, British Columbia	Managing Director, IBI Group
● ⁽¹⁾⁽³⁾	●
●	
● ⁽¹⁾⁽³⁾	●
●	

Notes:

- (1) Independent Trustee.
- (2) Chairman of the Trustees of the Fund.
- (3) Member of the audit committee.
- (4) Member of the nominating, governance and compensation committee.

On or prior to the closing of the Offering, two additional Independent Trustees will be appointed as Trustees.

The Declaration of Trust provides that the Management Partnership will be entitled to designate three of the Trustees of the Fund at all times when it and its affiliated entities hold in the aggregate in excess of 20% of the Units (on a diluted basis). The balance of the Trustees will be elected by Unitholders at the first annual meeting of Unitholders and at every annual meeting thereafter to hold office for a term expiring at the close of the next annual meeting.

The Trustees will also act as trustees of the Holding Trust and as directors of the General Partner Trustee.

The biographies for each of the Trustees are set out below.

Philip H. Beinhaker. Mr. Beinhaker, one of the two Chairman Directors and the Chief Executive Officer of IBI, founded IBI Group and was a Managing Director thereof from 1974 until recently when the Managing Directors' responsibilities were assumed by Scott E. Stewart and David M. Thom. Mr. Beinhaker specializes in several areas of consulting activity, including urban design and development, building design, project management, land development and policy development for land, housing and transportation. He has been involved, both domestically and internationally, in dealing with major projects that have included the development of urban hospitals, airports, transit systems, high-rise complexes and a professional sports complex. Mr. Beinhaker received his Bachelor of Architecture degree from McGill University in 1964.

Marshall A. Cohen. Mr. Cohen is currently, and has been since 1996, counsel at Cassels Brock & Blackwell LLP, Barristers and Solicitors. Mr. Cohen retired as President and Chief Executive Officer of The Molson Companies Limited in 1996. He served with the Government of Canada for 15 years, including appointments as Deputy Minister of Industry, Trade & Commerce, Energy, Mines & Resources and Finance. He is a director of a number of public and private companies. Mr. Cohen received a bachelor of arts degree from the University of Toronto in 1956, a bachelor of laws degree from Osgoode Hall Law School in 1960, a master of laws degree from York University in 1963 and an honorary doctor of laws degree from York University in 1986. Mr. Cohen was appointed to the Order of Canada in 1993.

Dale E. Richmond. Mr. Richmond is currently the President of The Canadian Council for Public-Private Partnerships. From 1993 to 2003, he was the President and Chief Executive Officer of the Ontario Municipal Employees Retirement System. Prior to 1993, he served with the Municipality of Metropolitan Toronto for 17 years, where he held various positions including Chief Administrative Officer (for a period of eight years), Director of Economic and Policy Research to the Deputy Commissioner of Transportation, and Commissioner of Management and Computer Services. He also held various public sector positions in Halifax, Calgary and Sudbury. Mr. Richmond received a bachelor of commerce degree from Mount Allison University in 1964, a master of arts (economics) degree from Dalhousie University in 1968 and an accreditation as a certified management accountant in 1983.

Scott E. Stewart. Mr. Stewart is currently one of the Managing Directors of IBI and has been a Director of IBI since 1983. Mr. Stewart specializes in the analysis, design and implementation of systems. Since joining IBI in 1978, Mr. Stewart has led the firm's technology practice. He has been involved in major initiatives throughout North America, Europe and Asia that have included the design, development, implementation and operational support for traffic management and integrated electronic tolling and traffic management systems. He has also been involved in the design and implementation of large communication systems for companies such as TCI, AT&T, delivering integrated cable TV, digital TV, high speed internet and telephony services. In addition, Mr. Stewart is active in public/private partnerships and private financing initiatives in North America, Europe and the Middle East. Mr. Stewart received his Bachelor of Science (Civil Engineering) degree from the University of Waterloo in 1974.

David M. Thom. Mr. Thom is currently one of the Managing Directors of IBI and has been a Director of IBI since 1979. He joined IBI in 1975 and has since served in various positions, including Director (Alberta) from 1979 to 1983 and Director (British Columbia) from 1983 to 1997. Mr. Thom specializes in the planning and design of complex projects integrating the various disciplines within IBI, including transportation, planning and architecture. Mr. Thom received his Bachelor of Architecture degree from the University of Toronto in 1974.

Remuneration of the Trustees of the Fund, the Holding Trust and the General Partner

Initial compensation for the Independent Trustees will be \$25,000 per Trustee per year. The Chairman of the Trustees shall receive an additional fee of \$7,500 for acting as such. There will be no meeting fees. Trustees who are not Independent Trustees will receive no remuneration for acting as Trustees. In addition, no remuneration shall be paid to the Trustees for acting as trustees or directors of the affiliated entities of the Fund (excluding the Management Partnership). The Fund will also reimburse Trustees for out-of-pocket expenses for attending Trustees meetings, and Trustees will participate in the insurance and indemnification arrangements described below. See "Trustees, Directors and Management — Directors and Officers Insurance and Indemnification".

Audit Committee

The audit committee, which will consist of a minimum of three Trustees, each of whom will be an Independent Trustee, will have responsibility for the oversight and supervision of:

- the accounting and financial reporting practices and procedures of the Fund;
- the adequacy of internal accounting controls and procedures of the Fund; and
- the quality and integrity of financial statements of the Fund.

In addition, the audit committee will be responsible for directing the auditor's examination into specific areas.

Nominating, Governance and Compensation Committee

The governance committee, which will consist of three Trustees, a majority of whom will be Independent Trustees, will be directly responsible for developing the Fund's approach to governance issues, recommending to the Trustees nominees for election as Independent Trustees at annual meetings of Unitholders, filling vacancies among the Independent Trustees, periodically reviewing the composition and effectiveness of the Trustees and the contribution of individual Trustees and oversight of Trustee compensation.

The governance committee will also be responsible for adopting and periodically reviewing and updating the Fund's written disclosure policy. This policy will, among other things:

- articulate the legal obligations of the Fund, its affiliated entities and their respective trustees, directors, officers and employees with respect to confidential information;
- identify spokespersons of the Fund who are the only persons authorized to communicate with third parties such as analysts, media and investors;
- provide guidelines on the disclosure of forward-looking information;
- require advance review by the Trustees of any disclosure of financial information to ensure the information is not material, and ensure that selective disclosure of material information is not permitted, and that when it occurs, a news release is issued immediately; and
- establish "black-out" periods immediately prior to and following the disclosure of quarterly and annual financial results and immediately prior to the disclosure of certain material changes during which the Fund, its affiliated entities and their respective trustees, directors, officers and employees may not purchase or sell Units.

Long-Term Incentive Plan

The Management Partnership will be eligible to participate in IBI Group's long-term incentive plan (the "LTIP"). The purpose of the LTIP is to provide senior management of IBI Group, indirectly through the Management Partnership, with compensation opportunities that will encourage ownership of Units, enhance IBI Group's ability to attract, retain and motivate key personnel and reward key senior management for significant performance and associated per Unit cash flow growth of the Fund. Pursuant to the LTIP, IBI Group will set aside a pool of funds based upon the amount by which the Fund's per Unit distributions exceed certain per Unit distributable cash threshold amounts. A trustee under the LTIP will then purchase Units in the market with such pool of funds and will hold such Units until such time as ownership vests. The Management Partnership will have the power to, among other things, determine: (i) those persons who will receive the benefits of the Management Partnership's participation in the LTIP; (ii) the level of benefits to be received by each person; and (iii) the time or times when ownership of the Units will vest for each participant.

The base per Unit distribution for the purposes of the LTIP will initially be \$ ● per Unit per fiscal year (the "Base Distribution"), which will be *pro rated* for 2004. The Base Distribution will be reviewed annually by

the compensation committee of the General Partner Trustee and adjusted, if necessary. To the extent that the gross distributions per Unit (including reserves held back to fund distributions under the LTIP) (“Gross Distributions per Unit”) in any year exceeds the Base Distribution, the following amounts will be used to fund the LTIP:

<u>Percentage by which Gross Distributions per Unit exceed the Base Distribution per fiscal year</u>	<u>Proportion of Aggregate Gross Distributions per Unit in excess of the Base Distribution available for incentive payments</u>
Less than 5%	5%
5% or more but less than 10%	10%
10% or more	20%

The LTIP may not be amended or terminated for a period of three years following the closing of the Offering, except amendments made with the consent of the Management Partnership, technical or administrative amendments or in certain other circumstances.

Governance of the General Partner

Upon the closing of the Offering, the directors of the General Partner Trustee will be responsible for the management and control of IBI LP. The General Partner will act in a manner that is consistent with the IBI LP Agreement. The directors of the General Partner Trustee will be the same as the Trustees.

Governance of IBI Group

General Oversight

The General Partner, pursuant to the IBI Group Partnership Agreement, shall have authority and responsibility to exercise general oversight over IBI Group and to approve general policies for the operation of IBI Group and to ensure compliance with such policies. The General Partner’s authority will include all customary elements of board authority, including the right to approve annual budgets, changes in distributions, and fundamental transactions or changes to the business, except that the General Partner’s authority to replace members of senior management shall be limited to the right to approve replacement members appointed by the Management Partnership from the ranks of the Directors of IBI Group. This limitation on the General Partner’s right to replace senior management of IBI Group will terminate if the Management Partnership ceases to beneficially own Units (on a diluted basis) representing at least 35% of the Units outstanding (on a diluted basis) on the completion of the Offering.

Senior management of IBI Group will be responsible for preparing an annual budget, including a market plan and a business plan, for the following fiscal year by October 31 of each year, addressing projected revenues, expenditures and distributions. Senior management of IBI Group will also provide monthly financial reporting to IBI LP in such manner as IBI LP may reasonably request in order for: (i) IBI LP and the nominating, governance and compensation committee of the General Partner to monitor the discharge by IBI Group of its responsibilities under the Administration Agreement for compliance by the Fund with continuous disclosure obligations under applicable securities legislation; and (ii) IBI LP’s monitoring of IBI Group’s operations.

The approval of the General Partner shall also be required in respect of IBI Group’s strategic plan and any material variations thereto.

Committees of the General Partner

The General Partner will have a compensation committee and an audit committee, the composition of which will be the same as the composition of the nominating, governance and compensation committee and the audit committee, respectively, of the Trustees.

Management of IBI Group

The following table sets out, for each of the persons who will, immediately following the closing of the Offering, be a Chairman Director, Managing Director or Operating Director of IBI Group, as well as the Chief Financial Officer of IBI Group, the person's name, municipality of residence, and principal occupation and/or position with IBI:

<u>Name and Municipality of Residence</u>	<u>Principal Occupation and Position with IBI Group</u>
Philip H. Beinhaker Jerusalem, Israel	Chairman Director and Chief Executive Officer
Neal Irwin Toronto, Ontario	Chairman Director
Scott E. Stewart Toronto, Ontario	Managing Director
David M. Thom Vancouver, British Columbia	Managing Director
Peter Moore. St. Albert, Alberta	Operating Director
Allan J. Kamerman Toronto, Ontario	Associate Director and Chief Financial Officer

Each of the foregoing individuals has been engaged for more than five years as a member of the senior management group of IBI.

The following is a summary biography of each of the Chairman Directors, Managing Directors and Operating Directors who are not Trustees, as well as the Chief Financial Officer of IBI Group. For the summary biographies of the Chairman Directors, Managing Directors and Operating Directors who are Trustees, see "Trustees, Directors and Management — Trustees of the Fund".

Neal Irwin. Mr. Irwin, one of the two Chairman Directors of IBI, founded IBI Group and was a Managing Director thereof from 1974 until recently when the Managing Directors' responsibilities were assumed by Scott E. Stewart and David M. Thom. Mr. Irwin has conducted urban transportation and land use planning projects for major urban areas throughout North America. He pioneered the use of computer models for forecasting urban development patterns and transportation demand and performance levels, and has applied these methods for smart growth planning in the greater Toronto and other urban areas. Mr. Irwin received his Bachelor of Applied Science (Engineering Physics) degree from the University of Toronto in 1955.

Peter Moore. Mr. Moore is currently the Operating Director for IBI Group's operations in Alberta and has been a Director of IBI since 1991. His areas of expertise include municipal engineering, transportation planning, financial analysis and project management. Since joining IBI in 1986, Mr. Moore has been responsible for various aspects of the development of over 10,000 single-family lots and 400 acres of multi-family development primarily in Edmonton and western Canada. Mr. Moore received his Bachelor of Engineering (Civil Engineering) degree from the University College, Dublin in 1978.

Allan J. Kamerman. Mr. Kamerman is currently an Associate Director and the Chief Financial Officer of IBI. Since joining IBI in 1997, Mr. Kamerman has been responsible for the accounting and finance departments. Mr. Kamerman received his Honours Business Administration degree from Wilfrid Laurier University in 1989, and his Chartered Accountant designation in 1992.

Directors and Officers Insurance and Indemnification

The directors and officers of General Partner Co, the Trustees, the trustees of the Holding Trust and the directors of the General Partner Trustee will be covered under a directors and officers insurance policy that will

provide an aggregate limit of liability applicable to the insured individuals of \$ ● million, inclusive of costs to defend claims.

The by-laws of General Partner Co and the General Partner Trustee will also provide for the indemnification of their respective directors and officers from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties of office, subject to certain usual limitations. The Declaration of Trust, the Holding Trust Declaration of Trust and the declaration of trust for the General Partner also provide for the indemnification of the Trustees, the Holding Trust Trustees, the directors and officers of General Partner Co and the directors and officers of the General Partner Trustee, respectively, from and against liability and costs in respect of any action or suit against them in connection with the execution of their duties as Trustees, Holding Trust Trustees, directors and officers of General Partner Co and the directors and officers of the General Partner Trustee, respectively, subject to certain usual limitations.

DESCRIPTION OF THE FUND

Declaration of Trust

The Fund is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. It is intended that the Fund will qualify as a “unit trust” and a “mutual fund trust” for the purposes of the Tax Act. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust, which does not purport to be complete. Reference is made to the Declaration of Trust and the full text of its provisions for a complete description of the Units. See “Material Contracts”.

Activities of the Fund

The Declaration of Trust provides that the activities are restricted to:

- (a) acquiring, investing in, holding, transferring, disposing of and otherwise dealing with securities, including those of the Holding Trust and other corporations, partnerships, trusts and persons involved in the business of providing of professional services, including planning, design, implementation, analysis of operations and other consulting services in relation to four main areas of development being urban land, building facilities, transportation networks and systems technology, and such other investments as the Trustees may determine;
- (b) temporarily holding cash, short-term government debt or investment grade corporate debt for the purposes of the Fund’s activities, including paying the expenses of the Fund, paying amounts payable by the Fund in connection with the redemption or repurchase of any Units or Non-Participating Voting Units and making distributions to Unitholders;
- (c) issuing Units and other securities of the Fund (including securities convertible into or exchangeable for Units or other securities of the Fund, and warrants, options or other rights to acquire Units or other securities of the Fund) for cash or non-cash consideration including for the purposes of: (i) obtaining funds to conduct the activities described in paragraph (a) above, including raising funds for further acquisitions; (ii) implementing compensation plans, if any, established for the employees, trustees or consultants of the Fund and/or IBI Group or any of their affiliated entities; (iii) making non-cash distributions to Unitholders, including pursuant to distribution reinvestment plans, if any, established by the Fund; (iv) acquiring securities, including those issued by the Holding Trust; (v) the conversion or exchange of securities or debt obligations issued by the Fund, the Holding Trust, IBI LP or IBI Group; (vi) implementing unitholder rights plans or incentive option or other compensation plans, if any, established by the Fund; (vii) carrying out any of the transactions contemplated by this prospectus, including, without limitation, satisfaction of the exchange rights granted under the Exchange Agreement; and (viii) satisfying any indebtedness of or borrowing by the Fund, the Holding Trust, the General Partner, IBI LP or IBI Group;
- (d) issuing debt securities (including letters of credit, bank guarantees and bankers acceptances) and borrowing funds and pledging the assets of the Fund as security;
- (e) guaranteeing the obligations of any affiliated entity of the Fund pursuant to any good faith debt for borrowed money incurred by the affiliated entity and pledging securities issued by the affiliated entity or any other property held by the Fund as security for such guarantee and subordinating its rights under the Holding Trust Notes to other indebtedness;
- (f) satisfying the obligations, liabilities and indebtedness of the Fund;
- (g) purchasing or redeeming securities, including Units and Non-Participating Voting Units, of the Fund, subject to the provisions of the Declaration of Trust and applicable law; and
- (h) undertaking such other activities, or taking such actions, including investing in securities, as shall be approved by the Trustees from time to time,

provided that the Fund shall not undertake any activity, take any action, or make any investment which would result in the Fund not being considered a “mutual fund trust” for purposes of the Tax Act or the Units being considered foreign property for the purposes of the Tax Act.

Units

An unlimited number of Units will be issuable pursuant to the Declaration of Trust. Each Unit will be transferable and will represent an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges. The Units issued pursuant to the Offering will not be subject to future calls or assessments, and will entitle the holder thereof to one vote for each Unit held at all meetings of Unitholders. Except as set out under “Description of the Fund — Redemption at the Option of Unitholders” below, the Units have no conversion, retraction, redemption or pre-emptive rights.

Non-Participating Voting Units

The Declaration of Trust also provides for the issuance of an unlimited number of Non-Participating Voting Units that will be used for providing voting rights in the Fund to the Management Partnership in respect of its holdings of Class B Units and to persons who hold other securities, including, without limitation, Partnership Units that are, directly or indirectly, exchangeable for Units and that are entitled to voting rights with respect to the Fund. Non-Participating Voting Units will be issued in conjunction with, and will not be transferable separately from, the Class B Units or other securities to which they relate. Conversely, the Non-Participating Voting Units must be transferred upon a transfer of the associated Class B Units or other securities. Each Non-Participating Voting Unit will entitle the holder thereof to a number of votes at any meeting of Unitholders and Non-Participating Unitholders (except that Non-Participating Unitholders will not be entitled to vote for the election of the Independent Trustees) equal to the number of Units which may be obtained upon the exchange of the Class B Units or other securities to which the Non-Participating Voting Units relate, but will not otherwise entitle the holder to any rights with respect to the Fund’s property or income.

The Non-Participating Voting Units will be subject to such other rights and limitations as may be determined by the Trustees at the time of issuance of any such Non-Participating Voting Units, provided that in no event will a Non-Participating Voting Unit entitle the holder to receive any distributions from the Fund or any of the net assets of the Fund in the event of a termination or winding-up of the Fund. The Declaration of Trust provides that any Non-Participating Voting Units acquired by the Fund or a subsidiary entity of the Fund will immediately cease to represent an entitlement to vote at meetings of Unitholders. On the closing of the Offering, one Non-Participating Voting Unit (each representing the same number of votes as one Unit of the Fund) will be issued to the Management Partnership in respect of each Class B Unit held. The Non-Participating Voting Units to be issued along with the Class B Units issued to the Management Partnership may be transferred only under the same circumstances as the associated Class B Units, will be evidenced only by the certificates representing such Class B Units and will be cancelled upon the exchange of the related Class B Units for Units of the Fund. Non-Participating Voting Units may be redeemed by the holder at any time for nominal consideration.

Issuance of Units

The Declaration of Trust provides that the Units may be issued at those times, to those persons, for that consideration and on the terms and conditions that the Trustees determine. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a *pro rata* basis. The Declaration of Trust also provides that immediately after any *pro rata* distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution. In this case, each certificate representing a number of Units prior to the non-cash distribution is deemed to represent the same number of Units after the non-cash distribution and the consolidation.

The Class B Units are exchangeable on a one-for-one basis for Units, provided that the Class B Units may not be exchanged prior to the Conversion Date (except as otherwise provided under “Description of the Fund — Take-Over Bids”). There are also certain restrictions on the transfer of Class B Units and the Units issued in exchange thereof by the Management Partnership. See “Retained Interest”.

The right of exchange associated with the Class B Units may be varied in certain circumstances where a take-over bid is made for the Units. See “Description of the Fund — Take-Over Bids”.

Trustees

The Fund will have seven Trustees. The Trustees are to supervise the activities and manage the affairs of the Fund. The current Trustees are Philip H. Beinhaker, Marshall A. Cohen, Dale Richmond, Scott E. Stewart and David M. Thom. See “Trustees, Directors and Management — Trustees of the Fund” for the principal occupations of the Trustees.

At all times following the closing of the Offering, a majority of the Trustees will be Independent Trustees.

The Declaration of Trust provides that the Management Partnership will be entitled to designate three of the Trustees of the Fund at all times when it and its affiliated entities hold in the aggregate in excess of 20% of the Units (on a diluted basis). The party entitled to direct the appointment of a Trustee can require the removal or replacement of the Trustees that it designated at any time at its sole discretion. The balance of the Trustees will be elected by Unitholders at the first annual meeting of Unitholders and at every annual meeting thereafter to hold office for a term expiring at the close of the next annual meeting.

The Declaration of Trust provides that, subject to the terms and conditions thereof, the Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner thereof and shall supervise the activities and manage the investments and affairs of the Fund. The Declaration of Trust provides that a majority of the Trustees must not be non-residents of Canada (for the purposes of the Tax Act). The Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Fund as a unitholder and noteholder of the Holding Trust;
- maintaining records and providing reports to Unitholders;
- supervising the activities of the Fund;
- effecting payments of available cash from the Fund to Unitholders; and
- voting in favour of the Trustees to serve as trustees of the Holding Trust.

Any one or more of the Trustees may resign upon 30 days’ written notice to the Fund, the Management Partnership may remove any of its nominees as Trustees and any other Trustee may be removed by a resolution passed by a majority of the Unitholders. The vacancy created by the removal or resignation of a Trustee, other than a nominee of the Management Partnership, may be filled at the same meeting, failing which it may be filled by the continuing Trustee or Trustees.

A quorum of Trustees, being the greater of two Trustees or a majority of the Trustees then holding office, may fill a vacancy in the Trustees, except a vacancy resulting from an increase in the number of Trustees (other than as noted below) or from a failure of the Unitholders to elect the required number of Trustees. In the absence of a quorum of Trustees, or if the vacancy has arisen from a failure of the Unitholders to elect the required number of Trustees, the Trustees will promptly call a special meeting of Unitholders to fill the vacancy. If the Trustees fail to call that meeting or if there are no Trustees then in office, any Unitholder may call the meeting.

The Declaration of Trust provides that Trustees will act honestly and in good faith with a view to the best interests of the Unitholders and in connection with that duty will exercise the degree of care, diligence and skill that a reasonably prudent person would exercise in comparable circumstances. The Declaration of Trust provides that each Trustee will be entitled to indemnification from the Fund in respect of the Trustee’s power and the discharge of the Trustee’s duties, provided that the Trustee acted honestly and in good faith with a view

to the best interests of the Unitholders or, in the case of a criminal or administrative action or proceeding that is enforced by a monetary penalty, provided that the Trustee had reasonable grounds for believing that his or her conduct was lawful.

Distribution Policy

The amount of cash to be distributed monthly per Unit shall be equal to a *pro rata* share of interest and principal repayments on the Holding Trust Notes and distributions, if any, received by the Fund on or in respect of the Holding Trust Units owned by the Fund less expenses of the Fund, amounts which may be paid by the Fund in connection with any cash redemptions or repurchases of Units and the net proceeds of the Offering or any other issuance of Units or securities, including debt securities of the Fund, after paying any associated expenses.

Any income of the Fund which is applied to any cash redemptions or repurchases of Units or is otherwise unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have a net income tax liability, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or a prospectus or similar filing.

Monthly distributions will be paid to Unitholders of record on the last business day of each month and will be paid within 30 days following each month end. The initial cash distribution for the period from the closing of the Offering (assuming closing of the Offering occurs on ●, 2004) to ●, 2004 is estimated to be \$ ● per Unit and is expected to be paid on or before ●, 2004.

Unitholders who are non-residents of Canada will be required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees specifying the number of Units to be redeemed. As the Units will be issued in book-entry only form, a Unitholder who wishes to exercise the redemption right will be required to obtain a redemption notice form from the Unitholder's investment dealer who will be required to deliver the completed redemption notice form to the Fund at its head office and to CDS. Upon receipt of the redemption notice by the Fund, all rights to and under the Units tendered for redemption shall be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of: (i) 90% of the weighted average price per Unit at which the Units have traded on the principal exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days during which the Units traded on such exchange or market commencing immediately prior to the date on which the Units were tendered for redemption; and (ii) an amount equal to (a) the closing price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) if there was a trade on the date on which the Units were tendered for redemption and the stock exchange or market provides a closing price; (b) an amount equal to the average of the highest and lowest prices of Units on the date on which the Units were tendered for redemption on the principal exchange on which the Units are listed (or, if the Units are not listed on any exchange, on the principal market on which the Units are quoted for trading) if there was trading on the date on which the Units were tendered for redemption and the exchange or other market provides only the highest and lowest trading prices of Units traded on a particular day; or (c) the average of the last bid and ask prices of the Units on the date on which the Units were tendered for redemption on the principal exchange on which the Units are listed (or, if the Units are not listed on any exchange, on the principal market on which the Units are quoted for trading) if there was no trading on the date on which the Units were tendered for redemption.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month shall be satisfied by way of a cash payment by the Fund within five days after the end of the calendar month in which the Units were tendered for redemption; provided that the entitlement of the Unitholders to receive cash upon the redemption of their Units is subject to the limitations that: (i) the total amount payable in cash by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month shall not exceed \$50,000 (provided that such limitation may be waived at the discretion of the Trustees in respect of all Units to be redeemed in any month); (ii) at the time such Units are tendered for redemption, the outstanding Units shall be listed for trading on the Toronto Stock Exchange or traded or quoted on any other stock exchange or market which the Trustees consider, in their sole opinion, provides representative fair market value prices for the Units; (iii) the normal trading of Units is not suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the 10 trading day period prior to the date on which the Units are tendered for redemption; or (iv) the redemption of the Units will not result in the delisting of the Units on the Toronto Stock Exchange or other stock exchange on which the Units are listed.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the foregoing limitations, then the Redemption Price for each Unit tendered for redemption will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution *in specie*. In such circumstances, a *pro rata* portion of the Holding Trust Units and Series 1 Trust Notes held by the Fund having an aggregate value equal to the Redemption Price will then be redeemed by the Holding Trust in consideration of the issuance to the Fund of Series 2 Trust Notes and Series 3 Trust Notes, respectively. The Series 2 Trust Notes and Series 3 Trust Notes will then be distributed to the redeeming Unitholder in satisfaction of the Redemption Price. No Series 2 Trust Notes or Series 3 Trust Notes in integral multiples of less than \$100 will be distributed and where the principal amount of Holding Trust Notes to be received by a Unitholder includes a multiple of less than \$100, that principal amount shall be rounded to the next lowest integral multiple of \$100. The Fund shall be entitled to all interest paid on the Holding Trust Notes, if any, and distributions paid on the Holding Trust Units on or before the date of the distribution *in specie*. Where the Fund makes a distribution *in specie* of securities of the Holding Trust on the redemption of Units of a Unitholder, the Fund currently intends to allocate to that Unitholder any capital gain or income realized by the Fund as a result of the redemption of Holding Trust Units and Series 1 Trust Notes in exchange for Series 2 Trust Notes and Series 3 Trust Notes, respectively, or as a result of the distribution of Series 2 Trust Notes or Series 3 Trust Notes to the Unitholder on the redemption of such Units. See “Certain Canadian Federal Income Tax Considerations”.

It is anticipated that the redemption right described above will not be the primary mechanism for holders of Units to dispose of their Units. Series 2 Trust Notes and Series 3 Trust Notes which may be distributed to Unitholders in connection with a redemption will not be listed on any stock exchange, no market is expected to develop in such securities and such securities may be subject to an indefinite “hold period” or other resale restrictions under applicable securities laws. Series 2 Trust Notes and Series 3 Trust Notes so distributed may not be qualified investments for Plans, depending upon the circumstances at the time. See “Certain Canadian Federal Income Tax Considerations”.

Repurchase of Units

The Fund will be allowed, from time to time, to purchase Units for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases will constitute an “issuer bid” under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof.

Meetings of Unitholders

The Declaration of Trust provides that there shall be an annual meeting of Unitholders and Non-Participating Unitholders for the purpose of: (a) the election of the Trustees; (b) the appointment of auditors of the Fund for the ensuing year; (c) generally, any other matter which requires approval by a resolution of Unitholders and/or Non-Participating Unitholders; and (d) transacting such other business as the Trustees may determine or as may be properly brought before the meeting.

The Declaration of Trust provides that the Unitholders and Non-Participating Unitholders will be entitled to pass resolutions that will bind the Fund only with respect to:

- (a) the election or removal of trustees of the Fund (subject to the restrictions described above);
- (b) the appointment or removal of the auditors of the Fund;
- (c) the appointment of an inspector to investigate the performance by the trustees in respect of their respective responsibilities and duties in respect of the Fund;
- (d) approval of amendments to the Declaration of Trust (except as described below under “Description of the Fund — Amendments to the Declaration of Trust”);
- (e) the termination of the Fund;
- (f) the sale of all or substantially all of the assets of the Fund;
- (g) the exercise of certain voting rights attached to the securities of the Holding Trust held by the Fund (see “Description of the Fund — Exercise of Certain Voting Rights Attached to Securities of the Holding Trust.” below);
- (h) the dissolution or winding-up of the Fund prior to the end of its term; and
- (i) any other matters required by securities laws, stock exchange rules or other laws or regulations to be submitted to Unitholders and Non-Participating Unitholders for approval, provided that the Unitholders and Non-Participating Unitholders may not pass any resolution that would cause the Fund, the Holding Trust, the General Partner, IBI LP or IBI Group to breach the terms of the Exchange Agreement.

No other action taken by Unitholders and Non-Participating Unitholders or any other resolution of the Unitholders and Non-Participating Unitholders at any meeting will in any way bind the trustees.

A resolution (i) appointing or removing the trustees or the auditors of the Fund, (ii) appointing an inspector, or (iii) with respect to any other matters required by securities laws, stock exchange rules or other laws or regulations to be submitted to Unitholders and Non-Participating Unitholders for approval must be passed by a simple majority of the votes cast by Unitholders and Non-Participating Unitholders (unless in the case of (iii) the relevant securities laws, stock exchange rules or other laws require a larger majority). The balance of the foregoing matters must be passed by Special Resolution.

The Declaration of Trust provides that meetings of Unitholders and Non-Participating Unitholders may be convened at any time and for any purpose by the Trustees and must be convened if requisitioned in writing by Unitholders and/or Non-Participating Unitholders representing not less than 10% of the aggregate votes attached to the Units and Non-Participating Voting Units then outstanding. A requisition will be required to state in reasonable detail the business proposed to be transacted at the meeting.

Unitholders and Non-Participating Unitholders will be entitled to attend and vote at all meetings either in person or by proxy, and a proxyholder will not be required to be a Unitholder or a Non-Participating Unitholder. Two individuals present in person either holding personally or representing as proxies not less in the aggregate than 10% of the votes attached to all outstanding Units and Non-Participating Voting Units shall constitute a quorum for the transaction of business at all such meetings. At any meeting at which a quorum is not present within one-half hour after the time fixed for the holding of such meeting, the meeting, if convened upon the request of Unitholders and/or Non-Participating Unitholders, shall be dissolved, but in any other case, the meeting will stand adjourned to a day not less than seven days later and to a place and time as chosen by the chair of the meeting and if at such adjourned meeting a quorum is not present, Unitholders and Non-Participating Unitholders present either in person or by proxy shall be deemed to constitute a quorum.

The Declaration of Trust contains provisions as to the notice required and other procedures with respect to the calling and holding of meetings of Unitholders and Non-Participating Unitholders.

Limitation on Non-Resident Ownership

In order for the Fund 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 (calculated on both a non-diluted basis and a fully-diluted basis, including all Units issuable on the exercise of the exchange rights granted to the Management Partnership. See “Exchange Rights”). The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware that the beneficial owners of at least 49% of the Units then outstanding are, or may be, non-residents or that such a situation is imminent, the transfer agent or registrar shall make a public announcement thereof and shall not accept a subscription for Units from or issue or register a transfer of Units to a person unless the person provides a declaration that he or she is not a non-resident. If, notwithstanding the foregoing, the Trustees determine that 49% or more of the Units are held by non-residents, the Trustees may send a notice to non-resident Unitholders, chosen in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not non-residents within such period, the Trustees may, on behalf of such persons, sell such Units and, in the interim, shall suspend the voting and distribution rights (if any) attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units and their rights shall be limited to receiving the net proceeds of such sale.

Amendments to the Declaration of Trust

The Declaration of Trust may be amended or altered from time to time by Special Resolution.

The Trustees may, without the approval of the Unitholders or Non-Participating Unitholders, make certain amendments to the Declaration of Trust, including amendments:

- (a) for the purpose of ensuring continuing compliance with applicable laws, regulations, requirements or policies of any governmental authority having jurisdiction over the Trustees or over the Fund;
- (b) which, in the opinion of counsel to the Trustees, provide additional protection for Unitholders;
- (c) to remove any conflicts or inconsistencies in the Declaration of Trust or to make minor corrections which, in the opinion of the Trustees, are necessary or desirable and not prejudicial to the Unitholders; and
- (d) which, in the opinion of the Trustees, are necessary or desirable in the interests of Unitholders as a result of changes in Canadian taxation laws.

Exercise of Certain Voting Rights Attached to the Securities of Holding Trust

The Declaration of Trust provides that the Fund will not vote the securities of the Holding Trust held by it nor will it permit the Holding Trust to vote the securities of IBI LP held by the Holding Trust to authorize, among other things:

- (a) any sale, lease or other disposition of all or substantially all of the assets of the Holding Trust, IBI LP or IBI Group, except in conjunction with an internal reorganization or the granting of security in connection with permitted guarantees;
- (b) any amalgamation, arrangement or other merger of the Holding Trust, IBI LP or IBI Group with any other entity, except in conjunction with an internal reorganization;
- (c) any material amendment to the Holding Trust Note Indenture other than in contemplation of a further issuance of Holding Trust Notes;

- (d) the winding-up or dissolution of the Holding Trust, IBI LP or IBI Group prior to the end of the term of the Fund, except in conjunction with an internal reorganization; or
- (e) any material amendment to the Holding Trust Declaration of Trust, the IBI LP Partnership Agreement or the IBI Group Partnership Agreement in a manner which may be prejudicial to the Fund or its Unitholders;

without the authorization of the Unitholders and Non-Participating Unitholders by Special Resolution, provided that the Non-Participating Unitholders shall not be entitled to vote in respect of any amendment to the IBI Group Partnership Agreement or the Exchange Agreement which would have the effect of varying the subordination to which the Class B Units are subject as described under “Description of IBI Group — Partnership Interests — Subordination” in a manner which is more favourable to the holders of the Class B Units.

Term of the Fund

The Fund has been established for a term to continue until 21 years after the death of the last surviving issue of Her Majesty, Queen Elizabeth II alive on July 23, 2004, or such earlier date as the Unitholders and Non-Participating Unitholders, by Special Resolution, require the Trustees to commence to wind-up the affairs of the Fund.

The Declaration of Trust provides that, upon being required to commence to wind-up the affairs of the Fund, the Trustees will give notice to the Unitholders and Non-Participating Unitholders, which notice will designate the time or times at which Unitholders and Non-Participating Unitholders may surrender their Units for cancellation and the date at which the register of Units will be closed. After the date the register is closed, the Trustees will proceed to wind-up the affairs of Fund as soon as may be reasonably practicable and for that purpose will, subject to any direction to the contrary in respect of a termination authorized by a resolution of the Unitholders and Non-Participating Unitholders, sell and convert into money the Holding Trust Units and the Holding Trust Notes and all other assets comprising the Fund in one transaction or a series of transactions at public or private sales and do all other acts appropriate to liquidate the Fund. After paying, retiring, discharging or making provision for the payment, retirement or discharge of all known liabilities and obligations of the Fund and providing for indemnity against any other outstanding liabilities and obligations, the Trustees will distribute the remaining part of the proceeds of the sale of the Holding Trust Units and the Holding Trust Notes and other assets together with any cash forming part of the assets of the Fund among the Unitholders in accordance with their *pro rata* interests. If the Trustees are unable to sell all or any of the Holding Trust Units and Holding Trust Notes or other assets which comprise part of the Fund by the date set for termination, the Trustees may distribute the remaining Holding Trust Units and Holding Trust Notes or other assets *in specie* directly to the Unitholders in accordance with their *pro rata* interests, subject to obtaining all required regulatory approvals.

Take-over Bids

The Declaration of Trust and the IBI Group Partnership Agreement will contain provisions to the effect that if a take-over bid is made and not less than 90% of the aggregate of the Units and Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement (other than Units and Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement held at the date of the take-over bid by or on behalf of the offeror or associates or affiliated entities of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Units held by Unitholders and Partnership Units which are exchangeable (or will be exchangeable following the passage of time) for Units pursuant to the Exchange Agreement held by the holders who did not accept the take-over bid, in both cases, on the same terms on which the offeror acquired Units and Partnership Units pursuant to the take-over bid.

The Declaration of Trust and the IBI Group Partnership Agreement will provide that if a non-exempt take-over bid from a person acting at arm’s length to the Management Partnership (or any affiliated entity or associate thereof) is made for the Units and a contemporaneous identical offer is not made for the Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement (in terms of price, timing, proportion of securities sought to be acquired and

conditions, provided that the offer for the Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement may be conditional on Units being taken up and paid for under the take-over bid), then all limitations on the exchange and transfer of the Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement shall terminate and, provided that (i) not less than 25% of the Units (other than Units held at the date of the take-over bid by or on behalf of the offeror or associates or affiliated entities of the offeror) are taken-up and paid for pursuant to the non-exempt bid from and after the date of first take-up of Units under the said take-over bid and (ii) the take-over bid is not for any and all Units tendered or is not structured such that holders of Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement can exchange into Units conditional on take-up, the Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement will be exchangeable at an exchange ratio equal to 110% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement will receive 1.1 Units for each Unit that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the voting rights attaching to the Non-Participating Voting Units will not be similarly adjusted, and the distribution rights attaching to the Partnership Units which are exchangeable (or will become exchangeable following the passage of time) for Units pursuant to the Exchange Agreement will not be adjusted until the exchange right is actually exercised.

Information and Reports

The Fund will furnish to Unitholders, in accordance with applicable securities laws, all financial statements of the Fund and IBI Group (including quarterly and annual financial statements and certifications) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Unitholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Unitholders, the Trustees will provide to the Unitholders (along with notice of the meeting) all information, together with such certifications, as is required by applicable law and by the Declaration of Trust to be provided to Unitholders.

IBI Group has undertaken to provide the Fund with a report of any material change that occurs in the affairs of IBI Group and with quarterly and annual financial statements accompanied by management's discussion and analysis for the period covered by such financial statements, in each case, in form and content that IBI Group would be required to file with the Ontario Securities Commission if it were a reporting issuer under Ontario securities laws. All of those reports and financial statements will be provided to the Fund in a timely manner so as to permit the Fund to comply with the continuous disclosure requirements under applicable securities laws relating to reporting of material changes in its affairs and the filing and delivery to securityholders of financial statements as required under applicable securities laws. The Fund has undertaken to the securities commission or other securities regulatory authority in each of the provinces and territories of Canada to provide comparative financial information for IBI Group for the applicable periods prior to the closing of the Offering in future management's discussion and analysis filings as part of its continuous disclosure record.

In addition, IBI Group has agreed with the Fund that, following Closing and for so long as the Fund is a reporting issuer under applicable securities laws, it will:

- (a) issue a press release and deliver to the Fund for filing a material change report in respect of any material change in the affairs of IBI Group;
- (b) provide to the Fund the information that would be required to be included in an annual information form or any other report required to be filed with the Ontario Securities Commission if IBI Group was a reporting issuer under Ontario securities law; and
- (c) to the extent that the Fund does not prepare financial statements including the results of operations of IBI Group, deliver to the Fund quarterly unaudited and annual audited financial statements of IBI Group for filing with the securities commissions or other securities regulatory authorities in each of the

provinces and territories of Canada and delivery to the Fund's registered and beneficial Unitholders in accordance with applicable securities laws.

Such releases, forms, reports and statements, in each case, shall be in the form and content that IBI Group would be required to file with the Ontario Securities Commission if it were a reporting issuer under Ontario securities law. The annual information form and other reports of IBI Group will be delivered by the Fund to its Unitholders concurrently with the annual information form or other report of the Fund for the corresponding period. The quarterly unaudited and annual audited financial statements of IBI Group will be delivered by the Fund to its Unitholders concurrently with the financial statements of the Fund for the corresponding period.

The Fund has undertaken to the securities commission or other securities regulatory authority in each of the provinces and territories of Canada that, following the closing of the Offering and for as long as the Fund is a reporting issuer under applicable securities laws, it will:

- (a) in complying with its reporting issuer obligations, treat IBI Group as a subsidiary of the Fund;
- (b) obtain a commitment from IBI Group to comply with applicable securities laws relating to "related party transactions" as if IBI Group were a reporting issuer and the Unitholders held directly the Partnership Units of IBI Group held indirectly by the Fund; and
- (c) annually certify that it has complied with this undertaking and file such certificate with the securities commission or other securities regulatory authority in each of the provinces and territories of Canada concurrently with the filing of its annual financial statements.

Trustees of the Fund will be required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Units of the Fund.

In addition, IBI Group has undertaken to the securities commission or other securities regulatory authority in each of the provinces and territories of Canada that, following the closing of the Offering and for as long as the Fund is a reporting issuer under applicable securities laws, it will:

- (a) require each of its existing partners and senior officers and, promptly upon their assumption of office, each of its future partners and senior officers, to provide the securities commission or other securities regulatory authority in each of the provinces and territories of Canada with an undertaking agreeing that he or she will file insider reports reporting transactions in Units, Non-Participating Voting Units and Partnership Units pursuant to applicable insider reporting requirements as if he or she were an insider of the Fund;
- (b) require each director, officer or partner, as applicable, of each present or future principal holder of Partnership Units (other than the Fund) to provide the securities commissions or other securities regulatory authorities in each of the provinces and territories of Canada with an undertaking agreeing that he, she or it will file insider reports reporting transactions in Units, Non-Participating Voting Units and Partnership Units pursuant to applicable insider reporting requirements as if he, she or it were an insider of the Fund.

Conflicts

The Declaration of Trust sets forth that, if a Trustee or an officer of the Fund is (i) a party to a material contract or transaction or proposed material contract or transaction with the Fund, or (ii) a director, officer or employee of, or otherwise has material interest in, any person who is a party to a material contract or transaction or proposed material contract or transaction with the Fund, then such individual must disclose in writing to the Trustees or request to have entered in the minutes of meetings of the Trustees the nature and extent of his interest.

In addition, the following matters must be approved by a majority of the Independent Trustees:

- (a) any material change to the terms and conditions of the Administration Agreement, the Purchase Agreement, the IBI LP Partnership Agreement or the IBI Group Partnership Agreement;

- (b) any changes in the compensation of the Trustees, the Holding Trust Trustees or the directors of the General Partner Trustee;
- (c) the enforcement of or exercise of any discretion under any agreement entered into by the Fund, the Holding Trust, IBI LP or IBI Group with any one or more of (i) a non-Independent Trustee, (ii) the Management Partnership or any affiliated entity thereof or (iii) any party who acts on a non-arm's length basis with any of the foregoing;
- (d) the filling of a vacancy among the Independent Trustees;
- (e) the entering into of any agreement or arrangement in which the Management Partnership or any affiliated entity thereof, a non-Independent Trustee or a partner of the Management Partnership or any affiliated entity thereof has a material interest or with a party who acts on a non-arm's length basis with any of the foregoing; and
- (f) any decision affecting the Fund, the Holding Trust, IBI LP or IBI Group that is related to any claim by or against the Fund, the Management Partnership or any affiliated entity thereof.

Book-Entry Only System

Registration of interests in and transfers of the Units will be made only through the Book-Entry Only System administered by CDS. On the closing of the Offering, the Trustees will deliver to CDS one or more certificates representing the total number of Units subscribed for under the Offering. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service. All rights of a Unitholder must be exercised through, and all payments or other property to which a Unitholder is entitled will be made or delivered by, CDS or the CDS participant through which Unitholder holds the Units. Upon a purchase of any Units, the Unitholder will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Units are purchased. References in this prospectus to a Unitholder means, unless the context otherwise requires, the owner of the beneficial interest in those Units.

The ability of a beneficial owner of Units to pledge those Units or otherwise take action with respect to the Unitholder's interest in those Units (other than through a CDS participant) may be limited due to the lack of a physical certificate.

The Fund has the option to terminate registration of the Units through the Book-Entry Only System, in which case certificates for the Units in fully registered form would be issued to beneficial owners of those Units or their nominees.

DESCRIPTION OF THE HOLDING TRUST

The Holding Trust Declaration of Trust contains provisions substantially similar to those of the Declaration of Trust. The following is a summary of certain provisions of the Holding Trust Declaration of Trust insofar as they differ from those of the Declaration of Trust (See "Description of the Fund"), which does not purport to be complete. Reference is made to the Holding Trust Declaration of Trust and the full text of its provisions. See "Material Contracts".

General

The Holding Trust is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to the Holding Trust Declaration of Trust. The activities of the Holding Trust will be restricted essentially to having investments in IBI LP and General Partner Co and such other investments as the Holding Trust Trustees may determine, including all activities ancillary or incidental thereto.

Trustees/Governance

The Holding Trust Declaration of Trust provides that the Holding Trust will have a minimum of three and a maximum of nine trustees. The Holding Trust Trustees are to supervise the activities and manage the investments and affairs of the Holding Trust. The Holding Trust Trustees are the same as the Trustees.

The Holding Trust Declaration of Trust provides that, subject to its terms and conditions, the Holding Trust Trustees may, in respect of the trust assets, exercise any and all rights, powers and privileges that could be exercised by a legal and beneficial owner and shall supervise the activities and manage the investments and affairs of the Holding Trust. The Holding Trust Declaration of Trust will provide that a majority of the Holding Trust Trustees must not be non-residents of Canada (for the purposes of the Tax Act). The Holding Trust Trustees are responsible for, among other things:

- acting for, voting on behalf of and representing the Holding Trust as a limited partner of IBI LP and a shareholder of General Partner Co and the General Partner Trustee;
- maintaining records and providing reports to its unitholders;
- supervising the activities of the Holding Trust; and
- effecting payments of available cash from the Holding Trust to its unitholders.

Trustees will not receive any compensation for acting as Holding Trust Trustees.

The Holding Trust Declaration of Trust also provides that the Holding Trust will exercise the voting rights attached to its securities of General Partner Co to elect the Holding Trust Trustees as directors of General Partner Co and the General Partner Trustee.

Distributions

The Holding Trust Declaration of Trust will provide that the Holding Trust will make monthly cash distributions to holders of record of Holding Trust Units on the last business day of each month. Such distributions will be paid within 30 days following each month-end and are intended to be received by the Fund prior to its related distributions to Unitholders. The Holding Trust Trustees will adopt a policy to distribute all of the Holding Trust's available cash, subject to applicable law, to holders of Holding Trust Units by way of monthly cash distributions, after:

- satisfaction of its debt service obligations (principal and interest), including on the Holding Trust Notes;
- satisfaction of its other expense obligations; and
- any cash redemptions or repurchases of Holding Trust Units and Holding Trust Notes.

If the Holding Trust Trustees determine that the Holding Trust does not have cash in an amount sufficient to make payment of the full amount of any distribution, the payment may include the issuance of additional Series 1 Trust Notes having a value equal to the difference between the amount of such distribution and the amount of cash which has been determined by the Holding Trust Trustees to be available for the payment of such distribution. The value of each Series 1 Trust Note so issued will be the principal amount thereof.

Unit Certificates

As Holding Trust Units are not intended to be issued or held by any person other than the Fund, registration of interests in, and transfer of, the Holding Trust Units will not be made through the Book-Entry Only System. Rather, holders of Holding Trust Units will be entitled to receive certificates therefor.

Redemption Right

The Holding Trust Units will be redeemable at any time on demand by the holders thereof upon delivery to the Holding Trust of a duly completed and properly executed notice requiring the Holding Trust to redeem the Holding Trust Units in a form approved by the Holding Trust Trustees, together with certificates representing the Holding Trust Units to be redeemed and written instructions as to the number of Holding Trust Units to be redeemed. Upon tender of Holding Trust Units by a holder thereof for redemption, the holder of the Holding Trust Units tendered for redemption will no longer have any rights with respect to such Holding Trust Units

other than the right to receive the redemption price for such Holding Trust Units. The redemption price for each Holding Trust Unit tendered for redemption will be equal to:

$$\frac{(A \times B) - C}{D}$$

where:

- A = the Redemption Price per Unit calculated as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units;
- B = the aggregate number of Units outstanding as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units;
- C = the aggregate unpaid principal amount and accrued interest thereon of any indebtedness held by or owed to the Fund, and the fair market value of any other assets or investments held by the Fund (other than the Holding Trust Units) as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units; and
- D = the aggregate number of Holding Trust Units held by the Fund outstanding as of the close of business on the date the Holding Trust Units were so tendered for redemption by a holder of Holding Trust Units.

The Holding Trust will also be entitled to call for redemption at any time all or part of the outstanding Holding Trust Units registered in the name of holders thereof other than the Fund at the same redemption price as described above for each Holding Trust Unit called for redemption, calculated with reference to the date the Holding Trust Trustees approve the redemption of Holding Trust Units.

The aggregate redemption price payable by the Fund in respect of any Holding Trust Unit tendered for redemption by the holder thereof during any month will be satisfied, at the option of the Trustees of the Holding Trust in their sole discretion, (i) in immediately available funds by cheque, (ii) by the issuance to or to the order of the holder whose Holding Trust Units are to be redeemed of such aggregate amount of Series 2 Trust Notes as is equal to the aggregate redemption price payable to such holder of Holding Trust Units rounded down to the nearest \$100, with the balance of any such aggregate redemption price not paid in Series 2 Trust Notes to be paid in immediately available funds by cheque, or (iii) by any combination of immediately available funds by cheque and Series 2 Trust Notes as the Trustees of the Holding Trust shall determine in their sole discretion, in each such case, payable or issuable on the last day of the calendar month following the calendar month in which the Holding Trust Units were so tendered for redemption. A holder of Holding Trust Units whose Holding Trust Units were tendered for redemption may elect, at any time prior to the payment of the redemption price, to receive Series 2 Trust Notes pursuant to clause (ii) above in the place of all or part of the immediately available funds otherwise payable by cheque, the principal amount of such Series 2 Trust Notes payable to be equal to the immediately available funds otherwise payable by cheque, rounded down to the nearest \$100.

Holding Trust Notes

The following is a summary of the material attributes and characteristics of the Holding Trust Notes, which will be issued by the Holding Trust under the Holding Trust Note Indenture and is qualified in its entirety by reference to the provisions of the Holding Trust Note Indenture, which contains a complete statement of such attributes and characteristics.

Holding Trust Notes will be issuable in Canadian currency. Holding Trust Notes will be issuable in denominations of \$100 and integral multiples of \$100. No fractional Holding Trust Notes will be distributed and where the principal amount of Holding Trust Notes to be received by a Unitholder includes a fraction, such number shall be rounded to the next lowest whole number.

Series 2 Trust Notes will be reserved by the Holding Trust to be issued exclusively to holders of Holding Trust Units as full or partial payment of the redemption price for Holding Trust Units, as the Holding Trust Trustees may decide or, in certain circumstances, be obliged to issue. Series 3 Trust Notes will be reserved by the

Holding Trust to be issued exclusively as full or partial payment of the redemption price for Series 1 Trust Notes in the event of an *in specie* payment of the redemption price for Units redeemed by Unitholders of the Fund.

Interest and Maturity

The Series 1 Trust Notes to be issued at the closing will mature on the 25th anniversary of the date of issuance and will bear interest at a rate of three percent per annum, payable in arrears on the 30th day (except in February of each year when interest will be payable on the 28th) of each calendar month that such Series 1 Trust Note is outstanding. Each Series 2 Trust Note will mature on a date which is no later than the first anniversary of the date of issuance thereof and bear interest at a market rate to be determined by the trustees of the Holding Trust Trustees at the time of issuance thereof, payable in arrears on the 30th day (except in February of each year when interest will be payable on the 28th) of each calendar month that such Series 2 Trust Note is outstanding. Each Series 3 Trust Note will mature on the same date as the Series 1 Trust Notes and bear interest at a market rate to be determined by the trustees of the Holding Trust at the time of issuance thereof, payable in arrears on the 30th day (except in February of each year when interest will be payable on the 28th) of each calendar month that such Series 3 Trust Note is outstanding.

Payment Upon Maturity

On maturity, the Holding Trust will repay the Holding Trust Notes by paying to the trustee under the Holding Trust Note Indenture, in cash, an amount equal to the principal amount of the outstanding Holding Trust Notes which have then matured, together with accrued and unpaid interest thereon.

Subordination

Payment of the principal amount and interest on the Holding Trust Notes will be subordinated in right of payment to the prior payment in full of the principal of and accrued and unpaid interest on, and all other amounts owing in respect of, all senior indebtedness, which will be defined as all indebtedness, liabilities and obligations of the Holding Trust which are not, by the terms of the instrument creating or evidencing the same, expressed to rank in right of payment in subordination to or *pari passu* with the indebtedness evidenced by the Holding Trust Note Indenture. The Holding Trust Note Indenture provides that upon any distribution of the assets of the Holding Trust in the event of any dissolution, liquidation, reorganization or other similar proceedings relative to the Holding Trust, the holders of all such senior indebtedness will be entitled to receive payment in full before the holders of the Holding Trust Notes are entitled to receive any payment.

The Holding Trust Notes will be unsecured debt obligations of the Holding Trust.

Redemption

The Holding Trust Notes will be redeemable at the option of the Holding Trust prior to maturity. In addition, Series 1 Trust Notes will be redeemable at any time on demand by the Fund upon delivery to the Holding Trust of a duly completed and properly executed notice requiring the Holding Trust to redeem Series 1 Trust Notes, in a form reasonably acceptable to the Holding Trust Trustees, together with the certificates for Series 1 Trust Notes to be redeemed and written instructions as to the principal amount of Series 1 Trust Notes to be redeemed. Upon tender of Series 1 Trust Notes by the Fund for redemption, the Fund will no longer have any rights with respect to such Series 1 Trust Notes other than the right to receive the redemption price for such Series 1 Trust Notes. The redemption price for each Series 1 Trust Note tendered for redemption will be equal to the principal amount thereof together with accrued and unpaid interest thereon. The aggregate redemption price payable by the Holding Trust in respect of any Series 1 Trust Notes tendered for redemption by the Fund during any month will be satisfied, at the option of the Holding Trust Trustees in their sole discretion, (i) in immediately available funds by cheque; (ii) by the issuance to the Fund of such aggregate amount of Series 3 Trust Notes as is equal to the aggregate redemption price payable to Fund rounded down to the nearest \$1, with the balance of any such aggregate redemption price not paid in Series 3 Trust Notes to be paid in immediately available funds by cheque, or (iii) by any combination of funds and Series 3 Trust Notes as the Holding Trust Trustees shall determine in their sole discretion, in each such case payable or issuable on the last day of the calendar month following the calendar month in which the Series 1 Trust Notes were so tendered for

redemption. The Fund may elect, at any time prior to the payment of the redemption price, to receive Series 3 Trust Notes pursuant to (ii) above in the place of all or part of the funds otherwise payable, the principal amount of such Series 3 Trust Notes payable to be equal to the funds otherwise payable, rounded down to the nearest \$1.

Default

The Holding Trust Note Indenture will provide that any of the following shall constitute an event of default:

- (a) default in payment of the principal of the Holding Trust Notes when the same become due and payable and the continuation of such default for a period of 10 business days;
- (b) default in payment of any interest due on any Holding Trust Notes and continuation of such default for a period of 10 business days;
- (c) default in the observance or performance of any other covenant or agreement under the provisions of the Holding Trust Notes or the Holding Trust Note Indenture and continuance of such default for a period of 30 days after written notice has been given by the trustee specifying such default and requiring Holding Trust to rectify same; and
- (d) certain events of dissolution, liquidation, reorganization or other similar proceedings relative to the Holding Trust.

The provisions governing an event of default under the Holding Trust Note Indenture and remedies available thereunder do not provide protection to the holders of Holding Trust Notes which would be comparable to the provisions generally found in debt securities issued to the public.

DESCRIPTION OF IBI LP

General

IBI LP is a limited partnership established under the laws of the Province of Manitoba to own the Class A Units of IBI Group and carry out all activities ancillary and incidental thereto. The following is a summary of the material attributes and characteristics of the LP Units and certain provisions of the IBI LP Partnership Agreement, which summary is not intended to be complete. Reference is made to the IBI LP Partnership Agreement and the full text of its provisions for a complete description of the LP Units. See “Material Contracts”.

General Partner

The general partner of the IBI LP is the General Partner. The General Partner Trustee will be the trustee of the General Partner and the directors of the General Partner Trustee will be the Trustees.

Partnership Units

IBI LP will be entitled to issue various classes of partnership interests on such terms and conditions as are established by the General Partner. Initially, IBI LP will have • LP Units issued and outstanding, all of which will be held by the Holding Trust.

Distributions

IBI LP will distribute to the General Partner and to limited partners (listed on the record) holding LP Units of IBI LP on the last day of each month their *pro rata* portions of distributable cash as set out below. Distributions will be made on the LP Units within 30 days of the end of each month and are intended to be received by the Holding Trust prior to its related distributions to the Fund. IBI LP may, in addition, make a distribution at any other time.

Distributable cash will represent, in general, all of IBI LP’s cash, after:

- satisfaction of its debt service obligations (principal and interest); and

- satisfaction of its other obligations (including, without limitation, amounts payable to IBI Group under the Administration Agreement).

Allocation of Net Income and Losses

The income or loss of IBI LP for each fiscal year will be allocated to the General Partner and to the limited partners as to 1% and 99%, respectively. The income for tax purposes of IBI LP for a particular fiscal year will be allocated to each limited partner by multiplying the total income allocated to the limited partners by a fraction, the numerator of which is the total sum of the cash distributions received by that limited partner with respect to that fiscal year and the denominator of which is the total amount of the cash distributions made by IBI LP to all limited partners with respect to that fiscal year and the denominator of which is the total amount of the cash distributions made by IBI LP to all limited partners with respect to that fiscal year. The amount of income allocated to a limited partner may exceed or be less than the amount of cash distributed by IBI LP to that limited partner.

Income and loss of IBI LP for accounting purposes is allocated to each partner in the same proportion as income or loss that is allocated for tax purposes.

If, with respect to a given fiscal year, no cash distribution is made by IBI LP to its partners, or IBI LP has a loss for tax purposes, one twelfth of the income or loss, as the case may be, for tax purposes of IBI LP for that fiscal year will be allocated to the General Partner and the limited partners at the end of each month ending in that fiscal year, as to 1% and 99%, respectively, and to each limited partner in the proportion that the number of LP Units held at each of those dates by that limited partner is of the total number of LP Units issued and outstanding at each of those dates (for such purposes treating all classes of limited partners as one).

Reimbursement of General Partner

IBI LP will reimburse the General Partner for all direct costs and expenses incurred in the performance of its duties under the IBI LP Partnership Agreement on behalf of IBI LP.

Limited Liability

IBI LP will operate in a manner as to ensure to the greatest extent possible the limited liability of the limited partners. Limited partners may lose their limited liability in certain circumstances. If limited liability is lost by reason of the negligence of the General Partner in performing its duties and obligations under the IBI LP Partnership Agreement, the General Partner will indemnify the limited partners (each in respect of its own actions and inactions only) against all claims arising from assertions that their respective liabilities are not limited as intended by the IBI LP Partnership Agreement. However, since the General Partner has no significant assets or financial resources, this indemnity may have nominal value.

Transfer of LP Units

LP Units will be fully transferable. However, an LP Unit will not be transferable in part and no transfer of an LP Unit will be accepted by the General Partner unless a transfer form, duly completed and signed by the registered holder of the LP Unit and the transferee, has been remitted to the registrar and transfer agent of IBI LP. A transferee of the LP Unit will become a limited partner and will be subject to the obligations and entitled to the rights of a limited partner under the IBI LP Partnership Agreement on the date on which the transfer is recorded.

DESCRIPTION OF THE GENERAL PARTNER

General

The General Partner is an unincorporated, limited purpose trust established under the laws of the Province of Ontario to act as the General Partner of IBI LP. The sole beneficiary of the General Partner will be General Partner Co, a wholly-owned subsidiary of the Holding Trust.

Functions and Powers of the General Partner

The General Partner will have the authority to manage the business and affairs of IBI LP, to make all decisions regarding the business of IBI LP and to bind IBI LP in respect of any such decision. The General Partner will be required to exercise its powers and discharge its duties honestly, in good faith and in the best interests of IBI LP and to exercise the care, diligence and skill of a reasonably prudent person in comparable circumstances.

The authority and power to be vested in the General Partner to manage the business and affairs of IBI LP will include all authority necessary or incidental to carry out the objects, purposes and business of IBI LP, including the ability to engage agents to assist the General Partner to carry out its management obligations and administrative functions in respect of IBI LP and its business. Pursuant to the Administration Agreement, IBI Group will be actively engaged in the business of IBI LP, be responsible for, and have authority in, assisting the General Partner in the management of the business and affairs of IBI LP and will perform such additional specific duties in connection with the business of IBI LP as provided in the Administration Agreement. See “Principal Agreements — Administration Agreement”. IBI Group will provide ongoing and regular consultation and management services to IBI LP as to the operation and management of the business of IBI LP, in addition to the assistance provided to the General Partner.

The IBI LP Partnership Agreement will provide that all material transactions and agreements involving IBI LP (other than the agreements entered into in connection with the formation of IBI LP or the Offering) must be approved by the directors of the General Partner Trustee and, where those agreements involve the Management Partnership or any affiliated entity or associate thereof, they must be approved by a majority of the Independent Trustees who are directors of the General Partner Trustee.

Withdrawal or Removal of the General Partner

The General Partner may not be removed as general partner of IBI LP unless:

- the trustees or beneficiaries of the General Partner pass a resolution in connection with the bankruptcy, dissolution, liquidation or winding-up of the General Partner, or the General Partner commits certain other acts of bankruptcy or ceases to be a subsisting corporation, provided that certain other conditions are satisfied, including a requirement that a successor general partner agrees to act as general partner under the IBI LP Partnership Agreement; or
- an LP Special Resolution approving such removal has been passed and a successor general partner agrees to act as general partner under the IBI LP Partnership Agreement.

If the General Partner withdraws or is removed as the general partner of IBI LP for any reason, a successor general partner of IBI LP may be appointed only if (i) such successor has been approved by an LP Special Resolution, and (ii) the successor general partner has the same relative ownership and board composition as the General Partner.

Restrictions Respecting Amendment

The IBI LP Partnership Agreement may not be amended in any way which would or might adversely affect the rights or obligations of any class of partners (including, for greater certainty, amendments which do not deal specifically by their terms with a class of units, but nevertheless affect the rights and/or obligations of holders of that class) including, without limitation, amendments that affect the voting rights, distribution entitlements, or liabilities of that class without the consent of such class of partners given by ordinary resolution at a duly constituted meeting or a written resolution of partners holding a majority of the interests in IBI LP of such class entitled to vote at a duly constituted meeting.

DESCRIPTION OF IBI GROUP

General

IBI Group is a general partnership established under the laws of the Province of Ontario to conduct the Business. The following is a summary of the material attributes and characteristics of the Partnership Units and certain provisions of the IBI Group Partnership Agreement, which summary is not intended to be complete. Reference is made to the IBI Group Partnership Agreement and the full text of its provisions for a complete description of the Partnership Units. See “Material Contracts”.

Partnership Interests

IBI Group will be entitled to issue Class A Units and Class B Units, issuable in series. Initially, IBI Group will have ● Class A Units and ● Class B Units issued and outstanding (● Class A Units and ● Class B Units if the over-allotment option is not exercised). All of the Class A Units outstanding immediately following the closing of the Offering will be held by IBI LP. All of the Class B Units outstanding immediately following the closing of the Offering will be held by the Management Partnership.

As described under “Funding, Acquisition and Related Transactions”, IBI LP will subscribe for Class A Units and the Management Partnership will be issued Class B Units in consideration for the transfer of the IBI Assets to IBI Group. The Class A Units and the Class B Units will, except as otherwise noted, have economic and voting rights equivalent in all material respects. The Class B Units will have the following attributes: (i) the Class B Units will be exchangeable, indirectly, on a one-for-one basis (subject to customary anti-dilution provisions and as provided under “Description of the Fund — Take-over Bids”) for Units at the option of the holder following the Conversion Date unless the exchange would jeopardize the Fund’s status as a “unit trust” or a “mutual fund trust” under the Tax Act (there are also certain restrictions on the transfer of Class B Units and the Units issued on exchange thereof by the Management Partnership. See “Retained Interest”); and (ii) each Class B Unit will entitle the holder thereof to receive distributions from IBI Group, subject to the specific adjustments noted below, *pro rata* with distributions made by the Fund on a Unit, provided that until the Conversion Date a portion of the distributions on the Class B Units shall be subordinated as described below.

Entitlements to Income

The Class B Units will be entitled to 99.9% of the income earned by IBI Group in respect of the Priority Capital Amount or the portion thereof that remains outstanding from time to time, and the Class A Units will be entitled to 0.1% of the income earned by IBI Group from such amount.

IBI Group’s interest in respect of IBI Group US consists of two components, namely its direct interest in IBI Group US and its indirect interest in IBI Group US (consisting of its interest in the US Notes and its indirect interest in shares of US Subco, which owns the remaining interest in IBI Group US), in order that United States resident partners of the Management Partnership can receive their share of IBI Group US income directly. Ultimately, all cash received by IBI Group directly and indirectly from IBI Group US, as determined prior to the payment of any United States tax in respect of such income, will be shared effectively *pro rata* among the holders of Units (through distributions on the Class A Units held by IBI LP) and holders of Class B Units.

All cash received directly by IBI Group from IBI Group US in respect of its directly-held interest in IBI Group US (being the portion of the IBI Group US income being streamed to U.S. resident partners of the Management Partnership) will be distributed to the holders of Class B Units (subject to the subordination as described below). Proration of the total cash received by IBI Group from IBI Group US, as determined prior to the payment of any United States tax in respect of such income, between the holders of Units (through distributions on the Class A Units held by IBI LP) and holders of Class B Units will be achieved by distributing all cash received by IBI Group indirectly from IBI Group US, through its interest in the US Notes and its indirect interest in the shares of US Subco, in accordance with the following formulae:

- (a) to the holders of Class A Units:

$$\frac{A}{C}, \text{ expressed as a percentage}$$

(b) to the holders of Class B Units:

$$\frac{B-D}{C}, \text{ expressed as a percentage}$$

where:

A = the number of outstanding Units (calculated on a non-diluted basis) divided by the aggregate of the number of Units (calculated on a non-diluted basis) and the number of Class B Units, expressed as a percentage;

B = the number of Class B Units divided by the aggregate of the number of Units (calculated on a non-diluted basis) and the number of Class B Units, expressed as a percentage;

C = US Subco's direct interest in IBI Group US, expressed as a percentage; and

D = IBI Group's direct interest in IBI Group US, expressed as a percentage.

As noted in the section entitled "Certain United States Federal Tax Considerations", US Subco will be taxable in the United States on its net income.

Notwithstanding the foregoing, in the event that IBI LP becomes liable to pay any US Tax Amount, the distributions to be made on the Class B Units and the Class A Units of IBI Group's income from its indirect interest in IBI Group US shall be reduced and increased, respectively, by an amount equal to the US Tax Amount.

The income earned by IBI Group from all other sources shall, subject to the specific adjustments noted below, be shared *pro rata* among the holders of Units (through distributions on the Class A Units held by IBI LP) and holders of Class B Units. Solely for the purpose of determining the distributions to be made by IBI Group of its income from such other sources, the following amounts shall be included in determining such income for each fiscal year of IBI Group, and shall be treated as having been distributed on the Class B Units in partial satisfaction of their entitlement to a *pro rata* share of such income:

- (a) the distributable cash to be paid by IBI Group Architects (Alberta), IBI Group Architects (Ontario) and Beinhaker Architecte for such fiscal year to their respective partners from their operations, determined after payment of all reasonable expenses, including any fees payable to IBI Group; and
- (b) the aggregate amount of the Profit Participation Bonuses paid in such fiscal year.

Subordination

Until the Conversion Date, distributions on the Class B Units, other than the distributions of income earned by IBI Group in respect of the Priority Capital Amount which shall be made in priority to any other distributions, will be subordinated to distributions on the Class A Units. During such period, 40% of the distributions which would otherwise be made monthly on the Class B Units will be subordinated and will be paid quarterly, subject to distributions for such fiscal year on the Class A Units having been made in an aggregate amount equal to the initially targeted distribution level of \$ ● for each month up to the relevant quarter end.

Specifically, such distributions will be made in the following priority (after funding of cash redemptions and repurchases of Units, if any, and expenses of IBI LP, the Holding Trust and the Fund through distributions on the Class A Units held by IBI LP): (i) holders of Class A Units and Class B Units will be entitled to receive monthly cash distributions such that each Unitholder shall receive a distribution of \$ ● per Unit for such month (through distributions on the Class A Units held by IBI LP) and each holder of Class B Units shall receive a distribution of \$ ● per Class B Unit for such month (60% of the amount referred to above to be paid per Unit); if there is insufficient available cash to make distributions in such amounts, the amounts to be distributed to holders of Units (through distributions on the Class A Units held by IBI LP) and Class B Units for such month shall be reduced proportionately; (ii) at the end of each fiscal quarter of the Fund, including the fiscal quarter ending on the fiscal year end, available cash shall be distributed (a) first, to Unitholders (through distributions on the Class A Units held by IBI LP) and to holders of Class B Units in proportion to their respective monthly entitlements set out in (i) above, but only to the extent that monthly distributions per Unit and per Class B Unit in respect of such fiscal year to date (and not, for greater certainty, in respect of any

previous fiscal year) averaged less than \$ ● and \$ ● per month, respectively, and (b) second, to holders of Class B Units in a per unit amount of \$ ● (\$ ● for the fiscal quarter ending September 30, 2004) plus, to the extent that distributions to holders of Class B Units in respect of any previous fiscal quarter(s) during that fiscal year (and not, for greater certainty, in any previous fiscal year), commencing with the fiscal quarter ending September 30, 2004, were not made or were made in amounts less than \$ ● per Class B Unit (\$ ● for the fiscal quarter ending September 30, 2004), the difference between \$ ● (\$ ● for the fiscal quarter ending September 30, 2004) and the amount of any distributions made for each such previous fiscal quarter(s), and (c) third, to the extent of any excess, *pro rata*, subject to the adjustments described above, to the holders of Units (through distributions on the Class A Units held by IBI LP) and Class B Units (specifically, distributions of any such excess will be made on each class of Partnership Unit such that the excess would be shared equally on a per Partnership Unit basis by holders of Units and holders of Class B Units). After the Conversion Date, distributions made to Unitholders (through distributions on Class A Units) and holders of Class B Units, other than distributions of income earned by IBI Group in respect of the Priority Capital Amount which shall be made as described above, will be made monthly on a *pro rata* basis, subject to the adjustments described above, (after funding of cash redemptions and repurchases of Units, if any, and expenses of IBI LP, the Holding Trust and the Fund through distributions on the Class A Units held by IBI LP).

IBI Group, the Holding Trust, the Fund, the Management Partnership and the Manager will enter into certain agreements to give effect to the terms of the Class B Units, including the Exchange Agreement specifying the procedures for the indirect exchange of the Class B Units for Units referred to under “Retained Interest” and “Exchange Rights”.

Distributions

Based on the entitlements described above, IBI Group will distribute to the partners (listed on the record) holding Partnership Units on the last day of each month their share of the distributable cash from each source described above. Distributions will be made on the Partnership Units within 30 days of the end of each month and are intended to be received by IBI LP prior to its related distributions to the Holding Trust. IBI Group may, in addition, make a distribution at any other time.

Distributable cash will represent, in general, all of IBI Group’s cash, after:

- satisfaction of its debt service obligations (principal and interest), including on the Operating Loan;
- provision for capital expenditures;
- satisfaction of its other obligations; and
- retaining reasonable reserves for administrative and other expense obligations and reasonable reserves for working capital expenditures as may be considered appropriate by the board of directors of the General Partner Trustee.

Allocation of Net Income and Losses

The income for tax purposes of IBI Group for a particular fiscal year from each source described above will be allocated to each partner by multiplying the total income allocated to the partners from that source by a fraction, the numerator of which is the total sum of the cash distributions received by that partner from that source with respect to that fiscal year (excluding, for greater certainty, any non-payment of distributions to holders of Class B Units during the year pursuant to the subordination described above under “Description of IBI Group — Partnership Units”) and the denominator of which is the total amount of the cash distributions made by IBI Group to all partners from that source with respect to that fiscal year. The amount of income from a particular source allocated to a partner may exceed or be less than the amount of cash distributed by IBI Group to that partner from that source. For greater certainty, all of the income of IBI Group from its partnership interest in IBI Group US shall be allocated to the holders of the Class B Units, including any capital gain realized by IBI Group on a disposition of all or part of its partnership interest in IBI Group US. Notwithstanding the foregoing, if an adjustment is made to distributions on the Partnership Units as a result of a liability for a US Tax Amount, as described above, the adjustment to distributions shall not be taken into account in determining the allocation of income among the holders of Class B Units and Class A Units.

Income and loss of IBI Group for accounting purposes is allocated to each partner in the same proportion as income or loss that is allocated for tax purposes.

If, with respect to a given fiscal year, no cash distribution is made by IBI Group to its partners, or IBI Group has a loss for tax purposes, one twelfth of the income or loss, as the case may be, for tax purposes of IBI Group for that fiscal year will be allocated to the partners at the end of each month ending in that fiscal year in the proportion that the number of Partnership Units held at each of those dates by that partner is of the total number of Partnership Units issued and outstanding at each of those dates (for such purposes treating all classes of partners as one).

Entitlements to Capital

The Class B Units will have a preferred entitlement to the capital of IBI Group represented by the Priority Capital Amount or the portion thereof, if any, that remains outstanding from time to time, and shall, in the event of a liquidation or dissolution of IBI Group, be entitled to a distribution of such amount, if any, in priority to any distribution of capital on the Class A Units. In addition, the holder of the Class B Units shall be entitled at any time to direct IBI Group to distribute to it all or any part of the Priority Capital Amount then outstanding. The holder of the Class B Units shall also be entitled to waive its preferred entitlement in respect of all or any portion of the Priority Capital Amount then outstanding in accordance with the terms and conditions set out in the IBI Group Partnership Agreement and upon doing so shall be issued additional Class B Units equal in value to the portion of the Priority Capital Amount that has been so waived. An equal number of additional Non-Participating Voting Units will also be issued to the holder of the Class B Units.

Subject to the preferred entitlement of the Class B Units described above and the specific allocations described below, the holders of Units (indirectly through the Class A Units held by IBI LP) and the Class B Units shall, in the event of a liquidation or dissolution of the partnership, be entitled to share *pro rata* in respect of the capital of IBI Group represented by its direct and indirect interests in IBI Group US. The Class B Units shall be entitled to all of the capital represented by IBI Group's direct interest in IBI Group US. The capital represented by IBI Group's indirect interest in IBI Group US, being its interest in Ontario Subco and the US Notes issued by US Subco, shall be shared among the Partnership Units such that, after taking into account the entitlement of the Class B Units to all of the capital represented by IBI Group's direct interest in IBI Group US, the total capital represented by IBI Group's direct and indirect interests in IBI Group US is shared *pro rata* among the holders of Units (indirectly through the Class A Units held by IBI LP) and the holders of Class B Units. In particular, the capital of IBI Group represented by its indirect interest in IBI Group US shall be distributed on a liquidation or dissolution of IBI Group among the Class A Units and the Class B Units in accordance with the formulae utilized to make distributions of cash received by IBI Group indirectly from IBI Group US. See "Description of IBI Group — Partnership Interests — Entitlements to Income".

Subject to the preferred entitlement of the Class B Units described above and the specific adjustments described below, the remaining capital of IBI Group shall, in the event of a liquidation or dissolution of the partnership, be distributed *pro rata* among the holders of Units (indirectly through the Class A Units held by IBI LP) and the holders of Class B Units. Solely for the purpose of determining the distributions to be made by IBI Group on the Partnership Units of its remaining capital, the value of IBI Group Architects (Alberta), IBI Group Architects (Ontario) and Beinhaker Architecte shall be included in determining IBI Group's remaining capital on a liquidation or dissolution, and shall be treated as having been distributed on the Class B Units in partial satisfaction of their entitlement to a share of such remaining capital.

Transfer of Partnership Units

Partnership Units will be fully transferable. However, a Partnership Unit will not be transferable in part and no transfer of a Partnership Unit will be accepted unless a transfer form, duly completed and signed by the registered holder of the Partnership Unit and the transferee, has been remitted to the registrar and transfer agent of IBI Group. A transferee of the Partnership Unit will become a partner and will be subject to the obligations and entitled to the rights of a partner under the IBI Group Partnership Agreement on the date on which the transfer is recorded. Class B Units will only be transferable as described under "Retained Interest".

Restrictions on Transfer of Partnership Interest in the Management Partnership

The IBI Group Partnership Agreement will provide that so long as the Management Partnership is a partner in IBI Group, the partnership agreement for the Management Partnership will contain provisions to the following effect:

- *Death, Disability, Retirement.* In the event that a Director or Associate Director retires, dies or becomes permanently disabled, the partner of the Management Partnership of which that Director or Associate Director is the principal shall have the obligation to sell, and the Management Partnership have the obligation to purchase, the partnership interests in the Management Partnership held by such partner;
- *Transfers and Sales of Partnership Interests.* Partnership interests in the Management Partnership may be transferred by a partner of the Management Partnership (with the approval of the Management Partnership) or sold by the Management Partnership without the approval of the Independent Trustees to (i) partners of the Management Partnership; and (ii) new partners of the Management Partnership.
- *Offers to Sell.* Except as otherwise provided above or for estate or tax planning purposes to family members of a principal of a partner of the Management Partnership and/or trusts, corporations or other entities owned or controlled by a family member of a principal of a partner of the Management Partnership, no partnership interests may be sold or otherwise transferred without the consent of the Management Partnership and the Independent Trustees.
- *Installment Payments.* With respect to any purchase or redemption of partnership interests of the partners of the Management Partnership by the Management Partnership, the purchase price may, at the election of the Management Partnership, be paid over a period of five years in five annual installments, with the first payment due on the closing of such purchase or redemption and the second, third, fourth and fifth installments due on the first, second, third and fourth anniversaries of the closing of such purchase or redemption. In exercising its discretion, the Management Partnership will consider the terms of the non-competition covenant of the principal of such partner and the desirability of a holdback to encourage compliance with such covenant.

EXCHANGE RIGHTS

On closing of the Offering, the Fund, the Holding Trust, IBI LP, the General Partner, IBI Group and the Management Partnership will enter into the Exchange Agreement. The Exchange Agreement will grant the Management Partnership (or a party to which Class B Units held by the Management Partnership were transferred), the right (the “exchange rights”) to effectively exchange, through a series of steps to be described in the Exchange Agreement, all or any portion of its Class B Units for Units. The exchange rights may be exercised by the Management Partnership (or a party to which Class B Units held by the Management Partnership were transferred) following the Conversion Date once in any calendar quarter on the date which is

- days following the release of quarterly or annual financial information of the Fund, provided that a maximum of five percent of the total outstanding Units of the Fund outstanding on any given exchange date may be issued on the exercise of the exchange rights on that exchange date and provided further that an exercise of the exchange rights will only be permitted if it will not jeopardize the Fund’s status as a “unit trust” or “mutual fund trust” under the Tax Act or result in the Units being considered “foreign property” for the purposes of the Tax Act.

The Class B Units issued to the Management Partnership will be subject to certain anti-dilution protections providing for adjustment of the exchange ratio applicable to the exchange of Class B Units pursuant to the Exchange Agreement upon the occurrence of certain events, including subdivision or consolidation of the outstanding Units, any reclassification of the Units outstanding, any capital reorganization of the Fund or any consolidation, amalgamation, merger or other form of business combination of the Fund with or into any other entity.

The Exchange Agreement may be assigned in whole or in part by the Management Partnership only in connection with a sale by the Management Partnership of Class B Units.

ANALYSIS OF DISTRIBUTABLE CASH

Management of IBI views distributable cash as an important operating performance measure as it is a measure generally used by Canadian income funds as an indicator of financial performance. As the Fund will distribute substantially all of its cash on an on-going basis (after providing for certain amounts) and since Adjusted EBITDA is a metric used by many investors to compare issuers on the basis of ability to generate cash from operations, the Fund believes that Adjusted EBITDA is the appropriate measure from which to make adjustments to determine its distributable cash.

The following analysis has been prepared by management of IBI on the basis of the information contained in this prospectus, more recent financial results available to management of IBI and management of IBI's estimate of the amount of expenses and expenditures to be incurred by the Fund. **This analysis is not a forecast or a projection of future results. The actual results of operations of the Fund for any period will differ, and such differences may be material. Additionally, IBI's operations are subject to certain risks, and in reviewing the following analysis of distributable cash investors are encouraged to consider the risks outlined under "Risk Factors".**

Management believes that, upon completion of the Offering, the Fund and IBI Group will incur interest expenses, incremental administrative expenses and taxes that will differ from those contained in the historical financial statements of IBI and the *pro forma* financial statements of the Fund that are included elsewhere in this prospectus. Although the Fund and IBI Group do not have firm commitments for all of those costs, expenses and expenditures and, accordingly, the complete financial impacts of all of these items are not objectively determinable, management of IBI believes, based on past experience, that the following represents a reasonable estimate of the amount of cash that would have been available for distribution for the twelve months ended April 30, 2004 had the Fund been in existence during such period:

	Twelve Months Ended April 30, 2004
	(unaudited)
	(in thousands, except per Unit amounts)
Adjusted EBITDA ⁽¹⁾	\$11,349
EBITDA attributable to certain acquisitions ⁽²⁾	2,893
Incremental administrative expenses ⁽³⁾	(450)
Interest expense on Operating Loan ⁽⁴⁾	(760)
Maintenance capital expenditures ⁽⁵⁾	(1,000)
Cash taxes ⁽⁶⁾	(1,057)
Distributable cash	\$10,975
Distributable cash per Unit ⁽⁷⁾	\$ ●

Notes:

- (1) See "Non-GAAP Measures", "Selected Consolidated Financial Information of IBI Group" and "Reconciliation of Net Income With Adjusted EBITDA".
- (2) IBI Group has entered into binding agreements providing for the acquisition of Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited. The completion of these acquisitions is a condition of, but is not contingent on, the closing of the Offering. Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited had aggregate EBITDA of approximately \$2.9 million (unadjusted for any potential cost savings) for the most recent twelve month periods for which IBI has such information, being the twelve months ended May 31, 2004 for each of Cumming Cockburn Limited and CCL Consultants Inc. and the twelve months ended February 29, 2004 for Marshall Cummings & Associates Limited.
- (3) IBI Group estimates that, subsequent to the Offering, it will incur additional general and administrative costs on a continuing basis in connection with reporting to Unitholders, investor relations and other related expenses.
- (4) Represents estimated interest expense on the Operating Loan which will be used principally to fund working capital as described under "Principal Agreements — Credit Facilities", based on an annual average drawdown of \$19 million at an interest rate of 4%, based on a 12 month period.
- (5) See "Business of IBI — Capital Expenditures".
- (6) Estimated cash taxes payable on the amounts set out above computed on the assumption that the proposed structure of the Fund and updated transfer pricing policies amongst entities in the structure were in place throughout such period.
- (7) Calculated on a fully-diluted basis to include all Units, including Units issuable upon the indirect exchange of all Class B Units held by the Management Partnership.

SELECTED FINANCIAL INFORMATION OF IBI GROUP

The selected consolidated financial information set out below for the fiscal years ended January 31, 2004, January 31, 2003 and January 31, 2002, for the three month interim periods ended April 30, 2004 and April 30, 2003 and for the twelve month period ended April 30, 2004 has been derived from IBI's consolidated financial statements which appear elsewhere in this prospectus. These financial statements are prepared in accordance with GAAP. The following information should be read in conjunction with those statements and the related notes appearing elsewhere in this prospectus.

	Twelve Months Ended April 30, 2004	Three Months Ended		Years Ended January 31,		
	April 30, 2004	April 30, 2004	April 30, 2003	2004	2003	2002
	(unaudited)	(unaudited)				
Income Statement Data:						
Revenue	\$70,449	\$17,964	\$15,689	\$68,174	\$63,122	\$52,742
Salaries, fees and employee benefits	39,341	9,864	9,299	38,776	35,499	29,143
Operating expenses	13,631	3,235	3,251	13,647	12,866	10,785
Amortization	1,064	230	223	1,057	1,152	869
Interest	284	50	28	262	173	277
Earnings before income taxes	16,129	4,585	2,888	14,432	13,432	11,668
Income taxes:						
Current	771	135	92	728	703	432
Future	(42)	—	—	(42)	(89)	21
Net earnings	<u>\$15,400</u>	<u>\$ 4,450</u>	<u>\$ 2,796</u>	<u>\$13,746</u>	<u>\$12,818</u>	<u>\$11,215</u>
Summary Statement of Other Financial Information:						
Assets	\$42,179	\$42,179	\$43,127	\$42,006	\$40,444	\$34,022
Long term liabilities	—	—	—	—	—	—
Capital expenditures	1,053	192	189	1,050	1,448	962

RECONCILIATION OF NET INCOME WITH ADJUSTED EBITDA

Since the Fund will distribute substantially all of its cash on an ongoing basis, management believes that EBITDA is an important measure in evaluating the performance of the Fund and in determining whether to invest in the Units. However, EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP. Therefore, EBITDA may not be comparable to similar measures presented by other issuers. Investors are cautioned that EBITDA should not be construed as an alternative to net income (loss) determined in accordance with GAAP as an indicator of the Fund's performance or to cash flows from operating, investing and financing activities as a measure of liquidity and cash flows. Adjusted EBITDA is determined by making adjustments to EBITDA to arrive at what is, in management's view, an appropriate basis on which to measure the results of IBI Group going forward. Specifically, Adjusted EBITDA is net of the Directors' and Associate Directors' Compensation Amount (in place of the partnership drawings that were historically paid) and reflects the removal of items which are not expected to continue following the closing of the Offering, including consulting fees paid to a related party that have historically been paid by IBI Group. See "Financial Statements". Adjusted EBITDA is not a recognized earnings measure under GAAP and does not have a standardized meaning prescribed by GAAP, and the qualifications outlined above with respect to EBITDA apply equally to Adjusted EBITDA. Therefore, Adjusted EBITDA may not be comparable with

similar measures presented by other issuers. The following table reconciles EBITDA and Adjusted EBITDA of IBI on a consolidated basis to net income based on audited and unaudited historical financial information.

	Twelve Months Ended April 30, 2004 ⁽¹⁾	Three months ended April 30,		Year ended January 31,		
		2004 ⁽²⁾	2003 ⁽²⁾	2004 ⁽²⁾	2003 ⁽²⁾	2002 ⁽²⁾
		(thousands of dollars)				
Net Earnings	\$15,400	\$ 4,450	\$ 2,796	\$13,746	\$12,818	\$11,215
Add Back:						
Taxes	729	135	92	686	614	453
Interest	284	50	28	262	173	277
Amortization	1,064	230	223	1,057	1,152	869
EBITDA	17,477	4,865	3,139	15,751	14,757	12,814
Non-recurring Fees paid to Directors' and Associate Directors ⁽³⁾	764	—	—	764	318	329
Non-recurring Consulting Fees to Related Parties ⁽⁴⁾	395	—	—	395	325	435
Directors' and Associate Directors' Compensation Amount ⁽⁵⁾	(7,287)	(1,963)	(1,775)	(7,099)	(6,173)	(6,126)
Adjusted EBITDA ⁽⁶⁾	<u>\$11,349</u>	<u>\$ 2,902</u>	<u>\$ 1,364</u>	<u>\$ 9,811</u>	<u>\$ 9,227</u>	<u>\$ 7,452</u>

Notes:

- (1) The amounts for the 12 months ended April 30, 2004 have been derived from the audited consolidated financial statements of IBI Group for the year ended January 31, 2004 and the unaudited consolidated financial statements of IBI Group for the three month period ended April 30, 2004 appearing elsewhere in this prospectus. The results of operations for this period are not necessarily indicative of the results of operations to be expected in any given fiscal year.
- (2) The amounts are derived from audited and unaudited historical financial statements included elsewhere in this prospectus.
- (3) Payments have been made to Directors and Associate Directors representing management fees and salary, which will now be included in the Directors and Associate Directors Compensation Amount. See Note 5.
- (4) Consulting fees that have been paid to related parties, which will be discontinued following the closing of the Offering.
- (5) The Directors and Associate Directors Compensation Amount will be paid by IBI Group and certain of its subsidiary entities to the Management Partnership pursuant to the Administration Agreement as a management fee. This amount represents the base compensation for the services of the principals of the partners of the Management Partnership who have historically taken their compensation in the form of partners drawings, management fees and salaries.
- (6) See "Non-GAAP Measures".

MANAGEMENT'S DISCUSSION AND ANALYSIS

Results of Operations

The following is a discussion and comparison of IBI's results of operations and financial position for the three months ended April 30, 2004 and the three months ended April 30, 2003 and for the years ended January 31, 2004 ("Fiscal 2004"), January 31, 2003 ("Fiscal 2003") and January 31, 2002 ("Fiscal 2002"). The amounts described below are based on the combined financial statements of IBI, which are prepared in accordance with GAAP.

Three Months Ended April 30, 2004 Compared to Three Months Ended April 30, 2003

Revenues

IBI's revenues of \$17.9 million for the three months ended April 30, 2004 increased by \$2.2 million, or approximately 14.5%, from revenues of \$15.7 million for the three months ended April 30, 2003. The increase was due to an increase in professional staff, an increase in productivity, and the fact that the three months ended

April 30, 2004 had five additional working days. These factors were offset by the rising Canadian dollar, which had a negative impact on revenues.

Expenses

Salaries, fees and employee benefits of \$9.9 million for the three months ended April 30, 2004 increased by \$0.6 million, or approximately 6%, from \$9.3 million for the three months ended April 30, 2003. This increase was due to an increase of approximately 5% in staff salaries and an increase in professional staff, partially offset by a reduction in costs due to the impact of the rising Canadian dollar.

Operating expenses of \$3.2 million for the three months ended April 30, 2004 were consistent with the three months ended April 30, 2003. The marginal increase in costs was offset by the impact of the rising Canadian dollar.

Income Taxes

Income earned by IBI is taxable in the hands of the partners of IBI. The tax expense recognized by IBI is a result of taxable income earned in incorporated entities combined in the financial statements of IBI.

The effective tax rate for the three months ended April 30, 2004 was 2.9%, which was down from 3.2% for the three months ended April 30, 2003.

Net Income

Net income of \$4.5 million for the three months ended April 30, 2004 increased by \$1.7 million, or approximately 59%, from \$2.8 million for the three months ended April 30, 2003. The increase resulted primarily from higher revenues generated by the increase in professional staff, an increase in productivity and the five additional working days in the period during 2004, without any increase in overhead costs.

Year ended January 31, 2004 Compared to Year ended January 31, 2003 Compared to Year ended January 31, 2002

Revenue

Revenue for the Fiscal 2004 was \$68.2 million, an increase of \$5.1 million, or approximately 8%, over Fiscal 2003 revenue of \$63.1 million. Fiscal 2003 revenue was \$10.4 million, or approximately 19.7%, higher than Fiscal 2002 revenue of \$52.7 million. Excluding the impact of the acquisition of Walker Newby completed on April 1, 2002, revenues increased by approximately 7% in Fiscal 2004 as compared to Fiscal 2003 and by approximately 14% in Fiscal 2003 as compared to Fiscal 2002.

The increase in revenues for Fiscal 2004 as compared to Fiscal 2003 was spread across almost all offices of IBI, with all but four offices having increased revenues over Fiscal 2003. California, western Canada and the United Kingdom accounted for the majority of this growth. The increase in revenues for Fiscal 2003 as compared to Fiscal 2002 spread across all IBI offices, with California, western Canada and the United Kingdom again accounting for the majority of this increase with significant projects commencing in all three of these regions that continued into Fiscal 2004.

Expenses

Salaries, fees and employee benefits for Fiscal 2004 were \$38.8 million, an increase of \$3.3 million, or approximately 9%, over Fiscal 2003 salaries, fees and employee benefits of \$35.5 million. Fiscal 2003 salaries, fees and employee benefits were \$6.4 million, or approximately 22%, higher than Fiscal 2002 salaries, fees and employee benefits of \$29.1 million. The increases were the result of the growth in staffing levels required to achieve the higher revenue levels together with staff salary increases. In April 2002, 55 new employees joined IBI Group as a result of the acquisition of Walker Newby.

Operating expenses for Fiscal 2004 were \$13.6 million, an increase of \$0.7 million, or approximately 6%, over Fiscal 2003 operating expenses of \$12.9 million. The significant components accounting for the increase in

operating expenses were rent and professional liability insurance, which accounted for approximately \$0.5 million of the increase.

Operating expenses for Fiscal 2003 were \$2.1 million, or approximately 19%, higher than Fiscal 2002 operating expenses of \$10.8 million. Of this increase, approximately \$0.75 million relates to the increased operating costs as a result of the acquisition of Walker Newby in April 2002. Additional office space leased in Irvine, Boston, Calgary and Toronto during Fiscal 2003 accounted for approximately \$1.0 million of the increase.

Income Taxes

Income earned by IBI is taxable in the hands of the partners of IBI. The tax expense recognized by IBI is a result of taxable income earned in incorporated entities combined in the financial statements of IBI.

The effective tax rate for Fiscal 2004 was 4.8% compared to the Fiscal 2003 rate of 4.6% and the Fiscal 2002 rate of 3.9%. The increase of the effective rate was the result of growth of the business in jurisdictions where IBI pays taxes.

Net Income

IBI's net income for Fiscal 2004 was \$13.7 million compared to \$12.8 million in Fiscal 2003 and \$11.2 million in Fiscal 2002. The increase in net income was achieved through an increase in revenues, which was offset by a proportionate increase in salary, fees and employee benefit costs. The increase in revenues of approximately 8% in Fiscal 2004 as compared to Fiscal 2003 was offset by an increase in salary and benefit costs of approximately 9%. This imbalance in Fiscal 2004 was due to the stronger Canadian dollar, which had a greater impact on revenues than on expenses due to the concentration of staff in Canada. Operating costs varied to a lesser degree with revenues, increasing only approximately 6% in Fiscal 2004 as compared to Fiscal 2003.

IBI's Fiscal 2003 net income was \$1.6 million, or approximately 14%, higher than Fiscal 2002 net income. The increase in net income was the result of the significant revenue growth, offset by proportionate increases in salaries, fees and employee benefits and other operating costs.

Liquidity and Capital Resources

IBI's primary source of cash is from operations and an authorized line of credit of \$16 million with a Canadian chartered bank. As at January 31, 2004, \$7.8 million of the line of credit was being utilized compared with \$3.9 million as at January 31, 2003. In Fiscal 2004, IBI generated cash flow from operations before changes in non-cash working capital of \$14.8 million compared to \$13.9 million for Fiscal 2003. During Fiscal 2004 non-cash working capital increased by \$5 million, driven primarily by an increase in accounts receivable and a decrease in deferred revenue. Two customers accounted for approximately \$3 million of the increase in accounts receivable balance. In Fiscal 2003, \$1 million of accounts receivable from one customer was classified as long term. In Fiscal 2004 the account was brought current. The decrease in deferred revenue was the result of IBI performing work on projects during Fiscal 2004 for which advanced payments had been received in Fiscal 2003.

The current assets of IBI Group, with the exception of the capital assets, will form the assets of Management Partnership and not be included in opening assets of IBI. Any liabilities of IBI Group that do not move to Management Partnership will be funded by IBI Group.

IBI has future contractual obligations related to existing facilities and office equipment operating leases as follows:

	<u>Total</u>	<u>Less than 1 year</u>	<u>1-3 years</u>	<u>4-5 years</u>	<u>Thereafter</u>
Operating Leases	\$24,549	\$4,084	\$6,632	\$5,323	\$8,510

Capital Expenditures

Capital expenditures totalled \$1 million in Fiscal 2004 compared with \$1.4 million in Fiscal 2003 and \$1 million in Fiscal 2002. Capital expenditures are primarily for updating and replacing electronic data processing equipment. Annual expenditures on electronic data processing equipment for the past three years have been consistent at \$0.6 million. In Fiscal 2004 and Fiscal 2003, capital expenditures on leasehold improvements and office furniture and equipment combined were \$0.5 million and \$0.8 million, respectively. These expenses were the result of office relocations and expansions in Toronto, Calgary, Edmonton, Vancouver, Irvine, Seattle and Salt Lake City. These offices are now in suitable space to meet existing needs as well as future expansion with limited addition capital expenditure required.

Management anticipates that, for the foreseeable future, maintenance capital expenditures will be approximately \$1 million annually.

Principal Market Risks

In the normal course of business, IBI is exposed to fluctuations in currency values, interest rates and other market risks.

Inflation

Inflation has not had a significant impact on IBI over the past three years and IBI does not expect it to have a significant impact on its results of operations or financial condition in the foreseeable future.

Foreign Exchange

In Fiscal 2004, approximately half of IBI's combined revenue was earned in Canadian dollars.

Transactions with Related Parties

IBI leases its Toronto office space from corporations which are indirectly owned by the partners of the Management Partnership. The leases were entered into in 2002 at then current market rates. Annual rental payments due on the leases are approximately \$1.8 million. The leases expire December 31, 2012.

Critical Accounting Estimates

IBI values its work in process based on the time and materials that have been charged into each particular project. The amount for each project is reviewed on a periodic basis by the financial management of IBI and the Director responsible for the project to determine whether or not the amount shown is a true reflection of the amount that will be invoiced on the project. Where there is a determination that there are differences between the work in process for the project and the amount that can be invoiced, adjustments are made to the work in process. The valuation of the work in process involves estimates of the amount of work required to complete the project. Errors in the estimation of work required to complete the projects could lead to the overvaluation of work in process.

Outlook

Prior to completion of the Offering, the business operated as a combination of partnerships and corporations owned by the partners of IBI. The 39 Directors and Associate Directors of IBI have not historically drawn any salary. Following the completion of the Offering, IBI Group and certain of its subsidiary entities will pay to the Management Partnership an amount equal to the Directors and Associate Directors Compensation Amount which is initially estimated to be \$7.8 million per annum, as compensation for providing the services of the principals of the partners of the Management Partnership to IBI Group clients. The establishment of IBI as a subsidiary of the Fund will result in incremental expenses estimated to be \$450,000 annually in respect of incremental administrative and management costs related to the operation of the Fund as a publicly traded entity.

IBI has entered into binding agreements providing for the acquisition of three additional firms, Cumming Cockburn Limited, CCL Consultants Inc. and Marshall Cummings & Associates Limited. Cumming Cockburn Limited is a regional engineering firm located in southern Ontario. CCL Consultants Inc. is an engineering firm located in Florida servicing the southeastern United States. Marshall Cummings & Associates Limited is an interior design firm located in Toronto, servicing clients across Canada. These acquisitions are being paid for through a combination of cash and debt. The debt obligations will remain with the Management Partnership and will not form part of the ongoing obligations of the fund.

Risks and Uncertainties

Please refer to “Risk Factors” for a discussion of the risks affecting the business of IBI Group.

PLAN OF DISTRIBUTION

Pursuant to an agreement (the “Underwriting Agreement”) dated ●, 2004, among the Fund, the Holding Trust, IBI LP, IBI Group, the General Partner and the Underwriters, the Fund has agreed to sell and the Underwriters have severally agreed to purchase on ●, 2004, or on such later date as may be agreed upon, but in any event not later than ●, 2004, an aggregate of ● Units at a purchase price of \$10.00 per Unit, for an aggregate consideration of \$ ● payable to the Fund by the Underwriters against delivery of the Units. The Underwriters will receive an aggregate fee of \$ ●. See “Funding, Acquisition and Related Transactions” and “Use of Proceeds”. The Fund has granted the Underwriters an over-allotment option, exercisable for a period of 30 days from the date of the closing of the Offering, to purchase up to a total of ● additional Units on the same terms as set out above solely to cover over-allotments, if any, and for market stabilization purposes. If the over-allotment option is exercised, the Underwriters will receive a fee of \$ ● per additional Unit purchased pursuant to the exercise of such option. If the over-allotment option is exercised, the proceeds therefrom will be used by the Fund to indirectly acquire additional Class A Units of IBI.

The obligations of the Underwriters under the Underwriting Agreement may be terminated at their discretion on the basis of their assessment of the state of the financial markets and may also be terminated upon the occurrence of certain stated events. The Underwriters are, however, obligated to take up and pay for all of the Units if any of such Units are purchased under the Underwriting Agreement.

The Fund has agreed with the Underwriters that the Fund will not, for the period ending 180 days after the closing of this Offering, issue, offer, sell, contract to sell or otherwise dispose of, directly or indirectly, any Units or any securities convertible into or exchangeable or exercisable for Units, or publicly disclose the intention to make any such issue, offer, sale or disposition, except in connection with an acquisition by IBI Group, without the prior consent of CIBC World Markets Inc.

Pursuant to policy statements of the Ontario Securities Commission and the Autorité des marchés financiers du Québec, the Underwriters may not, throughout the period of distribution under this prospectus, bid for or purchase Units. The foregoing restriction is subject to certain exceptions, as long as the bid or purchase is not engaged in for the purpose of creating actual or apparent active trading in or raising the price of such securities. These exceptions include a bid or purchase permitted under the by-laws and rules of the Toronto Stock Exchange relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Subject to the foregoing and applicable laws, the Underwriters may, in connection with this Offering, over-allot or effect transactions which stabilize or maintain the market price of the Units at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Units have not been and will not be registered under the United States *Securities Act of 1933*, as amended (the “U.S. Securities Act”), and, subject to certain exceptions, may not be offered or sold in the United States. Accordingly, the Units will only be offered or sold within the United States pursuant to Rule 144A under the U.S. Securities Act or in private placement transactions to Accredited Investors (as defined in the U.S. Securities Act) and thereafter may only be re-offered or sold in the United States or to a U.S. person pursuant to the registration requirements of the U.S. Securities Act and applicable state securities laws or an exemption therefrom. In addition, until 40 days after the date of this prospectus, any offer or sale of the Units in the United States by any dealer, whether or not participating in the Offering, may violate the registration

provisions of the U.S. Securities Act unless made in compliance with Rule 144A or another exemption under the U.S. Securities Act.

There is currently no market through which the Units may be sold and purchasers may not be able to resell securities purchased under the prospectus. Accordingly, the terms of the distribution, including the offering price of the Units, was determined by negotiation between the Fund, IBI Group and the Underwriters.

USE OF PROCEEDS

The proceeds of \$ ● from the issuance of the Units will be used by the Fund to acquire a combination of Holding Trust Units and Holding Trust Notes. The Holding Trust will, in turn, (i) capitalize General Partner Co, (ii) make a contribution to the General Partner and (iii) subscribe for LP Units. The General Partner will use the amount contributed to it by the Holding Trust to acquire the general partnership interest in IBI LP. IBI LP will use the proceeds of such issuance of LP Units and the amount received from the General Partner for the general partnership interest to purchase Class A Units of IBI Group for a total purchase price of \$ ● payable in cash. IBI Group will then pay the expenses of the Offering (estimated to be \$ ●) and the Underwriters' fees (in the amount of \$ ●) and purchase the IBI Assets from the Management Partnership in consideration for the issuance of Class B Units of IBI Group. IBI Group will then make a capital distribution in cash in the amount of approximately \$4 million on the Class B Units. The balance of the cash received by IBI Group in respect of the subscription for Class A Units will continue to be held by the IBI Group and, together with an amount equal to the aggregate net proceeds which will be realized from the over-allotment option if it is exercised in full, will represent the Priority Capital Amount. The Class B Units will have a preferred entitlement to the capital of IBI Group represented by the Priority Capital Amount or the portion thereof, if any, that remains outstanding from time to time, and shall, in the event of a liquidation or dissolution of IBI Group, be entitled to the distribution of such amount, if any, in priority to any distribution of capital on the Class A Units. In addition, the holder of the Class B Units shall be entitled at any time to direct IBI Group to distribute to it all or any part of the Priority Capital Amount then outstanding.

If the over-allotment option is exercised, the proceeds therefrom will be used by the Fund to indirectly acquire additional Class A Units of IBI Group (with the net proceeds to be for the benefit of the holder of the Class B Units). To the extent that the over-allotment option is not exercised in full, the Priority Capital Amount shall be reduced by an amount equal to the net proceeds that would have been realized on the exercise of the portion of the over-allotment option which was not exercised had it been exercised and the holder of the Class B Units shall be issued additional Class B Units equal to the number of Units in respect of which the over-allotment option was not exercised. An equivalent number of additional Non-Participating Voting Units will also be issued to the holder of the Class B Units.

PRINCIPAL UNITHOLDERS

To the knowledge of the Trustees and the directors and officers of the General Partner, the only person or company that will beneficially own, directly or indirectly, or exercise control or direction over, in excess of 10% of the Units on a diluted basis on the completion of the Offering will be the Management Partnership which will hold ● Class B Units representing ● % of the issued and outstanding Partnership Units assuming the over-allotment option is exercised in full (● Class B Units representing ● % of the issued and outstanding Partnership Units if the Over-Allotment Option is not exercised) and a corresponding number of Non-Participating Voting Units, which are together exchangeable for ● Units representing ● % of the outstanding Units on a diluted basis (● Units representing ● % of the outstanding Units if the over-allotment option is not exercised).

INTERESTS OF MANAGEMENT AND OTHERS IN MATERIAL TRANSACTIONS

The Management Partnership will sell the IBI Assets to IBI Group for the consideration set forth under "Funding, Acquisition and Related Transactions" and will be entitled to payments from IBI Group in Class B Units in respect of the Purchase Price, and the Management Partnership will be entitled to receive fees in exchange for providing the services of the Directors and Associate Directors to IBI Group. See "Principal Agreements — Administration Agreement".

CERTAIN CANADIAN FEDERAL INCOME TAX CONSIDERATIONS

In the opinion of Goodman and Carr LLP, counsel to the Fund, and Goodmans LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a Unitholder who acquires Units pursuant to this Offering and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length with, and is not affiliated with, the Fund and holds the Units as capital property. Generally, Units will be considered to be capital property to a Unitholder provided that the Unitholder does not hold the Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain Unitholders who might not otherwise be considered to hold their Units as capital property may, in certain circumstances, be entitled to have their Units and every other "Canadian security" (as defined in the Tax Act) owned by them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. This summary is not applicable to a Unitholder that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules) or a "specified financial institution", or a Unitholder an interest in which is a tax shelter investment (all as defined in the Tax Act). In addition, this summary does not address the deductibility of interest by a Unitholder who has borrowed money to acquire Units.

This summary is based upon the facts set out in this prospectus, the provisions of the Tax Act in force at the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the CCRA and takes into account all specific proposals to amend the Tax Act which have been publicly announced by or on behalf of the Minister of Finance (Canada) prior to the date hereof (the "Proposed Amendments"), and certificates of certain of the Underwriters and the Fund as to certain factual matters. There can be no assurance that the Proposed Amendments will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in the administrative policies or assessing practices of the CCRA, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this prospectus.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Units. Moreover, the income and other tax consequences of acquiring, holding or disposing of Units will vary depending on the Unitholder's particular circumstances, including the province or territory or provinces or territories in which the Unitholder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units or any Unitholder. Prospective Unitholders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Units based on their particular circumstances.

Status of the Fund

Mutual Fund Trust

The Fund currently qualifies as a "unit trust" as defined in the Tax Act. This summary assumes that the Fund: (i) will qualify as a mutual fund trust as defined in the Tax Act on completion of the Offering of Units hereunder, and will thereafter continuously qualify as a mutual fund trust at all relevant times; (ii) will be able to and will elect within the prescribed time to be deemed to be a mutual fund trust from the date it is established; and (iii) is not established or maintained primarily for the benefit of non-residents. Counsel is of the view that it is reasonable in light, *inter alia*, of the terms of the Declaration of Trust to assume that the Fund is not established and will not be maintained primarily for the benefit of non-residents.

If the Fund were not to qualify as a mutual fund trust, the income tax considerations described below would, in some respects, be materially different.

Qualified Investment

Provided the Fund is a mutual fund trust within the meaning of the Tax Act, the Units will be qualified investments for Plans, subject to the specific provisions of any particular Plan. If the Fund ceases to qualify as a mutual fund trust, the Units will cease to be qualified investments for those Plans.

Holding Trust Notes received as a result of a redemption of Units (or any other securities of the Holding Trust received by a Unitholder) may not be a qualified investment for a Plan, and this could give rise to adverse consequences to the Plan or the annuitant under the Plan. Accordingly, Plans that own Units should consult their own tax advisors before deciding to exercise the redemption rights attached to the Units.

Foreign Property

Based in part on a certificate of the Fund as to certain factual matters and provided the Fund restricts its holdings of foreign property within the limits provided under the Tax Act, Units, if issued on the date hereof, would not, on that date, constitute foreign property for Plans (other than registered education savings plans), registered pension plans or other persons subject to tax under Part XI of the Tax Act. Trusts governed by registered education savings plans are not subject to the foreign property rules. If the Fund ceases to qualify as a mutual fund trust, the Units may become foreign property.

The Fund will be a business income trust and the Units will constitute restricted investment property as described in the Budget Proposals (as discussed herein).

Taxation of the Fund

The taxation year of the Fund is the calendar year. In each taxation year, the Fund will be subject to tax under Part I of the Tax Act on its income for tax purposes for the year, including all interest on the Holding Trust Notes that accrues to the Fund to the end of the year (except to the extent that such interest was included in computing its income for a preceding taxation year), such amount of the Holding Trust's income as became payable in the year to the Fund as a distribution on the Holding Trust Units and net realized taxable capital gains, less the portion thereof that it deducts in respect of the amounts paid or payable in the year to Unitholders. An amount will not be considered to be payable to a Unitholder in a taxation year unless it is paid to the Unitholder in the year by the Fund or the Unitholder is entitled in that year to enforce payment of the amount. The Fund will not be subject to tax on any payments of principal on the Series 1 Trust Notes nor on any amount received as a distribution of capital (and not income) on the Holding Trust Units to the extent such amount does not exceed the adjusted cost base of the Holding Trust Units immediately prior to the payment.

A distribution by the Fund of Fund assets upon a redemption of Units will be treated as a disposition by the Fund of the Fund assets so distributed for proceeds of disposition equal to their fair market value. The Fund's proceeds of disposition of Series 1 Trust Notes will be reduced by any accrued but unpaid interest in respect thereof, which interest will generally be included in the Fund's income in the year of disposition to the extent that it was not included in a previous year. The Fund will realize a capital or income gain (or loss) to the extent that the proceeds from the disposition exceed (or are less than) the cost amount to the Fund of the relevant property and any reasonable costs of disposition. The Fund currently intends to treat as payable to and designate to a redeeming unitholder any capital gain realized by the Fund as a result of the distribution of such property to the Unitholder.

In computing its income, the Fund may deduct reasonable administrative costs, interest and other expenses incurred by it for the purpose of earning income. The Fund may also deduct in computing its income for a year a portion of the reasonable expenses incurred by it in connection with the issuance of Units pursuant to this Offering. The portion of such issue expenses deductible by the Fund in a taxation year is 20% of such issue expenses, pro-rated where the Fund's taxation year is less than 365 days.

Under the Declaration of Trust, an amount equal to all of the income of the Fund for each year (determined for the purposes of the Tax Act without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), including net realized taxable capital gains, will be payable in the year to Unitholders, so that the Fund will generally not be liable in such year for tax under Part I of the Tax Act. Income of the Fund which is applied to fund redemptions of Units for cash or is otherwise unavailable for cash distributions will be distributed to Unitholders in the form of additional Units. Losses incurred by the Fund cannot be allocated to Unitholders, but may be deducted by the Fund in future years in accordance with the Tax Act.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the

redemption of Units during the year (the “capital gains refund”). In certain circumstances, the capital gains refund in a particular taxation year may not completely offset the Fund’s tax liability for that taxation year arising as a result of the distribution of Fund assets on the redemption of Units. The Declaration of Trust provides that all or a portion of any taxable capital gain or income realized by the Fund in connection with a redemption of Units may, at the discretion of the Trustees, be designated as income or a taxable capital gain payable to the redeeming Unitholder. The income or taxable capital gain designated to a redeeming Unitholder will be deductible by the Fund. In addition, certain accrued interest on Holding Trust Notes distributed to a redeeming Unitholder will be treated as an amount paid to that Unitholder and will be deductible by the Fund.

Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized taxable capital gains so that the Fund will generally not be liable in that year for income tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

Taxation of the Holding Trust

The taxation year of the Holding Trust is the calendar year. In each taxation year, the Holding Trust will be subject to tax under Part I of the Tax Act on its income for the year, including its allocated share of the income of IBI LP, except to the extent such income is paid or payable or deemed to be paid or payable in such year to the Fund and is deducted by the Holding Trust in computing its income for tax purposes.

In computing its income for tax purposes, the Holding Trust will generally be entitled to deduct its expenses incurred to earn such income, provided such expenses are reasonable and otherwise deductible, subject to the relevant provisions of the Tax Act. Under the Holding Trust Declaration of Trust, all of the income of the Trust for each year (determined without reference to paragraph 82(1)(b) and subsection 104(6) of the Tax Act), including net realized taxable capital gains, will generally be payable in the year to the Fund. For purposes of the Tax Act, the Holding Trust generally intends to deduct in computing its income the full amount available for deduction in each year to the extent of its taxable income for the year otherwise determined. Counsel has been advised by the Fund that the Fund does not expect the Holding Trust to be liable for any material amount of tax under Part I of the Tax Act. Counsel can provide no opinion in this regard.

Taxation of IBI LP and IBI Group

IBI LP and IBI Group are not subject to tax under the Tax Act. Each partner of IBI LP, including the Holding Trust, and each partner of IBI Group, including IBI LP and Management Partnership is required to include in the partner’s income for a particular taxation year, the partner’s share of the income or loss of IBI LP or IBI Group for its fiscal year ending in the partner’s taxation year, or ending concurrently with the partner’s taxation year end, whether or not any of that income is distributed to the partner in the taxation year. For this purpose, the income or loss of IBI LP and IBI Group will be computed for each fiscal year as if IBI LP and IBI Group were a separate person resident in Canada. In computing the income or loss of IBI LP and IBI Group, deductions may be claimed in respect of reasonable administrative costs, interest and other expenses incurred by IBI LP and IBI Group for the purpose of earning income, subject to the relevant provisions of the Tax Act. Each of IBI LP and IBI Group may also claim a deduction from its income for the year in respect of a portion of the reasonable expenses incurred by IBI LP and IBI Group to issue interests in such partnerships in connection with the transactions contemplated by this Offering. The portion of such issue expenses which may be claimed as deductions by IBI LP and IBI Group in a taxation year is 20% of such issue expenses, that are not otherwise deductible, pro-rated where IBI LP’s or IBI Group’s taxation year is less than 365 days. The net income or loss of IBI LP and IBI Group for a fiscal year will be allocated to the partners of IBI LP, including the Holding Trust, and the Partners of IBI Group, including IBI LP and Management Partnership, on the basis of their respective share of that income or loss as provided in the IBI LP Partnership Agreement, respectively, and IBI Group Partnership Agreement, subject to the detailed rules in the Tax Act in that regard.

If IBI LP incurs losses for tax purposes, the Holding Trust will be entitled to deduct in the computation of its income for tax purposes its share of any such losses for any fiscal year to the extent that the Holding Trust’s investment is “at risk” within the meaning of the Tax Act. In general, the amount “at risk” for an investor in a limited partnership for any taxation year will be the adjusted cost base of the investor’s partnership interest at the end of the year (such adjusted cost base to be computed excluding any unpaid portion of the purchase price

payable by the investor for such partnership interest), plus any undistributed income allocated to the limited partner for the year, less any amount owing by the limited partner (or a person with whom the limited partner does not deal at arm's length) to IBI LP (or to a person with whom IBI LP does not deal at arm's length) and less the amount of any benefit that a limited partner (or a person with whom the limited partner does not deal at arm's length) is entitled to receive or obtain for the purpose of reducing, in whole or in part, any loss of the limited partner from the investment.

Taxation of Unitholders

Fund Distributions

A Unitholder will generally be required to include in income for a particular taxation year the portion of the net income of the Fund for a taxation year, including net realized taxable capital gains, that is paid or payable to the Unitholder in the particular taxation year, whether that amount is received in cash, additional Units or otherwise.

The non-taxable portion of any net realized capital gains of the Fund that is paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for the year. Any other amount in excess of the net income of the Fund that is paid or payable to a Unitholder in that year will not generally be included in the Unitholder's income for the year. However, where such an amount is paid or payable to a Unitholder (other than as proceeds in respect of the redemption of Units), that amount will reduce the adjusted cost base of the Units to the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be a negative amount at the end of a taxation year, the negative amount will be deemed to be a capital gain and the adjusted cost base of the Unit to the Unitholder will then be nil.

Provided that appropriate designations are made by the Fund, such portions of its taxable dividends received (or deemed to be received) from taxable Canadian corporations and net taxable capital gains as are paid or payable to a Unitholder will effectively retain their character and be treated as such in the hands of the Unitholder for purposes of the Tax Act. To the extent that amounts are designated as taxable dividends from the Fund, they will be subject, *inter alia*, to the gross-up and dividend tax credit provisions in respect of Unitholders who are individuals, to the refundable tax under Part IV of the Tax Act in respect of Unitholders that are private corporations and certain other corporations controlled directly or indirectly by or for the benefit of an individual or related group of individuals, and to the deduction in computing taxable income in respect of Unitholders that are corporations.

Purchasers of Units

Since the net income of the Fund will be distributed on a monthly basis, a purchaser of a Unit may become taxable on a portion of the net income of the Fund accrued or realized by the Fund in a month before the time the Unit was purchased but which was not paid or made payable to Unitholders until the end of the month and after the time the Unit was purchased. A similar result may apply on an annual basis in respect of a portion of capital gains accrued or realized by the Fund in a year before the time the Unit was purchased but which is paid or made payable to Unitholders at year end and after the time the Unit was purchased. When such amounts are paid by the Fund, they generally must be included in computing the income of the Unitholder for tax purposes.

Dispositions of Units

On the disposition or deemed disposition of a Unit, whether on a redemption or otherwise, the Unitholder will realize a capital gain (or capital loss) equal to the amount by which the Unitholder's proceeds of disposition exceed (or are less than) the aggregate of the adjusted cost base of the Unit and any reasonable costs of disposition. Proceeds of disposition will not include an amount payable by the Fund that is otherwise required to be included in the Unitholder's income, including any capital gain realized by the Fund in connection with a redemption of Units which has been designated by the Fund to the redeeming Unitholder. Where a Unitholder that is a corporation or trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of any dividends received by the Fund previously designated by the Fund to the Unitholder, except to the extent that a loss on a previous disposition of a Unit has

been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, with certain adjustments. The cost to a Unitholder of additional Units received in lieu of a cash distribution of income will be the amount of income distributed by the issue of those Units. For the purpose of determining the adjusted cost base to a Unitholder of Units, when a Unit is acquired, the cost of the newly acquired Unit will be averaged with the adjusted cost base of all of the Units owned by Unitholder as capital property immediately before that acquisition in accordance with the detailed provisions of the Tax Act.

Where Units are redeemed and Series 2 Trust Notes and Series 3 Trust Notes are distributed to the redeeming Unitholder, the proceeds of disposition to the Unitholder of the Units will be equal to the aggregate fair market value of the notes so distributed less any income or capital gain realized by the Fund in connection with the redemption of those Units (which income or capital gain will be designated by the Fund to the Unitholder). Where any income or capital gain realized by the Fund in connection with the redemption of Units has been designated by the Fund to a redeeming Unitholder, the Unitholder will be required to include in income the taxable portion of the capital gain and income so designated. The redeeming Unitholder will be required to include in income interest on any Series 2 Trust Notes and Series 3 Trust Notes acquired (including interest that had accrued prior to the date of the acquisition of the notes by the Unitholder that is designated as income to the Unitholders by the Fund) in accordance with the provisions of the Tax Act. The cost of Series 2 Trust Notes and Series 3 Trust Notes distributed by the Fund to a Unitholder upon a redemption of Units will be equal to the fair market value of such notes at the time of the distribution less any accrued interest on such notes. The Unitholder will thereafter be required to include in income interest on the Series 2 Trust Notes and Series 3 Trust Notes, in accordance with the provisions of the Tax Act. Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights.

The consolidation of Units of the Fund will not be considered to result in a disposition of Units by Unitholders. The aggregate adjusted cost base to a Unitholder of all of the Unitholder's Units will not change solely as a result of a consolidation of Units; however, the adjusted cost base per Unit will increase.

Capital Gains and Capital Losses

One-half of any capital gain realized by a Unitholder on a disposition or deemed disposition of Units and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will be included in the Unitholder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a Unitholder on a disposition or deemed disposition of Units may generally be deducted from taxable capital gains of the Unitholder in the year of disposition, in the three preceding taxation years or in any subsequent year in accordance with the provisions of the Tax Act. A Unitholder that is a Canadian-controlled private corporation as defined in the Tax Act may be liable for a 6% refundable tax on investment income, including taxable capital gains.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual (including certain trusts) that is designated as taxable dividends or as net realized capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Budget Proposals

On March 23, 2004, the Minister of Finance (Canada) proposed amendments to the Tax Act to restrict direct and indirect holdings in certain “business income trusts” (as defined in the proposals) by certain tax-exempt investors, including trusts governed by registered pension plans and pension corporations (the “Budget Proposals”).

Under the Budget Proposals, a “designated taxpayer” will be subject to a penalty tax in respect of each month ending after 2004 where, at the end of that month, the designated taxpayer holds “restricted investment property” and, in general terms, the cost amount to the designated taxpayer of all such property exceeds 1% of the cost amount of all of the designated taxpayer’s properties. The monthly tax will be 1% of such excess. For this purpose, restricted investment property includes units and debt of a “business income trust” (other than an “exempt trust”) and interests in (or debts of) partnerships, trusts, mutual fund corporations, investment corporations or mortgage investment corporations (each as defined in the Tax Act) where the cost amount to such entity of all of its restricted investment property exceeds 1% of the cost amount of all the entity’s properties.

The Budget Proposals also propose to subject a designated taxpayer to a penalty tax in respect of each month ending after 2004 where, in general terms, at the end of that month the designated taxpayer, and entities with which it does not deal at arm’s length, hold units of any class of a business income trust with a fair market value in excess of 5% of the fair market value of all units of such class. The monthly tax payable by a particular designated taxpayer will be 1% of its share (as determined under the Budget Proposals) of the excess holding of units by the designated taxpayer and such non-arm’s length entities.

For the purposes of the Budget Proposals, a “designated taxpayer” includes trusts governed by registered pension plans and pension corporations (but does not include Plans).

The Fund will be a “business income trust” other than an “exempt trust” and Units will constitute “restricted investment property” as described in the Budget Proposals.

On May 18, 2004, the Minister of Finance (Canada) announced that the Budget Proposals will be suspended to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. Following such consultations, the Minister of Finance (Canada) has indicated the Government will issue legislative proposals. Prospective purchasers of Units who are “designated taxpayers”, or an entity an interest in which (or debt of which) may become “restricted investment property” as a result of holding Units, should consult their own tax advisors regarding the potential application of the Budget Proposals as a result of an acquisition of Units.

CERTAIN UNITED STATES FEDERAL TAX CONSIDERATIONS

In the opinion of Hodgson Russ LLP, United States tax counsel to the Fund (“US Tax Counsel”), the following summary describes, as of the date of this prospectus, the principal United States federal income and estate tax considerations applicable to non-US Unitholders (as defined below) of the purchase, ownership and disposition of the Units offered by this prospectus. This discussion is based upon current provisions of the Code, including existing and proposed United States Treasury Regulations thereunder, and current administrative rulings, judicial decisions and other applicable authorities. There can be no assurance that the Internal Revenue Service (“IRS”) will not challenge the analysis or conclusions reached in this section, and no ruling from the IRS has been or will be sought on the structure or transactions described in this prospectus or on any of the issues discussed below. Furthermore, United States legislative, judicial or administrative changes may occur, perhaps with retroactive effect, which could affect the accuracy of the analysis and conclusions set forth in this prospectus and the United States federal tax consequences to Unitholders.

This discussion does not deal with all aspects of United States federal income taxation that may be relevant to Unitholders in light of their personal investment circumstances nor, except for specific limited discussions of particular topics, to Unitholders subject to special treatment under United States federal income tax laws, such as financial institutions, broker-dealers, life insurance companies and tax-exempt organizations. Also, this summary does not address the United States federal, state, or local income tax rules applicable to US Unitholders or the United States state or local income tax rules applicable to non-US Unitholders. This

information is directed only to prospective purchasers who purchase Units in the distribution of the Units offered by this prospectus and who are not United States persons under the Code.

For purposes of this summary, the Fund has represented to US Tax Counsel that (i) the Fund is not directly engaged in a trade or business in the United States (although the Fund is indirectly engaged in a trade or business in the United States, but only through its indirect ownership of IBI Group US), (ii) the Fund has not made any prior entity classification election for United States tax purposes, (iii) no direct or indirect subsidiary of the Fund will subscribe for Units, other than possible momentary ownership of Units in the event of exchanges of Class B Units of IBI Group for Units as provided for in the Exchange Agreement, (iv) the Fund expects at least 90% of its income to be “Qualifying Income” within the meaning of Section 7704(d) of the Code, and (v) the IBI Group Partnership Agreement will provide that all income allocated to IBI Group with respect to its direct partnership interest in IBI Group US shall be allocated to the Class B Units and none shall be allocated to the Class A Units. US Tax Counsel has relied on these representations in preparing this summary and issuing the opinions discussed below.

For purposes of this discussion, a “non-US Unitholder” means any Unitholder that is not a United States person (as defined in Section 7701(a)(30) of the Code or otherwise under United States law) which includes, without limitation, (i) a citizen of or individual resident in the United States, (ii) a partnership or other entity taxable as a partnership created or organized under the laws of the United States or any political subdivision thereof, (iii) a corporation or other entity taxable as a corporation created or organized under the laws of the United States or any political subdivision thereof, (iv) an estate, the income of which is subject to United States federal income tax regardless of the source, or (v) a trust, if a court within the United States is able to exercise primary supervision over the trust’s administration and one or more United States persons have the authority to control all its substantial decisions. A “US Unitholder” means any Unitholder that is not a non-US Unitholder.

This discussion does not claim to deal with all aspects of United States federal taxation that may be relevant to non-US Unitholders including, without limitation, non-US Unitholders subject to special treatment under United States federal income tax laws. This summary also does not address United States federal, state or local taxation rules that may apply to United States citizens or to persons deemed resident in the United States under Section 7701 (a)(30) of the Code or otherwise. This information is directed only to prospective purchasers who purchase Units pursuant to the Offering. This summary is not exhaustive of all possible United States federal tax considerations applicable to an investment in Units. United States alternative minimum tax considerations are not addressed in this summary, nor are state, local or non-United States (“foreign”) tax consequences. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Units. Investors should consult their own tax advisors as to the United States federal, state, local, foreign and any other tax consequences to them of the purchase, ownership, and disposition of Units.

United States Tax Opinions

The opinions contained herein are limited to the conclusions set forth under this section and are specifically limited to the following issues: (i) the entity classification of the Fund for United States federal income tax purposes and (ii) the treatment of the US Notes as debt for United States federal income tax purposes. US Tax Counsel expresses no opinion with respect to any other legal or United States federal, state, local, or foreign tax matters and no inference should be drawn with respect to any matter not expressly opined upon.

1. Assuming the Fund elects on a timely basis to be classified as a partnership effective as of the Closing Date and that the Qualifying Income Exception (as defined below) is satisfied, the Fund should be treated as a partnership for United States federal income tax purposes.
2. The US Notes should be treated as debt for United States federal income tax purposes.

Discussion

The discussion herein is a general overview of some of the relevant United States tax authorities and is included solely for information purposes. The only United States tax opinions being expressed by US Tax Counsel herein are those set out above.

United States Federal Income Tax Impact on Non-US Unitholders

The Fund and Non-US Unitholders are not Engaging in a United States trade or business

Subject to the qualifications stated in the United States Tax Opinions section above, the Fund should be treated as a partnership for United States federal income tax purposes. The Fund intends to operate in a manner that will not cause it to be treated as directly engaged in a trade or business in the United States. Because the Fund itself will not directly engage in a United States trade or business, the Unitholders also will not be treated as directly engaging in a United States trade or business due solely to their ownership of Units. As a result, non-US Unitholders will not be subject to United States federal income tax or United States federal income tax filing obligations with respect to their distributive share of the Fund's income solely because of their investment in Units.

Classification of the Fund

Subject to the qualifications stated in the United States Tax Opinions section above, the Fund should be treated as a partnership for United States federal income tax purposes. Neither the Fund nor the Holding Trust is a "trust" as such term is defined under Regulation Section 301.7701-4(a) and therefore each qualifies as a business entity for United States federal income tax purposes. Under the applicable Treasury Regulations, a business entity that is not automatically classified as a corporation and that has at least two members may elect to be treated as either a partnership or a corporation and an entity that has only one member may elect to be treated as a disregarded entity or a corporation. The Fund is not subject to automatic classification as a corporation and therefore may elect its classification for United States tax purposes. Assuming the Fund elects on a timely basis to be classified as a partnership effective as of the Closing Date and that the "Qualifying Income Exception" (as defined below) is satisfied, it is the opinion of the US Tax Counsel that the Fund should be treated as a partnership (and not a corporation) for United States federal income tax purposes. The Fund intends to elect to be classified as a partnership. The Fund's status as a partnership may facilitate potential future tax benefits such as possible qualification of future advances to the United States including advances to fund potential future United States acquisitions for "portfolio debt" treatment under Section 871(h) of the Code.

However, because the Units will be publicly traded, the Fund will also be subject to the classification rules of Section 7704 of the Code which provide that a publicly traded partnership will, as a general rule, be taxed as a corporation for United States federal income tax purposes. An exception to this treatment exists if 90% or more of a publicly traded partnership's gross income for every taxable year consists of "qualifying income" (the "Qualifying Income Exception"). In general, qualifying income includes certain passive income such as interest (from other than a financial business), dividends, gains from the sale of real property and gains from the sale or other disposition of capital assets held for the production of income that otherwise constitutes qualifying income. The Fund has represented that it expects more than 90% of its gross income to be passive income, specifically interest and dividends. The Fund's passive income will include distributions from IBI LP (which will be treated as dividends since IBI LP will elect under applicable Treasury Regulations to be treated as a corporation for United States federal income tax purposes) through the Holding Trust (which will elect under applicable Treasury Regulations to be treated as a disregarded entity).

If the Fund fails to meet the Qualifying Income Exception (other than a failure which is determined by the IRS to be inadvertent and which is cured within a reasonable time after discovery), the Fund will be treated as a corporation for United States federal income tax purposes. Whether the Fund is classified as a partnership or a corporation for United States federal income tax purposes, non-US Unitholders will not be subject to United States federal income tax or United States federal income tax filing obligations with respect to their distributive share of the Fund's income solely because of their investment in Units.

Disposition of Units

A non-US Unitholder should not be subject to United States federal income tax on any gain realized on the sale, exchange, or other disposition of a Unit unless (i) the non-US Unitholder is an individual who is present in the United States for a period or periods aggregating 183 or more days in the tax year of the disposition and certain other conditions are met, (ii) the non-US Unitholder is subject to tax pursuant to the provisions of

United States tax law applicable to certain United States expatriates, or (iii) such gain or income is effectively connected with a United States trade or business of such non-US Unitholder.

United States Federal Income Tax Positions that may Affect the Performance of the Fund

Taxation of IBI Group US

For United States federal income tax purposes, IBI Group US will be treated as a partnership. As such, IBI Group US will not itself be subject to United States federal income tax. Rather, each of its partners, including IBI Group and US Subco, will be required to separately take into account such partner's distributive share of the partnership's income, gains, losses, deductions and credits. IBI Group US's income will consist primarily of revenues connected with the operation of its business and its deductions will similarly consist primarily of expenses related thereto.

IBI Group US will be subject to the partnership withholding rules of Section 1446 of the Code. As such, under certain circumstances, it will be required to deduct and withhold tax on the portion of its income that is allocable to a foreign partner (i.e., the portion of its income that is allocable to IBI Group) at a rate of 35%. No such withholding will be required with respect to the income of IBI Group US allocable to US Subco. Any such deduction and withholding by IBI Group US will be treated by IBI Group US as a distribution of such amounts to such foreign partner. Such withholding tax will be calculated using income and deductions, including payments treated as "guaranteed payments" under Section 707(c) of the Code, at the partnership level. Such withholding tax will be credited against the United States tax liability of the ultimate partners who or which will bear the United States tax liability arising with respect to such income. Since the income subject to withholding will be income allocable to IBI Group, which in turn will be allocated by IBI Group entirely to the Class B Units, the withholding tax will be credited to the United States tax liability of the holders of such Class B Units. To the extent the withholding tax exceeds the actual United States federal income tax liability of the persons to whom it is attributed, such excess will be refunded to such persons. Proposed Treasury Regulations have been issued which, if and when finalized, could reduce or eliminate this withholding obligation.

Because IBI Group US's taxable income will arise from a business that it conducts in the United States, such income will be treated as effectively connected to a United States trade or business ("ECI"). IBI Group will be required to report its distributive share of such ECI on a United States partnership tax return, and will allocate all such income to the Class B Units as discussed below.

Taxation of US Subco

Deductibility of Interest Paid by US Subco

US Subco intends to generate revenues from sources including (i) its distributive share of income from IBI Group US and (ii) its ownership of shares in CCL Consultants Inc. US Subco intends for United States federal income tax purposes to deduct from its income the amount of any interest it pays with respect to the US Notes, subject to the restrictions on deductibility discussed below. If, however, such US Notes were to be treated for United States federal income tax purposes as equity in US Subco rather than debt, the otherwise deductible interest on the US Notes would instead be treated as non-deductible dividends. US Subco's inability to deduct interest on the US Notes could increase its taxable income and hence its United States federal income tax liability, and reduce US Subco's after-tax income available for distribution.

The determination of whether the US Notes are debt or equity for United States federal income tax purposes requires the weighing of various factors. There is no "bright line" test for making the determination. While neither the IRS nor the Treasury has promulgated definitive authority regarding how the various factors are to be applied, principal factors often cited by United States tax authorities include whether the instrument in question is an unconditional obligation to pay a sum certain, whether interest must be paid currently at a fixed rate, whether the instrument has significant equity-like characteristics (such as participation rights, voting power, subordination to other creditors), the issuer's debt to equity ratio, and whether the debt is owned in proportion to stockholdings.

Several factors should weigh in favor of characterizing the US Notes as debt. The US Notes will be long-term (generally 10 years) with extensions of such term if certain conditions are satisfied, and will bear

interest at five percent per annum payable annually (or more frequently). The Fund believes that the initial ratio (by value) of all debt of US Subco (including the US Notes) to the equity of US Subco will be approximately two to one, which is in accord with the characterization of the US Notes as debt. Interest on the US Notes will be paid currently at a fixed rate that will not fluctuate depending on the earnings of US Subco, no voting rights with respect to US Subco will be attached to the US Notes, there will not be a conversion feature that would allow the US Notes to be converted into stock of US Subco, the obligation to pay the interest and repay the principal on the US Notes is unconditional and the Fund will have normal creditor rights in the case of default on interest and principal, and the US Notes will be subordinated only to debts to unrelated lending institutions.

On the other hand, IBI Group will own all of the US Notes and indirectly all of the stock of US Subco. Such identity of ownership between equityholders and debtholders is a factor weighing toward an equity characterization of the US Notes. Moreover, the IRS may assert that the term, principal amount, interest rate and other provisions of the US Notes are not substantially similar to the provisions of a loan to which US Subco and an unrelated lender would agree to bargaining at arm's length.

Nevertheless, on balance, US Tax Counsel believes that the US Notes should be treated as debt and that the interest paid thereon should be deductible for United States federal income tax purposes, and the Fund and US Subco intend to take that position. However, there can be no assurance that such a position would be sustained if challenged by the IRS.

Section 163(j) of the Code may limit US Subco's ability to currently deduct interest expense on the US Notes. In general, Section 163(j) of the Code will defer a corporate debtor's deductions for interest payments to "related" foreign persons exempt from or subject to reduced rates of United States tax in years that (i) the debt to equity ratio of the corporation exceeds 1.5:1 (calculated based on the tax basis of assets) and (ii) the corporation's net interest expense exceeds an amount equal to 50% of the corporation's "adjusted taxable income" (generally the corporation's earnings before interest, taxes, depreciation, and amortization) ("ATI"). US Subco and IBI Group should be treated as "related" for purposes of Section 163(j) of the Code. As such, depending on the facts and circumstances during the year of the interest payment, Section 163(j) of the Code could apply to defer all or a portion of US Subco's interest expense deductions, thereby increasing its United States federal income tax liability and reducing the amount of income available for distribution by the Fund to the Unitholders. However, the Fund believes that US Subco should have sufficient ATI each year to allow most or all of the interest on the US Notes to be currently deductible and not subject to the limitation in Section 163(j) of the Code.

Various legislative proposals have been introduced in the United States Congress to amend Section 163(j) of the Code that, if enacted, could impose further restrictions on US Subco's ability to deduct interest paid on the US Notes. However, as of the date of this prospectus, there is no information as to when any proposed amendments to Section 163(j) of the Code would be enacted, and in what form such amendments would be enacted. The most recent proposal introduced in the House of Representatives that contains proposed changes to Section 163(j) of the Code would replace the 50%-of-ATI threshold with a 25%-of-ATI threshold. Even under this more stringent threshold, the Fund believes that US Subco should have sufficient ATI each year to allow most or all of the interest on the US Notes to be currently deductible and not subject to the limitation in Section 163(j) of the Code. If there is a future amendment to Section 163(j) of the Code that creates a risk that deductions for some or all of the interest on the US Notes could be permanently disallowed, the Fund has advised US Tax Counsel that it will undertake steps to attempt to prevent such disallowance including the possibility of capitalizing some of the debt.

Withholding Tax on Dividends Paid by US Subco

In addition to the interest paid with respect to the US Notes, it is anticipated that US Subco will distribute after-tax income to Ontario Subco, its sole shareholder, as a dividend. Under the rules outlined in Sections 881, 1441 and 1442 of the Code, US Subco will generally be required to withhold tax on such dividends. The amount of the withholding tax is generally 30% under the Code. However, because Ontario Subco will qualify for benefits under the Convention Between the United States of America and Canada with respect to Taxes on Income and on Capital (signed on September 26, 1980, as amended by subsequent protocols) (the "Treaty"), this

withholding tax will be reduced to 5% of the amount of the dividend. This withholding tax will reduce the amounts potentially available for distribution.

Withholding Tax on Payments of Interest by US Subco

Payments of interest on the US Notes by US Subco to IBI Group which are allocable to the Class A Units in IBI Group held by IBI LP will generally be subject to 10% withholding tax under the Treaty. This withholding tax will reduce the amounts potentially available for distribution.

Taxation of IBI Group

Income from IBI Group US

IBI Group will be required to take into account its distributive share of IBI Group US's income, gains, losses, deductions, and credits with respect to its direct partnership interest in IBI Group US. To the extent this income is attributable to IBI Group US's United States business operations, it will be considered ECI to IBI Group. IBI Group will be required to file United States partnership tax returns and report such ECI on such returns. Pursuant to the terms of the IBI Group Partnership Agreement, IBI Group will allocate all of such ECI to the Class B Units (i.e., to Management Group Partnership). None of such income will be allocated to IBI LP. As a result, IBI LP should not be taxable with respect to such income. In the event the IRS attempts to impose a U.S. Tax Amount, IBI Group will increase the distributions to be made to IBI LP by such U.S. Tax Amount. See "Description of IBI Group — Partnership Interests" and "Description of IBI Group — Allocation of Net Income and Net Losses".

United States Estate Tax

In certain cases, individuals who are neither United States citizens nor domiciled in the United States may be subject to United States estate tax at death on ownership of "United States situs property", including ownership through certain types of entities that own United States situs property. As discussed above, it is intended that the Fund will qualify, for United States federal income tax purposes, as a partnership. There is a lack of clarity on the part of the IRS on how to classify interests in partnerships for United States estate tax purposes. It is unclear whether the partnership interest itself is the asset to be classified or if it is appropriate to look through the partnership to its underlying assets to determine if there is any United States situs property subject to estate tax. Under either approach, non-US Unitholders should not be subject to United States estate tax with respect to their ownership of Units in the Fund. Even though the Fund will own an indirect interest in US Subco and IBI Group US, interests in the Fund should be exempt from United States estate tax because (i) the Fund is a non-United States partnership and (ii) the Fund's interest in US Subco and IBI Group US will be held through Canadian corporations (Ontario Subco and IBI LP) and thus should be deemed to have a foreign situs for United States estate tax purposes.

RISK FACTORS

Risks Related to the Industry and the Business of IBI

Ability to Maintain Profitability and Manage Growth

There can be no assurance that IBI's business and growth strategy will enable it to sustain profitability in future periods. IBI's future operating results will depend on a number of factors, including its ability to continue to successfully execute the strategic initiatives outlined under "Business of IBI — Growth Strategy".

IBI's growth strategy depends, in part, on its ability to:

- identify and acquire suitable acquisition candidates at attractive prices;
- successfully integrate acquired businesses with existing operations; and
- successfully manage expansion and obtain necessary financing.

There can be no assurance that IBI will be successful in achieving its strategic plan or that its strategic plan will enable it to maintain its historical revenue growth rates or to sustain profitability. Failure to successfully

execute any material part of IBI's strategic plan could have a material adverse effect on its business, financial condition and operating results.

There can be no assurance that IBI will be able to effectively manage its growth, and any failure to do so could have a material effect on its and the Fund's business, financial condition and results of operations.

Reliance on Key Professionals

IBI's operations are dependent on the abilities, experience and efforts of its professionals, many of whom have significant reputations and contacts in the areas in which IBI practices. Should any members of its professional staff be unable or unwilling to continue their relationship with IBI, the financial performance of IBI could be adversely impacted.

Competition in the Industry

IBI operates in a competitive worldwide market in its service areas. As a result, IBI competes with many domestic and international firms. Some of its competitors have achieved substantially more market penetration in certain of the areas in which IBI competes. In addition, some of IBI's competitors have substantially more financial resources and/or financial flexibility than IBI. These competitive forces could have a material adverse effect on IBI's business, financial condition and results of operations by reducing its relative share in the areas it serves.

Timely Completion of Projects and Performance of Obligations

IBI may guarantee to its clients that it will complete a project by a scheduled date. If the project is not completed by the scheduled date, IBI may either incur significant additional costs or be held responsible for the costs incurred by the client to rectify damages due to the late completion. To the extent that such an event occurs, the total costs of the project could exceed IBI's estimates and it could experience loss or reduced profits or, in some cases, a loss on that project.

IBI's success depends in large part on whether IBI fulfills its contractual obligations with clients and keeps its clients satisfied. If IBI fails to satisfactorily perform its contractual obligations or address performance issues, or makes professional errors in the services that it provides, then clients could terminate projects, exposing IBI to legal liability, loss of its professional reputation and risk of loss or reduced profits or, in some cases, a loss on that project.

Fixed-Price Contracts

A significant portion of IBI's revenues come from fixed-price contracts. A fixed-price contract requires IBI to either perform all or a specified part of work under the contract for a specified lump-sum. Fixed-price contracts expose IBI to a number of risks not inherent in cost-plus contracts, including underestimation of costs, ambiguities in specifications, unforeseen costs or difficulties, problems with new technologies, delays beyond the control of IBI, failures of subcontractors to perform and economic or other changes that may occur during the contract period. Increasing reliance on fixed-price contracts and/or increasing size of such contracts would increase this exposure. Losses under fixed-price contracts could have a material adverse effect on IBI's business.

General State of the Economy

The industries in which IBI operates are affected by general economic conditions, including international, national, regional and local economic conditions, all of which are outside of IBI'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 IBI's business, financial condition and results of operations. Although IBI's operations are functionally and geographically diversified, significant erosion in levels of activity in any segment which IBI services could have a negative impact on IBI's business, financial condition and results of operations.

Possible Acquisitions

IBI intends to make acquisitions from time to time as part of its strategy to grow its business. Acquisitions, if they occur, may increase the size of the operations as well as increase the amount of indebtedness that may have to be serviced by IBI. There is no assurance that IBI will be able to acquire operations on satisfactory terms, or at all. The successful integration and management of acquired businesses involve numerous risks that could adversely affect IBI's growth and profitability, including: (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's operational, 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; and (iv) the risk that acquisitions may result in liabilities and contingencies, which could be significant to IBI's operations. The successful integration of an acquired business is also subject to the risk that personnel from the acquired business and the existing Business may not be able to work together successfully, which could affect the operation of the Business. In particular, IBI may seek to require as a condition of its acquisitions that key personnel enter into employment agreements for specified post-acquisition periods, but there are risks that those commitments will not be fulfilled or that the personnel subject to same or other personnel will not be successfully integrated as productive contributors to IBI. There is no assurance that IBI will be able to successfully integrate its acquisitions and its failure to do so could adversely affect its business, financial condition and results of operations.

Risk of Future Legal Proceedings

IBI is threatened from time to time with, or is named as a defendant in, or may become subject to various legal proceedings in the ordinary course of conducting its business, including lawsuits based upon professional errors and omissions. A significant judgment against IBI or the imposition of a significant fine or penalty as a result of a finding that IBI has failed to comply with laws or regulations could have a significant adverse impact on IBI's financial performance.

International Operations Subject to Numerous Risks

As a multinational company, IBI has operations in the United States, western Europe and the Middle East in addition to its operations in Canada and derives a significant percentage of its revenues from operations outside of Canada. International business is subject to a variety of special risks, including (a) greater risk of uncollectible accounts and longer collection cycles; (b) currency fluctuations; (c) logistical and communications challenges; (d) potential adverse changes in laws and regulatory practices; (e) changes in labour conditions; (f) general economic and political conditions in the foreign markets; and (g) international hostilities. These and other risks associated with international operations could harm IBI's overall operations and adversely affect its future revenues.

Reduction of Backlog

IBI cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits. Projects may remain in IBI's backlog for an extended period of time. In addition, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in IBI's backlog. Backlog reductions adversely affect the revenue and profit that IBI actually receives from contracts reflected in its backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of IBI's backlog and the revenues and profits that IBI actually receives. Most of IBI's contracts for professional services with its clients are terminable by the clients on short notice. If a reduction in IBI's backlog occurs, IBI could incur costs resulting from reductions in staff that would have the effect of reducing its profits.

Interest Rate Fluctuations

IBI may be exposed to fluctuations in interest rates under its borrowings. Increases in interest rates may have an adverse effect on the earnings of IBI and, in turn, the distributable cash of the Fund.

Exchange Rate Fluctuations

IBI earns a significant percentage of its revenues outside of Canada. As a result, it is exposed to variations in exchange rates which may have an adverse effect on the earnings of IBI and, in turn, the distributable cash of the Fund.

Potential Undisclosed Liabilities Associated with Acquisitions

In connection with the transactions described in this prospectus under “Funding, Acquisition and Related Transactions”, including the acquisition of the IBI Assets by the Fund, prior acquisitions by IBI and the acquisitions by IBI the completion of which is a condition of, but is not contingent on, the closing of the Offering, there may be liabilities that the Fund and IBI fail to or were unable to discover in their due diligence prior to consummation of the relevant acquisition, and the Fund and IBI may not be indemnified for some or all of these liabilities. In particular, acquired firms may have liabilities for professional errors and omissions and the Fund, as successor owner, may be legally and financially responsible for these liabilities. The discovery of any material liabilities could have a material adverse effect on the Fund’s business, financial condition and results of operations.

Increased Assumption of Risk by IBI

In order to adapt to the current trends affecting the manner in which professional services are provided in the areas in which IBI operates, IBI is, among other things, participating in larger projects and assuming a significant amount of upfront risk in order to participate in consortiums formed to bid on these large projects. Both the participation in these larger projects and the assumption of greater degrees of upfront risk for time invested in participating in consortiums for large projects which may ultimately not be recoverable could have a material adverse effect on the Fund’s business, financial condition and results of operations.

Insurance Limits

Management believes that IBI’s professional errors and omissions insurance and director and officer liability insurance coverage addresses all material insurable risks, provides coverage that is similar to that which would be maintained by a prudent operator of a similar business and is subject to deductibles, limits and exclusions which are customary or reasonable given the cost of procuring insurance and current operating conditions. However, there can be no assurance that such insurance will continue to be offered on an economically feasible basis, that all events that could give rise to a loss or liability are insurable, or that the amounts of insurance will at all times be sufficient to cover each and every loss or claim that may occur involving the assets or operations of IBI.

Risks Related to the Structure of the Fund and the Offering

Dependence of the Fund on IBI

The Fund is a limited purpose trust which will be entirely dependent on the operations and assets of IBI through the indirect ownership of Class A Units. The cash distributions to the Unitholders will be dependent on the ability of IBI to make distributions on the Class A Units.

Unpredictability and Volatility of Unit Price

A publicly-traded income trust will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the Units will trade cannot be predicted. The market price of the Units could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. The annual yield on the Units as compared to the annual yield on other financial instruments may also influence the price of Units in the public trading markets. In addition, the securities markets have experienced significant price and volume fluctuations from time to time in recent years that often have been unrelated or disproportionate to the operating performance of particular issuers. These broad fluctuations may adversely affect the market price of the Units.

Leverage, Restrictive Covenants

IBI will have third-party debt service obligations under the Operating Loan. See “Principal Agreements — Credit Facilities”. The degree to which IBI is leveraged could have important consequences to the holders of the Units, including: (i) IBI’s ability to obtain additional financing for working capital in the future may be limited; (ii) a portion of IBI’s cash flow from operations may be dedicated to the payment of the principal of and interest on its indebtedness, thereby reducing funds available for distribution to the Fund; and (iii) certain of IBI’s borrowings will be at variable rates of interest, which will expose IBI to the risk of increased interest rates. IBI’s ability to make scheduled payments of the principal of or interest on, or to refinance, its indebtedness will depend on its future cash flow, which is subject to the operations of IBI, prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

IBI’s ability to refinance its indebtedness will also depend on its ability to provide security to the Lender which will adequately replace the up to \$10 million of the Priority Capital Amount which the Management Partnership will make available as security for the Operating Loan for a period of one year following the Closing Date.

Cash Distributions Are Not Guaranteed and Will Fluctuate with IBI’s Performance

Although the Fund intends to distribute the interest and other income earned by the Fund less expenses of the Fund and amounts, if any, paid by the Fund in connection with the redemption or repurchase of Units, there can be no assurance regarding the amounts of income to be generated by IBI and distributed to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital and capital expenditures.

Nature of Units

The Units do not represent a direct investment in IBI and should not be viewed by investors as interests in IBI. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring “oppression” or “derivative” actions. The Units represent a fractional interest in the Fund. The Fund’s only assets will be Holding Trust Units and Holding Trust Notes. The price per Unit is a function of anticipated distributable cash.

Absence of Prior Public Market

Prior to the Offering there has been no public market for the Units. The initial public offering price has been determined by negotiation between the Fund, IBI and the Underwriters based on several factors and may bear no relationship to the price at which the Units will trade in the public market subsequent to the Offering. See “Plan of Distribution”.

Distribution of Securities on Redemption or Termination of the Fund

Upon a redemption of Units or termination of the Fund, the Trustees may distribute Holding Trust Units and Holding Trust Notes directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for such securities. In addition, Holding Trust Units and Holding Trust Notes are not freely tradeable and are not currently listed on any stock exchange. See “Description of the Fund — Redemption of the Option of Unitholders” and “Description of the Fund — Term of the Fund”. Securities of the Holding Trust so distributed may not be qualified investments for Plans, depending upon the circumstances at the time.

The Fund May Issue Additional Units Diluting Existing Unitholders’ Interests

The Declaration of Trust authorizes the Fund to issue an unlimited number of Units for such consideration and on such terms and conditions as shall be established by the Trustees without the approval of the Unitholders. Additional Units will be issued by the Fund upon the exchange of the Partnership Units held by the Management Partnership.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability whatsoever to any person in connection with a holding of Units. However, there remains a risk, which is considered by the Fund to be remote in the circumstances, that a Unitholder could be held personally liable despite such statement in the Declaration of Trust, for the obligations of the Fund to the extent that claims are not satisfied out of the assets of the Fund. It is intended that the affairs of the Fund will be conducted to seek to minimize that risk wherever possible.

Investment Eligibility and Foreign Property

There can be no assurance that the Units will continue to be qualified investments for Plans or that the Units will not be foreign property under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments and on excess holdings of foreign property.

Income Tax Matters

The income of the Fund and its related entities must be computed in accordance with Canadian and foreign tax laws, as applicable, and the Fund is subject to Canadian tax laws, all of which may be changed in a manner that could adversely affect the amount of distributable cash. There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which will adversely affect Unitholders. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described herein under the headings “Eligibility for Investment” and “Certain Canadian Federal Income Tax Considerations” would be materially and adversely different in certain respects.

Interest on the Holding Trust Notes accrues at the Fund level for Canadian federal income tax purposes, whether or not actually paid. The Declaration of Trust provides that a sufficient amount of the Fund’s net income and net realized capital gains will be distributed each year to the Unitholders in order to eliminate the Fund’s liability for tax under Part I of the Tax Act. Where such amount of net income (including interest on the Holding Trust Notes) and net realized capital gains of the Fund in a taxation year exceeds the distributable cash in the year, such excess net income and realized capital gains will be distributed to Unitholders in the form of additional Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units in their taxable income, in circumstances when they do not receive a corresponding cash distribution.

Although it is anticipated that all expenses to be claimed by the Fund, the Holding Trust, IBI Group and the other entities indirectly owned by the Fund and operating in numerous jurisdictions will be reasonable and deductible and that the allocation of income amongst such entities will not be challenged, there can be no assurance that the relevant taxing authorities will agree. If any relevant taxing authority successfully challenges the deductibility of such expenses or the allocation of such income, the distributable cash of the Fund may be adversely affected.

In addition, the Purchase Agreement under which the Management Partnership will transfer the IBI Assets to IBI Group will provide that elections may be made under the Tax Act to transfer the IBI Assets on a fully or partially tax deferred basis, as determined by the transferor. The adjusted cost base to IBI Group of the IBI Assets transferred where such elections are made may be less than fair market value, such that IBI Group may realize a gain on a future disposition of the IBI Assets.

The Department of Finance has indicated that it will continue to monitor and evaluate the development of the business income trust market as part of its ongoing monitoring and assessment of Canadian financial markets and the Canadian tax system. On May 18, 2004, the Minister of Finance (Canada) announced that the Budget Proposals will be suspended to allow consultation with representatives of the pension fund industry, the investment industry, provincial governments and other interested parties. The Minister has indicated, that following such consultations the Government will introduce legislative proposals, which may or may not differ from the Budget Proposals. In making this announcement, the Minister reiterated that the Government will continue to monitor the development of the business income trust market. Any legislative changes in this area

could result in the federal income tax considerations described under the headings “Eligibility for Investment” and “Certain Canadian Federal Income Tax Consequences” being materially different in certain respects.

Income Tax Matters — United States

There can be no assurance that United States federal income tax laws and the IRS administrative policies respecting the United States tax consequences described herein will not be changed in a manner that adversely affects Unitholders.

US Subco will claim interest deductions with respect to the US Notes in computing its income for United States federal income tax purposes. There is a risk that the IRS could successfully challenge the position of US Subco that the US Notes should be treated as debt rather than equity for United States federal income tax purposes, in which case the otherwise deductible interest on the US Notes would be treated as non-deductible distributions. The Fund has received advice from US Tax Counsel that interest payments on the US Notes should be deductible for United States federal income tax purposes. While there can be no assurance that the IRS will not take a contrary position, the Fund believes its position should prevail in such circumstances. A successful challenge of this position would increase the United States federal income tax liability of US Subco, which could affect the ability of US Subco to make interest and principal payments on the US Notes, and reduce the amount of the distributions which IBI Group would otherwise indirectly receive from US Subco and thereby have an adverse effect on the distributable cash of the Fund.

There is a risk that the IRS may challenge the interest rate on the US Notes as being in excess of an arm’s length rate. The Fund believes that the interest rate on the US Notes is commercially reasonable in the circumstances, particularly given that IBI Group will fund a portion of the US Notes by borrowing on the Operating Loan, a facility with an arm’s length financial institution, and will set the interest rate on the US Notes at an amount equal to the interest rate on the Operating Loan plus a reasonable mark-up of one percent to compensate for its services to procure and facilitate the borrowing on the Operating Loan. However, the IRS could challenge this position. If the IRS were successful in challenging the interest rate, US Subco would not be able to fully deduct interest paid on the US Notes, which could increase the United States federal income tax liability of US Subco.

The earnings stripping rules under Section 163(j) of the Code may limit the ability of US Subco to deduct all or a portion of the interest paid on the US Notes. Generally, under these rules, the ability of US Subco to deduct interest paid on the US Notes will be limited to the extent that its net interest expense (the interest paid by US Subco on all debt, including the US Notes, less its interest income) exceeds 50% of its adjusted taxable income (generally, United States federal taxable income before net interest expense, depreciation, amortization and taxes) (“ATI”). In addition, there can be no assurance that future changes to United States federal income tax provisions will not otherwise restrict or eliminate the ability of US Subco to claim a deduction for United States federal income tax purposes for interest paid on the US Notes. In this regard, proposed legislation has been introduced in the United States Congress to amend the existing “earnings stripping” rules under Section 163(j) of the Code, which could impose additional restrictions on the ability of US Subco to claim such deductions. One such proposal would reduce the deductibility limit from 50%-of-ATI to 25%-of-ATI. However, as of the date of this prospectus, there is no information as to if and in what form any such proposed amendments would be enacted. An additional restriction on or elimination of the ability of US Subco to claim deductions for interest payments on the US Notes could increase the United States federal income tax liability of US Subco, which would reduce the amount of the distributions which IBI Group would otherwise receive and thereby have an adverse effect on the cash flow of the Fund available for distribution to Unitholders. However, based on current projections, the Fund believes that US Subco should have sufficient ATI each year to allow most or all of the interest on the US Notes to be currently deductible, even if the deductibility threshold is reduced to 25%-of-ATI. Moreover, if there is a future amendment to Section 163(j) of the Code that creates a risk that deductions for some or all of the interest on the US Notes could be permanently disallowed, the Fund has advised US Tax Counsel that it will undertake steps to attempt to prevent such disallowance including the possibility of capitalizing some of the debt.

The United States transfer pricing rules may limit the ability of US Subco or IBI Group US to deduct the full amount of any management fees to be paid by US Subco or IBI Group US to IBI Group or their

applications may result in the reallocation of income between IBI Group and IBI Group US for United States federal income tax purposes. The IRS may disallow a deduction for that portion of any management fees that exceed an arm's length fee normally charged for such services or may reallocate income away from IBI Group in favour of IBI Group US. The Fund has obtained advice from independent tax advisors as to the requirements to be satisfied under the United States transfer pricing rules and the Fund has developed its policies in light of such rules. While there can be no assurance that the IRS will not take a contrary position, the Fund believes that its position should prevail in such circumstances. The Fund has engaged said independent tax advisors to review the reasonableness of the transfer pricing policies proposed to be utilized by the Fund and will obtain an opinion prior to Closing as to the reasonableness of such policies as being within the range of what should be viewed as an arm's length standard for the transactions and services contemplated and an opinion as to the reasonableness of the Fund's calculations of deductions or income arising due to the application of such policies to IBI Group US or US Subco, as the case may be. Such opinion will review the nature and quantum of services historically performed by each entity to determine that the Fund's assumptions regarding the portion of its income arising to each entity as a result of applying the transfer pricing policies, are reasonable. However, such opinion cannot provide assurance that these assumptions will in fact predict the future allocation of income of each entity to a taxing jurisdiction. Furthermore, such opinion cannot provide assurance that the IRS could not successfully maintain that such amounts be adjusted nor that different amounts would not be more appropriate to the extent that the nature and quantum of services are ultimately other than as used in the Fund's calculations. A limitation on the ability of US Subco or IBI Group US to claim deductions for the full amount of management fees paid to IBI Group or a reallocation of income away from IBI Group in favour of US Subco or IBI Group US could increase the United States federal income tax liability of US Subco, which could reduce the amount of distributions which IBI Group would otherwise receive and thereby could have an adverse effect on the distributable cash of the Fund.

MATERIAL CONTRACTS

The only material contracts entered into by any of the Fund, the Holding Trust, IBI LP or IBI Group during the past two years or to which any of them will become a party on or prior to the closing of this Offering, other than in the ordinary course of business, are as follows:

- (a) the Purchase Agreement;
- (b) the agreements relating to the Operating Loan referred to under "Principal Agreements — Credit Facilities";
- (c) the IBI LP Partnership Agreement;
- (d) the IBI Group Partnership Agreement;
- (e) the Exchange Agreement;
- (f) the Declaration of Trust;
- (g) the Holding Trust Declaration of Trust;
- (h) the Holding Trust Note Indenture;
- (i) the Administration Agreement;
- (j) the long-term incentive plan referred to under "Trustees, Directors and Management — Long-Term Incentive Plan"; and
- (k) the Underwriting Agreement.

Copies of the foregoing documents may be examined during normal business hours at the offices of the Fund, IBI LP and IBI Group, at 230 Richmond Street West, 5th Floor, Toronto, Ontario M5V 1V6, during the period of distribution of the Units.

LEGAL MATTERS

Certain legal matters relating to the issue and sale of Units offered hereby will be passed upon on behalf of the Management Partnership, IBI LP, IBI Group, the Holding Trust and the Fund by Goodman and Carr LLP, and on behalf of the Underwriters by Goodmans LLP.

LEGAL PROCEEDINGS

Management of the Fund is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund, the Holding Trust, IBI LP or IBI Group which would be material to a purchaser of the Units.

AUDITORS, TRANSFER AGENT AND REGISTRAR

The auditors of the Fund, the Holding Trust, IBI LP and IBI Group are KPMG LLP, Chartered Accountants, Toronto, Ontario.

The transfer agent and registrar for the Units is • at its principal offices in Toronto, Ontario.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces and territories of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces and territories, the legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that such remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

FINANCIAL STATEMENTS

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AUDITORS' CONSENT

We have read the prospectus dated ● , 2004 relating to the offering of ● units of IBI Income Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to the use in the above-mentioned prospectus of our report to the Partners of IBI Group on the combined balance sheets of IBI Group as at January 31, 2004 and 2003 and the combined statements of earnings and partners' equity and cash flows for the three years then ended. Our report is dated May 28, 2004 (except as to note 12 which is as of ● , 2004).

We also consent to the use in the above-mentioned prospectus of our report to the Trustees of IBI Income Fund on the balance sheet of IBI Income Fund as at July 23, 2004. Our report is dated July 23, 2004 (except as to note 3 which is as of ● , 2004).

Toronto, Canada
● , 2004

Chartered Accountants

AUDITORS' REPORT

To the Trustees of IBI Income Fund

We have audited the balance sheet of IBI Income Fund as at July 23, 2004. This financial statement is the responsibility of the Fund's management. Our responsibility is to express an opinion on this financial statement based on our audit.

We conducted our audit in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the balance sheet is free of material misstatement. An audit of a balance sheet includes examining, on a test basis, evidence supporting the amounts and disclosures in that balance sheet. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall balance sheet presentation.

In our opinion, the balance sheet presents fairly, in all material respects, the financial position of the Fund as at July 23, 2004, in accordance with Canadian generally accepted accounting principles.

Toronto, Canada

July 23, 2004

(Except for note 3, which is as of • , 2004)

Chartered Accountants

IBI INCOME FUND
BALANCE SHEET
As of July 23, 2004

Assets

Cash \$20

Unitholder's Equity

Unitholder's equity \$20

Approved on behalf of the IBI Income Fund by IBI GP Holdings Limited,
as attorney on behalf of IBI Income Fund

By: (Signed) SCOTT E. STEWART
Director

By: (Signed) DAVID M. THOM
Director

IBI INCOME FUND
NOTES TO BALANCE SHEET
As at July 23, 2004

1. THE FUND:

IBI Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario by Declaration of Trust made as of July 23, 2004.

2. UNITHOLDERS' EQUITY:

An unlimited number of Units will be issuable pursuant to the Declaration of Trust.

Each Unit will be transferable and will represent an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of termination or winding-up of the Fund. All Units are of the same class with equal rights and privileges.

The Declaration of Trust also provides for the issuance of an unlimited number of Non-Participating Voting Units that will be used for providing voting rights in the Fund to the Management Partnership in respect of its holdings of Class B Units. Non-Participating Voting Units will be issued in conjunction with, and will not be transferable separately from, the Class B Units or other securities to which they relate. Conversely, the Non-Participating Voting Units must be transferred upon a transfer of the associated Class B Units or other securities. Each Non-Participating Voting Unit will entitle the holder thereof to a number of votes at any meeting of Unitholders and Non-Participating Unitholders (except that Non-Participating Unitholders will not be entitled to vote for the election of the Independent Trustees and on other prescribed matters) equal to the number of Units which may be obtained upon the exchange of the Class B Units or other securities to which the Non-Participating Voting Units relate, but will not otherwise entitle the holder to any rights with respect to the Fund's property or income.

3. SUBSEQUENT EVENTS:

On ●, 2004 the Fund filed a prospectus for the sale of ● units at a price of \$10 per unit, payable on closing for gross proceeds of \$ ●.

On the closing of the Offering, the Fund will use the proceeds to indirectly purchase ● Class A Units of IBI Group, a partnership newly-created under the laws of the Province of Ontario, for an aggregate purchase price of \$ ● payable in cash.

IBI Group will purchase certain assets from the IBI Group (the "Management Partnership") for a purchase price of \$ ●, payable by the issuance of ● Class B Units of IBI Group, and pay the fees payable to the Underwriters and the expenses of the Offering estimated to be ●, and make a distribution of capital in the amount of approximately \$4 million on the Class B Units issued to the Management Partnership.

The holder of the Class B units will also be issued a number of non-participating voting units equivalent to the number of Class B Units, resulting in the holder of the Class B Units having ● % of the voting units of the Fund (assuming the over-allotment option is exercised in full).

The Fund will account for the acquisition of IBI Group as a business combination as the unitholders of the Fund have the right to elect the majority of the Trustees of the Fund who will also be the directors of the General Partner Trustee.

On the closing of the Offering, the Fund, the Holding Trust, General Partner Co, the General Partner Trustee, the General Partner, IBI LP, IBI Group and the Management Partnership will enter into the Administration Agreement. Under the terms of the Administration Agreement, IBI Group will provide all administrative and support services required by the Fund. Under the Administration Agreement, the Fund will pay to IBI Group as consideration for its services all out-of-pocket expenses incurred by IBI Group in providing such services. IBI Group will also pay to the Management Partnership an amount equal to the Directors and Associate Directors Compensation Amount, which is initially estimated to be \$7.8 million per annum, as compensation for providing the services of the principals of the partners of the Management Partnership to IBI Group.

On the closing of the Offering, the Management Partnership and IBI Group will enter into the License Agreement. Pursuant to the License Agreement, the Management Partnership will grant IBI Group a perpetual license for a nominal annual license fee to use the Intellectual Property in connection with IBI Group's business.

COMPILATION REPORT

To the Trustees of IBI Income Fund

We have read the accompanying unaudited *pro forma* consolidated balance sheet of IBI Income Fund as at April 30, 2004 and unaudited *pro forma* consolidated statements of earnings for the three months then ended and for the year ended January 31, 2004, and have performed the following procedures:

1. Compared the figures in the columns captioned "Management Partnership" to the unaudited combined financial statements of IBI Group as at April 30, 2004 and for the three months then ended, and the audited financial statements of IBI Group for the year ended January 31, 2004, respectively, and found them to be in agreement.
2. Compared the figures in the columns captioned "Fund" to the audited financial statements of IBI Income Fund as at July 23, 2004 and found them to be in agreement.
3. Made enquiries of certain officials of the Fund and IBI Group who have responsibility for financial and accounting matters about:
 - (a) the basis for determination of the *pro forma* adjustments; and
 - (b) whether the *pro forma* consolidated financial statements comply as to form in all material respects with the *Securities Act* (Ontario) and the related regulations.

The officials:

- (a) described to us the basis for determination of the *pro forma* adjustments; and
 - (b) stated that the *pro forma* consolidated financial statements comply as to form in all material respects with the *Securities Act* (Ontario) and the related regulations.
4. Read the notes to the *pro forma* consolidated financial statements, and found them to be consistent with the basis described to us for determination of the *pro forma* adjustments.
 5. Recalculated the application of the *pro forma* adjustments to the aggregate of the amounts in the columns captioned "Management Partnership" and "Fund" as at April 30, 2004 and for the three months then ended, and for the year ended January 31, 2004, and found the amounts in the column captioned "Pro forma consolidated" to be arithmetically correct.

A *pro forma* financial statement is based on management assumptions and adjustments which are inherently subjective. The foregoing procedures are substantially less than either an audit or a review, the objective of which is the expression of assurance with respect to management's assumptions, the *pro forma* adjustments, and the application of the adjustments to the historical financial information. Accordingly, we express no such assurance. The foregoing procedures would not necessarily reveal matters of significance to the *pro forma* consolidated financial statements, and we therefore make no representation about the sufficiency of the procedures for the purposes of a reader of such statements.

Toronto, Canada
● , 2004

Chartered Accountants

IBI INCOME FUND
PRO FORMA CONSOLIDATED BALANCE SHEET

(In thousands of dollars)
April 30, 2004
(Unaudited)

	Fund	Management Partnership	Pro forma adjustments	Pro forma consolidated
Assets				
Current assets:				
Cash	\$ —	\$ —	\$ ●	\$ ●
Accounts receivable	—	25,686	●	●
Work in progress	—	6,784	●	●
Prepaid expenses and other assets	—	835	●	●
Due from affiliates	—	6,732	●	●
	—	40,037	●	●
Cash held in priority capital account	—	—	●	●
Goodwill	—	—	●	●
Intangibles	—	—	●	●
Capital assets	—	1,759	●	●
Future income taxes	—	383	●	●
	\$ —	\$42,179	\$ ●	\$ ●
Liabilities and Unitholders' Equity				
Current liabilities:				
Bank indebtedness	\$ —	\$ 5,994	\$ ●	\$ ●
Accounts payable and accrued liabilities	—	6,914	●	●
Due to affiliates	—	2,988	●	●
Income taxes payable	—	371	●	●
Deferred revenue	—	4,816	●	●
	—	21,083	●	●
Priority capital account	—	—	●	●
Non-controlling interest	—	—	●	●
Partner's equity	—	21,072	●	●
Unitholders' equity	—	—	●	●
Cumulative foreign currency translation adjustments	—	24	●	●
	—	21,096	●	●
	\$ —	\$42,179	\$ ●	\$ ●

See accompanying notes to pro forma consolidated financial statements.

IBI INCOME FUND
PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
(In thousands of dollars)
Three months ended April 30, 2004
(Unaudited)

	<u>Fund</u>	<u>Management Partnership</u>	<u>Pro forma adjustments</u>	<u>Pro forma consolidated</u>
Revenue:				
Fees	\$ —	\$17,902	\$ —	\$17,902
Other income	<u>—</u>	<u>62</u>	<u>—</u>	<u>62</u>
	—	17,964	—	17,964
Expenses:				
Salaries, fees and employee benefits	—	9,864	●	●
Rent	—	1,114	—	1,114
Amortization	—	230	●	●
Bad debts	—	202	—	202
Other operating costs	—	1,893	—	1,893
Interest and bank charges	<u>—</u>	<u>76</u>	<u>—</u>	<u>76</u>
	—	13,379	●	●
Earnings before income taxes	<u>—</u>	<u>4,585</u>	<u>●</u>	<u>●</u>
Income taxes	<u>—</u>	<u>135</u>	<u>●</u>	<u>●</u>
Net earnings	<u>\$ —</u>	<u>\$ 4,450</u>	<u>\$ ●</u>	<u>\$ ●</u>
Net earnings per unit				<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

IBI INCOME FUND
PRO FORMA CONSOLIDATED STATEMENT OF EARNINGS
(In thousands of dollars)
Year ended January 31, 2004

	<u>Fund</u>	<u>Management Partnership</u>	<u>Pro forma adjustments</u>	<u>Pro forma consolidated</u>
Revenue:				
Fees	\$ —	\$67,912	\$ —	\$67,912
Other income	<u>—</u>	<u>262</u>	<u>—</u>	<u>262</u>
	—	68,174	—	68,174
Expenses:				
Salaries, fees and employee benefits	—	38,776	●	●
Rent	—	4,288	—	4,288
Amortization	—	1,057	●	●
Bad debts	—	829	—	829
Other operating costs	—	8,117	—	8,117
Interest and bank charges	—	390	—	390
Management fee	<u>—</u>	<u>285</u>	<u>—</u>	<u>285</u>
	—	53,742	●	●
Earnings before income taxes	—	14,432	●	●
Income taxes	<u>—</u>	<u>686</u>	<u>●</u>	<u>●</u>
Net earnings	<u>\$ —</u>	<u>\$13,746</u>	<u>\$ ●</u>	<u>\$ ●</u>
Net earnings per unit				<u>\$ ●</u>

See accompanying notes to pro forma consolidated financial statements.

IBI INCOME FUND
NOTES TO *PRO FORMA* CONSOLIDATED FINANCIAL STATEMENTS
(In thousands of dollars)
Three months ended April 30, 2004
(Unaudited)

IBI Income Fund (the "Fund") is an unincorporated, open-ended, limited purpose trust established under the laws of the Province of Ontario, created to indirectly acquire and hold the outstanding Class A limited partnership units of IBI Group, a general partnership to be formed under the laws of the Province of Ontario.

The Fund, through an initial public offering ("the Offering"), will issue ● units (including the over-allotment option) and use such proceeds to indirectly acquire ● Class A units of IBI Group for an aggregate purchase price of \$ ● payable in cash.

IBI Group will purchase certain assets (the "Acquisition") from IBI Group Management Partnership (the "Management Partnership"). Those assets will consist of all customer contracts, employment agreements, leasehold interests, furniture and equipment, and the ownership of IBI Group U.S., IBI Europe and Interbase Consultants, but exclude any net working capital as of the closing of the Offering. The purchase price of these assets of \$ ● is payable by the issuance of ● Class B units of IBI Group (assuming the exercise in full of the over-allotment option). The holders of the Class B units will also be issued a number of non-participating voting units equivalent to the number of Class B units, resulting in the holder of the Class B units holding ● % of the voting units of IBI Income Fund.

IBI Group will also:

- (i) pay the expenses of the Offering estimated to be \$ ● ; and
- (ii) make a distribution of capital in the amount of approximately \$ ● million on the Class B units.

1. BASIS OF PRESENTATION:

The accompanying *pro forma* consolidated balance sheet as at April 30, 2004 and the *pro forma* consolidated statements of income for the three months ended April 30, 2004 and the year ended January 31, 2004 have been prepared by the management of IBI Group in accordance with Canadian generally accepted accounting principles.

The *pro forma* consolidated balance sheet and the *pro forma* consolidated statements of earnings may not be indicative of the results that would have occurred if the Offering and Acquisition had been in effect on the dates indicated or of the financial results that may result in the future.

The *pro forma* consolidated balance sheet of the Fund as at April 30, 2004 and the *pro forma* consolidated statements of earnings for the three months ended April 30, 2004 and the year ended January 31, 2004 have been prepared with information derived from the audited and unaudited consolidated financial statements of the Management Partnership and the adjustments and assumptions outlined below. The accounting policies used in the preparation of the *pro forma* financial statements are those disclosed in the audited combined financial statements of the Management Partnership.

The *pro forma* consolidated financial statements should be read in conjunction with the audited and unaudited combined statements of the Management Partnership and the audited financial statements of the Fund located elsewhere in this prospectus.

2. *PRO FORMA* CONSOLIDATED BALANCE SHEET OF THE FUND:

The *pro forma* consolidated balance sheet of the Fund as at July 23, 2004 is based on the opening balance sheet of the Fund at its inception. At July 23, 2004, the assets and liabilities of the Fund were nominal. The *pro forma* consolidated statements of earnings have been prepared as if the transaction had occurred on February 1, 2003:

- (a) Proceeds of the initial public offering:

Gross proceeds of issuance of units, assuming exercise of the over-allotment option	\$ ●
Issue costs	●
Net increase in Unitholders' equity	<u>\$ ●</u>

IBI INCOME FUND
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of dollars)
Three months ended April 30, 2004
(Unaudited)

2. PRO FORMA CONSOLIDATED BALANCE SHEET OF THE FUND: (Continued)

(b) Adjustment for assets and liabilities not acquired by the Fund:

Cash		\$ ●
Accounts receivable		●
Work in progress		●
Prepaid expenses and other assets		●
Due from affiliates		●
Bank indebtedness		●
Accounts payable and accrued liabilities		●
Due to affiliates		●
		●
		\$ ●

(c) The Acquisition will be accounted for using the purchase method with the purchase price being allocated to the fair value of the assets and liabilities as follows:

Net assets acquired:		
Net working capital		\$ ●
Capital assets		●
Intangible assets, including customer relationships		●
Contracts		●
Goodwill		●
Non-controlling interest		●
		●
		\$ ●
Consideration:		
Cash		\$ ●

(d) Capital distributions and Priority Capital Amount:

On closing, a distribution of approximately \$ ● million will be made to the holders of the Class B units. The balance of the net proceeds raised of \$ ● will be held for the Class B unitholders as a Priority Capital Amount.

3. PRO FORMA CONSOLIDATED STATEMENTS OF INCOME OF THE FUND:

(a) Amounts payable to the Management Partnership:

Salaries, fees and employee benefits have been increased to reflect the payment of an amount that will be paid by the Management Partnership under an Administration Agreement.

	Three months ended April 30, 2004	Year ended January 31, 2004
Amounts to be paid to the Management Partnership	\$ ●	\$ ●
Amounts already included in the Management Partnership financial statements . . .	(●)	(●)
	\$ ●	\$ ●

IBI INCOME FUND
NOTES TO PRO FORMA CONSOLIDATED FINANCIAL STATEMENTS (Continued)
(In thousands of dollars)
Three months ended April 30, 2004
(Unaudited)

3. PRO FORMA CONSOLIDATED STATEMENTS OF INCOME OF THE FUND: (Continued)

(b) Amortization:

Amortization expense on the customer relationships and contracts, which have finite lives, has been recorded in the *pro forma* consolidated statements of income on a straight-line basis over ● and ● years, respectively.

	Three months ended April 30, 2004	Year ended January 31, 2004
Amortization	\$ ●	\$ ●

(c) Income taxes:

To reflect the additional income taxes that would have been paid by the Fund under the new structure:

	Three months ended April 30, 2004	Year ended January 31, 2004
Income taxes	\$ ●	\$ ●

(d) Administration expenses and interest expense:

No amounts have been provided in these *pro forma* consolidated financial statements to reflect any incremental general and administrative costs in connection with reporting to unitholders, investor relations and other related expenses, nor for any incremental interest expense that may be incurred under any credit facilities.

AUDITORS' REPORT

To the Partners of IBI Group

We have audited the combined balance sheets of IBI Group as at January 31, 2004 and 2003 and the combined statements of earnings, partners' equity and cash flows for each of the years in the three-year period ended January 31, 2004. These financial statements are the responsibility of the Group's management. Our responsibility is to express an opinion on these financial statements based on our audits.

We conducted our audits in accordance with Canadian generally accepted auditing standards. Those standards require that we plan and perform an audit to obtain reasonable assurance whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation.

In our opinion, these combined financial statements present fairly, in all material respects, the financial position of the Group as at January 31, 2004 and 2003 and the results of its operations and its cash flows for each of the years in the three-year period ended January 31, 2004 in accordance with Canadian generally accepted accounting principles.

Toronto, Canada

May 28, 2004 (except as to note 12 which is as of

• , 2004)

Chartered Accountants

IBI GROUP
COMBINED BALANCE SHEETS

(In thousands of dollars)
January 31, 2004 and 2003

	<u>2004</u>	<u>2003</u>
Assets		
Current assets:		
Accounts receivable (note 3)	\$26,760	\$22,850
Work in process	5,721	6,910
Prepaid expenses and other assets	613	598
Due from affiliate (note 4)	6,732	6,941
	<u>39,826</u>	<u>37,299</u>
Capital assets (note 6)	1,797	1,804
Long-term accounts receivable (note 3)	—	1,000
Future income taxes (note 7)	383	341
	<u>\$42,006</u>	<u>\$40,444</u>
Liabilities and Partners' Equity		
Current liabilities:		
Bank indebtedness (note 8)	\$ 5,543	\$ 934
Accounts payable and accrued liabilities	9,160	9,499
Due to affiliate (note 4)	2,988	3,189
Income taxes payable	292	331
Deferred revenue	3,692	5,435
	<u>21,675</u>	<u>19,388</u>
Partners' equity	20,433	20,976
Cumulative foreign currency translation adjustment	(102)	80
	<u>20,331</u>	<u>21,056</u>
Commitments and contingencies (note 9)		
Subsequent events (note 12)		
	<u>\$42,006</u>	<u>\$40,444</u>

See accompanying notes to combined financial statements.

IBI GROUP
COMBINED STATEMENTS OF EARNINGS
(In thousands of dollars)
Years ended January 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Revenue:			
Fees	\$67,912	\$63,072	\$52,395
Other Income	262	50	347
	<u>68,174</u>	<u>63,122</u>	<u>52,742</u>
Expenses:			
Salaries, fees and employee benefits	38,776	35,499	29,143
Rent	4,288	4,092	3,019
Amortization of capital assets	1,057	1,152	869
Bad debts	829	1,034	1,212
Other operating costs (note 4)	8,117	7,641	6,501
Interest and bank charges	390	266	330
Management fee (note 5)	285	6	—
	<u>53,742</u>	<u>49,690</u>	<u>41,074</u>
Earnings before income taxes	14,432	13,432	11,668
Income taxes (recovery) (note 7):			
Current	728	703	432
Future	(42)	(89)	21
	<u>686</u>	<u>614</u>	<u>453</u>
Net earnings	<u>\$13,746</u>	<u>\$12,818</u>	<u>\$11,215</u>

COMBINED STATEMENTS OF PARTNERS' EQUITY
(In thousands of dollars)
Years ended January 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Partners' equity, beginning of year	\$ 20,976	\$ 19,314	\$ 18,898
Net earnings	13,746	12,818	11,215
Drawings	(14,503)	(11,353)	(11,047)
Contributions	214	197	248
Partners' equity, end of year	<u>\$ 20,433</u>	<u>\$ 20,976</u>	<u>\$ 19,314</u>

See accompanying notes to combined financial statements.

IBI GROUP
COMBINED STATEMENTS OF CASH FLOWS
(In thousands of dollars)
Years ended January 31, 2004, 2003 and 2002

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Cash provided by (used in):			
Operating activities:			
Net earnings	\$ 13,746	\$ 12,818	\$ 11,215
Items not affecting cash:			
Amortization of capital assets	1,057	1,152	869
Future income taxes	(42)	(89)	21
Change in non-cash operating working capital	(5,039)	(4,684)	1,741
Decrease (increase) in long-term accounts receivable	1,000	(1,000)	—
	<u>10,722</u>	<u>8,197</u>	<u>13,846</u>
Financing activities:			
Repayment of term loan	—	—	(2,620)
Bank indebtedness	4,609	934	—
Change in due from/to affiliates	8	765	(590)
Partners' drawings	(14,503)	(11,353)	(11,047)
Capital contributions	214	197	248
	<u>(9,672)</u>	<u>(9,457)</u>	<u>(14,009)</u>
Investing activities:			
Mortgage receivable	—	—	2,670
Purchase of capital assets, net	(1,050)	(1,448)	(962)
	<u>(1,050)</u>	<u>(1,448)</u>	<u>1,708</u>
Increase (decrease) in cash	—	(2,708)	1,545
Cash, beginning of year	—	2,708	1,163
Cash, end of year	<u>\$ —</u>	<u>\$ —</u>	<u>\$ 2,708</u>
Supplemental cash flow information:			
Income taxes paid	\$ 774	\$ 562	\$ 340
Interest paid	262	173	277
	<u>1,036</u>	<u>735</u>	<u>617</u>

See accompanying notes to combined financial statements.

IBI GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS
Years ended January 31, 2004, 2003 and 2002
(In thousands of dollars)

1. BASIS OF PRESENTATION:

These combined financial statements are prepared in accordance with Canadian generally accepted accounting principles and include all of the assets, liabilities, revenue and expenses of the following entities:

IBI Group (a partnership)
 IBI Group (U.S.) (a partnership)
 IBI Group Consultants Ltd.
 IBI Group Architects (a partnership) (Canadian operations other than British Columbia)
 Murray & Murray Associates Inc.
 IBI Leaseholds Ltd.
 InterBase Consultants Ltd.
 1257696 Ontario Limited
 Irwin Beinhaker InterBase Limited
 RPDD Services Limited

Together, these partnerships and companies are referred to as IBI Group (the "Group"). These financial statements reflect only the activities carried on by the Group. Transactions and balances between the partnerships and the companies have been eliminated. These financial statements do not include partners' personal assets, liabilities, revenue and expenses or income taxes payable by the partners personally on any taxable income of the business.

2. SIGNIFICANT ACCOUNTING POLICIES:

The significant accounting policies followed by the Group are summarized below:

(a) Revenue recognition:

Revenue is recognized at estimated net realizable value as services are rendered. Billings in excess of time value incurred on jobs in progress are included in deferred revenue on the combined balance sheets.

Work in process, representing fee revenue and recoverable disbursements which have not been billed, is valued at estimated net realizable value.

Accounts receivable are classified as to current or long-term based on anticipated repayment dates.

(b) Cash balances which the Group has the ability and intent to offset are used to reduce reported bank indebtedness.

(c) Capital assets:

Capital assets are recorded at cost and amortized over their estimated useful lives as follows:

<u>Assets</u>	<u>Basis</u>	<u>Rate</u>
Office furniture and equipment	Diminishing balance	20%
Electronic data processing equipment	Straight line	2 years
Leasehold improvements	Straight line	Term of lease

(d) Foreign exchange:

Assets and liabilities of self-sustaining foreign operations denominated in foreign currencies are translated into Canadian dollars at the exchange rates in effect at each year-end dates. The resulting exchange gains or losses on translation are recognized as part of equity in cumulative foreign currency translation adjustment. Revenue and expenses denominated in foreign currencies are translated into Canadian dollars at the average foreign currency exchange rate for the year.

Foreign exchange gains and losses on other transactions are recorded in income in the year in which they occur.

(e) Income taxes:

Income earned by the Group is taxable directly to the partners of the Group. The current tax expense recognized by the Group is a result of taxable income earned in incorporated entities combined in these financial statements.

The Group uses the asset and liability method of accounting for income taxes. Under the asset and liability method, future income tax assets are recognized based on the temporary differences between the financial statement carrying values of existing capital

IBI GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
Years ended January 31, 2004, 2003 and 2002
(In thousands of dollars)

2. SIGNIFICANT ACCOUNTING POLICIES: (Continued)

assets and their respective income tax bases. Future tax assets and liabilities are measured using enacted or substantively enacted tax rates expected to apply to taxable income in the years in which those temporary differences are expected to be recovered or settled. The effect on future tax assets and liabilities of a change in tax rates is recognized in income in the year that includes the date of enactment or substantive enactment.

(f) Measurement uncertainty:

The preparation of financial statements requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenue and expenses during the years. Actual results could differ from those estimates.

3. CONCENTRATIONS OF CREDIT RISK:

Accounts receivable balances that potentially subject the Group to concentrations of credit risk are primarily generated from work performed for clients on active projects of the Group. The Group performs ongoing credit evaluations of its clients' financial conditions. The Group considers its concentrations of credit risk with specific clients in determining its estimates of reserves for credit losses.

The following table details the Group's sales and accounts receivable balances allocated by geographical region:

	2004	2003	2002
Fees:			
Canada	\$44,066	\$41,961	\$36,700
United States	15,491	13,659	9,794
International	8,355	7,452	5,901
	<u>\$67,912</u>	<u>\$63,072</u>	<u>\$52,395</u>
		2004	2003
Accounts receivable:			
Canada		\$15,105	\$12,515
United States		7,498	7,474
International		4,157	3,861
		<u>\$26,760</u>	<u>\$23,850</u>

In 2004, one customer (2003 — one) located in Canada made up \$4,029 (2003 — \$2,280) of the total accounts receivable balance, of which nil (2003 — \$1,000) has been classified as long-term.

4. DUE FROM/TO AFFILIATES:

	2004	2003
Due from Interbase Incorporated	\$6,732	\$6,941
Due to IBI Group Realty (a Partnership)	2,988	3,189

Interbase Incorporated is a company related through common ownership. IBI Group Realty (a Partnership) is an entity related through common ownership. The amounts are interest-free and due on demand. Transactions during the years presented related to repayments of amounts due.

The Group also paid a consulting fee to IBI Group Realty (a Partnership) of \$395 (2003 — \$325), which is included in other operating costs.

5. MANAGEMENT FEE:

A management fee was paid to one of the Chairman Directors as part of his earnings allocation for the year.

IBI GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
Years ended January 31, 2004, 2003 and 2002
(In thousands of dollars)

6. CAPITAL ASSETS:

<u>2004</u>	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Office furniture and equipment	\$ 2,820	\$2,045	\$ 775
Electronic data processing equipment	6,701	6,133	568
Leasehold improvements	1,420	966	454
	<u>\$10,941</u>	<u>\$9,144</u>	<u>\$1,797</u>
<u>2003</u>	<u>Cost</u>	<u>Accumulated amortization</u>	<u>Net book value</u>
Office furniture and equipment	\$ 2,582	\$1,817	\$ 765
Electronic data processing equipment	6,120	5,565	555
Leasehold improvements	1,188	704	484
	<u>\$ 9,890</u>	<u>\$8,086</u>	<u>\$1,804</u>

7. INCOME TAXES:

The significant component of the Group's temporary differences that give rise to future income tax assets is as follows:

	<u>2004</u>	<u>2003</u>
Capital assets	\$383	\$341

The significant differences between the income taxes paid by the Group and that payable by multiplying earnings before taxes by the applicable statutory rate of approximately 36% is as follows:

	<u>2004</u>	<u>2003</u>	<u>2002</u>
Expected income tax payable	\$ 5,195	\$ 4,835	\$ 4,200
Income taxable in the hands of the partners	(4,509)	(4,221)	(3,747)
Income taxes	<u>\$ 686</u>	<u>\$ 614</u>	<u>\$ 453</u>

8. BANK INDEBTEDNESS:

Bank indebtedness consists of an authorized line of credit of \$16,000, of which \$7,790 was utilized as at January 31, 2004. The line of credit bears interest at the bank's prime lending rate per annum, which was 4.25% at January 31, 2004. Trade accounts receivable have been pledged as security against the operating line of credit with the lender.

9. COMMITMENTS AND CONTINGENCIES:

(a) Minimum annual rental payments for existing operating leases are as follows:

2005	\$4,084
2006	3,703
2007	2,929
2008	2,789
2009	2,534
Thereafter	8,510

(b) In the normal course of business, the Group has been named as defendant in a number of lawsuits. The potential liability, if any, is not determinable and in management's opinion, it would not have a material effect on these combined financial statements.

IBI GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS (Continued)
Years ended January 31, 2004, 2003 and 2002
(In thousands of dollars)

10. BUSINESS ACQUISITION:

On May 31, 2002, the Group purchased the assets of Walker, Newby & Partners Inc. ("Walker Newby"), a firm of architects, for \$331 payable in cash.

The Walker Newby acquisition was accounted for using the purchase method. The results of operations have been included in these financial statements since the date of acquisition. The purchase price has been allocated to tangible assets as follows:

Capital assets	\$236
Prepaid expenses	<u>95</u>
	<u>\$331</u>

Of the purchase price, \$312 was paid with cash consideration and \$19 is included in accounts payable. This amount is due November 30, 2004.

11. FAIR VALUES OF FINANCIAL INSTRUMENTS:

As at January 31, 2004, the carrying amounts of accounts receivable, due from affiliate, bank indebtedness, accounts payable and accrued liabilities and due to affiliate approximate their fair values.

12. SUBSEQUENT EVENTS:

On ●, 2004 the Group sold the majority of its assets, including all customer contracts, employment agreements, leasehold interests, furniture and equipment and its interests in IBI Group US and IBI Europe, but excluding any net working capital to IBI Group, a general partnership formed under the laws of the Province of Ontario, in return for ● Class B Units of IBI Group representing ● % of the Partnership Units.

IBI Group is controlled by IBI Income Fund, an unincorporated, open ended, limited purpose trust established under the laws of the Province of Ontario. IBI Income Fund completed an initial public offering on ●, 2004.

IBI GROUP
COMBINED BALANCE SHEET
(In thousands of dollars)
April 30, 2004, with comparative figures for January 31, 2004

	<u>April 30, 2004</u>	<u>January 31, 2004</u>
	(Unaudited)	
Assets		
Current assets:		
Accounts receivable	\$25,686	\$26,760
Work in process	6,784	5,721
Prepaid expenses and other assets	835	613
Due from affiliate	<u>6,732</u>	<u>6,732</u>
	40,037	39,826
Capital assets	1,759	1,797
Future income taxes	<u>383</u>	<u>383</u>
	<u>\$42,179</u>	<u>\$42,006</u>
 Liabilities and Partners' Equity		
Current liabilities:		
Bank indebtedness	\$ 5,994	\$ 5,543
Accounts payable and accrued liabilities	6,914	9,160
Due to affiliate	2,988	2,988
Income taxes payable	371	292
Deferred revenue	<u>4,816</u>	<u>3,692</u>
	21,083	21,675
Partners' equity	21,072	20,433
Cumulative foreign currency translation adjustment	<u>24</u>	<u>(102)</u>
	<u>21,096</u>	<u>20,331</u>
Subsequent events (note 3)		
	<u>\$42,179</u>	<u>\$42,006</u>

See accompanying notes to combined financial statements.

IBI GROUP
COMBINED STATEMENT OF EARNINGS

(In thousands of dollars)
Period from February 1, 2004 to April 30, 2004, with comparative figures for 2003
(Unaudited)

	2004	2003
Revenue:		
Fees	\$17,902	\$15,689
Other income	62	—
	17,964	15,689
Expenses:		
Salaries, fees and employee benefits	9,864	9,299
Rent	1,114	1,110
Amortization of capital assets	230	223
Bad debts	202	222
Other operating costs	1,893	1,889
Interest and bank charges	76	58
	13,379	12,801
Earnings before income taxes	4,585	2,888
Income taxes	135	92
Net earnings	\$ 4,450	\$ 2,796

COMBINED STATEMENT OF PARTNERS' EQUITY
(In thousands of dollars)

Period from February 1, 2004 to April 30, 2004, with comparative figures for 2003
(Unaudited)

	2004	2003
Partners' equity, beginning of period	\$20,433	\$20,976
Net earnings	4,450	2,796
Drawings	(3,850)	(3,256)
Contributions	39	70
Partners' equity, end of period	\$21,072	\$20,586

See accompanying notes to combined financial statements.

IBI GROUP
COMBINED STATEMENT OF CASH FLOWS

(In thousands of dollars)

Period from February 1, 2004 to April 30, 2004, with comparative figures for 2003
(Unaudited)

	<u>2004</u>	<u>2003</u>
Cash provided by (used in):		
Operating activities:		
Net earnings	\$ 4,450	\$ 2,796
Amortization of capital assets which does not involve cash	230	223
Change in non-cash operating working capital	<u>(1,128)</u>	<u>(2,296)</u>
	3,552	723
Financing activities:		
Bank indebtedness	451	—
Decrease in due from affiliate	—	1
Partners' drawings	<u>(3,850)</u>	<u>(3,256)</u>
Capital contributions	39	70
	<u>(3,360)</u>	<u>(3,185)</u>
Investing activities:		
Purchase of capital assets, net	<u>(192)</u>	<u>(189)</u>
Decrease in cash	—	(2,651)
Cash, beginning of period	<u>—</u>	<u>2,708</u>
Cash, end of period	<u>\$ —</u>	<u>\$ 57</u>
Supplemental cash flow information:		
Income taxes paid	\$ 56	\$ 190
Interest paid	<u>50</u>	<u>28</u>

See accompanying notes to combined financial statements.

IBI GROUP
NOTES TO COMBINED FINANCIAL STATEMENTS
Period from February 1, 2004 to April 30, 2004
(Unaudited)

1. SIGNIFICANT ACCOUNTING POLICY:

The combined financial statements do not include all the disclosures as required under generally accepted accounting principles, however, the combined financial statements follow the same accounting policies and methods of application as the most recent annual financial statements. The combined financial statements should be read in conjunction with the annual combined financial statements included in this prospectus.

2. SEGMENTED INFORMATION:

	2004	2003
Fees:		
Canada	\$11,949	\$10,553
United States	3,903	3,537
International	2,050	1,599
	\$17,902	\$15,689

3. SUBSEQUENT EVENTS:

On ● , 2004 the Group sold the majority of its assets, including all customer contracts, employment agreements, leasehold interests, furniture and equipment and its interests in IBI Group US and IBI Europe, but excluding any net working capital to IBI Group, a general partnership formed under the laws of the Province of Ontario, in return for ● Class B Units of IBI Group representing ● % of the Partnership Units.

IBI Group is controlled by IBI Income Fund, an unincorporated, open ended, limited purpose trust established under the laws of the Province of Ontario. IBI Income Fund completed an initial public offering on ● , 2004.

CERTIFICATE OF THE FUND

Dated: July 27, 2004

The foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act*, 1988 (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 74 of the *Securities Act* (New Brunswick), by Section 63 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. This prospectus does not contain any misrepresentation likely to affect the value or market price of the securities to be distributed within the meaning of the *Securities Act* (Quebec) and the regulations thereunder.

IBI INCOME FUND
by its attorney IBI GP Holdings Limited

By: (Signed) PHILIP H. BEINHAKER
Chief Executive Officer

By: (Signed) ALLAN J. KAMERMAN
Chief Financial Officer

On behalf of the Board of Directors of IBI GP Holdings Limited.

By: (Signed) SCOTT E. STEWART
Director

By: (Signed) DAVID M. THOM
Director

On behalf of the Promoter
IBI GROUP
by two of its partners

BEINHAKER DESIGN SERVICES LTD.

N.A. IRWIN CONSULTING LIMITED

By: (Signed) PHILIP H. BEINHAKER
President

By: (Signed) NEAL IRWIN
President

CERTIFICATE OF THE UNDERWRITERS

Dated: July 27, 2004

To the best of our knowledge, information and belief, the foregoing constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by Part 9 of the *Securities Act* (British Columbia), by Part 8 of the *Securities Act* (Alberta), by Part XI of the *Securities Act*, 1988 (Saskatchewan), by Part VII of the *Securities Act* (Manitoba), by Part XV of the *Securities Act* (Ontario), by Section 74 of the *Securities Act* (New Brunswick), by Section 64 of the *Securities Act* (Nova Scotia), by Part II of the *Securities Act* (Prince Edward Island), by Part XIV of the *Securities Act* (Newfoundland and Labrador), by the *Securities Act* (Yukon), by the *Securities Act* (Northwest Territories) and by the *Securities Act* (Nunavut) and the respective regulations thereunder. To the best of our knowledge, information and belief, the foregoing does not contain any misrepresentation likely to affect the value or the market price of the securities to be distributed within the meaning of the *Securities Act* (Québec) and the regulations thereunder.

CIBC WORLD MARKETS INC.

By: (Signed) DANIEL J. MCCARTHY

BMO NESBITT BURNS INC.

By: (Signed) KEVIN EVERINGHAM

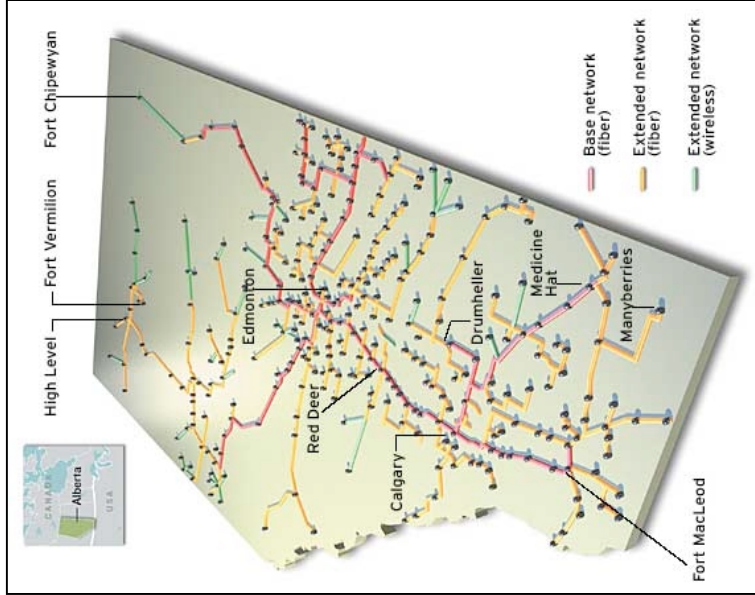
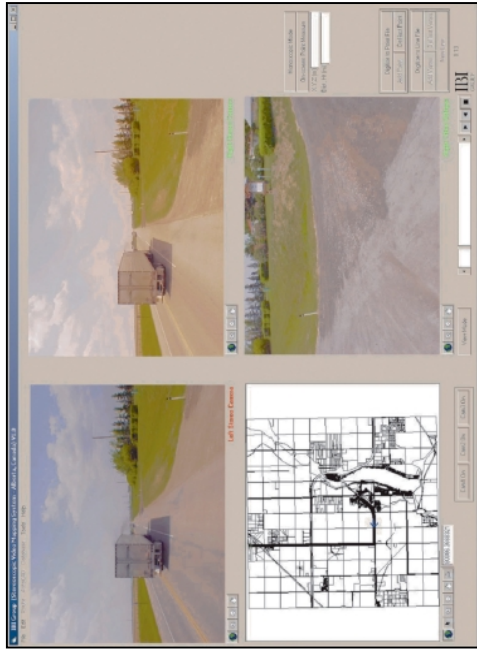
TD SECURITIES INC.

NATIONAL BANK FINANCIAL INC.

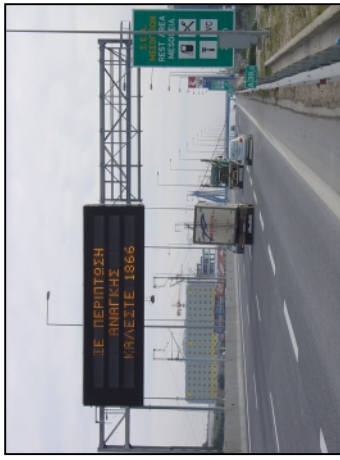
By: (Signed) PETER GIACOMELLI

By: (Signed) PETER JELLEY

case study > SUPERNET ALBERTA, CANADA



case study > **ATTIKI ODOS MOTORWAY** **ATHENS, GREECE**



Park City Area Experience

Urban Land:

Land Use Planning,
Sustainable Development, Site
Engineering, Urban Design,
Landscape Architecture, Public
Consultation, Design Controls,
Entitlements

Facilities:

Architecture, Interior Design,
FFE Procurement, Graphics,
Wayfinding, Retail Branding

Transportation:

Traffic Studies, Parking
Demand, Pedestrian Plan
Analysis, Goods/Materials
Management

Systems:

Guest Information Systems,
Smart Buildings

