Positioning for the future.

FIRST QUARTER REPORT 2010

Newport Partners
Income Fund

PORTFOLIO SUMMARY – BY OPERATING PARTNERSHIP ($000s)

THREE MONTHS ENDED MARCH 31, 2010

Operating Partner	Invested Capital	Ownership Interest	Date of Initial Investment	Q1 2010 EBITDA	Q1 2010 DC	Q1 2010 Cash Yield LTM
NPC	$113,100	80%	Oct. 2004	$ 3,042	$ 1,800	14.5%
Quantum Murray	77,900	64%	Mar. 2006	(1,355)	(2,301)	0.3%
Morrison Williams	42,000	80%	Aug. 2005	1,008	1,007	10.4%
Peerless	36,000	90%	Jun. 2006	2,094	2,011	19.8%
Gemma	32,300	100%	Mar. 2005	1,018	901	11.2%
Brompton	27,200	42%	Aug. 2005	607	-	-
Titan	25,200	92%	Sep. 2006	593	407	2.5%
Capital C	23,700	67%	Aug. 2005	1,086	798	11.2%
NP LP	20,700	100%	Aug. 2005	625	566	8.2%
Armstrong	20,000	80%	Oct. 2006	243	243	4.4%
Hargraft	18,300	100%	Apr. 2006	(386)	(393)	(9.3)%
BMI	18,200	78%	Apr. 2007	269	253	5.7%
Gusgo	12,500	80%	Oct. 2006	398	453	18.1%
IC Group	10,800	80%	Jul. 2006	389	376	20.8%
Rlogistics	10,000	36%	May 2006	150	150	9.6%
S & E	5,700	80%	Oct. 2004	19	11	2.9%
Total Current Portfolio	**$493,600**			**$ 9,800**	**$ 6,282**	**9.0%**

Dear Unitholders:

The primary goal for 2010 as outlined in last year's annual report is simple. We need to stay focused and disciplined in order to complete the stabilization of the Fund's balance sheet.

We continue to advance the sale of certain assets to satisfy our obligations under the Forbearance Agreement with our senior lenders. In addition, our plans to access bank facilities directly at certain of our investments are progressing. Both of these initiatives are designed to generate cash for the Fund to allow it to repay senior debt in full by July 21, 2010.

We continue to operate within the covenants of the Forbearance Agreement, and the Fund repaid over $18 million to its senior lenders in the first quarter. As previously mentioned, the Fund is unable to pay interest on its unsecured subordinated convertible debentures during this Forbearance Period. The Fund is continuing its discussions with principal holders of the convertible debentures with a view to restructuring them. The first series of convertible debentures matures in December 2010.

The Fund's operating performance in the first quarter was mixed, but generally below expectations, and below last year's first quarter. Revenues for the quarter from continuing operations were $122.1 million compared to $155.5 million a year ago. Gross margins were $30.8 million compared to $34.3 million a year ago, and EBITDA was $6.6 million compared to $7.6 million from a year ago.

The largest revenue decrease was in the industrial services segment which experienced a slower quarter. In particular, in our remediation services division seasonal slowdown was compounded by the distraction in British Columbia of the Vancouver Olympics. Oil and gas services revenues were also lower than anticipated, but for the most part, it is expected that this is a deferral of revenue to later in the year. Despite lower revenues, gross margins are improved and selling, general and administrative costs have been brought down. The marketing portfolio has performed relatively well but we have incurred additional business development costs this quarter and have also seen client pull backs in some cases.

The operating results of our investments directly impact the flow of cash to the Fund. We are monitoring our costs and cashflows carefully through this period. Our expectation is that the second quarter will see improved results, in particular at NPC, our largest investment, where client shutdown and turnaround work will be in full production.

We have scheduled our annual general meeting for June 29, 2010 and materials will be forthcoming.

Thank you for your continued support.

Dean T. MacDonald
President and CEO

MANAGEMENT'S DISCUSSION AND ANALYSIS

MAY 10, 2010

The following is management's discussion and analysis ("MD&A") of the consolidated results of operations, financial position and cash flows of Newport Partners Income Fund (the "Fund") for the three months ended March 31, 2010 and 2009. This MD&A should be read in conjunction with the Fund's unaudited interim consolidated financial statements for the three months ended March 31, 2010 and 2009 and the notes thereto.

All amounts in this MD&A are in Canadian dollars and expressed in '000's of dollars unless otherwise noted. The accompanying unaudited interim consolidated financial statements of the Fund have been prepared by and are the responsibility of management. The contents of this MD&A have been approved by the Board of Trustees of the Fund, on the recommendation of its Audit Committee. This MD&A is dated May 10, 2010 and is current to that date unless otherwise indicated.

The consolidated financial statements have been prepared in accordance with Canadian generally accepted accounting principles ("GAAP"). This MD&A makes reference to certain non-GAAP measures and contains forward-looking information. Non-GAAP measures do not have any standard meaning prescribed by GAAP and are therefore unlikely to be comparable to similar measures presented by other issuers. See non-GAAP measures and forward-looking information.

Capitalized terms are defined terms, their meaning is explained in the "Definitions" section located on page 29. Reference to "we", "us", "our" or similar terms, refer to Newport Partners Income Fund, unless the context otherwise requires.

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Forward-looking information

This MD&A contains certain forward-looking information. Certain information included in this MD&A may constitute forward-looking information within the meaning of securities laws. In some cases, forward-looking information can be identified by terminology such as "may", "will", "should", "expect", "plan", "anticipate", "believe", "estimate", "predict", "potential", "continue" or the negative of these terms or other similar expressions concerning matters that are not historical facts. Forward-looking information may relate to management's future outlook and anticipated events or results and may include statements or information regarding the future plans or prospects of the Fund or the Operating Partnerships and reflects management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of the Fund and the Operating Partnerships. Without limitation, information regarding the future operating results and economic performance of the Fund and the Operating Partnerships constitute forward-looking information. Such forward-looking information reflects management's current beliefs and is based on information currently available to management of the Fund and the Operating Partnerships. Forward-looking information involves significant risks and uncertainties. A number of factors could cause actual events or results to differ materially from the events and results discussed in the forward-looking information including risks related to investments, conditions of capital markets, economic conditions, taxation of income trusts, dependence on key personnel, limited customer bases, interest rates, regulatory change, compliance with the terms of the Amended Forbearance Agreement with the senior lenders, ability to meet working capital requirements and capital expenditures needs of the Operating Partners, factors relating to the weather and availability of labour. These factors should not be considered exhaustive. In addition, in evaluating this information, investors should specifically consider various factors, including the risks outlined under "Risk Factors", which may cause actual events or results to differ materially from any forward-looking statement. In formulating forward-looking information herein, management has assumed that business and economic conditions affecting the Fund and the Operating Partnerships will continue substantially in the ordinary course, including without limitation with respect to general levels of economic activity, regulations, taxes and interest rates. Although the forward-looking information is based on what management of the Fund and the Operating Partnerships consider to be reasonable assumptions based on information currently available to it, there can be no assurance that actual events or results will be consistent with this forward-looking information, and management's assumptions may prove to be incorrect. This forward-looking information is made as of the date of this MD&A, and the Fund does not assume any obligation to update or revise it to reflect new events or circumstances except as required by law. Undue reliance should not be placed on forward-looking information. The Fund is providing the forward-looking financial information set out in this MD&A for the purpose of providing investors with some context for the "Second Quarter Outlook" presented. Readers are cautioned that this information may not be appropriate for any other purpose.

Non-GAAP measures

The terms "adjusted EBITDA", "LTM cash yield from the portfolio", ''distributable cash'', ''EBITDA'', ''invested capital'', (collectively the ''Non-GAAP Measures'') are financial measures used in this MD&A that are not standard measures under Canadian generally accepted accounting principles (''GAAP''). The Fund's method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, the Fund's Non-GAAP Measures, as presented may not be comparable to similar measures presented by other issuers.

Adjusted EBITDA refers to EBITDA excluding the gain or loss on reduction of ownership interest (dilution gains or losses), the write-down of goodwill and intangibles and the impairment of long-term investments. The Fund has used Adjusted EBITDA as the basis for the analysis of its past operating financial performance. Adjusted EBITDA is used by the Fund and management believes it is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. Adjusted EBITDA is a measure that management believes facilitates the comparability of the results of historical periods and the analysis of its operating financial performance which may be useful to investors.

LTM cash yield from the portfolio refers to the Fund's cash on cash return for the last 12 months from an Operating Partnership based on free cash flow paid to the Fund as a percentage of weighted invested capital. Management believes that overall yield is a useful supplemental measure for investors to assess the quality of the investments in the Fund's portfolio and management's ability to invest in successful businesses at reasonable prices. Management uses this measure to monitor the performance of its investment strategy.

Distributable cash is not a standard measure under GAAP and is generally used by Canadian income funds as an indicator of financial performance. The Fund's method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. The Fund suspended distributions paid to its unitholders in October 2008. Under the Amended Forbearance Agreement, the Fund is prohibited from making distributions to unitholders and the Fund is retaining cash to meet working capital requirements, capital expenditures needs of the Operating Partners and to repay debt. Management believes it is, therefore, a useful financial measure as an indication of the Fund's ability to generate cash and use such cash to repay debt and fund operations. Distributable cash generated by an Operating Partnership is also used by management in the calculation of yield which it uses to monitor the performance of the Fund's Operating Partnerships.

EBITDA refers to net earnings determined in accordance with GAAP, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. EBITDA is used by management and the Trustees as well as many investors to determine the ability of an issuer to generate cash from operations. Management also uses EBITDA to monitor the performance of the Fund's reportable segments and believes that in addition to net income or loss and cash provided by operating activities, EBITDA is a useful supplemental measure from which to determine the Fund's ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. The Fund has provided a reconciliation of income to EBITDA in its MD&A.

Invested capital refers to the cost to acquire an equity interest in an Operating Partnership and excludes transaction costs and any working capital provided to such Operating Partnership. Management uses this measure to monitor the performance of its investment strategy and as an input to the calculation of its targeted overall yield for an Operating Partnership. Management believes that invested capital is a useful supplemental measure that provides investors with useful information about the capital that the Fund deploys for each Operating Partnership which can subsequently be used to determine the performance of each Operating Partnership.

Investors are cautioned that the Non-GAAP Measures are not alternatives to measures under GAAP and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the units. These Non-GAAP Measures should only be used in conjunction with the financial statements included in the MD&A and the Fund's annual audited financial statements available on SEDAR at www.sedar.com or at www.newportpartnersincomefund.ca

INDUSTRY SEGMENTS

Operating Partner by Industry Segment	Business Description	Ownership Interest
Financial Services		
BMI	Full service insurance broker focusing primarily on commercial clientele with expertise in the transportation sector	78%
Brompton	Asset manager of public and private investment funds	42%
Morrison Williams	Provides investment management services to institutional clients	80%
NP LP	Provides investment management, corporate advisory and insurance services	100%
Hargraft	Insurance broker specializing in the transportation, manufacturing and construction sectors	100%
Marketing		
Armstrong	Fully integrated marketing agency providing in-store promotional marketing, digital and social media marketing solutions	80%
Capital C	Integrated marketing services agency	67%
Gemma	An outsourced contact centre operator providing outbound revenue generation and inbound customer care services	100%
IC Group	Provider of on-line promotional and loyalty programs and select insurance products	80%
S & E	Provider of sports related marketing and advertising services	80%
Industrial Services		
NPC	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands	80%
Quantum Murray	National provider of demolition, remediation and scrap metal services	64%
Other		
Gusgo	Transportation and storage services provider	80%
Peerless	Supplier of garments to the Canadian military	90%
Rlogistics	Re-seller of closeout, discount and refurbished consumer electronic and household goods in Ontario	36%
Titan	Manufacturer and distributor of rigging products, and services and ground engaging tools to industries including oil and gas, and construction.	92%

KEY PERFORMANCE INDICATORS AND FINANICAL HIGHLIGHTS

The Fund's key performance indicators and financial highlights are set out below:
(In 000's)

	Key Performance Indicators	
Three months ended March 31	2010	2009
Revenues	$ 122,073	$ 155,512
Gross profit margin	30,756	34,281
EBITDA from continuing operations	$ 6,618	$ 7,597
Distributable cash used by continuing operations[1]	(4,949)	(3,277)

	Key Financial Highlights	
	March 31, 2010	December 31, 2009
Total assets	$ 436,458	$ 479,324
Revolving credit facilities	10,089	10,089
Senior long-term debt	132,458	150,499
Convertible debt[2]	157,049	156,136
Unitholders' equity	12,437	21,019

1 The Fund ceased paying distributions after October 15, 2008. The Amended Forbearance Agreement prohibits distributions to unitholders and the Fund is retaining distributable cash in order to meet working capital requirements and capital expenditure needs of the Operating Partnerships, and to repay debt.

2 The Fund has not paid interest on its convertible debt since December, 2008. Included in accrued liabilities is accrued interest payable on the convertible debt of $14,920 at March 31, 2010 (December 31, 2009 - $11,936).

SIMPLIFIED STRUCTURE – NEWPORT PARTNERS INCOME FUND AND NPY

The Fund is an unincorporated, open-ended, limited purpose trust, which was created to hold an indirect interest in NPY. NPY is a limited partnership formed to invest in securities of private businesses. Management at the Fund and Operating Partnerships, principles and employees of NP LP, Trustees of the Fund, and founding investors of NPY own approximately 50.8% of the 71,631,431 units outstanding as at March 31, 2010.

LIQUIDITY AND CAPITAL RESOURCES

FINANCING

The Fund, through Newport Finance Corp., a subsidiary of the Fund, has a Senior Credit Agreement (the "Senior Credit Agreement") with a syndicate of lenders (the "Lenders"). Since December 31, 2008, the Fund has not been in compliance with certain covenants under the Senior Credit Agreement. On April 1, 2009 and April 29, 2009, the Fund received from the Lenders notices confirming the events of default, advising that no future advances would be available to the Fund from any of the commitments under the Senior Credit Agreement, other than at the sole discretion of the Lenders, and that no other debt could be incurred by the Fund. In addition, the Lenders provided notice to the Fund that it would be charged default interest at 3% per annum for the period from January 31, 2009.

On July 21, 2009 the Fund announced that a Forbearance Agreement (the "Forbearance Agreement") had been entered into with the Lenders. Under the terms of the Forbearance Agreement, the Lenders have agreed to forbear from exercising their default-related rights and remedies under the Senior Credit Agreement for a period of up to 365 days, which period may be reduced upon the occurrence of certain new defaults (the "Forbearance Period").

The Fund agreed to repay the Lenders in full by the end of the Forbearance Period, by realizing minimum net proceeds on disposals of assets and from the proceeds of re-financings of the investee businesses of the Fund by certain agreed-upon dates. The minimum debt repayment targets and agreed upon dates were $70,000 by November 10, 2009 and $55,000 by January 7, 2010 with the balance to be repaid by July 21, 2010. The Fund is also subject to a minimum monthly EBITDA covenant and to a maximum capital expenditures covenant during the Forbearance Period beginning with the period ended January 2010.

Assuming that the Fund is in compliance with the Forbearance Agreement, the Lenders have also agreed that no default interest will accrue or be payable during the Forbearance Period and have agreed to waive certain prepayment fees which would otherwise continue to apply. Default interest up until the beginning of the Forbearance Period in the amount of $3,500 is to be paid in part from the proceeds of asset sales with the balance payable at the end of the Forbearance Period.

A forbearance fee is to be paid to the Lenders, in part from asset sales with the balance payable at the end of the Forbearance Period. The fee is initially 75 basis points of the principal amount outstanding under the Senior Credit Agreement, but could be reduced to 25 basis points upon certain repayment targets being achieved. The minimum fee that can now be charged is 50 basis points but only if full repayment is made within 300 days of July 21, 2009. A maximum fee of $1,850 was recorded for the year ended December 31, 2009.

On October 1, 2009, the Fund sold its investment in Elliott Special Risks LP ("ESR") for $74,600, and the Fund used $70,100 to repay the Lenders, satisfying in advance the first milestone of the Forbearance Agreement.

On November 25, 2009, the Fund announced that an amendment to the Forbearance Agreement had been entered into with the Lenders (the "First Amendment"). Under the terms of the First Amendment, the requirement to repay $55,000 by January 7, 2010 by way of proceeds from the asset sales was amended. The Lenders agreed to allow for repayments by using cash on hand and proceeds from asset sales. On November 25, 2009 $30,000 was repaid from cash on hand and the next repayment was scheduled for February 28, 2010 in the amount of $35,000 with the balance to be repaid by July 21, 2010. As part of the First Amendment, the Lenders consented to Newport Partners Holdings LP ("NPH"), a subsidiary of the fund, acquiring all of the issued and outstanding equity interests of Gemma that it did not currently own.

On February 19, 2010, the Fund announced a second amendment to the Forbearance Agreement (the "Second Amendment"). Under the terms of the Second Amendment, the requirement to repay $35,000 by February 28, 2010 was amended to a requirement to repay $18,500. The Fund paid $20,000 on February 18, 2010 from cash on hand which included a $1,500 rescheduling fee.

If the Fund is unable to generate sufficient cash to repay the remaining amounts outstanding under the Forbearance Agreement on July 21, 2010, the Fund would be dependent on the continuing financial support of the Lenders to further amend the repayment terms.

In conjunction with the signing of the Forbearance Agreement, NPH, has arranged for a $20,000 subordinated financing facility from an affiliate in order to provide sufficient working capital. The facility bears interest at 10% per annum and repayments of principal and interest can be made after full repayment of amounts owing under the Senior Credit Agreement. The Fund has drawn $10,089 on this line.

As a consequence of the continuing events of default under the Senior Credit Agreement, the Fund was contractually prohibited from remitting the June 30, and December 31, 2009 interest payment on the Unsecured Subordinated Convertible Debentures (the "Debentures") and as of July 15, 2009, the failure to make the June 30th interest payment constituted an event of default under the terms of the Trust Indenture governing the Debentures. The Forbearance Agreement does not permit the Fund to make further interest payments during the Forbearance Period.

Under the terms of the Trust Indenture, the debenture trustee can provide notice to the Fund to declare all principal and interest to become due and payable as a result of the default. The Fund has been in discussions with principal holders of the Debentures with a view to reaching an agreement to restructure the Debentures.

OPERATING CASH FLOW AND WORKING CAPITAL

Cash provided by operations was $2,786 for the quarter ended March 31, 2010, compared to cash used of $2,168 for the quarter ended March 31, 2009. As a result of the reclassification of $132,458 of term debt and the reclassification of convertible debentures of $157,049, the Fund had a working capital deficiency of approximately $220,664 at March 31, 2010, compared to $212,316 at March 31, 2009.

Under the terms of the Forbearance Agreement, the Fund is not permitted to make distribution payments to unitholders. The Fund will retain cash distributions to meet working capital requirements and capital expenditure needs of the Operating Partners and repay debt.

Financing will be provided from cash from operations, the $20,000 subordinated financing facility and from portfolio sales, net of debt repayment and related expenses.

CAPITAL EXPENDITURES

The portfolio incurred total capital expenditures (capital lease payments and capital expenditures) of $2,375 in the three months ended March 31, 2010 compared with $3,340 in the prior year primarily to support contracts at NPC. The industrial services segment accounted for 71.2% of the Fund's total capital expenditures for the three months ended March 31, 2010 (2009 – 82.0%). Restrictions and limits on capital expenditure have been put in place by the Fund.

INVESTMENT ACTIVITES

On August 4, 2009, the minority limited partner of Gemma Communications LP ("Gemma") delivered to Newport Partners Holdings LP ("NPH") an offer letter pursuant to the shotgun buy-sell provision of the limited partnership agreement governing Gemma. NPH elected to accept the minority limited partner's offer to sell its 20% interest in Gemma. The buy-sell transaction closed on January 4, 2010, at which time, the Fund paid $4,285 and its interest in Gemma increased to 100%. This transaction had been accounted for using the purchase method.

FIRST QUARTER PERFORMANCE

Summary Financial Tables – ($000s)

Three months ended March 31, 2010	Financial Services	Marketing	Industrial Services[2]	Other	Corporate[1]	Total
Revenues	$ 6,888	$ 21,930	$ 73,429	$ 19,826	-	$ 122,073
Gross profit	4,729	7,617	12,670	5,740	-	30,756
Income (loss) from continuing operations	330	2,627	(5,268)	1,791	(8,988)	(9,508)
EBITDA from continuing operations	2,123	2,755	1,687	3,235	(3,182)	6,618
Interest income (expense)[2]	30	(50)	(498)	(214)	(8,961)	(9,693)
Non-cash interest expense[3]	-	-	-	-	912	912
Income tax expense – current	(3)	-	-	-	-	(3)
Maintenance capital expenditures and reserves	(711)	(305)	(615)	(31)	-	(1,662)
Capital lease payments	(5)	(71)	(1,076)	(60)	-	(1,212)
Priority income per partnership agreement[4]	-	-	-	91	-	91
Distributable cash retained (used) by the Fund[5]	$ 1,434	$ 2,329	$ (502)	$ 3,021	$ (11,231)	$ (4,949)

Three months ended March 31, 2009	Financial Services	Marketing	Industrial Services[2]	Other	Corporate[1]	Total
Revenue	$ 6,828	$ 22,834	$107,173	$ 18,677	-	$ 155,512
Gross profit	4,494	8,606	15,701	5,480	-	34,281
Income (loss) from continuing operations before non-controlling interest	(609)	1,691	(4,539)	480	(10,205)	(13,182)
EBITDA from continuing operations	1,718	3,823	2,219	2,428	(2,591)	7,597
Interest income (expense)[2]	30	(35)	(736)	(250)	(9,055)	(10,046)
Non-cash interest expense[3]	-	-	-	-	834	834
Write-down of goodwill	-	-	-	-	270	270
Income tax expense – current	(6)	-	-	-	(11)	(17)
Maintenance capital expenditures and reserves	29	(211)	(350)	(54)	-	(586)
Capital lease payments	(1)	(35)	(1,321)	(66)	-	(1,423)
Priority income per partnership agreement[4]	20	-	-	74	-	94
Distributable cash retained (used) by the Fund[5]	$ 1,790	$ 3,542	$ (188)	$ 2,132	$ (10,553)	$ (3,277)

1 The results of the Corporate segment include corporate costs and corporate interest expense.

2 The Fund advanced approximately $62,000 to NPC to allow it to complete its investment in Golosky on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $1,486 for the three months ended March 31, 2010 and such amount has been added to the interest expense of the Corporate segment (2009 - $1,486).

3 Non-cash interest expense relates to the amortization of deferred financings charges and the accretion of the equity component of the Convertible Debentures. Issue costs are amortized over the term of the Debentures, and the debt portion will accrete up to the principal balance at maturity.

4 To the extent that in any reporting period, calculated on a cumulative basis, the Fund's proportionate share of distributable cash is more or less than its priority amount, an adjustment to distributable cash is made to reflect the actual cash distributions payable to the Fund by the operating partner.

5 As there were no distributions made during the first quarter of 2010, distributable cash per unit information has not been provided.

Summary Results From Continuing Operations – ($000s)

	Three months ended March 31	
	2010	2009
Revenues	$ 122,073	$ 155,512
Cost of revenues	(91,317)	(121,231)
Gross profit	30,756	34,281
Selling, general and administrative expenses	(24,914)	(26,741)
Amortization expense	(6,416)	(7,351)
Depreciation expense	(2,962)	(3,056)
Income from equity investments	470	18
Write-down of goodwill	-	(270)
Interest expense	(9,693)	(10,046)
Income tax expense – current	(3)	(17)
Income tax recovery – future	3,254	-
Loss from continuing operations before non-controlling interest	$ (9,508)	$ (13,182)
Add:		
Amortization	6,416	7,351
Depreciation[1]	2,981	3,078
Amortization of Brompton intangible assets	287	287
Interest expense	9,693	10,046
Income tax expense – current	3	17
Income tax recovery - future	(3,254)	-
EBITDA	$ 6,618	$ 7,597

1 Depreciation of $19 was recorded in cost of revenues for the three months ended March 31, 2010 (2009 - $22)

FIRST QUARTER RESULTS

The Fund's continuing operations from its portfolio investments are reported in four operating segments: Financial Services, Marketing, Industrial Services and Other.

Total revenues for the quarter ended March 31, 2010 were $122,073 compared to $155,512 in 2009, a decrease of 21.5%. This decrease was primarily driven by the Industrial Services segment. Both Quantum Murray and NPC had a slow first quarter. At NPC, the conventional oil and gas maintenance services were sharply down from the prior year period as planned maintenance work and project contracts were reduced by clients. Revenues at Quantum Murray were below prior year levels at both the environmental and demolition divisions. The environmental division benefitted from several large and profitable remediation projects in 2009. Similar sized projects were not present in the current quarter. The demolition division continues to suffer from the lack of large industrial demolition projects.

Overall revenues in the Financial Services segment were comparable to prior year. NP LP's revenues increased over the prior year period due to higher investment management fees and corporate advisory fees. BMI and Morrison Williams had comparable revenue levels and Hargraft revenues continue to be below prior year levels.

The Marketing segment revenues were slightly below prior year levels. Revenues at S&E and Gemma were below prior year levels due to the loss of a few key clients. Capital C had improved revenues as its digital marketing solutions are attracting new clients and IC Group's revenues were comparable to the prior year.

Revenue in the Other segment exceeded the prior year quarter. Peerless had very strong results as it executed on two large military garment contracts. Gusgo also had increased revenues, reflecting the improving economy and the stimulation to the transportation industry. Titan's revenues were below prior year levels, as it continues to be impacted by the slow Alberta economy.

Gross profit for the quarter ended March 31, 2010 was $30,756 compared to $34,281 in 2009, a decrease of 10.3%. Gross profit margins have increased however to 25.2% compared to 22.0% for 2009. The first quarter of 2009 was mostly impacted by fixed cost project losses at NPC and project cost overruns at Quantum Murray on a large demolition project.

For the quarter ended March 31, 2010, these four operating segments produced $9,800 of EBITDA for the Fund compared to $10,188 in 2009.

Corporate general and administrative costs were $3,182 for the current quarter compared to $2,321 in 2009. This increase primarily relates to additional salary costs associated with the new and expanded senior management team. It also includes $926 compensation expense associated with the stock option plan.

The main items that reduced EBITDA to arrive at distributable cash were interest expense and maintenance capital expenditures. For the quarter, cash interest costs were $8,781 compared with $9,212 in 2009.

During the quarter ended March 31, 2010, the operating segments had maintenance capital expenditures, reserves and capital lease payments of $2,874, compared to $2,009 in 2009. The majority of these expenditures are incurred in the Industrial Services segments.

Distributable cash used by continuing operations for the quarter ended March 31, 2010 was $4,949 compared with $3,277 in 2009.

Non-cash items that impacted the results were depreciation and amortization, and future income taxes. Depreciation and amortization was $9,684 for the quarter ended March 31, 2010, compared to $10,716 in 2009. The largest component of this expense is the amortization of intangible assets.

The tax recoveries recorded in 2010 of $3,254 and $nil in 2009, are non-cash items that have no current impact on the Fund's cash from operating activities.

Net loss for the quarter ended March 31, 2010 from continuing operations before non-controlling interest was $9,508 compared to a net loss of $13,182 in 2009.

FIRST QUARTER PERFORMANCE SUMMARY – BY OPERATING PARTNERSHIPS

Operating Partnership	EBITDA ($000's) Q1 2010	Q1 2009	Commentary
Financial services			
Brompton	607	(28)	During the first quarter, net assets under management ("AUM") increased by approximately $238 as a result of the launch of a new closed-end investment fund in February (the Canadian High Income Equity Fund), the exercise of warrants issued by funds and market appreciation of the value of assets held by the funds. Brompton continues to search for and structure new investment products which can be brought to market.
Morrison Williams	1,008	1,118	Revenues during the first quarter were flat compared to the prior year period. Morrison Williams' AUM decreased $332 or 12.0% from the previous quarter due to loss of business. Gross margins remain consistent with prior year periods.
NP LP	625	360	NP LP had a strong quarter with results exceeding the previous year period. Investment management fee revenue increased due to a combination of improved financial markets and, growth in client base. Revenues also included increased corporate advisory fees which were slightly offset with lower insurance revenue.
Hargraft	(386)	81	Hargraft continues to struggle within the competitive insurance market. Revenues are sharply decreased from the prior year period due to competitive pressures. In addition, Hargraft's transportation clients continued the trend of reducing fleet sizes and applying pressure on premiums. The restructuring measures taken in 2009 have right sized the business to position it for future stability.
BMI	269	187	BMI had a satisfactory first quarter considering the prolonged competitive insurance market. Overall results, were improved from the prior year period. BMI has been successful in attracting new clients in most of its business segments. However, insurance renewal business continues to be subjected to severe competition and anticipated premium increases have not yet materialized. As the soft insurance market persists, competitive rate pricing is required to retain business.
	$ 2,123	**$1,718**	
Marketing			
S&E	19	131	S&E had a satisfactory first quarter considering the rebuilding of the business that is taking place. Results are significantly below the previous year level due to the loss of two key clients in early 2009. Revenues during the current quarter included hockey and Olympic related sponsorship events for a key client. Management continues to focus on client development. These efforts are showing signs of success as large national clients engage S&E for sports related marketing and event management services.

Operating Partnership	EBITDA ($000's) Q1 2010	Q1 2009	Commentary
Gemma	1,018	1,208	Gemma's first quarter results were mixed. Progress continues to be made in obtaining new business to offset the loss of the major financial services clients in early 2009. At the same time, some existing clients are reducing their marketing and outbound telesales activities in light of budget constraints. Revenues were down primarily due to Q1 2009 being the last quarter that included substantial revenues from financial services clients. Significant strides in client development continued in the first quarter of 2010, as new clients engage Gemma for inbound and outbound call centre services.
Capital C	1,086	1,126	Capital C had a solid first quarter with results comparable to the prior period. Revenues and gross margins were slightly improved over the prior year period. This was due to a combination of increased spending by existing clients and revenue from new clients. Capital C's business model requires more strategic resources and Capital C is investing in talented resources to deliver new marketing products and services. This investment is happening at the same time clients are applying pricing pressure and competition for business remains strong.
IC Group	389	885	IC Group had mixed results for the quarter. There were increased prizing revenues compared to prior year however interactive revenues were lower than prior year levels. With this shift to lower margin revenue, gross margin and EBITDA were negatively impacted compared to the prior year. One significant marketing client reduced its spending while it reviewed its overall loyalty program. The strong Canadian dollar also negatively impacted IC Group's results as a large percentage of business is based in the US. The insurance division results were comparable to the prior year.
Armstrong	243	473	The first quarter proved to be a slow start to the year for Armstrong. Revenues from low margin purchased goods and services were strong, however, higher margin fee based revenues were below prior year levels. One of Armstrong's largest clients reduced its marketing budget in the quarter as a corporate reorganization necessitated a deferred marketing program. Various other clients deferred marketing projects during the quarter. A strong Canadian dollar also negatively impacted Armstrong results in the quarter as a significant amount of revenue is generated in the US.
	$ 2,755	**$ 3,823**	
Industrial services			
NPC	3,042	2,995	The first quarter results were comparable to the prior year period, but lower than the recent quarter. During the quarter, maintenance work and, in particular fixed price project work was reduced from a year ago. Wear technology group revenues were strong, compared to last year, but much lower than the previous quarters. It is anticipated that these revenues will increase in subsequent quarters. Revenues from the fabrication division were below prior year levels, however, by the end of the current quarter volumes were starting to improve. The labour contracting business was strong during the period as the demand for equipment operators continues to increase with oil and gas companies focusing on production rather than maintenance. Gross margins were improved in the current quarter primarily due to the fact that in 2009 project losses were incurred that negatively impaired margin. Significant cost cutting measures across the construction and maintenance divisions resulted in lower overhead costs.

Operating Partnership	EBITDA ($000's) Q1 2010	Q1 2009	Commentary
Quantum Murray	(1,355)	(776)	Quantum Murray had a challenging quarter with all three divisions having a slow start to the year. The environmental and demolition contracting businesses suffered from fewer projects and margin pressure. The first quarter is historically a slow quarter for the environmental division. Remediation and hazmat/abatement activity was negatively impacted by the Olympics in February as well as by increased competition in British Columbia, which has created pressure on margins. The scrap metal marketing operations benefited from higher scrap pricing in the quarter, however margins were impacted by reduced scrap volumes and aggressive competition for scrap purchases.
	$ 1,687	**$ 2,219**	
Other			
Peerless	2,094	1,351	Peerless had strong first quarter performance with results substantially exceeding the first quarter of 2009. Revenues were improved primarily due to two large government contracts that were in full production in the quarter, whereas during the prior year period one of the contracts had just been awarded and production had not yet begun and the second contract was not yet in full production. Gross margins were also improved over the prior year as there is greater opportunity for production efficiencies on larger contracts.
Titan	593	447	The first quarter showed some signs of improvement for Titan. Revenues and gross margin were below the same prior year quarter however when compared to the fourth quarter of 2009 were improved. The unseasonably mild weather negatively impacted revenues during the current quarter and, Titan continues to see margin pressures on all product lines due to the aggressive competition. The EBITDA improvement over a year ago reflects the efforts to minimize general and administrative expenses during 2009. Management continues to closely monitor overhead costs.
Gusgo	398	330	Gusgo had a solid first quarter with results exceeding the previous year's period. As the economy slowly recovers, the transportation industry is showing signs of improvement. Demand for transportation and storage services are expanding alongside the economic recovery. Gusgo has maintained a stable client base which is based in the Toronto – Montreal - New York triangle. Container storage services continues to be a profitable revenue stream for Gusgo.
Rlogistics	150	300	Rlogistics continued to face a very challenging retail environment in the first quarter. Downward pressure on same store sales continues and the availability of quality liquidation deals was limited. With another increase in the minimum wage taking effect in April and early signs of increased competition in the second quarter, management expects the business environment to remain challenging.
	$ 3,235	**$ 2,428**	

SEGMENT OPERATING RESULTS

FINANCIAL SERVICES

The Financial Services segment includes 100% of the results of NP LP and Hargraft (2009 – 94.0%), and the Fund's proportionate share of Morrison Williams and BMI. The results of Brompton are accounted for using the equity method of accounting. The results of ESR, sold on October 1 2009, are included in Discontinued Operations and are not reflected in the tables below.

Summary Financial Table – ($000s)

	Three months ended March 31	
	2010	2009
Revenues	$ 6,888	$ 6,828
Cost of revenues	(2,159)	(2,334)
Gross profit	4,729	4,494
Selling, general and administrative expenses	(3,213)	(2,761)
Amortization expense	(1,512)	(1,982)
Depreciation expense	(52)	(82)
Income (loss) from equity investments	320	(302)
Interest income	30	30
Income tax expense – current	(3)	(6)
Income tax recovery – future	31	-
Income (loss) for the period	$ 330	$ (609)
Add:		
Amortization	1,512	1,982
Depreciation	52	82
Amortization of Brompton intangible assets	287	287
Interest income	(30)	(30)
Income tax expense – current	3	6
Income tax recovery – future	(31)	-
EBITDA	$ 2,123	$ 1,718

Supplementary Financial Information – AUM (millions)

	March 31, 2010	December 31, 2009
NP LP	$ 1,029	$ 1,006
Morrison Williams	2,704	3,035
Brompton	1,777	1,540
Total	$ 5,510	$ 5,581

I. REVENUES

Revenue from the Financial Services segment was $6,888 in the quarter ended March 31, 2010, which represents a 1% increase over the $6,828 reported for the same prior year period. NP LP revenues were improved over the previous period due to higher investment fees and corporate advisory fees. Morrison Williams and BMI had comparable revenue levels to 2009. Hargraft's revenues were down compared to prior year as its renewal business has been under strong competitive pressures.

II. GROSS PROFIT

Gross profit for the quarter ended March 31, 2010 was $4,729, which translated into a 68.7% gross profit margin. This compares to gross profit of $4,494 for the prior year period reflecting a gross profit margin of 65.8%. The improved gross margins reflect higher investment management fee and corporate advisory fee revenue at NP LP.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses were $3,213 for the quarter ended March 31, 2010 compared with $2,761 for the quarter ended March 31, 2009. Selling, general and administrative expenses as a percentage of revenues was 46.6%, compared to 40.4% in 2009. These costs are typically fixed, however this quarter's increase in selling, general and administrative expenses is primarily due to new hires and a change in compensation structure at Morrison Williams and one time restructuring costs at Hargraft.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,564 for the quarter ended March 31, 2010, compared to $2,064 for the quarter ended March 31, 2009. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. EBITDA

EBITDA was $2,123 for the quarter ended March 31, 2010 compared to $1,718 in 2009. EBITDA also includes the income from the Fund's equity investment in Brompton.

VI. INCOME TAX

Current tax expense for the period ended March 31, 2010 was $ 3 compared to $6 in 2009. Future tax recovery for the year ended March 31, 2010 was $31 compared to $ nil in 2009.

VI. SEASONALITY

The asset management businesses and insurance businesses are not subject to material seasonality factors.

MARKETING

The Marketing segment includes 100% of the results of Gemma (2009 – 80.0%), and the Fund's proportionate share of the results of S&E, Capital C, IC Group and Armstrong.

Summary Financial Table – ($000s)

	Three months ended March 31	
	2010	2009
Revenues	$ 21,930	$ 22,834
Cost of revenues	(14,313)	(14,228)
Gross profit	7,617	8,606
Selling, general and administrative expenses	(4,862)	(4,803)
Amortization expense	(1,887)	(1,765)
Depreciation expense	(391)	(332)
Income from equity investments	-	20
Interest expense	(50)	(35)
Income tax recovery – future	2,200	-
Income for the period	$ 2,627	$ 1,691
Add:		
Amortization	1,887	1,765
Depreciation	391	332
Interest expense	50	35
Income tax recovery - future	(2,200)	-
EBITDA	$ 2,755	$ 3,823

I. REVENUES

Revenues for the Marketing segment were $21,930 for the quarter ended March 31, 2010, a 4.0% decrease over 2009 revenues of $22,834. Capital C's revenues were improved as it diversified its product offerings which attracted new clients. Gemma and S & E had lower revenue levels due to loss of business from a few key clients. IC Group maintained revenue levels.

II. GROSS PROFIT

Gross profit was $7,617 for the quarter ended March 31, 2010, compared with $8,606 for 2009. Gross profit margins were 34.7%, compared to 37.7% in 2009. The decline in gross margin percentage is mostly due to IC Group's shift in mix with lower margin prizing revenues in the current quarter.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $4,862 for the quarter ended March 31, 2010, compared with $4,803 for 2009. These expenses as a percentage of revenues were 22.2% compared to 21.0% in 2009.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $2,278 for the quarter ended March 31, 2010, compared with $2,097 in 2009. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. EBITDA

EBITDA was $2,755 for the quarter ended March 31, 2010, compared with $3,823 in 2009.

VI. INCOME TAX

Future tax recovery for the period ended March 31, 2010 was $2,200, compared to a future tax recovery of $nil for 2009. Current tax was $nil for both periods.

VII. SEASONALITY

Seasonality is not typically a material factor for the Marketing segment.

INDUSTRIAL SERVICES

The Industrial Services segment includes the Fund's proportionate share of the results of NPC and Quantum Murray.

Summary Financial Table – ($000s)

	Three months ended March 31	
	2010	2009
Revenues	$ 73,429	$ 107,173
Cost of revenues	(60,759)	(91,472)
Gross profit	12,670	15,701
Selling, general and administrative expenses	(10,983)	(13,482)
Amortization expense	(1,570)	(2,105)
Depreciation expense	(2,350)	(2,431)
Interest expense	(1,984)	(2,222)
Income tax expense – future	(1,051)	-
Loss for the period	$ (5,268)	$ (4,539)
Add:		
Amortization	1,570	2,105
Depreciation	2,350	2,431
Interest expense	1,984	2,222
Income tax expense – future	1,051	-
EBITDA	$ 1,687	$ 2,219

	Three months ended March 31			
	2010		2009	
	NPC	Quantum Murray	NPC	Quantum Murray
Revenues	$ 52,404	$ 21,025	$ 77,776	$ 29,397
Cost of revenues	(43,660)	(17,099)	(66,961)	(24,511)
Gross profit	8,744	3,926	10,815	4,886
Selling, general and administrative expenses	(5,702)	(5,281)	(7,820)	(5,662)
Amortization expense	(788)	(782)	(1,323)	(782)
Depreciation expense	(1,364)	(986)	(1,635)	(796)
Interest expense	(1,909)	(75)	(2,170)	(52)
Income tax (expense) recovery – future	602	(1,653)	-	-
Loss for the period	$ (417)	$ (4,851)	$ (2,133)	$ (2,406)
Add:				
Amortization	788	782	1,323	782
Depreciation	1,364	986	1,635	796
Interest expense	1,909	75	2,170	52
Income tax expense (recovery) – future	(602)	1,653	-	-
EBITDA	$ 3,042	$ (1,355)	$ 2,995	$ (776)

I. REVENUES

Revenues from the Industrial Services segment were $73,429 for the quarter ended March 31, 2010 compared with $107,173 in 2009, a decrease of 31.5%. NPC's revenues were below the prior year's levels primarily due to a decline in maintenance related activities and fixed price project work. Quantum Murray's revenues across all three divisions were below prior year levels. The environmental and demolition contracting businesses suffered from fewer projects than the same period last year. The remediation and hazmat activity was further impacted by a disruption and delay in business from the Olympics in British Columbia.

II. GROSS PROFIT

Gross profit was $12,670 for the quarter ended March 31, 2010 compared with $15,701 in 2009. Gross profit margins were 17.3% compared to 14.7% in 2009. The gross profit percentage was better in the current quarter as first quarter 2009 included fixed price contract project losses at NPC and project overruns on a large demolition project at Quantum Murray.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $10,983 for the quarter ended March 31, 2010, compared to $13,482 in 2009. These expenses as a percentage of revenues were 15.0%, an increase from 12.6% in 2009. The dollar decrease reflects the cost cutting measures taken by both NPC and Quantum Murray in response to lower business volumes.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $3,920 for the quarter ended March 31, 2010, compared with $4,536 in 2009. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. EBITDA

The Industrial Services segment produces $1,687 of EBITDA for the quarter ended March 31, 2010, compared with $2,219 of EBITDA earned in 2009.

VI. INCOME TAX

The future tax expense relating to the assets of the Industrial Services segment was $1,051 for the period ended March 31, 2010 compared to a future tax expense of $nil in 2009. Current tax expense was $nil for both periods.

VII. SEASONALITY

NPC's revenues and profits are impacted by seasonality and weather conditions. For example, severe winter conditions and excessively rainy periods can delay equipment moves and thereby adversely affect revenues. Spring break-up typically occurs in March and April leaving many roads temporarily incapable of supporting heavy equipment travel, thereby negatively impacting NPC's business.

Quantum Murray's remediation activity can be reduced in the winter months, depending on assignment location and weather. In addition, due to the timing of large contracts, quarterly results can fluctuate.

OTHER

The Other segment includes the Fund's proportionate share of the results of Peerless, Titan and Gusgo. The results of Rlogistics are accounted for using the equity method of accounting.

Summary Financial Table – ($000s)

	Three months ended March 31	
	2010	2009
Revenues	$ 19,826	$ 18,677
Cost of revenues	(14,086)	(13,197)
Gross profit	5,740	5,480
Selling, general and administrative expenses	(2,674)	(3,374)
Amortization expense	(1,447)	(1,499)
Depreciation expense	(145)	(177)
Income from equity investments	150	300
Interest expense	(214)	(250)
Income tax recovery – future	381	-
Income for the period	$ 1,791	$ 480
Add:		
Amortization	1,447	1,499
Depreciation	164	199
Interest expense	214	250
Income tax recovery – future	(381)	-
EBITDA	$ 3,235	$ 2,428

I. REVENUES

Revenues for the Other segment were $19,826 for the quarter ended March 31, 2010, compared with $18,677 in 2009, an increase of 6.2%. Peerless was the largest contributor to the revenue growth in the quarter. The increase reflects the full production of two large government contracts which were awarded in early 2009. Gusgo also had improved revenues as the transportation and shipping industry rebounded. Titan's revenues were down compared to prior year, however the volumes were improving by the end of the quarter.

II. GROSS PROFIT

Gross profit was $5,740 for the quarter ended March 31, 2010, compared with $5,480 in 2009. Gross profit margins were 29.0% compared to 29.3% in 2009.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $2,674 for the quarter ended March 31, 2010, compared to $3,374 in 2009. These expenses as a percentage of revenues were 13.5%, reduced from 18.1% in 2009. The reduction is attributed to Titan's cost cutting measures that have been ongoing.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,611 for the quarter ended March 31, 2010, compared with $1,698 in 2009. The largest component of this expense is the amortization of intangible assets, which were recorded as investments, were made in Operating Partnerships.

V. EBITDA

EBITDA was $3,235 compared with $2,428 in 2009. EBITDA includes the income from the Fund's equity investment in Rlogistics of $150 compared to $300 in the prior year period.

VI. INCOME TAX

The future tax recovery relating to the assets of Other segment was $381 for the period ended March 31, 2010, compared to $nil in 2009. Current tax expense was $nil for both periods.

VII. SEASONALITY

Peerless' business is not subject to material seasonal variance. However, due to the timing of large government contracts, annual revenues and EBITDA can sometimes fluctuate significantly.

Titan's business is positively impacted by severe cold and harsh weather conditions that create increased demand for replacement parts on heavy equipment and snow-removal related products. The first and fourth quarters have historically been the strongest.

Seasonality is not typically a factor for Gusgo.

CORPORATE

The Corporate segment includes head office administrative and legal costs, as well as interest costs.

Summary Financial Table – ($000s)

	Three months ended March 31	
	2010	2009
Selling, general and administrative expenses	$ (3,182)	$ (2,321)
Depreciation expense	(24)	(34)
Interest expense	(7,475)	(7,569)
Write-down of goodwill	-	(270)
Income tax expense – current	-	(11)
Income tax recovery – future	1,693	-
Loss for the period	$ (8,988)	$ (10,205)
Add:		
Depreciation expense	24	34
Interest expense	7,475	7,569
Income tax expense – current	-	11
Income tax recovery – future	(1,693)	-
EBITDA	$ (3,182)	$ (2,591)

I. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,182 for the quarter ended March 31, 2010, compared to $2,321 in 2009. The increase relates to salary and travel expenses associated with the new senior management team, and stock option compensation expense.

II. INTEREST EXPENSE

Interest expense was $7,475 for the quarter ended March 31, 2010 compared to $7,569 for 2009. Interest expense relates to the Senior Credit Agreement, the revolving line of credit and the Debentures. The current quarter interest expense includes a $1,500 rescheduling fee related to the second amendment. The Fund has accrued interest expense of $14,920 on the Debentures since December 31, 2008, but is contractually prohibited from paying it under the Forbearance Agreement with its senior lender.

III. INCOME TAX EXPENSE

The future tax recovery primarily relates to tax effecting of losses was $1,693 for the quarter ended March 31, 2010, compared to $nil in 2009. Current tax expense for the year was $nil compared to $11 in 2009.

DISCONTINUED OPERATIONS

On October 1, 2009, the Fund sold 100% of its investment in ESR.

The following table shows the revenue and net loss from discontinued operations of ESR for the quarter ended March 31, 2009.

Condensed Income Statement Information ($000s)

	Three months ended March 31
	2009
Revenues	$ 2,956
Net loss before non-controlling interest	$ (936)

ADDITIONAL INFORMATION

Eight Quarter Summary – ($000s except unit amounts)

	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4	2008 Q3	2008 Q2
Revenues	$122,073	$ 144,189	$ 157,657	$ 125,631	$ 155,512	$169,163	$162,710	$170,072
Gross profit	30,756	40,295	39,673	32,138	34,281	39,787	39,223	48,773
Income (loss) from continuing operations after non-controlling interest	(9,508)	(31,483)	(11,489)	(12,759)	(8,851)	(234,200)	(24,497)	614
Net income (loss)	(9,508)	(175)	(11,986)	(10,538)	(9,479)	(194,959)	(28,250)	1,560
EBITDA from continuing operations	6,618	12,919	15,909	7,011	7,597	13,504	14,499	22,085
Income (loss) per unit from continuing operations	(0.13)	(0.44)	(0.16)	(0.19)	(0.18)	(4.71)	(0.56)	0.00
Income (loss) per unit	(0.13)	0.00	(0.17)	(0.16)	(0.19)	(4.51)	(0.64)	0.02

CRITICAL ACCOUNTING POLICIES AND ESTIMATES

The Fund prepares its consolidated financial statements in accordance with GAAP. The preparation of the financial statements in conformity with GAAP requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities, disclosures of contingent assets and liabilities, and the reported amounts of revenues and expenses for the period of the consolidated financial statements. Significant accounting policies and methods used in the preparation of the financial statements are described in note 1 in the 2009 audited annual consolidated financial statements, as well as in "Accounting Policies" discussed below. The Fund and the Operating Partnerships evaluate their estimates and assumptions on a regular basis, based on historical experience and other relevant factors. Included in the consolidated financial statements are estimates used in determining allowance for doubtful accounts, inventory valuation, the useful lives of property, plant and equipment and intangible assets, revenue recognition and other matters. Actual results could differ materially from those estimates and assumptions.

The assessment of goodwill and intangible assets for impairment requires the use of judgments, assumptions and estimates. Due to the material nature of these factors, they are discussed here in greater detail.

GOODWILL AND INTANGIBLE ASSETS

Goodwill is the residual amount that results when the purchase price of an acquired business exceeds the sum of the amounts allocated to the assets acquired, less liabilities assumed, based on their fair values. When the Fund enters into a business combination, the purchase method of accounting is used. Goodwill is assigned as of the date of the business combination to reporting units that are expected to benefit from the business combination. Goodwill is not amortized and is tested for impairment annually, or more frequently, if events or changes in circumstances indicate that the asset might be impaired. The book value of goodwill was $69,954 at March 31, 2010 (December 31, 2009 - $68,914).

Intangible assets acquired individually or as part of a group of other assets are recognized and measured at cost. Intangible assets acquired in a transaction, including those acquired in business combinations, are recorded at their fair value. Intangible assets with determinable useful lives, such as customer relationships and contracts, and management contracts, are amortized over their useful lives and are tested for impairment when there is an indicator of impairment. Intangible assets having an indefinite life, such as brands, are not amortized but instead are tested for impairment on an annual or more frequent basis by comparing their fair value with book value. The net book value of intangible assets was $99,300 at March 31, 2010 (December 31, 2009 - $101,979).

ACCOUNTING POLICIES

The Fund's accounting policies are disclosed in the notes to the 2009 audited annual consolidated financial statements.

SIGNIFICANT NEW ACCOUNTING POLICIES

The fair value of stock options granted is recognized on a straight-line basis over the applicable stock option vesting period as stock based compensation expense in the consolidated statements of loss and contributed surplus in the consolidated balance sheets. Upon the exercise of stock options, consideration received and the accumulated contributed surplus is credited to unitholders' capital.

FUTURE ACCOUNTING STANDARDS

Publicly accountable enterprises will be required to adopt International Financial Reporting Standards ("IFRS"), for interim and annual reporting purposes, beginning on or after January 1, 2011. The adoption date of January 1, 2011 will require the restatement, for comparative purposes, of amounts reported by the Fund for its year ended December 31, 2010 and of the opening balance sheet as at January 1, 2010.

The Fund is currently in the design/implementation phase and has determined that the areas of accounting differences with the highest potential to impact its financial reporting are accounting for investments and accounting for fixed assets within the industrial segment, as well as initial adoption of IFRS under the provisions of IFRS 1, First-Time Adoption of IFRS.

The key factor in determining how to account for investments is assessing whether the Fund has control over the Operating Partnerships, considering the structure of the limited partnership agreements as well as recent business developments. Where an entity controls its investees, full consolidation is required. In the absence of unilateral control over all material decisions, there is joint control. Based on the assessment performed, using the criteria for control set forth under the proposed amendment to the IFRS pronouncement on joint ventures (expected to be published in the second quarter of 2010), it was determined that Newport does not control its partially owned Operating Partnerships and therefore investments in their Operating Partnerships will be treated as Joint Ventures in accordance with IAS 31 and accounted for under the equity method of accounting. This is a significant change from the proportionate consolidation method which is currently used to account for the Operating Partnerships. Using equity accounting, significant components of the consolidated balance sheet relating to investments that are not 100% owned would be condensed to one line item "Investment in Operating Partnerships" and the income statement would be primarily condensed to one line item "Income from Jointly Controlled Entities".

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of March 31, 2010, directors, officers and employees and entities related to the Fund beneficially hold an aggregate of 16,138 units or 22.4% on a fully diluted basis.

TRANSACTIONS

NPH provides funding to the Operating Partnerships to fund working capital requirements. Advances bear interest at the rate of prime plus one percent, are unsecured and are due on demand.

Included in Other Assets are net advances of $22,458 (December 31, 2009 - $24,016) made to the Operating Partnerships.

Selling, general and administrative expenses include $1,038 of rent expense paid to related parties of Quantum Murray, Gusgo and NPC.

NPH has arranged for a $20,000 subordinated facility from an affiliated entity. Advancements to date of $10,089 have been made in accordance with the Amended Forbearance Agreement.

Employee loans, net of provisions, made to employees of the Fund and its subsidiary NP LP, were outstanding in the amount of $3,213 (December 31, 2009 - $3,214). In accordance with the terms and conditions of the loans, the loans are interest bearing and used to fund the purchase of units of the Fund or to refinance such purchases and are secured by a pledge of the units.

SECOND QUARTER OUTLOOK

The main focus for the second quarter is to stabilize the Fund's balance sheet as we look to exit the Forbearance period with reduced and restructured debt.

INDUSTRIAL SERVICES

The industrial services segment had a slow start to the year however improvement is expected in the second quarter. At NPC, the outlook is optimistic as the traditional plant turnaround is expected to ramp up in the second quarter which will improve results for the construction and maintenance division. There is cautious optimism too that NPC will see the return of higher volumes of business in its wear technology division.
Quantum Murray's outlook continues to be mixed. With signs of increased industrial demolition activity there is optimism that new contracts will be secured in addition to the contracts that have already been secured from traditional clients. The environmental division should see some improvement in the next quarter as the first quarter tends to be seasonally slow.

MARKETING

Overall, the marketing segment is positioned well for the second quarter.
Gemma expects to see increased volumes from a few key national clients that have committed to new program launches in the second quarter.
IC Group's outlook is mixed as one key client is reducing its loyalty program. To mitigate this decline in revenue, there is a focus on expanding business with existing clients as well as targeted strategies for new customer acquisition.
Capital C will be challenged by managing labor costs as it invests in its new strategic business model that is expected to attract new clients and develop long term relationships.
Armstrong saw some deferral of marketing budgets in the quarter which is expected to be pushed out to future quarters.
S&E continues to build its client base and provide sports related event planning. It is not expected that revenue levels will return to prior year levels in the near future.

FINANCIAL SERVICES

The financial services segment has a mixed outlook.
NP LP is expecting a solid second quarter with increasing AUM from a combination of improved financial markets and successful marketing efforts.
Morrison Williams is anticipating a challenging quarter with changes that have occurred in its client base.
BMI is cautiously optimistic that the solid first quarter results will continue into future quarters as client development efforts continue to be successful.
The outlook for Hargraft is guarded as the client base continues to be vulnerable to competition. However the restructuring measures taken and the new senior management should assist in stabilizing the Hargaft business.

OTHER

The outlook for the other segment is generally optimistic for the businesses within the segment.
Peerless will continue to execute on the two large government contracts throughout 2010 and benefit from production efficiencies.
As the economy continues to recover, Gusgo expects the container transportation and storage revenue to return to prior year levels.
The outlook for Titan is guarded. The first quarter showed signs of improvement over the previous quarter. With the anticipated surge in activity in the oil sands, Titan's rigging products and services should see growth. However, margin compression is expected to continue as competition persists.

RISK FACTORS

There are no updates to the Fund’s Risk Factors. For further discussion see the Fund’s MD&A or the AIF for the year ended December 31, 2009.

DISCLOSURE CONTROLS & PROCEDURES AND INTERNAL CONTROL OVER FINANCIAL REPORTING

DISCLOSURE CONTROLS AND PROCEDURES

Multilateral Instrument 52-109, "Certification of Disclosure in Issuers' Annual and Interim Filings", issued by the CSA requires CEOs and CFOs to certify that they are responsible for establishing and maintaining the disclosure controls and procedures and internal controls over financial reporting for the issuer, that disclosure controls and procedures and internal controls have been designed to provide reasonable assurance that material information relating to the issuer is made known to them, that they have evaluated the effectiveness of the issuer's disclosure controls and procedures, and that their conclusions about effectiveness of those disclosure controls and procedures at the end of the period covered by the relevant annual filings have been disclosed by the issuer.

The Fund's management, including its CEO and CFO, have evaluated the effectiveness of the Fund's disclosure controls and procedures as at December 31, 2009 and have concluded that those disclosure controls and procedures were effective to ensure that information required to be disclosed by the Fund in its corporate filings is recorded, processed, summarized and reported within the required time period. The CEO and CFO have certified the appropriateness of the financial disclosures in the Fund's interim filings for the period March 31, 2010 with securities regulators, including this MD&A and the accompanying unaudited interim consolidated financial statements and that they are responsible for the design of the disclosure controls and procedures.

INTERNAL CONTROLS OVER FINANCIAL REPORTING

National Instrument 52-109 also requires CEOs and CFOs to certify that they are responsible for establishing and maintaining internal controls over financial reporting for the issuer, that those internal controls have been designed and are effective in providing reasonable assurance regarding the reliability of financial reporting and the preparation of financial statements in accordance with Canadian generally accepted accounting principles, and that the issuer has disclosed any changes in its internal controls during its most recent interim period that has materially affected, or is reasonably likely to materially affect, its internal control over financial reporting.

There have been no changes in internal controls over financial reporting during the quarter ended March 31, 2010 that have materially affected or are reasonably likely to materially impact the Fund's internal controls over financial reporting.

DEFINITIONS

"Agent"	means DB Newport LLC, as agent on behalf of the Lenders under the Senior Credit Agreement;
"AIF"	means Annual Information Form;
"Amended Forbearance Agreement"	means the amendments dated November 25, 2009 and February 18, 2009 to the original agreement dated July 21, 2009, between Newport Finance Corp. and the Lenders and Agent thereto;
"Armstrong"	means Armstrong Partnership LP, a limited partnership formed under the laws of Ontario;
"AUM"	means Assets Under Management
"BMI"	means Baird MacGregor Insurance Broker LP, a limited partnership formed under the laws of Ontario;
"Brompton"	means Brompton Corp., a corporation incorporated under the laws of Ontario;
"Capital C"	means Capital C Communications LP, a limited partnership formed under the laws of Ontario;
"CEO"	means Chief Executive Officer;
"CICA"	means Canadian Institute of Chartered Accountants;
"Convertible Debentures" or "Debentures"	means collectively the two series of unsecured, subordinated, convertible debentures of the Fund, due December 31, 2010 and December 31, 2012, respectively;
"ESR"	means Elliott Special Risks LP, a limited partnership formed under the laws of Ontario;
"Forbearance Agreement"	means the agreement dated July 21, 2009 between Newport Finance Corp. and the Lenders and Agent thereto;
"Fund"	means Newport Partners Income Fund;
"GAAP"	means, at any time, Canadian generally accepted accounting principles, including those set out in the Handbook of the CICA, applied on a consistent basis;
"Gemma"	means Gemma Communications LP, a limited partnership formed under the laws of Ontario;
"Gusgo"	means Gusgo Transport LP, a limited partnership formed under the laws of Ontario;
"Hargraft"	means Hargraft Schofield LP, a limited partnership formed under the laws of Ontario;
"IC Group"	means IC Group LP, a limited partnership formed under the laws of Ontario;
"IFRS"	means International Financial Reporting Standards;
"LTM"	means Last Twelve Months;
"Lenders"	means the various persons from time to time acting as lenders under the Senior Credit Agreement;
"MD&A"	means Management's Discussion and Analysis;
"Morrison Williams"	means Morrison Williams Investment Management LP, a limited partnership formed under the laws of Ontario;

“Newport Partners” or “NP LP”	means Newport Partners LP, a limited partnership formed under the laws of Ontario;
“NPC”	means NPC Integrity Energy Services Limited Partnership, a limited partnership formed under the laws of Alberta;
“NPH”	means Newport Partners Holding LP, a limited partnership formed under the laws of Ontario;
“Operating Partnerships”	means businesses in which the Fund holds an ownership interest;
“Peerless”	means Peerless Garments LP, a limited partnership formed under the laws of Ontario;
“Priority Income”	means the annual distribution to which NPF is entitled before its Operating Partners share in the income of the business;
“Quantum Murray”	means Quantum Murray LP (formerly Murray Demolition LP) a limited partnership formed under the laws of Ontario;
“Rlogistics”	means Rlogistics LP, a limited partnership formed under the laws of Ontario;
“S&E”	means Sports and Entertainment Limited Partnership, a limited partnership formed under the laws of Ontario;
“Senior Credit Agreement”	means the Secured Credit Agreement entered into on December 7, 2006, with a syndicate of Lenders;
“Titan”	means Titan Supply LP, a limited partnership formed under the laws of Alberta;
“Trust Indenture”	means the Fund will enter into a new trust with the Debenture Trustee CIBCMellon which will govern the New Debentures.
“TSX”	means Toronto Stock Exchange; and
“Units”	means trust units of the Fund.

Newport Partners Income Fund

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