Positioning for the future.

THIRD QUARTER REPORT 2010

Newport Partners
Income Fund

PORTFOLIO SUMMARY – BY OPERATING PARTNERSHIP ($000s)

THREE MONTHS ENDED SEPTEMBER 30, 2010

Operating Partner	Original Invested Capital	Ownership Interest	Date of Initial Investment	Q3 2010 ADJUSTED EBITDA	Q3 2010 DC	Q3 2010 Cash Yield LTM
NPC	$ 113,100	80%	Oct. 2004	$ 5,485	3,799	18.2 %
Quantum Murray	77,900	64%	Mar. 2006	1,145	343	(1.0)%
Morrison Williams	42,000	80%	Aug. 2005	415	415	7.6%
Gemma	32,300	100%	Mar. 2005	469	284	8.9%
Brompton	27,200	42%	Aug. 2005	755	-	6.1%
Titan	25,200	92%	Sep. 2006	506	310	3.3%
Capital C	23,700	67%	Aug. 2005	1,241	993	20.5%
NP LP	20,700	100%	Aug. 2005	637	633	8.5%
Armstrong	20,000	80%	Oct. 2006	313	302	5.6%
Hargraft	18,300	100%	Apr. 2006	(224)	(232)	(6.7)%
BMI	18,200	78%	Apr. 2007	289	313	6.8%
Gusgo	12,500	80%	Oct. 2006	628	740	16.1%
IC Group	10,800	80%	Jul. 2006	86	74	9.0%
Rlogistics	10,000	36%	May 2006	281	137	10.5%
Total Current Portfolio	**$ 451,900**			**$ 12,026**	**$ 8,111**	**8.9%**

MANAGEMENT'S DISCUSSION AND ANALYSIS

NOVEMBER 09, 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 and nine months ended September 30, 2010 and 2009. This MD&A should be read in conjunction with the Fund's unaudited interim consolidated financial statements for the three and nine months ended September 30, 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 November 9, 2010 and is current to that date unless otherwise indicated.

The unaudited interim 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 36. 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 "Fourth 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.

EBITDA refers to net earnings determined in accordance with GAAP, before depreciation and amortization, net of gain or loss on disposal of capital assets and disposal of investments, 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.

Adjusted EBITDA refers to EBITDA excluding the gain or loss on reduction or sale of ownership interest (dilution gains or losses), the write-down of goodwill and intangible assets 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.

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.

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.

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 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

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, principals and employees of NP LP, Trustees of the Fund, and founding investors of NPY own approximately 50.6% of the 71,631,431 units outstanding as at September 30, 2010.

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%
Hargraft	Insurance broker specializing in the transportation, manufacturing and construction sectors	100%
Morrison Williams	Provider of investment management services to institutional clients	80%
NP LP	Provider of investment management, corporate advisory and insurance services	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%
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%
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:

	Key Performance Indicators			
	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenues	$ 133,433	$ 147,493	$ 384,832	$ 411,983
Gross profit	30,627	36,948	93,306	98,787
Adjusted EBITDA from continuing operations	8,798	13,813	25,737	25,493
Distributable cash retained (used) by continuing operations [1]	(3,064)	2,697	(4,269)	(9,526)

	Key Financial Highlights	
	September 30, 2010	December 31, 2009
Total assets	$ 402,264	$ 479,803
Revolving credit facilities	10,089	10,089
Senior long-term debt	111,994	150,499
Convertible debt [2]	158,939	156,136
Unitholders' equity (deficit)	(5,338)	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 $20,886 at September 30, 2010 (December 31, 2009 - $11,936).

LIQUIDITY AND CAPITAL RESOURCES

FINANCING

SENIOR FACILITY

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 additional default interest of 3% per annum for the period from January 31, 2009.

FORBEARANCE AGREEMENT

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 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 could 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 was 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 was in compliance with the Forbearance Agreement, the Lenders also agreed that no default interest would accrue or be payable during the Forbearance Period and 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 was 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 was to be paid to the Lenders, in part from asset sales with the balance payable at the end of the Forbearance Period. The fee was 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 repayment targets were not met. The maximum fee of $1,850 was recorded for the year ended December 31, 2009.

In conjunction with the signing of the Forbearance Agreement, NPH 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 could be made after full repayment of amounts owing under the Senior Credit Agreement. The Fund has drawn $10,089 on this line.

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.

AMENDMENTS TO FORBEARANCE AGREEMENTS

I. 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, to acquire all of the issued and outstanding equity interests of Gemma that it did not currently own.

II. 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. In July 2010 the Fund repaid $3,661 using the proceeds from the sale of an NPC operating unit.

III. On July 12, 2010 the Fund announced that an amendment to the Forbearance Agreement was entered into (the "Third Amendment") with the Lenders. Under the terms of the Third Amendment, the expiry date was extended by 90 days to October 19, 2010. The Fund agreed to repay $1,300 on July 21, 2010 and $15,000 by August 31, 2010 and the balance of $113,878 and associated fees and interest by October 19, 2010. On execution of this amendment, the interest rate payable on the obligations has increased by 3% per annum. An extension fee of $1,324 was paid.

   On August 18, 2010 the Fund announced the sale of its 90% interest in Peerless Garments LP. The Fund paid to the Lenders $20,548 from the proceeds of the sale.

IV. On October 4, 2010, the Fund announced that an amendment to the Forbearance Agreement was entered into (the "Fourth Amendment") with the Lenders. Under the terms of the Fourth Amendment, the expiry date was extended by more than three months to January 31, 2011, with the Fund agreeing to pay a fee of $1,155, and reduce the outstanding loan balance to $86,994 by November 30, 2010, with a further reduction to $71,994 by December 31, 2010. The balance of $71,994 was agreed to be paid by January 31, 2011.

From July 21, 2009 to September 30, 2010, the Fund has repaid a total of $147,073 to its Lenders. Of this amount $98,006 was applied against the term loan principal and $32,097 was applied against the revolving credit facilities. The balance of the funds repaid represents 1) $10,082 in interest and fees, including $3,484 in default interest, $1,897 in swap breakage fees, and $4,701 in other fees and 2) $6,888 to cash collateralize letters of credit outstanding.

CONVERTIBLE DEBENTURES

As a consequence of the continuing events of default under the Senior Credit Agreement, the Fund was contractually prohibited from remitting the June 30, 2010, December 31 and June 30, 2009 interest payments on the Unsecured Subordinated Convertible Debentures (the "Debentures") and as of July 15, 2009, the failure to make the interest payment on June 30, 2009 constituted an event of default under the terms of the Trust Indenture governing the Debentures.

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 cannot make principal or interest payments during the Forbearance Period.

Management of the Fund is looking to address its capital structure and is reviewing all of its strategic options.

OPERATING CASH FLOW AND WORKING CAPITAL

Cash used by operations was $1,659 for the quarter ended September 30, 2010, compared to cash provided of $21,329 for the quarter ended September 30, 2009. As a result of the classification of $111,994 of term debt and the classification of convertible debentures of $158,939 as current liabilities, the Fund had a working capital deficiency of $208,834 at September 30, 2010.

The Fund will retain cash 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 $2,555 in the three months ended September 30, 2010 compared with $2,738 in the prior year period primarily to support contracts at NPC and Quantum Murray. The industrial services segment accounted for 82.1% of the Fund's total capital expenditures for the three months ended September 30, 2010 (2009 – 86.6%). Restrictions and limits on capital expenditure have been put in place by the Fund.

INVESTMENT AND DIVESTITURE 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.

On June 23, 2010, the Fund sold substantially all of the assets of its investment in S&E, with net cash proceeds of $271 plus a promissory note for $250.

On July 2, 2010 NPC sold its 80% ownership interest in Skystone International LP. Net proceeds of $3,661 from the sale were immediately repaid to NPH, as a reduction of advances, and NPH arranged for immediate repayment to the Fund's Lender, in accordance with the Amended Forbearance Agreement. The transaction resulted in no accounting gain or loss.

On August 19, 2010 the Fund sold its 90% interest in Peerless Garments LP. The investment was sold for net proceeds of $20,381 resulting in an accounting loss of $3,396 which is included in discontinued operations.

THIRD QUARTER PERFORMANCE

Summary Financial Tables – ($000s)

Three months ended September 30, 2010	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 6,212	$ 21,648	$ 94,951	$ 10,622	$ -	$ 133,433
Gross profit	4,144	6,364	16,692	3,427	-	30,627
Income (loss) from continuing operations	1,052	1,712	247	800	(11,294)	(7,483)
EBITDA from continuing operations	1,872	2,109	6,188	1,415	(3,228)	8,356
Loss on sale of investment	-	-	442	-	-	442
Adjusted EBITDA from continuing operations	1,872	2,109	6,630	1,415	(3,228)	8,798
Interest income (expense) [2]	32	(57)	(396)	(157)	(8,735)	(9,313)
Non-cash interest expense [3]	-	-	-	-	955	955
Income tax expense (recovery) - current	(5)	-	6	-	(167)	(166)
Maintenance capital expenditures and reserves	(770)	(341)	(1,020)	(152)	-	(2,283)
Capital lease payments	-	(58)	(1,078)	(67)	-	(1,203)
Priority income per partnership agreement [4]	-	-	-	148	-	148
Distributable cash from (used by) continuing operations	$ 1,129	$ 1,653	$ 4,142	$ 1,187	$ (11,175)	(3,064)
Distributable cash used by discontinued operations						(203)
Distributable cash used by the Fund [5]						$ (3,267)

Three months ended September 30, 2009	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 6,541	$ 20,123	$ 111,288	$ 9,541	$ -	$ 147,493
Gross profit	4,176	7,025	22,703	3,044	-	36,948
Income (loss) from continuing operations before non-controlling interest	(3,823)	1,155	2,705	(4,015)	(8,770)	(12,748)
EBITDA from continuing operations	(3,399)	2,834	11,272	(5,883)	(3,162)	1,662
Write-down of goodwill	4,900	-	-	7,207	44	12,151
Adjusted EBITDA	1,501	2,834	11,272	1,324	(3,118)	13,813
Interest income (expense) [2]	31	(29)	(544)	(169)	(10,318)	(11,029)
Non-cash interest expense [3]	-	-	-	-	873	873
Income tax expense - current	(9)	-	-	-	(15)	(24)
Maintenance capital expenditures and reserves	(339)	(239)	432	(4)	-	(150)
Capital lease payments	-	(30)	(903)	(58)	-	(991)
Priority income per partnership agreement [4]	-	-	-	205	-	205
Distributable cash from (used by) continuing operations	$ 1,184	$ 2,536	$ 10,257	$ 1,298	$ (12,578)	2,697
Distributable cash from discontinued operations						4,423
Distributable cash retained by the Fund [5]						$ 7,120

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 $1,519 and $4,508 for the three and nine months ended September 30, 2010 and such amount has been added to the interest expense of the Corporate segment ($1,519 and $4,508 for the three and nine months ended September 30, 2009).
3 Non-cash interest expense relates to the amortization of deferred financing 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 in 2009 or 2010, distributable cash per unit information has not been provided.

Summary Financial Tables – ($000s)

Nine months ended September 30, 2010	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 19,830	$ 65,391	$ 269,565	$ 30,046	$ -	$ 384,832
Gross profit	13,683	20,564	49,427	9,632	-	93,306
Income (loss) from continuing operations	2,445	3,633	(3,223)	1,667	(29,057)	(24,535)
EBITDA from continuing operations	6,476	7,439	15,366	3,442	(9,207)	23,516
Write-down of intangible assets	-	-	1,779	-	-	1,779
Loss on sale of investment	-	-	442	-	-	442
Adjusted EBITDA from continuing operations	6,476	7,439	17,587	3,442	(9,207)	25,737
Interest income (expense) [2]	94	(150)	(1,304)	(448)	(23,861)	(25,669)
Non-cash interest expense [3]	-	-	-	-	2,804	2,804
Income tax expense - current	(25)	-	(9)	-	(196)	(230)
Maintenance capital expenditures and reserves	(690)	(800)	(1,901)	(187)	-	(3,578)
Capital lease payments	-	(196)	(3,272)	(188)	-	(3,656)
Priority income per partnership agreement [4]	-	-	-	323	-	323
Distributable cash from (used by) continuing operations	$ 5,855	$ 6,293	$ 11,101	$ 2,942	$ (30,460)	(4,269)
Distributable cash from discontinued operations						4,175
Distributable cash used by the Fund [5]						$ (94)

Nine months ended September 30, 2009	Financial Services	Marketing	Industrial Services [2]	Other	Corporate [1]	Total
Revenues	$ 20,650	$ 63,161	$ 298,594	$ 29,578	$ -	$ 411,983
Gross profit	13,423	22,791	52,860	9,713	-	98,787
Income (loss) from continuing operations before non-controlling interest	(4,873)	3,970	(4,018)	(4,365)	(31,919)	(41,205)
EBITDA from continuing operations	900	9,720	15,613	(3,862)	(12,544)	9,827
Write-down of goodwill	4,900	-	-	7,207	3,559	15,666
Adjusted EBITDA	5,800	9,720	15,613	3,345	(8,985)	25,493
Interest income (expense) [2]	86	(92)	(1,955)	(532)	(29,018)	(31,511)
Non-cash interest expense [3]	-	-	-	-	2,560	2,560
Income tax expense - current	(21)	-	-	-	(34)	(55)
Maintenance capital expenditures and reserves	(882)	(615)	(977)	(76)	-	(2,550)
Capital lease payments	(14)	(93)	(3,553)	(181)	-	(3,841)
Priority income per partnership agreement [4]	20	-	-	358	-	378
Distributable cash from (used by) continuing operations	$ 4,989	$ 8,920	$ 9,128	$ 2,914	$ (35,477)	(9,526)
Distributable cash from discontinued operations						11,803
Distributable cash retained by the Fund [5]						$ 2,277

Summary Results From Continuing Operations – ($000s)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenues	$ 133,433	$ 147,493	$ 384,832	$ 411,983
Cost of revenues	(102,806)	(110,545)	(291,526)	(313,196)
Gross profit	30,627	36,948	93,306	98,787
Selling, general and administrative expenses	(22,878)	(23,787)	(70,596)	(75,069)
Amortization expense	(5,318)	(6,610)	(15,728)	(19,844)
Depreciation expense	(3,035)	(2,982)	(8,895)	(9,006)
Income from equity investments	748	349	2,121	861
Interest expense	(9,313)	(11,029)	(25,669)	(31,511)
Write-down of goodwill and intangible assets	-	(12,151)	(1,779)	(15,666)
Loss on sale of investment	(442)	-	(442)	-
Income tax expense - current	(166)	(24)	(230)	(55)
Income tax recovery - future	2,294	6,538	3,377	10,298
Loss from continuing operations before non-controlling interest	$ (7,483)	$ (12,748)	$ (24,535)	$ (41,205)
Add:				
Amortization	5,318	6,610	15,728	19,844
Depreciation [1]	3,049	2,998	8,939	9,056
Amortization of Brompton intangible assets	287	287	862	864
Interest expense	9,313	11,029	25,669	31,511
Income tax expense - current	166	24	230	55
Income tax recovery - future	(2,294)	(6,538)	(3,377)	(10,298)
EBITDA	$ 8,356	$ 1,662	$ 23,516	$ 9,827
Write-down of goodwill and intangible assets	-	12,151	1,779	15,666
Loss on sale of investment	442	-	442	-
Adjusted EBITDA	$ 8,798	$ 13,813	$ 25,737	$ 25,493

1 Depreciation of $14 and $44 was recorded in cost of revenues for the three and nine months ended September 30, 2010 (2009 - $16 and $50)

THIRD 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 September 30, 2010 were $133,433 compared to $147,493 in 2009, a decrease of 9.5%. This decrease was primarily at Quantum Murray. Its 2009 results benefitted from the largest remediation project in its history. NPC's revenues were improved from the prior year quarter due to the increase in demand for conventional maintenance services.

Revenues in the Financial Services segment were down from the prior year. Both Morrison Williams and Hargraft contributed to the decline as there has been some reduction to their client base due to competitive pressures. NP LP had a solid quarter with revenues exceeding prior year levels. Baird's revenues were comparable to the prior year period.

The Marketing segment revenues exceeded prior year levels. Capital C had a strong quarter with sales significantly improved over the prior year. Revenues at Armstrong were above prior year levels as increased business from some clients more than offset reductions by others. Gemma's revenues decreased due to the reduction in business from a major client. IC Group revenues remained consistent with prior year levels.

Revenue in the Other segment exceeded the prior year quarter. Gusgo had increased revenues, reflecting the improving economy and the stimulation to the transportation industry. Titan's revenues were above prior year levels, as conventional drilling activity is improving resulting in increased demand for rigging and wear products.

Gross profit for the quarter ended September 30, 2010 was $30,627 compared to $36,948 in 2009, a decrease of 17.1%. Gross profit margins have decreased to 23.0% for the current quarter compared to 25.1% in the prior year. The gross margin percentages decrease was primarily driven by NPC's shift in revenue mix to lower margin maintenance services revenue, from higher margin wear technology revenue.

Corporate general and administrative costs were $3,228 for the current quarter compared to $3,118 in 2009.

Adjusted EBITDA was $8,798 for the quarter compared to $13,813 in the prior year period. The loss on sale of NPC's investment in Skystone International LP of $442 was added back to arrive at Adjusted EBITDA.

The main items that reduced Adjusted EBITDA to arrive at distributable cash were interest expense and maintenance capital expenditures. For the quarter, cash interest costs were $8,358 compared with $10,156 in 2009.

During the quarter ended September 30, 2010, the operating segments had maintenance capital expenditures, reserves and capital lease payments of $3,486, compared to $1,141 in 2009. The majority of these expenditures are incurred in the Industrial Services segments.

Distributable cash used by continuing operations for the quarter ended September 30, 2010 was $3,064 compared to distributable cash generated of $2,697 in 2009.

Non-cash items that impacted the results were depreciation and amortization, and future income taxes. Depreciation and amortization was $8,367 for the quarter ended September 30, 2010, compared to $9,608 in 2009. The largest component of this expense is the amortization of intangible assets.

Future tax recovery of $2,294 was recorded in the current quarter compared to future tax recovery of $6,538 in 2009. These amounts are non-cash items that have no current impact on the Fund's cash from operating activities.

Net loss for the quarter ended September 30, 2010 from continuing operations before non-controlling interest was $7,483 compared to a net loss of $12,748 in 2009.

THIRD QUARTER PERFORMANCE SUMMARY – BY OPERATING PARTNERSHIPS

	Adjusted EBITDA ($000's)		
Operating Partnership	**Q3 2010**	**Q3 2009**	**Commentary**
Financial services			
Brompton	755	331	During the third quarter, net assets under management ("AUM") increased by approximately $328 million to $1.8 billion primarily due to two new investment funds under management. As well Brompton benefited from market appreciation of the value of assets held by the fund, proceeds received from the exercise of warrants issued by existing funds and proceeds received from a secondary offering by the Precious Metals Bullion Trust. Brompton continues to search for and structure new investment products which can be brought to market.
Morrison Williams	415	1,130	Morrison Williams' results reflect the reduction in client base that began in the first quarter of the year. It is believed that the client base has now stabilized and management is focusing on client and product development. The stronger equity markets offset some of the decline in revenue in the quarter. Gross margin decreased in the quarter due to higher compensation costs related to the building of a new investment management team.
NP LP	637	373	NP LP had a strong quarter with overall results exceeding the prior year quarter and the previous two quarters of the current year. The improvement is due to higher AUM, management fees and corporate advisory fees. AUM increased with improved market conditions and growth in the client base. The reduction in insurance revenue slightly offset the gains in corporate advisory and management fees.
Hargraft	(224)	(548)	In spite of the competitive environment and some additional restructuring costs, the overall third quarter results were improved from the prior year quarter. Restructuring measures taken have reduced the cost structure of the business. Management continues to focus on client retention to stabilize the client base.
BMI	289	215	BMI had a solid quarter with results improved compared to the prior year quarter. Business development efforts have been successful however offset to a degree by lower insurance renewal business which continues to be impacted by business closures and reductions in coverage arising from the economy and tighter underwriting.
	1,872	**1,501**	
Marketing			
Gemma	469	723	Gemma had another challenging quarter following the reduction in outbound telesales from one major client in the second quarter. There were further reductions in other outbound programs and delays with ramping up new business. Expenses were higher this quarter due to additional training costs. A portion of the outbound business has been replaced with new inbound business which requires significant staff training, but which will benefit future results.

Operating Partnership	Adjusted EBITDA ($000's) Q3 2010	Q3 2009	Commentary
Capital C	1,241	1,192	Capital C had a strong quarter with overall results exceeding the prior year quarter. Revenues were significantly higher than the prior year however gross margins continued to be impacted by higher labour costs. The lower gross margins were offset by lower overhead costs.
IC Group	86	600	IC Group had a disappointing quarter with results below expectations and the prior year quarter. Although revenues were higher than the prior year quarter, margins have suffered significantly due to a reduced fee structure with a major client and cost overruns in supporting several projects. IC Group has made significant expenditures on standardizing and improving their delivery platforms in order to increase the efficiencies of delivery which will lower individual project costs in the future.
Armstrong	313	319	Armstrong's results have remained relatively flat from the prior year despite some clients reducing or deferring their marketing budgets. The shift in service mix to fee based revenue from lower margin purchased goods and services that began in the second quarter has not yet produced an improved gross margin, as high investments in digital transformation and solution design time resulted in higher than projected non-billable hours. This investment is expected to provide improved margins in the near future.
	2,109	**2,834**	
Industrial services			
NPC	5,485	7,695	NPC had mixed results in the third quarter. Revenue levels exceeded the prior year quarter; however gross margins were decreased from the prior year. There has been a change in revenue mix compared to a year ago. NPC is seeing strong demand for its maintenance services in both the conventional energy services as well as in the oilsands. There are however lower gross margins associated with this business. NPC's wear technology division revenues are derived from a mixture of pipe replacement orders and new project orders. The latter have been slower than anticipated but the outlook for new higher margin project work is strong. The lower gross margin project work this period has been offset somewhat by lower selling, general and administrative costs. Salary costs were significantly reduced due to a reorganization of senior management functions.

Operating Partnership	Adjusted EBITDA ($000's) Q3 2010	Q3 2009	Commentary
Quantum Murray	1,145	3,577	Revenues at Quantum Murray were significantly down compared to the prior year. In 2009, the Environmental division benefitted from the largest project in Quantum Murray's history. This large remediation project has since been completed with no projects on such a scale in 2010. The third quarter did show signs of improvement in the Environmental division compared to the previous two quarters of 2010. The Demolition and Metal divisions continue to operate at reduced volumes and had similar results compared to the prior year. More recently there has been bidding success on larger industrial demolition projects.
	6,630	**11,272**	
Other			
Titan	506	320	Titan had a very strong third quarter, producing results significantly above the prior year period. The quarter saw strong revenue improvements in the rigging and wear product lines compared to the prior year. It is encouraging to see increases from 2009 levels and this is a positive sign that the market is improving. While comparable to the prior year, gross margins continue to be compressed due to the competitive market.
Gusgo	628	704	Gusgo had a strong quarter with revenue levels slightly improved over the prior year due to more business with existing customers. The economy is still recovering and increasing revenue through new business continues to be a challenge. Gross margin percentages were slightly reduced from last year as the impact of increasing price competition is felt.
Rlogistics	281	300	An inconsistent retail market is causing challenges for the business. Existing stores with smaller footprints are finding it more difficult than others to maintain sales volumes. Two new larger stores were opened in the quarter and both stores have shown promising results. Management is focusing its efforts on improving customers' retail experience and rationalizing inventory to better fit the economy and current customer base.
	1,415	**1,324**	

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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenues	$ 6,212	$ 6,541	$ 19,830	$ 20,650
Cost of revenues	(2,068)	(2,365)	(6,147)	(7,227)
Gross profit	4,144	4,176	13,683	13,423
Selling, general and administrative expenses	(3,026)	(3,004)	(9,424)	(8,450)
Amortization expense	(1,511)	(1,963)	(4,535)	(5,904)
Depreciation expense	(64)	(79)	(168)	(240)
Income (loss) from equity investments	467	42	1,355	(37)
Interest income	32	31	94	86
Write-down of goodwill and intangible assets	-	(4,900)	-	(4,900)
Income tax expense - current	(5)	(9)	(25)	(21)
Income tax recovery - future	1,015	1,883	1,465	1,170
Income (loss) for the period	$ 1,052	$ (3,823)	$ 2,445	$ (4,873)
Add:				
Amortization	1,511	1,963	4,535	5,904
Depreciation	64	79	168	240
Amortization of Brompton intangible assets	287	287	862	864
Interest income	(32)	(31)	(94)	(86)
Income tax expense - current	5	9	25	21
Income tax recovery - future	(1,015)	(1,883)	(1,465)	(1,170)
EBITDA	$ 1,872	$ (3,399)	$ 6,476	$ 900
Write-down of goodwill and intangible assets	-	4,900	-	4,900
Adjusted EBITDA	$ 1,872	$ 1,501	$ 6,476	$ 5,800

Supplementary Financial Information - AUM (millions)

	September 30, 2010	June 30, 2010	December 31, 2009	September 30, 2009
NP LP	$ 1,029	$ 1,002	$ 1,006	$ 974
Morrison Williams	1,850	2,052	3,035	2,987
Brompton	1,768	1,961	1,540	1,440
Total	$ 4,647	$ 5,015	$ 5,581	$ 5,401

I. REVENUES

Revenue from the Financial Services segment was $6,212 in the quarter ended September 30, 2010, which represents a 5.0% decrease from the $6,541 reported for the same prior year period. NP LP revenues were significantly higher due to higher AUM management fees. Corporate and advisory fees were also improved in the quarter. This was offset by significantly lower revenues at Morrison Williams and Hargraft. MWI revenues decreased due to the reduction in AUM from the loss of several clients. Hargraft's revenues were down due to lost business from competitive pressures and lower premiums and commissions. BMI revenues were at levels consistent with the prior year. For the nine month period ended September 30 2010 revenues were $19,830 compared to $20,650 in the prior year period.

II. GROSS PROFIT

Gross profit for the quarter ended September 30, 2010 was $4,144, which translated into a 66.7% gross profit margin. This compares to gross profit of $4,176 for the prior year period reflecting a gross profit margin of 63.8%. The improved gross margins reflect strong improvements at both NP LP and lower direct expenses at Hargraft. Gross profit for the nine months period ended September 30, 2010 was $13,683 compared to $13,423 in the same prior year period.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSE

Selling, general and administrative expenses were $3,026 for the quarter ended September 30, 2010 compared with $3,004 for the quarter ended September 30, 2009. Selling, general and administrative expenses as a percentage of revenues was 48.7%, compared to 45.9% in 2009. For the nine month period ended September 30, 2010 selling, general and administrative expenses were $9,424 compared to $8,450 in the same prior year period.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $1,575 for the quarter ended September 30, 2010, compared to $2,042 for the quarter ended September 30, 2009. For the nine month period ended September 30, 2010 depreciation and amortization was $4,703 compared to $6,144 in the prior year period. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. ADJUSTED EBITDA

Adjusted EBITDA was $1,872 and $6,476 for the three and nine months ended September 30, 2010 compared to $1,501 and $5,800 in the same prior year periods. EBITDA also includes the income from the Fund's equity investment in Brompton.

VI. INCOME TAX

Current tax expense for the three and nine months ended September 30, 2010 was $5 and $25 compared to $9 and $21 in 2009. Future tax recovery for the three and nine months ended September 30, 2010 was $1,015 and $1,465 compared to $1,883 and $1,170 for the three and nine months ended September 30, 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 Capital C, IC Group and Armstrong. The results of S & E, sold on June 23, 2010 are included in Discontinued Operations and are not reflected in the table below.

Summary Financial Table - ($000s)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenues	$ 21,648	$ 20,123	$ 65,391	$ 63,161
Cost of revenues	(15,284)	(13,098)	(44,827)	(40,370)
Gross profit	6,364	7,025	20,564	22,791
Selling, general and administrative expenses	(4,255)	(4,198)	(13,160)	(13,069)
Amortization expense	(2,083)	(1,691)	(5,661)	(5,074)
Depreciation expense	(385)	(336)	(1,149)	(994)
Income (loss) from equity investments	-	7	35	(2)
Interest expense	(57)	(29)	(150)	(92)
Income tax recovery - future	2,128	377	3,154	410
Income for the period	$ 1,712	$ 1,155	$ 3,633	$ 3,970
Add:				
Amortization	2,083	1,691	5,661	5,074
Depreciation	385	336	1,149	994
Interest expense	57	29	150	92
Income tax recovery - future	(2,128)	(377)	(3,154)	(410)
EBITDA	$ 2,109	$ 2,834	$ 7,439	$ 9,720

I. REVENUES

Revenues for the Marketing segment were $21,648 for the quarter ended September 30, 2010, a 7.6% increase over 2009 revenues of $20,123. Capital C had significantly higher revenues due to successful client development and delivery of additional marketing solutions. Gemma's revenues were lower than the prior year period due to reduction in outbound telesales activities by a major client. However with the increase in ownership, the Fund's share of Gemma's revenue was higher in 2010. Armstrong's revenue is higher as increased business from some clients has offset reductions by others. IC Group's revenue is higher due to a significant new project which begun in the beginning of Q3. For the nine month period ended September 30, 2010 revenues were $65,391 compared to $63,161 for the same prior year period.

II. GROSS PROFIT

Gross profit was $6,364 for the quarter ended September 30, 2010, compared with $7,025 for 2009. Gross profit margins were 29.4%, compared to 34.9% in 2009. Capital C's gross margins were reduced by higher direct labour costs. Armstrong also incurred higher direct costs in 2010 which reduced gross margins when compared to 2009. IC Group's margins have decreased due to expenditures to improve delivery platforms and some cost overruns. Gemma had a reduction in gross margins due to additional non-billable training costs incurred. Gross profit for the nine month period ended September 30, 2010 was $20,564, compared with $22,791 in the same prior year period.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $4,255 for the quarter ended September 30, 2010, compared with $4,198 for 2009. These expenses as a percentage of revenues were 19.7% compared to 20.9% in 2009. For the nine month period ended September 30, 2010 selling, general and administrative expenses were $13,160, compared with $13,069 in the same prior year period.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $2,468 for the quarter ended September 30, 2010, compared with $2,027 in 2009. Depreciation and amortization for the nine months ended September 30, 2010 was $6,810, compared to $6,068 in the prior year period. 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 $2,109 and $7,439 for the three and nine months ended September 30, 2010, compared with $2,834 and $9,720 in 2009 in the same prior year periods.

VI. INCOME TAX

Future tax recovery was $2,128 and $3,154 for the three months ended September 30, 2010, compared to a future tax recovery of $377 and $410 for the three and nine months ended September 30, 2009. Current tax was $nil for both periods. ($nil - 2009)

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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenues	$ 94,951	$ 111,288	$ 269,565	$ 298,594
Cost of revenues	(78,259)	(88,585)	(220,138)	(245,734)
Gross profit	16,692	22,703	49,427	52,860
Selling, general and administrative expenses	(10,062)	(11,431)	(31,840)	(37,247)
Amortization expense	(1,395)	(2,105)	(4,545)	(6,312)
Depreciation expense	(2,434)	(2,376)	(7,106)	(7,182)
Interest expense	(1,915)	(2,063)	(5,812)	(6,463)
Write-down of goodwill and intangible assets	-	-	(1,779)	-
Loss on sale of investment	(442)		(442)	
Income tax (expense) recovery - current	6	-	(9)	-
Income tax (expense) recovery - future	(203)	(2,023)	(1,117)	326
Income (loss) for the period	$ 247	$ 2,705	$ (3,223)	$ (4,018)
Add:				
Amortization	1,395	2,105	4,545	6,312
Depreciation	2,434	2,376	7,106	7,182
Interest expense	1,915	2,063	5,812	6,463
Income tax expense (recovery) - current	(6)	-	9	-
Income tax expense (recovery) - future	203	2,023	1,117	(326)
EBITDA	$ 6,188	$ 11,272	$ 15,366	$ 15,613
Write-down of goodwill and intangible assets	-	-	1,779	-
Loss on sale of investment	442	-	442	-
Adjusted EBITDA	$ 6,630	$ 11,272	$ 17,587	$ 15,613

	NPC				Quantum Murray			
	Three months		Nine months		Three months		Nine months	
	2010	2009	2010	2009	2010	2009	2010	2009
Revenues	$ 66,281	$ 63,580	$ 195,505	$ 196,050	$ 28,670	$ 47,708	$ 74,060	$ 102,544
Cost of revenues	(55,663)	(49,330)	(162,056)	(162,040)	(22,596)	(39,255)	(58,082)	(83,694)
Gross profit	10,618	14,250	33,449	34,010	6,074	8,453	15,978	18,850
Selling, general and administrative expenses	(5,133)	(6,555)	(16,520)	(21,200)	(4,929)	(4,876)	(15,320)	(16,047)
Amortization expense	(613)	(1,323)	(2,200)	(3,968)	(782)	(782)	(2,345)	(2,344)
Depreciation expense	(1,501)	(1,474)	(4,202)	(4,649)	(933)	(902)	(2,904)	(2,533)
Interest expense	(1,817)	(1,983)	(5,610)	(6,280)	(98)	(80)	(202)	(183)
Write-down of intangible assets	-	-	(1,779)	-	-	-	-	-
Loss on sale of investment	(442)		(442)		-		-	
Income tax (expense) recovery - current	6	-	(9)	-	-	-	-	-
Income tax (expense) recovery - future	(873)	304	232	1,357	670	(2,327)	(1,349)	(1,031)
Income (loss) of the period	$ 245	$ 3,219	$ 2,919	$ (730)	$ 2	$ (514)	$ (6,142)	$ (3,288)
Add:								
Amortization	613	1,323	2,200	3,968	782	782	2,345	2,344
Depreciation	1,501	1,474	4,202	4,649	933	902	2,904	2,533
Interest expense	1,817	1,983	5,610	6,280	98	80	202	183
Income tax expense (recovery) - current	(6)	-	9	-	-	-	-	-
Income tax expense (recovery) - future	873	(304)	(232)	(1,357)	(670)	2,327	1,349	1,031
EBITDA	$ 5,043	$ 7,695	$ 14,708	$ 12,810	$ 1,145	$ 3,577	$ 658	$ 2,803
Write-down of goodwill and intangibles	-	-	1,779	-	-	-	-	-
Loss on sale of investment	442	-	442	-	-	-	-	-
Adjusted EBITDA	$ 5,485	$ 7,695	$ 16,929	$ 12,810	$ 1,145	$ 3,577	$ 658	$ 2,803

I. REVENUES

Revenues from the Industrial Services segment were $94,951 for the quarter ended September 30, 2010 compared with $111,288 in 2009, a decrease of 14.7%. Revenues from the Industrial Services segment, for the nine month period ended September 30, 2010 was $269,565, compared with $298,594 for the same prior year period. NPC achieved higher revenues reflecting improved business volumes in the conventional oil and gas maintenance services division with two main oil and gas clients. Quantum Murray's decrease in revenues reflects the inclusion in the 2009 results of one large remediation project.

II. GROSS PROFIT

Gross profit was $16,692 for the quarter ended September 30, 2010 compared with $22,703 in 2009. Gross profit margins were 17.6% compared to 20.4% in 2009. For the nine month period ended September 30, 2010 gross profit was $49,427, compared to $52,860 for the same prior year period. NPC's gross margins decrease reflects increased demand for conventional maintenance services which carry relatively lower margins. Quantum Murray's gross profit margin percentages increased in the current period as 2009 results were impacted by lower gross margins on one large environmental project.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $10,062 for the quarter ended September 30, 2010, compared to $11,431 in 2009. These expenses as a percentage of revenues were 10.6%, a slight increase from 10.3% in 2009. Selling, general and administrative expenses for the nine month period ended September 30, 2010 was $31,840, compared with $37,247 for the same period in 2009. The majority of NPC's reduction is attributed to significant reductions in senior personnel headcount.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $3,829 for the quarter ended September 30, 2010, compared with $4,481 in 2009. For the nine month period ended September 30, 2010 depreciation and amortization was $11,651 compared to $13,494 for the same prior year period. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. ADJUSTED EBITDA

The Industrial Services segment produced $6,188 and $17,587 of EBITDA for the three and nine month period ended September 30, 2010, compared with $11,272 and $15,613 of EBITDA earned in 2009.

VI. INCOME TAX

Future tax relating to the assets of the Industrial Services segment was an expense of $203 and $1,117 for the three months and nine months ended September 30, 2010. This is compared to a future tax expense of $2,023 for the three months ended September 30, 2009 and a future tax recovery of $326 for the nine months ended September 30, 2009. Current tax recovery of $6 was for the three months ended September 20, 2010 and a current tax expense of $9 was recorded for the nine months ended September 30, 2010.

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 Titan and Gusgo. The results of Rlogistics are accounted for using the equity method of accounting. The results of Peerless, sold on August 19, 2010, are included in Discontinued Operations and are not reflected in the table below.

Summary Financial Table - ($000s)

	Three months ended September 30		Nine months ended September 30	
	2010	2009	2010	2009
Revenues	$ 10,622	$ 9,541	$ 30,046	$ 29,578
Cost of revenues	(7,195)	(6,497)	(20,414)	(19,865)
Gross profit	3,427	3,044	9,632	9,713
Selling, general and administrative expenses	(2,307)	(2,036)	(6,965)	(7,318)
Amortization expense	(329)	(851)	(987)	(2,554)
Depreciation expense	(131)	(163)	(404)	(496)
Income from equity investments	281	300	731	900
Interest expense	(157)	(169)	(448)	(532)
Write-down of goodwill and intangible assets	-	(7,207)	-	(7,207)
Income tax recovery - future	16	3,067	108	3,129
Income (loss) for the period	$ 800	$ (4,015)	$ 1,667	$ (4,365)
Add:				
Amortization	329	851	987	2,554
Depreciation [1]	145	179	448	546
Interest expense	157	169	448	532
Income tax recovery - future	(16)	(3,067)	(108)	(3,129)
EBITDA	$ 1,415	$ (5,883)	$ 3,442	$ (3,862)
Write-down of goodwill and intangibles		7,207	-	7,207
Adjusted EBITDA	$ 1,415	$ 1,324	$ 3,442	$ 3,345

1 Depreciation of $14 and $44 was recorded in cost of revenues for the three and nine months ended September 30, 2010 (2009 - $16 and $50)

I. REVENUES

Revenues for the Other segment were $10,622 for the quarter ended September 30, 2010, compared with $9,541 in 2009, an increase of 11.3%. Gusgo's revenues increased due to the recovery in economy and a stimulated transportation industry. Titan's revenues were improved reflecting the increased conventional drilling activities and demand for rigging and wear products. For the nine month period ended September 30, 2010 revenues were $30,046 compared with $29,578 for the same prior year period.

II. GROSS PROFIT

Gross profit was $3,427 for the quarter ended September 30, 2010. Gross profit margins for the three months ended September 30, 2010 were 32.3% compared to 31.9% in 2009. Both Gusgo and Titan's gross profit increased due to the increase in revenue as gross margin percentages have remained consistent. Gross profit for the nine month period ended September 30, 2010 was $9,632 compared with $9,713 in the same prior year period.

III. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $2,307 for the quarter ended September 30, 2010, compared to $2,036 in 2009. For the nine month period ended September 30, 2010 selling, general and administrative expenses were $6,965 compared with $7,318 in the prior year for the same period. These expenses as a percentage of revenues were 23.2%, reduced from 24.7% in 2009.

IV. DEPRECIATION AND AMORTIZATION

Depreciation and amortization was $474 for the quarter ended September 30, 2010, compared with $1,030 in 2009. For the nine month period ended September 30, 2010 depreciation and amortization was $1,435 compared to $3,100 for the same prior year period. The largest component of this expense is the amortization of intangible assets, which were recorded as investments were made in Operating Partnerships.

V. ADJUSTED EBITDA

Adjusted EBITDA was $1,415 and $3,442 for the three and nine month period, compared with $1,324 and $3,345 in 2009. EBITDA includes the income from the Fund's equity investment in Rlogistics of $281 compared to $300 in the prior year period.

VI. INCOME TAX

The future tax recovery relating to the assets of Other segment was $16 and $108 for the three and nine month period ended September 30, 2010, compared to $3,067 and $3,129 for the three and nine months ended 2009. Current tax expense was $nil for both periods. ($nil – 2009)

VII. SEASONALITY

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 September 30		Nine months ended September 30	
	2010	2009	2010	2009
Selling, general and administrative expenses	$ (3,228)	$ (3,118)	$ (9,207)	$ (8,985)
Depreciation expense	(21)	(28)	(68)	(94)
Interest expense	(7,216)	(8,799)	(19,353)	(24,510)
Write-down of goodwill	-	(44)	-	(3,559)
Income tax expense - current	(167)	(15)	(196)	(34)
Income tax (expense) recovery - future	(662)	3,234	(233)	5,263
Loss for the period	$ (11,294)	$ (8,770)	$ (29,057)	$ (31,919)
Add:				
Depreciation	21	28	68	94
Interest expense	7,216	8,799	19,353	24,510
Income tax expense - current	167	15	196	34
Income tax expense (recovery) - future	662	(3,234)	233	(5,263)
EBITDA	$ (3,228)	$ (3,162)	$ (9,207)	$ (12,544)
Write-down of goodwill	-	44	-	3,559
Adjusted EBITDA	$ (3,228)	$ (3,118)	$ (9,207)	$ (8,985)

I. SELLING, GENERAL AND ADMINISTRATIVE EXPENSES

Selling, general and administrative expenses were $3,228 for the quarter ended September 30, 2010, compared to $3,118 in 2009. The increase relates to additional accounting fees accrued for IFRS, and non-cash stock based compensation expense which was $153 and $1,233 for the three and nine months ended September 30, 2010 (2009 - $NIL). Selling, general and administrative expenses for the nine month period ended September 30, 2010 were $9,207 compared to $8,985 in the prior year period.

II. INTEREST EXPENSE

Interest expense was $7,216 for the quarter ended September 30, 2010 compared to $8,799 for 2009. Interest expense primarily relates to the Senior Credit Agreement and the Debentures. In the last twelve months the Fund has repaid $130 million of principal against the outstanding loans. Offsetting the lower principal balance were higher interest rates and the additional forbearance amendment fees and swap breakage fees associated with paying down the loans. Interest expense in the first and second quarter of 2009 included default interest on borrowings prior to the signing of the Forbearance Agreement. Interest expense for the nine month period ended September 30, 2010 was $19,353 compared with $24,510 in the prior year period.

III. INCOME TAX EXPENSE

The future tax expense was $662 for the three months ended September 30, 2010 and $233 for the nine months ended, compared to future income tax recovery of $3,234 and $5,263 for the three and nine months ended September 30, 2009. Current tax expense for the three and nine months ended September 30, 2010 was $167 and $196 compared to $15 and $34 in the same prior year periods.

DISCONTINUED OPERATIONS

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

On June 23, 2010, the Fund sold substantially all of the assets of its investment in S&E, with net cash proceeds of $271 plus a promissory note for $250.

On August 19, 2010 the Fund sold its 90% interest in Peerless Garments LP. The investment was sold for net proceeds of $20,381 resulting in an accounting loss of $3,396 (net of tax of $4,404) which is included in discontinued operations.

The following table shows the revenue and net loss from discontinued operations of ESR, S&E and Peerless for the three and nine months ended September 30, 2010 and 2009.

September 30, 2010	Three months			Nine months		
	S & E	Peerless	Total	S & E	Peerless	Total
Revenues	-	2,359	2,359	575	20,506	21,081
Net loss	(890)	(5,157)	(6,047)	(589)	(2,466)	(3,055)

September 30, 2009	Three months				Nine months			
	S & E	Peerless	ESR	Total	S & E	Peerless	ESR	Total
Revenues	279	9,886	5,203	15,368	2,437	24,380	14,502	41,319
Net income (loss) before non-controlling interest	(120)	1,257	(502)	635	85	1,689	1,221	2,995

ADDITIONAL INFORMATION

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

	2010 Q3	2010 Q2	2010 Q1	2009 Q4	2009 Q3	2009 Q2	2009 Q1	2008 Q4
Revenues	$ 133,433	$ 138,981	$ 112,418	$ 135,968	$ 147,493	$ 117,374	$ 147,117	$ 159,639
Gross profit	30,627	34,709	27,970	37,841	36,948	29,771	32,068	37,261
Loss from continuing operations after non-controlling interest	(7,483)	(6,310)	(10,741)	(31,534)	(12,614)	(13,293)	(8,685)	(229,562)
Net loss	(13,530)	(4,554)	(9,508)	(175)	(11,986)	(10,538)	(9,478)	(194,959)
Adjusted EBITDA from continuing operations	8,798	12,434	4,505	11,262	13,813	5,299	6,381	12,471
Loss per unit from continuing operations	(0.11)	(0.08)	(0.15)	(0.44)	(0.18)	(0.21)	(0.18)	(5.31)
Loss per unit	(0.19)	(0.06)	(0.14)	0.00	(0.17)	(0.17)	(0.19)	(4.51)

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 $69,034 at September 30, 2010 (December 31, 2009 - $67,994). The increase relates to the acquisition of the 20% interest in Gemma in January 2010.

The Fund reviews all of its investments for possible impairment on an annual basis, or more frequently if there is an event, or series of events, which in the view of management would trigger an earlier review. With the sale of NPC's 80% investment in Skystone International LP on July 2, 2010, NPC performed an impairment test on the intangible assets related to this investment. With the availability of current fair market value information, it was determined that the intangible assets were impaired. A write down of $1,779 was recorded on June 30, 2010.

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 $70,654 at September 30, 2010 (December 31, 2009 - $84,096).

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.

INTERNATIONAL FINANCIAL REPORTING STANDARDS ("IFRS")

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 began planning the transition from current Canadian GAAP to International Financial Reporting Standards, in 2008, by establishing a project plan and a project team. The project team is led by a senior finance team member that will provide overall project governance, management and support. Members also include representatives from various areas of the Fund as well as representatives from the Operating Partnerships. In addition, the Fund has engaged external advisors to assist in the IFRS conversion project.

A quarterly report is made to the Audit Committee of the Fund and the Audit Committee is playing a more active and increasing role in the project as accounting policy decisions are made and impacts are quantified.

The project plan consists of three phases: the initial assessment (high level impact assessment to identify key areas), detailed assessment and design (review and selection of policy alternatives, draft financial statement content and determine changes to existing accounting policies, information systems and business processes), and implementation.

The Fund has completed the initial assessment phase and is currently in the detailed assessment and design phase. The following table summarizes the key elements of the Fund's plan for transitioning to IFRS and the progress made against each activity.

Key Activities	Milestones	Status
Accounting policies		
• Identify differences between IFRS and the Fund's existing policies and procedures and determine application on a retrospective or prospective basis • Analyze and select ongoing policies where alternatives are permitted • Analyze and determine which IFRS 1 exemptions will be taken on transition • Create accounting policy and procedures manuals	• Senior management approval and Audit Committee review of policy decisions by December 31, 2010 • Accounting policy and procedures manuals in place by December 31, 2010	• Accounting policy differences have been analyzed and alternatives reviewed. Key focus areas have been identified, see "expected areas of significance" for more information • Creation of policy and procedure manuals is in progress. Accounting policies for IAS 16 Property Plant and Equipment ("PP&E") and IAS 17 Leases have been completed. Management has approved the policies for IAS 16 and 17. • Draft accounting policies and note disclosure have been drafted for IAS 1 Financial Statement Presentation, IAS 36 Impairment, IAS 12 Income Taxes and IAS 27, 28 & 31 relating to investments.

Key Activities	Milestones	Status
Financial statement preparation		
• Quantify the effects of converting to IFRS • Prepare first time adoption reconciliations required under IFRS 1 • Prepare financial statements and note disclosures in compliance with IFRS	• Quantification of opening balance sheet adjustments by December 31, 2010. • Completion of reconciliations required under IFRS 1 by December 31, 2010. • External auditor to commence opening balance sheet audit procedures during Q4 2010. • Shell financial statements completed and reviewed by senior management by December 31, 2010.	• Opening balance sheet adjustments have been quantified for PP&E and leases. Assets requiring componentization have been identified and systems are being established to facilitate the change to the depreciation calculation • Impact is expected to be less than $2,000. • IFRS 1 reconciliations are established and will be populated as the analysis progresses • Development of shell financial statements is in progress. Draft policies and note disclosures have been prepared for several IFRS sections
Internal Control over Financial Reporting (ICFR)		
• Information included in financial statements falls within the scope of ICFR. Three broad categories have been considered: o Design and implement controls over the transition o Design and implement changes to processes and systems o Design and implement controls from the date of transition • New IFRS related internal controls will be tested during the 2011 internal audit	• Management review of opening balance sheet adjustments and conversion analysis working papers by December 31, 2010 • External auditors to commence opening balance sheet audit procedures during Q4 2010. • Management review of internal controls over the IFRS transition as the conversion progresses and in place by December 31, 2010 • Operating Partners related controls implemented by Q1 2011 requiring Operating Partners to verify that they have read the policy manuals to ensure appropriate reporting after transition	• Documentation of controls over conversion has commenced • Management reviews the sections as they are completed - IAS 16 and IAS 17 have been reviewed and approved by management • Opening balance sheet adjustment for IAS 16 has been reviewed and approved by management
Disclosure controls and procedures (DC&P)		
• Information included in the MD&A falls within the scope of DC&P. DC&P must be appropriately amended to capture the additional MD&A disclosures expected for the IFRS changeover • DC&P must include processes to communicate to senior management all information that might need to be reported as a result of the changeover • The Fund must ensure that key stakeholders are informed about the anticipated effects of the IFRS transition	• Present a status update on IFRS changeover to the disclosure committee during Q3 2010 and address any additional disclosure requirements	• The IFRS team has met with the disclosure committee during Q2 and Q3 2010 to update the committee on the status of the changeover • OSC publications are regularly reviewed to ensure that appropriate disclosures are being made.

Key Activities	Milestones	Status
Financial reporting expertise		
• Provide specific IFRS training to key employees involved with implementation. Provide appropriate training to the Audit Committee and board • Develop awareness of the likely impacts of the transition throughout the Fund • Provide training on revised policies and procedures to the Operating Partnerships	• External advisors have provided and will continue to provide IFRS training for the Fund, Operating Partners and Audit Committee • Final training to be provided to Operating Partners in January 2011 to ensure they are appropriately following IFRS beyond transition	• IFRS training was provided in November 2009 to the Fund's project team, Operating Partners and Audit Committee • The IFRS implementation team meets regularly with external IFRS advisors to track progress and keep abreast of changes and new IFRS information provided by the various accounting bodies • The Fund's accounting team holds weekly IFRS update meetings
Business activities		
• Identify impacts of conversion on contracts including Partnership agreements, financial covenants and lease contracts • Identify impacts of conversion on taxation	• Taxation impacts to be identified by Q4 2010	• Identification of impacts on contracts is complete. Lease contracts were reviewed during the IAS 17 analysis to ensure operating leases did not have characteristics of capital leases and to ensure that assets under capital lease were depreciated over an appropriate period. • Limited Partnership agreements were analyzed in detail to determine whether the Fund has control over Operating Partnerships. This determination was a key factor in applying the appropriate accounting method for consolidation under IFRS.
IT systems		
• Identify changes required to IT systems and implement solutions • Determine and implement a solution for capturing financial information under both Canadian GAAP and IFRS during 2010, the year of transition	• Determine a method for tracking the IFRS/GAAP differences for the Operating Partners • Existing management reports must be modified for the IFRS changes. Anticipated completion is February 2011.	• Operating Partners will continue to report under Canadian GAAP and will separately track IFRS/GAAP differences. The Fund will make the adjustments on consolidation. Differences are expected to be minimal

We are currently in the process of quantifying the differences between IFRS and Canadian GAAP. The following disclosure highlights the initial adjustments required to be made on adoption of IFRS in order to provide an opening balance sheet and the significant accounting policies required or expected to be applied by the Fund subsequent to adoption that will be significantly different from the Fund's current accounting policies.

IFRS 1: FIRST TIME ADOPTION OF INTERNATIONAL FINANCIAL REPORTING STANDARDS

Most adjustments required on transition to IFRS will be made retrospectively against opening retained earnings as of January 1, 2010. However, IFRS 1 provides entities adopting IFRS for the first time with a number of specific optional exemptions and mandatory exemptions to the general requirement for full retrospective application of IFRS. The most significant exemption that is expected to apply to the Fund is for

business combinations. The Fund expects to apply IFRS 3R Business Combinations prospectively. Refer to the 2010 Second Quarter MD&A for a full description of the exemption.

SIGNIFICANT DIFFERENCES

IFRS are premised on a conceptual framework similar to Canadian GAAP; however, significant differences exist in certain matters of recognition, measurement and disclosure. However, we believe that the adoption of IFRS will not have a material impact on our net income and reported cash flows. The IFRS with the largest potential to impact the Fund is IAS 31 Interests in Joint Ventures. As it currently stands, an entity is permitted to use either proportionate consolidation or the equity method to account for investments in joint ventures. The Fund's investments in less than 100% owned Operating Partners are considered joint ventures as they are jointly controlled. An exposure draft is in its final stages of development and was expected to be released in the fourth quarter of 2010. Significant changes in the exposure draft state that proportionate consolidation will no longer be permitted for jointly controlled entities and they must be accounted for using the equity method. In the second quarter MD&A the Fund reported that it expected to use the equity method upon adoption of IFRS in anticipation of the release of the revised IAS 31. This would have resulted in a significantly different income statement and balance sheet as the Fund would no longer be consolidating its proportionate share of investments and would instead pick up a single line item in the income statement and balance sheet. There have been significant delays and the revised IAS is not expected to be effective until 2013. Once released an entity has 18 months to adopt the changes. In light of these delays the Fund will continue to use the proportionate consolidation method until the revised IAS 31 is released.

The key areas where we expect accounting policies to differ and where accounting policy decisions are necessary that may impact the Fund's consolidated financial statements are set out on pages 30-32 of the Second Quarter MD&A.

The summary of significant differences on pages 30-32 of the Second Quarter MD&A (as updated above) should not be regarded as a complete list of changes that will result from transition to IFRS. It is intended to highlight those areas we believe to be most significant; however, our assessment of the impacts of certain differences is still in process. The precise impact of conversion cannot be determined until all adjustments have been quantified and a full set of consolidated financial statements under IFRS have been prepared. The International Accounting Standards Board ("IASB") have significant ongoing projects that could affect the ultimate differences between Canadian GAAP and IFRS and the impact on the Fund's consolidated financial statements in future years. In particular, we expect that there may be additional new or revised IFRS in relation to consolidation, joint ventures, income taxes, liabilities, leases, discontinued operations and related party disclosures. We have processes in place to ensure that such potential changes are monitored and evaluated.

At this time, an opening balance sheet adjustment has been quantified for PP&E. The impact is expected to be less than $2,000. Further adjustments are potentially expected for impairment of goodwill and intangible asset and income taxes. Analyses are in progress, the results of which will be disclosed as they are completed and approved.

TRANSACTIONS WITH RELATED PARTIES

OWNERSHIP

As of September 30, 2010, directors, officers and employees and entities related to the Fund beneficially hold an aggregate of 16,044 units or 22.3% on a fully diluted basis.

TRANSACTIONS

NPH provides advances 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 $23,238 (December 31, 2009 - $24,016) made to the Operating Partnerships.

Selling, general and administrative expenses include $2,691 of rent expense paid to related parties of Quantum Murray, Gusgo and NPC.

NPH has arranged for a $20,000 subordinated borrowing facility from an affiliated entity. Advances to date of $10,089 have been made.

Employee loans, net of provisions, made to employees of the Fund and its subsidiary NP LP, were outstanding in the amount of $3,179 (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 and personal property security agreements.

SUBSEQUENT EVENTS

On October 4, 2010, the Fund announced that an amendment to the Forbearance Agreement was entered into (the "Fourth Amendment") with the Lenders. Under the terms of the Fourth Amendment, the expiry date was extended by more than three months to January 31, 2011, with the Fund agreeing to pay a fee of $1,155, and reduce the outstanding loan balance to $86,994 by November 30, 2010, with a further reduction to $71,994 by December 31, 2010. The balance of $71,994 was agreed to be paid by January 31, 2011.

FOURTH QUARTER OUTLOOK

The main focus for the fourth quarter is to make progress towards repaying the Senior Credit Facility to meet the obligations under the Forbearance Agreement with our lenders. The plan is to achieve this through a combination of asset sales and obtaining bank facilities directly at certain investments, or a refinancing of the credit facilities.

On a continuing operational basis the Funds four segments have a mixed but generally improved outlook for the fourth quarter.

INDUSTRIAL SERVICES

The industrial services segment made progress in the third quarter with activity ramping up in both investments. There is cautious optimism that the fourth quarter will see further improved results over the third quarter.

NPC is cautiously optimistic for the fourth quarter. In the maintenance services division, strong volumes are anticipated to continue through the first half of the fourth quarter. Wear technology volumes are expected to improve during the fourth quarter based on the current sales pipeline. The transportation division revenue is expected to improve in the fourth quarter as increased drilling activity is anticipated.

At Quantum Murray, the environmental division should have a solid fourth quarter based on current project backlog. Remediation activity in Alberta and Ontario continues to be active and it is expected to continue into the fourth quarter. The British Columbia market which is the traditional base for the division continues to be unpredictable however there is some optimism that new public works projects will be tendered in the fourth quarter. Bidding activity in the demolition division is slowly improving and there are signs of larger industrial projects coming to market.

MARKETING

The overall outlook for the marketing division is optimistic.
Armstrong is expecting a solid fourth quarter with new projects in the pipeline as well as steady revenue from existing clients.

Capital C is expecting a strong quarter as the focus on business development has created opportunities for new projects. The challenge will be to manage resources costs against the acquisition of new revenue streams.

IC Group is optimistic that the fourth quarter will continue with the positive trend started in the current quarter. Revenues are expected to improve however the challenge will be to manage resource costs to fulfill projects. There is cautious optimism that the insurance division will see some improvements based on deal development and closure.

Gemma will continue to be challenged in the next quarter as significant clients are operating with reduced budgets. These volume declines will be slightly offset by new client projects in the pipeline.

FINANCIAL SERVICES

The outlook for the financial services segment is guarded.
Morrison Williams' expects the fourth quarter to be similar to the current quarter now that the client base has stabilized.

Hargraft's results are expected to continue to be below prior year's levels due to the previous erosion in its client base.

NP LP expects a solid fourth quarter with management fees remaining consistent as long as the financial markets remain stable.

Baird is expecting a similar quarter to the previous quarter. There continues to be significant competition, however new business opportunities are expected to unfold.

OTHER

The Other segment is expected to have a solid quarter that will be similar to the current quarter.
Gusgo results will continue at satisfactory levels as the economy recovers and the client base should remain constant.

There is cautious optimism for Titan as increased activity in convention drilling is expected to continue into the fourth quarter. As well, the oilsands are showing signs of increased activity which will translate into increased drilling and rigging products revenue.

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

National 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 ended September 30, 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 September 30, 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, February 18, 2009 and July 12, 2010 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;
"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

Newport Partners Income Fund

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