Newport Partners
Income Fund

ANNUAL INFORMATION FORM

(for the period ended December 31, 2005)

March 29, 2006

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Caution Regarding Forward-Looking Statements and Non-GAAP Measures

Forward-Looking Statements

This Annual Information Form contains certain forward-looking statements. These statements relate to future events or future performance and reflect management's expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of Newport and the Operating Partnerships (each as defined herein). Such forward-looking statements reflect management's current beliefs and are based on information currently available to management of Newport and the Operating Partnerships. In some cases, forward-looking statements 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. In particular, statements regarding the future operating results and economic performance of Newport and the Operating Partnerships are forward-looking statements. A number of factors, including risks and uncertainties, could cause actual events or results to differ materially from the events and results discussed in the forward-looking statements. In evaluating these statements, 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. Although the forward-looking statements contained in this Annual Information Form are based on what management of Newport and the Operating Partnerships consider to be reasonable assumptions based on information currently available to them, there can be no assurance that actual events or results will be consistent with these forward-looking statements, and management's assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this Annual Information Form, and none of Newport, the Trustees, NPY LP or the Operating Partnerships assumes any obligation to update or revise them to reflect new events or circumstances.

Except as otherwise noted, the information in this Annual Information Form is given as of December 31, 2005 and all currency references are in Canadian dollars.

References in this Annual Information Form to "Newport" or the "Company" or the "Fund" are to Newport Partners Income Fund and Newport Private Yield LP. Capitalized terms otherwise used in this Annual Information Form have the meaning set forth in Appendix B — Glossary of Terms.

Non-GAAP Measures

The terms "EBITDA" and "Distributable Cash Flow" (collectively the "Non-GAAP Measures") are financial measures used in this Annual Information Form that are not standard measures under Canadian generally accepted accounting principles. Newport's method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, Newport's Non-GAAP Measures, as presented in this Annual Information Form, may not be comparable to similar measures presented by other issuers.

EBITDA refers to net earnings of Newport determined in accordance with generally accepted accounting principles, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. Management believes that EBITDA and Normalized EBITDA are useful supplemental measures of cash available for debt service, working capital, capital expenditures, income taxes and distribution.

Distributable Cash Flow is not a standard measure under GAAP and is generally used by Canadian income funds as an indicator of financial performance. The method of calculating Newport's Distributable Cash Flow may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash flow as reported by such entities. Distributable Cash Flow refers to the cash available for distribution to Unitholders, which distribution will be made on a monthly basis on the estimated cash available for distribution on an annual basis. Management believes that Distributable Cash Flow is a useful supplemental measure that provides investors with information on cash available for distribution.

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 Newport's 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 of Newport's business as at and for the period ended December 31, 2005.

Throughout this Annual Information Form, the relationship between Newport and the Operating Partnerships is described as an "operating partnership" or that the parties are "partners" or are "partnering". "Partnership", "partners" and "partnering" used in this context does not mean a legal partnership between the parties. Rather, these terms serve to encapsulate the principles around which Newport makes its decisions with respect to a particular Operating Partnership and the common values and approach taken by both Newport and the entrepreneurs that manage the Operating Partnership to manage and grow the business of the Operating Partnership.

1. Corporate Structure

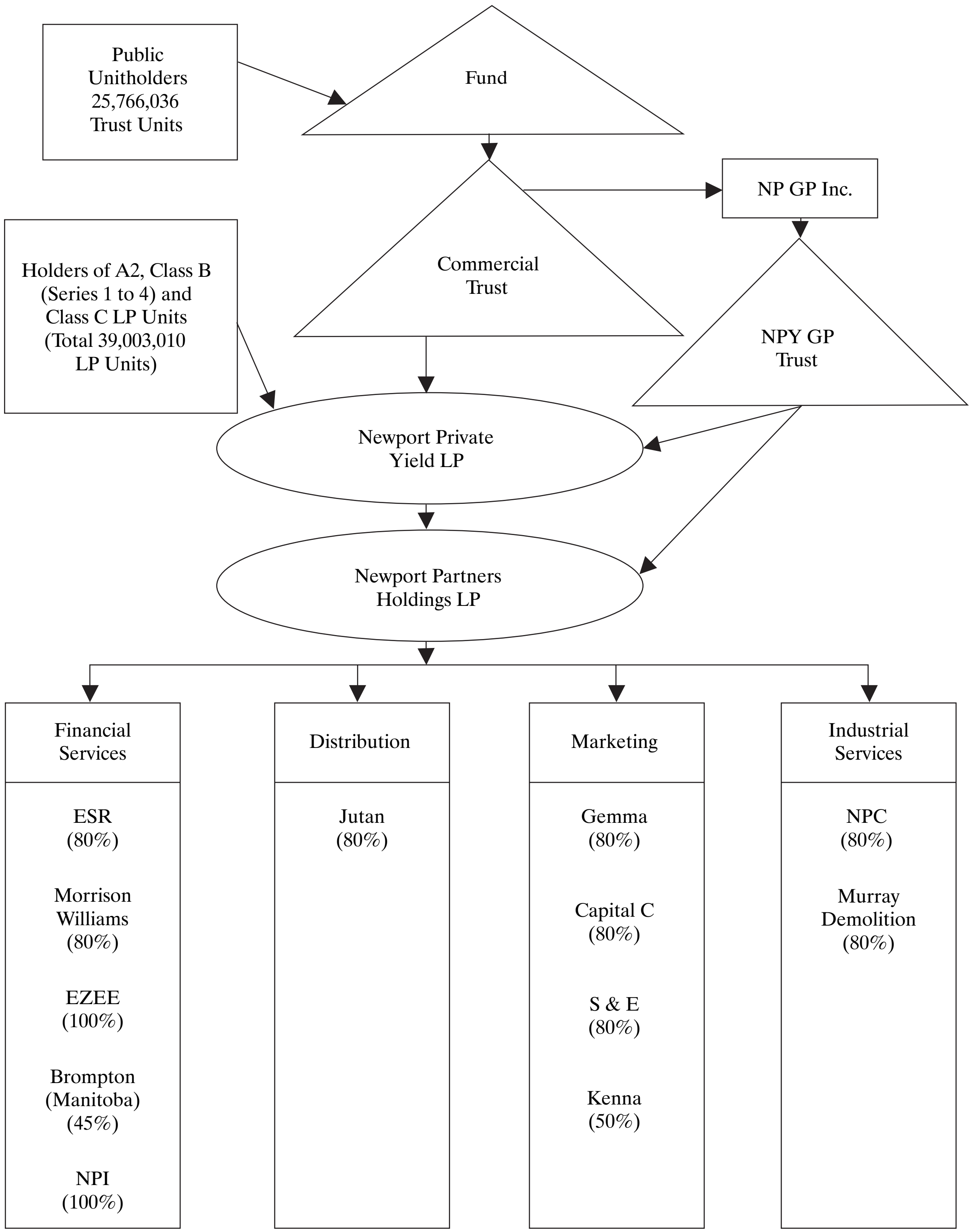
1.1 Name, Address and Incorporation

Newport Partners Income Fund (the "Fund") is an unincorporated open-ended trust established under the laws of the Province of Ontario pursuant to an amended and restated Declaration of Trust dated as of August 8, 2005. The registered office of Newport is located at 469 King Street West, 4th Floor, Toronto, Ontario M5V 1K4.

1.2 Inter-corporate Relationships

The Fund holds all of the outstanding units and notes of Newport Partners Commercial Trust (the "Commercial Trust") and indirectly holds all of the A1 LP Units of Newport Private Yield LP ("NPY LP") (approximately 40% of the outstanding LP Units), and 100% of the shares of GP Trustee which is the sole trustee of the general partner (the "General Partner") of NPY LP. NPY LP indirectly holds interests ranging from 45% to 100% in the Operating Partnerships.

The simplified structure of Newport is as follows:



Unless otherwise noted above, each of the Fund, the Commercial Trust, NPY LP, NPH LP, the General Partner and the Operating Partnerships have been established under the laws of the Province of Ontario.

2. General Development of the Business

2.1 History

Newport is an asset manager with a specific focus on making investments in private businesses led by successful entrepreneurs. In December 2000, several of the Newport Principals established Newport Partners Inc. ("NPI") to provide personal and corporate wealth management services and advice to a client base focused on entrepreneurs. In late 2002, NPI concluded that the investment returns of NPI's clients could be enhanced by partnering with private companies and therefore decided to create Newport. As a result, NPI approached its personal and corporate clients, many of whom were entrepreneurs, to assess their interest in this partnering approach. As a result of this interest, NPY LP was formed on February 27, 2004 and prior to the initial public offering of Newport on August 8, 2005 raised over $100 million from accredited investors to fund investments in private companies.

Newport has ownership interests in 12 Operating Partnerships, as of March 2006, that operate in four business segments: financial services, distribution, marketing, and industrial services. Newport forms these partnerships by acquiring an ownership interest in the entrepreneur's business with the entrepreneur typically retaining a significant equity interest.

Newport formed its first Operating Partnership in March 2004 and made investments in this and nine additional Operating Partnerships between then and its initial public offering which was completed on August 8, 2005. Newport's investment in its eleventh Operating Partnership, Kenna, was completed on September 14, 2005, and its investment in its twelfth Operating Partnership, Murray Demolition was completed on March 16, 2006.

The following table identifies the 12 Operating Partnerships, the business of each Operating Partnership, Newport's current ownership interest and the date of Newport's initial investment:

Business Segment	Operating Partnership	Business	Ownership	Date of Investment
Financial Services	ESR	Insurance Brokerage	80%	August 2005
	NPLP	Asset Management	100%	August 2005
	EZEE	ATM Operator	100%	March 2004
	Morrison Williams	Asset Management	80%	August 2005
	Brompton	Fund Management	45%	August 2005
Distribution	Jutan	Electronics Distribution	80%	October 2004
Marketing	Gemma	Contact Centre Operator	80%	March 2005
	Capital C	Marketing/Promotions	80%	August 2005
	S&E	Advertising/Marketing	80%	September 2004
	Kenna	Advertising/Marketing	50%	September 2005
Industrial Services	NPC	Oil & Gas Services	80%	October 2004
	Murray Demolition	Demolition	80%	March 2006

2.2 Business Strategy

Three key elements comprise Newport's business strategy:

- *The Entrepreneur.* Newport partners with entrepreneurs who are known to Newport or who are introduced to Newport through the Newport Entrepreneurs or their network of business associates. Newport seeks to partner with entrepreneurs with a proven track record and a desire to retain an equity interest in their business and who wish to continue to operate the business for the long term. Newport believes that an entrepreneur's past performance is a strong indicator of future performance.
- *The Business.* Newport invests in businesses with a history of profitability and consistent cash flows, a strong track record of growth and low maintenance capital expenditures. Newport must be satisfied with the viability of the entrepreneur's business plan and the ability of the entrepreneur to execute the plan.

- *The Partnership.* The entrepreneur typically retains a significant equity interest in either the Operating Partnership or Newport, thereby aligning the interests of the entrepreneur with those of Newport. The Operating Partnership generally does not have any term debt, thereby reducing risk.

2.3 Growth Strategy

Newport has a three-pronged growth strategy:

1. *New Partnerships* — Newport intends to form new partnerships both within and outside its current business segments that are consistent with and complement Newport's business strategy. Newport believes its record demonstrates to prospective entrepreneurial partners the benefits of the Newport business plan and the attractiveness of partnering with Newport.
2. *Growth Through Acquisitions* — Most of the Newport Entrepreneurs have successfully completed and integrated acquisitions. Additionally, most of these entrepreneurs have identified companies within their respective industries that are acquisition candidates. It is the intention of Newport to support these entrepreneurs as they continue to pursue and make suitable acquisitions.
3. *Organic Growth* — In most cases, the Operating Partnerships have been able to grow without significant maintenance capital expenditures or further investments. As a result of the experience and credentials of the Newport Entrepreneurs and the strong history of organic growth of the Operating Partnerships, Newport believes that the Operating Partnerships will continue to grow organically.

3. Description of the Business

Newport has ownership interests in 12 Operating Partnerships. These partnerships operate in four business segments: financial services, distribution, marketing and industrial services. The following is a description of the business of each Operating Partnership organized by business segment.

3.1 Description of Operating Partnerships by Business Segment of Newport

Financial Services

1. ESR

Business Overview

ESR is a specialty managing general agent ("MGA") and is one of Canada's leading independent underwriters of commercial liability insurance. ESR and its predecessor companies have been in business since 1966. MGAs represent a hybrid form of insurance broker because insurers permit MGAs to make underwriting decisions on such insurers' behalf and determine the risk of underwriting a particular policy. In essence, MGAs represent an extension of the insurer's underwriting function. Nevertheless, ESR does not assume any liability for claims, expenses or payments if an insured incurs a loss; that liability remains the responsibility of the insurer that underwrites the policy.

ESR has 73 employees located in Montreal and Toronto and has a 50% interest in All Sport Insurance Marketing Ltd., a Vancouver-based MGA, specializing in sport and recreation risk.

Newport acquired its interest in ESR concurrently with the initial public offering in August 2005.

Products and Services

ESR primarily underwrites commercial general liability insurance on behalf of insurers. ESR focuses on insurance coverage in the umbrella and excess liability area, which currently represents approximately 50% of ESR's revenues.

ESR also underwrites "hard-to-place" general liability, environmental, errors and omissions, property and inland marine insurance. ESR believes it is the leading independent market in Canada for many of its product lines.

ESR operates as a registered insurance broker with its revenues primarily derived from commissions earned from placing clients' insurance coverage with insurance and reinsurance companies. In addition, ESR earns profit commission revenues from insurers based on the actual claims or loss experience of insurance written with each insurer.

ESR is registered as an insurance broker in Ontario and Quebec and is qualified to carry on business in every province and territory of Canada where MGAs are required to be licensed.

Customers

Insurers in Canada generally distribute their policies to individuals and corporations through independent insurance brokers and insurance agents. Some insurers also distribute specific policy types directly. While insurance agents represent or are employed by one insurer, independent insurance brokers represent a number of insurers and are able to offer their clients insurance policies from a variety of insurers.

ESR produces and underwrites insurance business on behalf of insurers for distribution through approximately 2,200 independent insurance brokers and insurance agents across Canada.

Suppliers

ESR underwrites special risks insurance on behalf of 12 leading insurance companies including Aviva Canada, Temple Insurance Company (a subsidiary of Munich Reinsurance Canada) and Lloyd's of London.

Industry Trends

The role played by MGAs is sensitive to changes that impact the insurance industry. For example, insurance premiums increased significantly subsequent to the September 2001 terrorist attacks. More recently, hurricanes Katrina, Rita and Wilma have made insurers more sensitive to weather-related catastrophes. ESR was not directly impacted by these weather-related catastrophes during the period as it is not a property insurer.

The insurance industry has undergone a substantial restructuring in recent years, including a significant consolidation of insurers. Because of industry consolidation, brokers have fewer standard market alternatives for commercial lines of business. Management believes that over time man-made and weather-related catastrophes and industry consolidation will result in more opportunities for specialty brokers such as ESR.

Insurance products are price-sensitive. Insurers have recorded three exceptionally profitable years resulting from strong underwriting results and investment gains. As a result, insurers are more willing to compete on price in order to attract new business. Accordingly, ESR observes that premiums for commercial insurance will be flat or reducing in the short term and the associated underwriting profits will stabilize.

Competition

The Canadian insurance industry is comprised of approximately 6,000 property and casualty insurance brokerages. ESR faces competition from approximately five to 10 MGAs that offer similar products. In addition, ESR faces competition from large multi-national commercial insurance companies which may decide to maintain their own direct underwriting function and distribute insurance directly to brokers. However, because of ESR's business strengths, ESR management believes that ESR's market niche is secure.

2. Morrison Williams

Business Overview

Morrison Williams is an institutional money manager with over $4.4 billion of funds under management. Founded in 1992, Morrison Williams invests primarily on behalf of pension funds and mutual funds. It also invests on behalf of institutional clients and a number of high net-worth individuals. Morrison Williams' investment philosophy has generated results for its clients that Morrison Williams believes have exceeded its clients' benchmarks over the short-, medium- and long-term.

Morrison Williams' head office is in Toronto and it has 11 employees.

Newport acquired its interest in Morrison Williams concurrently with the initial public offering in August 2005.

Services

Morrison Williams provides asset management services for clients on a segregated and pooled basis with mandates including fixed income, balanced, Canadian equities, and royalty and income trusts. It generally charges its clients a fee on total assets under management depending upon mandate size.

Morrison Williams takes a different approach to investing for each of its various asset classes. Its approach to fixed income is to select securities which have a minimum amount of credit risk, with an emphasis on quality and liquidity. Based on Morrison Williams' views on interest rate movements, the duration of its investments is adjusted to take advantage of market trends. From time to time, Morrison Williams will add unique fixed income securities to its portfolios to add yield. Morrison Williams' equities investment strategy is to take a "top-down" approach that considers the impact of worldwide economic forces and events and that blends growth and value stocks. It is an approach based on an analysis of long-term trends, acting with discipline, selecting conservative stocks, diversification and risk control. For royalty and income trusts, Morrison Williams applies its disciplined process to selecting equities and then analyzes the fundamental and relative value of these trusts.

Customers

Morrison Williams' primary clients are pension funds and mutual funds. It also manages assets for institutional clients and a relatively small group of high net-worth individuals. Morrison Williams' largest client accounts for approximately 38% of assets under management and its eight largest clients make up approximately 65% of assets under management, as at December 31, 2005. Morrison Williams has enjoyed long-standing relationships with its eight largest clients.

NICI is a client of Morrison Williams.

Industry Trends

In the institutional segment of the Canadian investment management industry, investment managers provide investment management services to a variety of institutional clients including pension plans, mutual funds and other investment and savings plans of corporations, government agencies, municipalities, universities, charitable foundations, endowment funds and insurance companies.

Canada's pension fund market, the most significant part of the institutional segment, has exhibited strong growth recently. Canadian pension assets under external management were $652 billion as at June 30, 2005. Canada's mutual fund market has also exhibited growth recently. Canadian mutual fund assets under management were $569 billion as at December 31, 2005. This is an increase of 14.6% over December 2004. Management anticipates that the pension fund market and the mutual fund market will continue to exhibit significant growth in the next few years.

Competition

There are numerous investment management companies operating in competition with Morrison Williams. These competitors include any asset manager seeking management of institutional and individual assets. However, institutions require a variety of asset managers with different investment philosophies and styles in order to diversify their portfolios among several managers and asset classes in an effort to manage risk and to achieve greater returns.

Management believes that Morrison Williams has a competitive advantage because of the extensive knowledge and experience of its principals, as evidenced by its portfolio performance.

3. EZEE and On-Site

Business Overview

EZEE (in this section of the annual information form, references to the business of "EZEE" includes the business of On-Site) is a full-service provider of automated teller machines ("ATM") and a full range of ATM management services, from ATM deployment and maintenance to transaction processing, reporting and settlement. Since its inception in 2000, EZEE's ATM business has grown organically and through acquisitions. EZEE management believes it operates the second largest network of non-financial institution ATMs in Canada. Management believes that non-financial ATMs represent approximately 50% of the Canadian market for ATMs and that EZEE has approximately 10% of the non-financial ATM market.

EZEE operates approximately 2,200 ATMs. EZEE has ATMs located in every province in Canada with approximately 40% of EZEE's ATMs located in Québec and approximately 20% located in Ontario. In October 2005, EZEE purchased 100% of the assets of Rapid Cash ATM Ltd. an Edmonton based operator of non-financial institution ATMs.

EZEE has 28 employees and its head office is in Toronto.

Newport first acquired an interest in EZEE in March 2004.

Customers

EZEE contracts with retailers including convenience stores, restaurants, bars, supermarkets and gas stations to place ATMs on their premises. Locations in busy areas with potential for high turnover of end-users are targeted. Contracts with customers typically have an initial term of five years. Revenues from any one customer do not represent more that 1% of EZEE's annual revenues.

Suppliers

EZEE contracts with market-leading providers of telecom services, on-site ATM technical services and transaction processing/Interac™ gateway services (switching).

Services

While not all independent ATM service providers offer full customer service, EZEE believes that it provides the industry's most complete customer service package.

EZEE earns revenue from both transaction fees paid by users of its ATMs (which include interchange fees and surcharge revenues) and on the sale of ATMs to its customers. EZEE typically signs renewable five-year agreements with its customers for their ATM transaction processing and maintenance services.

To accommodate the needs and to service a broad range of customers, EZEE provides its services using one of three service models:

- merchant load ATM — Merchant owns the ATM and loads the cash;
- placement ATM — EZEE owns the ATM and the merchant loads the cash; and
- vault-cash ATM — EZEE owns the ATM and EZEE loads the cash.

Industry Trends

Interac™ is the organization responsible for the development and operation of a national network of two shared electronic financial networks: ATMs and Interac™ direct payment ("Debit").

In November 1996, the Federal Competition Bureau issued a consent order designed to increase competition in the market for electronic payment services. The consent order resulted in Interac™ allowing non-financial organizations to participate as members of Interac™, and permitted surcharging at ATMs and Debit terminals in Canada. Surcharging allows the owner of an ATM or a Debit terminal to charge a fee on each transaction. These changes have enabled EZEE to enter the marketplace and to successfully grow its business.

From 1997 to 2005, the number of ATMs in Canada more than doubled to approximately 50,000. EZEE believes that ATMs that are not located on financial institution premises nor deployed by financial institution operators have accounted for the majority of this growth.

EZEE management believes that the ATM industry is maturing and opportunities for future growth lie more in consolidation than in organic growth.

Competition

EZEE faces competition from numerous small operators and a few large operators in the deployment of new ATM machines and the retention of existing customers. Some of the larger operators in the market including EZEE believe that consolidation is the most efficient method of growth and compete with EZEE for acquisitions. EZEE management believes that it has a competitive advantage because of its history of closing and integrating acquisitions, its reputation as a credible operator, its level of customer service, its purchasing power and its ability to access capital.

EZEE also faces competition from the financial institution sector.

4. NPLP

Business Overview

NPLP is an independent wealth management company providing investment counseling and sophisticated financial planning, management and solutions to its personal and corporate clients, with a focus on understanding and serving the needs of entrepreneurs. Since its inception in 2000, NPLP has grown assets under management to approximately $1.2 billion. NPLP draws on the experience of the Newport Principals who together have over 350 years' experience in investment management, corporate finance and operations.

NPLP is based in Toronto and has approximately 35 employees.

Newport acquired its interest in NPLP concurrently with the initial public offering in August 2005.

Products and Services

NPLP advises its personal clients on investments in a diverse range of public and private assets. The NPLP entrepreneurs determine the appropriate asset allocation for each of their clients and engage external investment managers specializing in all asset classes to invest on behalf of their clients. In addition, NPLP offers personal clients other services including estate planning, tax planning, philanthropy planning, risk management, cash management and retirement planning. NPLP offers its corporate clients a variety of services, including sourcing of capital, advising on mergers, acquisitions and divestitures and other corporate finance advisory services.

In its wealth management business, NPLP charges its clients a fee based on assets under management. NPLP's corporate clients generally pay a transaction-based fee.

Customers

NPLP's client base is made up of approximately 400 individuals, families, and companies located throughout Canada. Approximately 50% of its individual clients are entrepreneurs. Its wealth management clients represent a diverse cross-section of Canadian investors. NPLP views its clients as partners, whose ideas, industry expertise and insights can greatly enrich NPLP's advice and decision-making. NPLP's corporate clients are both public and private companies of various sizes.

Industry Trends

With a substantial number of Canadians approaching retirement, there has been a substantial increase in demand for wealth management services similar to those offered by NPLP. Owners of small- and medium-sized businesses hold a considerable amount of wealth in Canada and, within the next 15 years, more than half of the country's approximately 500,000 small business owners are expected to retire. By the end of 2010, it is projected that approximately 20% of these entrepreneurs will retire, representing an approximate $1.2 trillion transfer of wealth to their successors. Additionally, only approximately 30% of these entrepreneurs believe that a sale of their business will provide them with the income they need for retirement. As a result, succession plans and wealth management strategies are becoming increasingly important. NPLP management believes that these trends are significant for all companies providing wealth management advice, particularly for NPLP which has made the strategic decision to focus its services on the needs of Canadian entrepreneurs.

Competition

The wealth management industry in Canada is highly competitive. Each Canadian chartered bank has a wealth management division. Numerous boutique firms also provide wealth management services but typically have a more regional focus to their client base than NPLP. Although many of these companies have financial resources significantly greater than those of NPLP, NPLP believes that it is unique because of its focus on serving the needs of entrepreneurs. Management believes that NPLP's specific knowledge of this niche, along with the extensive experience and relationships of the NPLP entrepreneurs, provides NPLP with a sustainable competitive advantage.

5. Brompton

Business Overview

Brompton is a leading Canadian manager of public and private investment funds and currently manages 12 public funds and one private investment fund (collectively, the "Brompton Funds") with total assets of $3.1 billion and net assets of $2.5 billion under management as at December 31, 2005. The Brompton Funds' principal investments are marketable securities. Units of all public Brompton Funds trade on the TSX. To enhance distributions, the majority of the Brompton Funds use leverage which accounts for the difference between gross and net assets. Brompton earns management fees that are based primarily on the amount of net assets it has under management. Brompton commenced operations with its first fund in February 2002.

Brompton is based in Toronto and has approximately 20 employees.

Newport acquired its interest in Brompton concurrently with the initial public offering in August 2005.

Products and Services

Brompton, through its subsidiaries, manages the Brompton Funds and generally receives a fee based on the net assets under management. Of the 12 public funds managed by Brompton, seven focus on investing in income trusts, three focus on investing in equity securities and two focus on investing in investment grade debt instruments. For six of the Brompton Funds, Brompton has engaged an external portfolio manager to manage the fund's investment portfolio. Two of the Brompton Funds' portfolios are managed by an affiliate of Manulife Financial Corporation, two of the Brompton Funds' portfolios are managed by Flaherty & Crumrine Incorporated of Pasadena, California and two funds are managed by Highstreet Asset Management Inc. For these six actively managed funds, Brompton provides all other fund management and administration services. The remaining six Brompton Funds have adopted a low cost passive investment strategy whereby five of them invest in a defined portfolio of publicly traded income trusts and one of them invests in a defined portfolio of equity securities on an equally weighted basis. Brompton periodically rebalances these funds in accordance with their investment strategies. Nine of the Brompton Funds have indefinite terms and three of the Brompton Funds have fixed terms of May of 2011, November of 2012 and March of 2015, respectively. Of the $2.5 billion in net assets under management as of December 31 2005, 82% had indefinite terms.

Industry Overview and Trends

Brompton's investment fund management business operates primarily in the Canadian retail structured product market. This market consists of the structuring, marketing and management of publicly traded closed-end investment funds (formed either as trusts or corporations) whose securities are distributed primarily to Canadian retail investors. These funds use the proceeds from public offerings to invest in a broad selection of marketable securities including diversified portfolios of units of income trusts, shares of public corporations, debt instruments and options. These funds are designed to provide retail investors with low-cost access to diversified portfolios of marketable securities which would otherwise not be readily available to them. The funds are structured to provide investors with regular cash distributions and in many cases, leverage is used to increase the level of distributions.

The Canadian retail structured product market began its significant growth in the late 1990's with the introduction of closed-end funds which invested in income trusts. In recent years, the market has experienced strong growth.

On September 8, 2005 the Department of Finance launched public consultations on tax and other issues related to publicly listed flow-through-entities ("FTE's") such as income trusts. On September 19, 2005, the tax treatment of income trusts became more uncertain when the Department of Finance announced that the Canada Revenue Agency ("CRA") was going to stop issuing advance tax rulings on FTE structures while the public consultations were underway. In the period following these announcements, the value of the income trust sector declined substantially.

On November 23, 2005 the Minister of Finance announced that the government planned to alter the manner in which dividend income will be taxed, rather than changing the way that income trusts are taxed. The Minister decided to reduce the tax rate on certain dividends that over time ultimately make the effective rate of tax on dividends comparable to that paid on income flowed through an income trust. The Minister of Finance also indicated that the CRA would resume issuing advance tax rulings with respect to income trusts. Enactment of the proposals remains outstanding and it is not certain that the provinces will follow suit. If the provinces do not change the manner in which dividends are taxed, the effective rate of tax on dividend income will still be higher and the income tax imbalance between corporations and income trusts will be maintained. Following this latter announcement, the value of the income trust sector experienced a significant rally.

According to Investor Economics, closed-end funds trading on the TSX had approximately $31 billion in assets as at December 31, 2005 (up from $17 billion in assets as at December 31, 2003) and have been growing at a significantly higher rate than open-end funds over the past year.

Competition

The business of managing structured products in Canada is highly competitive and includes independent entities as well as affiliates of major Canadian financial services corporations such as banks and mutual fund managers. Many of these competitors may have greater financial, technical, distribution and other resources than Brompton. Based on publicly available information, Brompton believes it is among the largest independent managers of closed-end investment trusts. Brompton believes it has a competitive advantage because of its significant experience in the marketplace and its strong relationships with major investment dealers.

Distribution

6. Jutan

Business Overview

Jutan is a leading importer, marketer and distributor of electronic and appliance products to the retail industry in Canada. These products are sold under nationally recognized brands which Jutan owns (in the case of the Citizen brand for consumer electronics) or licenses (often on an exclusive basis) in the Canadian market.

Jutan has been in business for over 40 years. Jutan acquired the business assets and related liabilities of AVS in April 2005. AVS has been in business for approximately 26 years. In September 2005, Jutan acquired 100% of certain assets of Sonigem Products Inc.

Jutan is based in Toronto and Montreal and has approximately 175 employees.

Newport first acquired an interest in Jutan in October 2004.

Products

Jutan focuses on moderately priced electronic products with broad consumer appeal.

Jutan procures and distributes televisions as well as audio equipment, DVD players, home theatre systems, microwaves and other electronic products, and the Sonigem division includes these products as well as small home appliances.

AVS distributes seven nationally recognized brands in over 28 product categories. The AVS product line consists of flash memory cards, MP3 players, telephones, 2-way radios, video/cassette tapes and compact discs.

Customers

Jutan's customers include "big box" retailers, general merchandisers, national grocery chains and specialized electronic outlets. The top two customers of Jutan represented approximately 43% of 2005 sales and the top five customers represented approximately 72%.

Management believes that Jutan has strong relationships with its retail customers and works closely with these customers to service their requirements, maximize revenue and effectively manage inventory.

The Jutan business is seasonal, with approximately 45% to 50% of Jutan's sales being made from September to December in each year.

Industry Overview and Trends

In general, the consumer electronics industry is comprised of three main segments: manufacturers, distributors and retailers. Certain manufacturers perform their own distribution and retailing, while some retailers contract with manufacturers to develop their own private label brands. Jutan is primarily an independent distributor of consumer electronics products.

Distributors in the Canadian electronics industry enter into agreements with product manufacturers that are generally exclusive as to territory and, in certain circumstances, by distribution channel. In the United States, many more of these product manufacturers distribute their products through internal channels. Due to the relatively small size of the Canadian market, certain product manufacturers have concluded that internal distribution is not a viable alternative. Manufacturers carefully consider the distributor they choose for their products, opting for those with quality management, a track record of success, strong retail relationships and a broad geographic reach. Management believes that Jutan possesses these attributes.

Management believes that several trends will continue to shape the Canadian consumer electronics industry in the future:

- Retailers will continue to grow in size through mergers and acquisitions;
- Consumers will continue to be more likely to purchase electronics equipment in large chain stores rather than smaller independent stores;
- Rapid technological change will continue to stimulate sales of consumer electronics equipment as consumers will want to own newer technology (e.g., flat-screen televisions); and
- The emergence of China as a significant manufacturer of electronics products will reduce the cost of electronics products. Jutan's strategy has been to enter the market after products have experienced a significant reduction in price, as its offerings are often at the low-to-mid price point.

Management of Jutan intends to work closely with retailers to anticipate consumer and technological changes in order to capitalize on these trends.

Competition

Either because Jutan product distribution agreements with manufacturers are generally exclusive or because they own the Canadian rights to the brand, its competition is primarily other brands/manufacturers and other consumer durable items. Other manufacturers compete in the mid-market consumer electronics segment and sell to the same customers as Jutan. Management of Jutan believes that its products represent some of the best value products for consumers in this segment. Also, to a certain extent, consumer electronics products compete with any consumer durable item that is a discretionary purchase. Consumers have a finite quantity of disposable income and all consumer products compete for a share of this "wallet".

Jutan management believes that, because of its strong relationships with customers and suppliers, its scale and experience, and the stable of good-value products in its offering, Jutan has a sustainable competitive advantage.

Marketing

7. Gemma

Business Overview

Gemma is a Canadian outsourced contact centre operator. The primary business of Gemma is providing outbound telephone revenue-generating campaigns targeted at individuals who are customers of Gemma's clients. Gemma's clients are companies in the financial services and telecommunications industries. A growing component of Gemma's business is inbound contracts whereby Gemma's agents field incoming calls for service from the customers of Gemma's clients.

Gemma has approximately 1,000 associates (also called agents) in offices in Toronto (800 agents) and Montreal (200 agents).

Newport acquired its interest in Gemma in March 2005.

Services

Gemma provides outbound revenue generation and inbound customer care for its clients.

Outbound Revenue Generation — Approximately 90% of Gemma's business is revenue generation for its clients. Gemma operates revenue-generating customer campaigns primarily for 10 clients, all of which are in the financial services and telecommunications industries. Gemma enjoys a 100% repeat business rate with these clients and, in most cases, the level of business volume has grown year-over-year.

Inbound Customer Care — A growing part of Gemma's business is inbound customer care. Management believes that companies are generally hesitant to outsource ongoing and regular customer contact to a third party, however, because of Gemma's reputation and the trust it has developed with its clients, its clients are now starting to request that Gemma handle this function on their behalf. Inbound customer care represents an attractive growth area for Gemma.

Customers

Gemma primarily serves 10 established customers, all of which provide it with regular repeat business. Gemma's largest customer represents approximately 30% of Gemma's revenue, with revenue from its nine other primary customers being relatively balanced. Gemma charges its clients an hourly rate for providing its services.

Industry Overview and Trends

The Canadian contact centre industry is a multi-billion dollar industry that includes in-house and outsource services providers. A contact centre (or call centre) refers to reservations centres, help desks, information lines or customer service centres, regardless of how they are organized or the types of transactions they handle. In its most sophisticated form, the term refers to a voice operations environment that provides a full range of high-volume, inbound or outbound call-handling services, including customer support, operator services, directory assistance, multilingual customer support, credit services, card services, inbound and outbound telemarketing, interactive voice response and web-based services.

The single biggest trend impacting the contact centre industry today is the trend to outsourcing. Several key factors underlie this trend including technological advancements that allow for encrypted data exchange and direct connectivity between the service provider and the outsourcer as well as decreasing telecommunications costs because of widespread deregulation and voice over the Internet protocol (VoIP). In management's view, perhaps the most significant impetus is the overall sophistication of contact centre service providers who, like

Gemma, have enhanced their operations so that they are now able to provide a virtually seamless and transparent alternative to in-house operations.

Another trend impacting the industry is the ability of large companies to take advantage of ready access to skilled labour at lower costs, both offshore and near shore. Nevertheless, this trend has recently been tempered through bottom-line results analysis (i.e., actual customer retention and satisfaction results), and a growing trend towards quality first, cost savings second, and the outsourcer's desire to be in relatively close proximity to its service providers. Despite the strengthening of the Canadian dollar as compared to the U.S. dollar, Gemma management believes that Canada still offers U.S. based outsourcers advantages in locating their contact service centres in Canada as opposed to the United States.

Competition

Gemma's competitors include large U.S. based outsource service providers that have set up operations in Canada and abroad. During recent years, many contact centre outsource providers have been establishing a presence offshore in countries such as India and the Philippines and in the Caribbean to take advantage of lower labour costs which have created an environment with increasing pricing pressure from clients. The management of Gemma has monitored this trend, evaluated opportunities in these markets, and is able to execute an offshore strategy if they feel it is necessary. This decision will ultimately be driven by client demand. To date, none of Gemma's customers have shown a desire for Gemma to establish such a facility. In addition, within Canada there are a handful of domestic service providers that offer essentially the same services as Gemma. Furthermore, in-house contact centres continue to represent an alternative to outsourcing, particularly where core-business applications such as customer care are concerned. Program scale and sophistication and more stringent adherence to regulations and conduct standards that govern contact centre activities have reduced competition from smaller operators. Gemma has also recently added Craig Meilleur as president, Business Services, whose mandate is to identify and develop new and value-added service offerings, including inbound client servicing.

8. Capital C

Business Overview

Capital C is a fully-integrated marketing services agency that works with its clients to develop innovative marketing programs for its clients' products and services. Capital C's approach is embodied in its philosophy — BIG IDEAS THAT WORK™, which involves developing a single idea and concept with its clients and translating that message across all consumer touch points and outlets.

Capital C is based in Toronto and has approximately 75 employees.

Newport acquired its interest in Capital C concurrently with the initial public offering in August 2005.

Services

Capital C provides full in-house capabilities in the following primary service areas:

Big Ideas Group — Clients hire Capital C's Big Ideas Group to launch new products and services and to help develop strategies to revitalize brands and leverage sales channel opportunities. The process includes analyzing the particular product, service or brand, developing the applicable marketing strategy in "brain-storming" sessions with its clients, implementing that strategy and measuring its results.

Retail Marketing — This focused service area helps clients develop promotional marketing and channel strategies for point-of-sale.

New Media — New media services involve the creation of web-based, interactive and text messaging marketing strategies. Services under this area include online branding, online promotion, "webvertising" and program measurement.

Experience Marketing — This service area closely targets the clients' desired market and includes event marketing and sampling, which management believes are important elements of any consumer product marketing strategy.

Capital C's Big Idea Group charges a fee based on the value brought to its clients. For its other three primary service areas, Capital C charges it clients under one of three models: (i) an hourly rate; (ii) a guaranteed spend program whereby Capital C's clients have access to Capital C's staff at preferred rates up to the limit of the guaranteed spend; and (iii) a retainer model (usually one year in duration) whereby Capital C determines the needs of the client and provides it with a monthly price guarantee against a scope of work.

Customers

Capital C has approximately 20 clients who are primarily large multi-national companies. Capital C's largest customer accounted for approximately 25% of sales in 2005 and its top five customers accounted for approximately 70% of sales in 2005. Capital C has enjoyed at least a five-year business relationship with four of its top five customers.

Industry Trends

The marketing landscape has changed over the past 10 years. There are various media that are available to consumers from digital and specialty cable networks, to cell phones and text messaging, to the Internet and innovative point-of-sale displays. Marketers are faced with the challenge of how to most effectively deploy their resources. At one time, large advertising agencies dominated the $200 billion advertising/promotions market, primarily by buying and selling cable television advertising segments. While still important, the influence of cable television advertising on consumers has decreased, making the market more amenable to integrated marketing than it has been in the past. As clients continue to manage their business based on results, increased market share and profitability, management believes that the role that niche marketing businesses can play in achieving those rewards will expand. Management believes that programs that are measured by an ability to change behavior and drive results will be given a higher value by clients.

Ten years ago, the promotional marketing industry was seen primarily as a business linked to prizes, contests and coupons. Management believes that today this industry is seen as the most measurable way for marketers to work with customers and retailers to increase sales. Many larger organizations now have specific promotional marketing and customer marketing employees on staff. Marketers are having to take a more regional and personalized approach to their strategies because of "clutter" in the marketplace and because generic programs no longer have a strong impact on consumers. Management believes that promotional marketing is a solution to this problem.

Competition

Management believes that there are only a few successful promotional marketing agencies in Canada that can offer integrated solutions to clients. It is believed that this integrated solutions approach, along with Capital C's creativity, ability to execute and strong relationships, provides it with a sustainable competitive advantage in the industry. However, Capital C faces competition from other niche agencies and from other larger marketing agencies.

9. S&E

Business Overview

S&E is an alternative advertising company that provides a specialized service for clients seeking to enhance their advertising awareness in new areas beyond traditional media placement. S&E buys or develops certain non-traditional advertising properties and repackages them to create what management believes are unique offerings to sell to its clients.

S&E is located in Toronto and has eight employees.

Newport acquired its initial interest in S&E in September 2004.

Products and Services

S&E has expertise in packaging comprehensive marketing programs for its clients. Its experienced in-house team performs all design and production activities, event marketing and television production. S&E's three primary products in terms of revenue generation are:

1. *Arena and Stadium Packages.* S&E acquires various advertising rights from professional sports teams across Canada. These rights often include advertising rights for fixed billboards, electronic scoreboards, signs and video monitors in concourse and concession areas as well as hospitality suites. S&E purchases these rights from the teams, packages various rights together, and sells these packaged rights to its clients.
2. *Mobile Media.* Mobile media is the placement of billboard-sized outdoor advertisements on cube vans, trucks, transport trailers, buses, streetcars and trains.
3. *Video Billboards.* Indoor and outdoor video billboards can accommodate a still photo, an animated graphic or a full television spot.

S&E also offers its clients products such as interactive television promotions, closed circuit video advertising, closed captioning sponsorship, and informational and/or editorial television broadcast content that runs outside of traditional commercial breaks, known as "interstitials".

Customers

S&E provides advertising services for more than 15 clients. Its top four clients, three of whom are long-standing relationships of between 10 and 20 years, account for approximately 80% of its business.

S&E employs a "cost plus" revenue model on the advertising products it sells to clients, and charges an hourly rate for design services.

Suppliers

S&E typically enters into three- to five-year contracts with its suppliers. These suppliers include professional hockey, basketball, football, baseball and lacrosse teams, arena owners, outdoor advertising companies, television and radio broadcasters. S&E has long-standing relationships with all its suppliers. S&E owns the following trade marks: PlayBook™, The Golf Report™ and Tune-In-ToWin™.

The work stoppage which cancelled the 2004-2005 National Hockey League season resulted in S&E being unable to provide its clients with advertising in National Hockey League arenas and programs. However, during the work stoppage S&E sought out and attracted new clients and alternative advertising strategies for its existing clients.

Industry Trends

A study prepared by PricewaterhouseCoopers LLP noted that a large source of the growth in the advertising industry is as a result of advertisers using integrated, multi-media strategies. This trend is significant for S&E which has an integrated approach to the marketing campaigns that it develops for clients.

Another significant trend is the growth in advertising spending on specialty television channels, which now represents approximately 21% of all advertising spending in Canada and is expected to grow to approximately 27% by 2008. Management believes that this trend provides a strong indication that advertisers are moving towards media that more closely targets their desired audience.

Competition

Although S&E management believes that its product offering is unique, there is significant competition from other media channels and products, and from other advertising agencies. However, management of S&E believes that its focused product offering and its long term relationships with its customers and suppliers provide it with a competitive advantage.

10. Kenna

Business Overview

Kenna is a leading provider in the planning and delivery of customer relationship management and marketing automation solutions. It provides its clients with data-driven solutions that optimize their investments in marketing, sales and service, and the business intelligence tools and analytics required to enhance overall business performance.

Whereas marketing revenues are traditionally project-based, the Kenna model is unique in that it provides a recurring, scalable and stable revenue stream based on a software license. Kenna also generates consulting/project revenue during the research, planning and implementation phases of its client projects.

Kenna has been in operation for 17 years. Its head office is in Mississauga, Ontario and it has a regional office in Winnipeg, Manitoba. Kenna employs 100 people.

Newport acquired its interest in Kenna in September 2005.

Products and Services

Kenna plans and implements marketing automation solutions. It assembles various elements to provide a turnkey outsourced sales and marketing function to its clients. The services offered by Kenna include strategic consulting, marketing automation, business intelligence and analysis, performance management, database development and management, and marketing program implementation.

The primary goal of Kenna's product and service offering is to assist clients in managing customer information and leveraging that information to allow Kenna's clients to develop stronger relationships with their customers through consistent, targeted and tailored communications.

Customers

Kenna currently has ten clients that account for the majority of its revenue. These clients are primarily large multi-national companies. It had one customer that represented approximately 43% of revenue in 2005. This client has been with Kenna for more than 5 years and the relationship remains strong. The top ten customers represented approximately 87% of Kenna's revenues in 2005.

Growth Strategy

Management believes that trends in the marketing industry, driven primarily by new technology such as the internet, database management and television personal video recorders ("PVRs"), will benefit Kenna and help it achieve its growth plan.

Organic Growth — Management believes that the primary source of growth available to Kenna is organic. Kenna will develop new client relationships, and increase its share of business from existing customers.

Expanded Service Offering — Kenna could grow its share of business by expanding its scope of service and offering these services to new and existing clients. Management has identified certain services that could be added.

Industry Trends

According to Forrester Research, the demand for data-driven marketing services and "marketing automation" capabilities is significant. An overwhelming 96% of marketing executives agree with the notion that information technology is vital to their success and marketing automation ranks first on marketers planning agendas. The average database marketing client is currently spending US$3.5 million on outsourcing annually, yet, there are very few competent vendors who can help marketers link all of the pieces: from analytics and opportunity identification, to strategy development and implementation, and ultimately, to provide the ability to continuously measure the business impact of all marketing investments and tactics to ensure continuous improvement.

From the Internet and satellite radio, to television PVR's that allow users to skip commercial messages, communication channels are digitizing and putting increasing power into the hands of consumers to decide which commercial messages they will consume, and when. Forrester Research estimates that 33% of households will own PVR's within 3 years and that 77% of users will skip the advertisements when watching television. The result will be a mass-advertising exodus, as 75% of brand marketers say they intend to reduce their TV spend as a result. (Source: NY Times)

Concurrently, there has been a dramatic increase in the number of ways in which consumers get their information. For example, the average number of television channels received in North American homes has increased from 27 ten years ago to 100 today, and the number of specialty magazines has increased to 6,200, with 400 new titles being added each year. Further indications of this trend include the rapid growth in "Blogs" (over five million Web Journals already exist with 23,000 new Blogs coming online each day) which are creating an environment where it is increasingly difficult to target communications to a "mass" audience.

Competition

There are approximately 50 North American organizations that are in the database marketing services (DBMS) category, who provide outsourcing services encompassing customer database management, analysis and strategy. These vendors design, build and manage databases that support cross-channel customer communications. Due to the increasing complexity of managing multi-channel customer relationships, along with a growing client demand for analytical insight, companies in this sector have become major contributors to marketing strategy, increasingly more than traditional advertising agencies whose strategic role continues to diminish.

Competitive vendors in this space may offer market research, call centre management, print production, fulfillment, data integration, email delivery, web site hosting and other operational support functions related to customer management. However, unlike Kenna, most DBMS vendors do not offer business strategy and creative support, preferring to focus on technical services.

There is indirect competition from some interactive agencies determined to reposition themselves as media neutral, as well as from direct marketing agencies that claim database marketing expertise. Some management consultants have also started up database and relationship marketing practices with an emphasis on customer strategy. On the periphery are marketing services providers specializing in customer analysis and loyalty marketing.

The North American market for DBMS services is estimated to be US$2.3 billion annually, and in Canada the DBMS market has been historically underserved.

Industrial Services

11. NPC

Business Overview

NPC is a fully integrated provider of midstream production services to the energy industry in western Canada. NPC provides construction, maintenance and operation services primarily to the oil and gas industry and also to the pulp and paper and timber industries. A majority of NPC's revenues are from maintenance and operations of existing oil and gas facilities as opposed to construction. As a result, NPC is less dependent on the oil cycle.

NPC's maintenance contracts generally have terms of two years and are renegotiated and are often extended at the end of each two-year term.

NPC (or its predecessor companies) has been in business since 1988. It has several office and warehouse locations throughout Alberta, with most of its management team located in its Cochrane, Edson, Brooks and Peace River, Alberta offices. NPC also has regional offices throughout Alberta and northeastern British Columbia.

NPC has approximately 100 full-time employees that are working out of its offices located in Alberta. The number of employees in the field varies from approximately 500 to over 1,500, depending on the level of business activity.

Newport acquired its interest in NPC in October 2004.

Services

NPC provides industrial maintenance and facility infrastructure services for the oil and gas industries, including the following:

Production and Maintenance — These services include providing complete plant and field support, quality control, field operations and safety management systems personnel. The maintenance services business segment also performs plant turnarounds whereby a facility is shut down for a period of time for service and repair. NPC is typically involved from the start of shutdown planning to the completion of the shutdown.

Facility Construction — NPC provides a full range of facility construction services, including estimating, scheduling, inspection, procurement, project management and construction execution. The facility construction segment of NPC's business typically leads to its maintenance services being retained after the completion of construction.

Pipeline Integrity — This business line includes the procurement of personnel, services, materials, planning, scheduling and executing of pipeline integrity and repair in Western Canada.

NPC's services include the procurement of personnel, materials and equipment required by NPC's clients to execute their day-to-day maintenance services, operational requirements and turnaround activities. In addition to maintenance and operations services, NPC undertakes all aspects of new project development including cost estimates, procurement, expediting, shop inspection, project and construction management, field inspection, commissioning and start-up.

Customers

NPC's client base includes some of the largest and most recognized names in the oil and gas industry. One of Canada's largest integrated oil companies represents approximately 12% of its revenues.

Notwithstanding that NPC operates in a dynamic marketplace that is constantly changing because of mergers and acquisitions activity within the oil and gas industry, NPC has been successful in fostering long-standing relationships with its clients.

Industry Trends

The oil and gas industry in general is highly cyclical. The financial health of exploration and production companies, and the level of activity in this sector, is directly correlated with the price of oil. Recently, oil prices have climbed to historical highs in excess of US$60 per barrel, resulting in high levels of exploration and development activities.

Certain segments of the oil and gas services industry run in a parallel cycle to exploration and production. Other segments, however, including those related to annual maintenance, construction and repair, are much more insulated from industry cyclicality. NPC made the strategic decision to focus on these less cyclical service areas in an effort to achieve operational and financial stability.

Competition

NPC's principal competitors are Flint Energy Services Ltd., Ledcor Group of Companies, Triton Projects Inc. (a subsidiary of The Churchill Corporation), and Steeplejack Services Group. NPC management believes that its focus on core values of safety, teamwork, integrity and respect, along with the strong relationships NPC has with its customers, has made it a market leader in its field and represents a strong competitive advantage.

12. Murray Demolition Corp.

On March 16, 2006, Newport invested $30.5 million for an 80% interest in the business of Toronto-based Murray Demolition LP ("Murray Demolition"), Canada's largest demolition contractor. The remaining 20% interest is controlled by Murray Demolition's 45 year old founder and president, Shawn Murray, who will continue to manage the company. For its fiscal year ended August 31, 2005, Murray Demolition had $57 million of revenues and $7.9 million of normalized EBITDA.

Founded in 2002, Murray Demolition is the number one provider of demolition, abatement and remediation services in Canada with 260 employees performing over 200 projects annually.

3.2 Summary Financial Table Organized by Business Segment

The following table sets out, among other things, the revenues, gross margins, net income, EBITDA and Distributable Cash generated by each business segment of Newport for the period commencing August 8, 2005 until December 31, 2005.

Summary Financial Table
(For the period August 8, 2005 (date of commencement of operations) to December 31, 2005)

	Financial Services	Marketing	Industrial Services	Distribution	Total
			$000s		
Revenue	$23,621	$21,947	$43,290	$116,382	$205,240
Gross Margin	14,629	9,107	6,787	17,157	47,680
Net Income	2,659	1,188	1,154	4,956	9,957
EBITDA	9,184	3.662	3,282	7,284	23,412
Interest expense	356	32	612	390	1,390
Income taxes	—	—	—	—	—
Maintenance capital expenditures and reserves	548	337	766	98	1,749
Expense funded by operating partner	1,029	—	—	—	1,029
Priority income per partnership agreement	720	473		1,246	2,439
Distributable Cash	$10,029	$ 3,766	$ 1,904	$ 8,042	$ 23,741

4. Risk Factors

An investment in Units of the Fund involves a number of risks. In addition to the other information contained in this Annual Information Form and Newport's other publicly filed disclosure documents, investors should give careful consideration to the following factors, which are qualified in their entirety by reference to, and must be read in conjunction with, the detailed information appearing elsewhere in this Annual Information Form. Any of the matters highlighted in these risk factors could have a material adverse effect on Newport's results of operations, business prospects or financial condition or on the distributions of cash to Unitholders.

4.1 Risks Related Generally to Newport and the Operating Partnerships

Reliance on Key Personnel

The success of Newport and of each of its Operating Partnerships depends on the abilities, experience, efforts and industry knowledge of their respective senior management and other key employees, including their ability to retain and attract skilled management and employees. The loss of the services of key personnel could have a material adverse effect on the business, financial condition, results of operations or future prospects of Newport and its Operating Partnerships, particularly since Newport does not typically enter into non-competition arrangements with the Newport Entrepreneurs. In addition, the growth plans described in this Annual Information Form may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. Newport and its Operating Partnerships may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that Newport will be able to effectively manage its growth, and any failure to do so could have a material adverse effect on Newport's business, financial condition, results of operations and future prospects.

Financial Health of Operating Partnerships and Cashflows

Newport is entirely dependent on the operations and assets of the Operating Partnerships through its indirect ownership interests. The Fund's ability to make regular distributions to Unitholders is dependent on the cashflow generated by the Operating Partnerships. This is affected by the profitability, fluctuations in working capital, margin sustainability and capital expenditures of the Operating Partnerships. Although the Operating Partnerships intend to distribute their cash available for distribution, there can be no assurance regarding the amounts of income to be generated by the Operating Partnerships and amounts paid to Newport. The failure of any Operating Partnership to make its anticipated distributions could adversely impact Newport's financial condition and cash flows and therefore the Fund's distributions to Unitholders.

Failure to Realize Anticipated Benefits of Investments Made and Future Acquisitions

Newport and a number of its Operating Partnerships intend to partner with additional entrepreneurs in the future. The ability to identify new partnership opportunities and to acquire an ownership interest in new partnerships is not guaranteed. Achieving the benefits of future acquisitions will depend in part on successfully consolidating functions and integrating operations, procedures and personnel of all of the partnerships in a timely and efficient manner. The integration of these future acquisitions will require the dedication of management effort, time and resources which may divert management's focus and resources from other strategic opportunities and from operational matters during this process. The integration process may result in the disruption of ongoing business and customer and employee relationships that may adversely affect Newport's or an Operating Partnership's ability to achieve the anticipated benefits of future acquisitions.

Regulation

Newport and its Operating Partnerships are subject to a variety of federal, provincial and local laws, regulations, and guidelines and may become subject to additional laws, regulations and guidelines in the future, particularly as a result of acquisitions. The financial and managerial resources necessary to ensure such compliance could escalate significantly in the future which could have a material adverse effect on Newport's and its Operating Partnerships' business, financial condition, results of operations and cash flows. Although such expenditures historically have not been material, such laws and regulations are subject to change. Accordingly, it is impossible for Newport or the Operating Partnerships to predict the cost or impact of such laws and regulations on their respective future operations.

Competition

The businesses in which the Operating Partnerships operate are highly competitive. The Operating Partnerships often compete with companies that are much larger and have greater resources than the Operating Partnerships. There can be no assurance that Newport and the Operating Partnerships will be able to successfully compete against their respective competitors or that such competition will not have a material adverse effect on their businesses, financial condition, results of operations and cash flows and therefore the Fund's distributions to Unitholders.

General Economic Conditions

Newport's business and the business of each of its Operating Partnerships are subject to changes in national or North American economic conditions, including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. Changes in any of the above economic conditions could have a material adverse effect on Newport's and its Operating Partnerships' business, financial condition, results of operations and cash flows.

Potential Unknown Liabilities

In connection with the prior formation of Operating Partnerships completed by NPY LP, there may be unknown liabilities assumed by NPY LP through its interests in the Operating Partnerships for which NPY LP may not be indemnified by the prior owner. The discovery of any material liabilities could have a material adverse effect on the business, financial condition, results of operations and future prospects of Newport.

Availability of Future Financing

The General Partner expects that Newport's principal sources of funds is cash generated from its Operating Partnerships. The General Partner believes that funds from these sources will provide Newport with sufficient liquidity and capital resources to meet its current and future financial obligations at existing business levels. Despite the General Partner's expectations, however, Newport may require additional equity or debt financing to meet its financing requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to Newport, in which event the financial condition of Newport may be materially adversely affected and the amount of cash available for distribution to Unitholders may be reduced.

Restrictions on Growth of Newport

The payout by Newport of substantially all of its operating cash may make additional capital and operating expenditures dependent on increased cash flow or additional financings in the future. Newport will require equity or debt financing in order to acquire interests in new operating partnerships. There can be no assurance that such financing will be available when required or on commercially favourable terms which could limit the growth of Newport.

Customer Concentration

Several of the Operating Partnerships, including Morrison Williams, Gemma, Capital C, S&E, Kenna and Jutan, have revenues that are derived from a relatively small number of customers. The loss of one or more of those customers would have a negative impact on the results of the Operating Partnership.

Interest Rate Risk

Newport's credit facility is referenced to the Canadian prime rate. A 1% increase in prime could reduce distributable cash by approximately $700 assuming a full draw on the facilities. Changes in rates could also impact the attraction of convertible debentures to Newport as part of the capital structure.

4.2 Risks Related to Morrison Williams, NPLP and Brompton

Investment Performance

If, over the longer term, Morrison Williams, NPLP and Brompton (collectively, the "Financial Services Operating Partnerships") are unable to achieve investment returns that are competitive with or superior to those achieved by their respective competitors, the Financial Services Operating Partnerships may not attract assets through sales and new clients or may experience redemptions or the termination of mandates, which may have a negative impact on their respective assets under management. Accordingly, this could have a negative impact on the Financial Services Operating Partnership's management fee revenue and profitability and consequently could have a material adverse effect on the Financial Services Operating Partnership's business, financial condition, results of operations and cash flows.

Asset Growth and Retention

If market conditions change, investors may seek to modify their portfolios by transferring their investments out of the Financial Services Operating Partnerships. Should a sizeable number of clients seek to withdraw their assets or terminate their agreements with a Financial Services Operating Partnership or should there be a decline in sales or new clients, the Financial Services Operating Partnership's business, results of operations, financial condition and future prospects could be materially adversely affected.

Condition of Capital Markets

Each Financial Services Operating Partnership's revenues are dependent upon its management fees, which are primarily based on the market value of its assets under management. Fluctuations in the market value of these assets under management will result in fluctuations in the Financial Services Operating Partnership's revenues. The market value of assets under management is affected by factors beyond the Financial Services Operating Partnership's control, including economic and political conditions, as well as the policies and performance of businesses, governments and the financial community.

Access to Distribution Channels

Each Financial Services Operating Partnership's ability to market its products is highly dependent on access to various distribution channels. The loss of access to any of a Financial Services Operating Partnership's distribution channels, could lead to the loss of client accounts and could have a material adverse effect on the Financial Services Operating Partnership's business, operating results, financial condition and future prospects.

Securities Regulatory Environment

The ability of each Financial Services Operating Partnership to carry on its business is dependent upon its compliance with and continued registration under applicable securities legislation. Any change in the securities regulatory framework or failure to comply with any of these laws, rules or regulations could have an adverse effect on the Financial Services Operating Partnership. The rapidly changing securities regulatory environment and the rising of asset management industry standards for operational efficiencies, as well as competitive pressures towards the implementation of innovative products and services may require additional human resources. The implementation of additional reporting obligations and other procedures for investment funds may require additional expenditures which could have a material adverse effect on each Financial Services Operating Partnership's profitability.

Asset Management Contracts

Generally, clients (or the Brompton Funds in the case of Brompton) may terminate their relationship with the Financial Services Operating Partnership on short notice. Any loss of a significant client or a change in the assets managed by the Financial Services Operating Partnership in respect of such client could have a material adverse effect on the Financial Services Operating Partnership.

Value of Assets Under Administration/Marketable Securities

Each Financial Services Operating Partnership's fees for its services rendered to its clients is based on the value of assets under administration. Accordingly, a decrease in such value will decrease the Financial Services Operating Partnership's fees which could have a material adverse effect on its business, financial condition and results of operations. In the case of Brompton, its revenues are generally calculated based on the net asset value of funds under management. A decrease in the value of the marketable securities held by the Brompton Funds will reduce Brompton's revenues which could have a material adverse effect on its business, financial condition and results of operations.

Changes in Law

Changes in law, including changes in the income tax rules applying to publicly traded investment funds or operating trusts or to holders of securities of these funds or trusts, may make investments in the Brompton Funds less attractive and result in holders redeeming their securities.

Redemptions and Issuer Bids

If investors in the Brompton Funds exercise their right to redeem their securities or securities are purchased for cancellation under issuer bids of the Brompton Funds, the amount of assets under management will be reduced which will reduce Brompton's revenue and profitability.

Product Risk

The ability of Brompton to maintain and grow its business is dependent upon its ability to create new funds that can be successfully marketed to investors. An adverse change in the demand for structured products or for Brompton's funds would affect Brompton's ability to increase and possibly maintain net assets under management.

4.3 Risks Related to ESR

Changes in the Business, Economic and Political Environment

ESR's business and results of operations can be affected significantly by changes in the business and economic environment, including, changes in the level of demand for insurance, price competition and variation in other terms and conditions of trade, increases in the supply of insurance as a result of new capital provided by recent or future market entrants or by existing insurers, volatile and unpredictable developments (including catastrophes), changes in loss of reserves resulting from changing legal environments as different types of claims arise and judicial interpretations relating to the scope of insurers' liability develop, fluctuations in interest rates, price competition and other changes in the investment environment which affect returns on invested assets and inflationary pressures that affect the size of losses. As a result of fluctuations in pricing, ESR may be unable to obtain business that meets its underwriting standards and pricing expectations.

Reliance on Independent Brokers

ESR does business with approximately 2,200 independent insurance brokers and/or insurance agents across Canada and ESR cannot rely on their commitment to ESR's insurance products. Additionally, in some markets ESR operates pursuant to "open market" arrangements in which ESR has no formal relationships with the brokers who operate in these markets. Accordingly, there can be no assurance that ESR's relationships with such brokers will continue. A loss of a significant broker could have a material adverse effect on ESR's business, financial condition, results of operations and future prospects.

In accordance with industry practice, ESR's customers often pay the premiums for their policies to brokers for payment to ESR. These premiums are considered paid when received by the broker and thereafter the customer is no longer liable to ESR for those amounts, whether or not ESR has actually received the premiums from the broker. Consequently, ESR assumes a degree of credit risk associated with its reliance on brokers in connection with the settlement of insurance balances.

Claims Risk

The insurance business underwritten by ESR could be subject to increased claim levels, the result of which could be a decline in contingent profit commissions and the possibility that the existing underwriting agreements which ESR currently has with insurers may be jeopardized as insurers decide to decline the risk associated with such insurance underwriting.

4.4 Risks Related to EZEE and On-Site

Clients and Contracts

EZEE may be unable to maintain and expand its customer base and may not be able to renew its contracts on the same or similar terms and conditions as that which presently exist. As well, EZEE's profitability may be affected by a number of factors including the expiry or termination of existing contracts. EZEE may not be able to enforce the terms of certain of its contracts depending on the laws of the applicable jurisdiction.

Dependency on Counterparties for a Number of Contracts and Business Arrangements

EZEE depends on a number of counterparties in the conduct of its business. There can be no assurance that any of these counterparties will be able to continue to perform their respective obligations and contracts. An interruption in or the termination of any contract or business arrangement by any counterparty, including, in relation to EZEE's access to Interac™, the supply by banks of cash for EZEE's ATM cash loads, the use of

EZEE's employees to load ATMs, and EZEE's inability to make alternative arrangements in a timely manner, or at all, could have a material adverse effect on EZEE's business, financial condition and operating results. In addition, EZEE periodically negotiates renewal terms for these contracts and business arrangements and there can be no assurance that such renewal terms will remain acceptable to EZEE or any such counterparty. An interruption in EZEE's relationship with certain of these counterparties could materially adversely affect EZEE's ability to process ATM transactions. If EZEE were to lose its access to Interac™ membership, this would immediately result in a material adverse effect to its business. There can be no assurance that EZEE would be able to find alternate supplies or sources or distribution in a timely manner.

Interchange System

There can be no assurance that Interac™ and its member financial institutions will not reduce interchange payments from the current level. Any such reduction could have an adverse impact on EZEE's revenue and profitability.

Network Fraud

The occurrence of fraud in the Interac™ network or in EZEE's network could result in an adverse impact on EZEE's business as a result of the implementation of more stringent regulations or the loss of consumer confidence, each of which may result in the transaction volumes at EZEE's ATMs and EZEE's income being adversely impacted.

Telecommunications Infrastructure

EZEE relies on the telecommunications network of certain major telephone/telecommunication suppliers in Canada to process transactions. Any prolonged disruption of the telecommunications network would have an adverse effect on EZEE as it would be unable to process ATM, Debit Terminal and Pre-paid Product transactions.

Proprietary Information

EZEE relies on a combination of copyright, trademark and trade secret laws, confidentiality procedures, contractual provisions and other measures to protect its proprietary information. All of these measures afford only limited protection. These measures may be invalidated, circumvented or challenged. Despite EZEE's efforts to protect proprietary rights, unauthorized parties may attempt to obtain or use information that NPY LP regards as proprietary.

Transaction Volumes

EZEE's revenues are dependent on transaction volumes at ATMs. In the event that these transaction volumes decrease with the proliferation of additional ATMs in the market, EZEE's revenues could be negatively impacted.

Alternative Payments

Alternative payment options could be developed that change individuals' requirements to get cash from ATMs. This may adversely impact EZEE's revenues.

Seasonality

ATM transaction volumes are subject to seasonality. Based upon historical transaction volumes, the highest transaction months are July and August followed by March, June and April. The lowest transaction volumes occur in the months of November, December, January and February.

ATM's Located in Quebec

EZEE's customer contracts in Quebec may be subject to Article 2125 of the Civil Code of Quebec which provides Quebec businesses with the right to unilaterally resiliate a service contract at any time upon notice. This right is limited by the requirement under Article 2129 of the Civil Code of Quebec which provides that the customer pay certain damages upon resiliation. If EZEE's Quebec customers have this resiliation right and exercise it, EZEE's revenues, future prospects and results of operations could be adversely effected.

4.5 Risks Related to Jutan

Industry Conditions

The distribution industry is impacted by many factors over which Jutan have no control, including any potential tariffs imposed on products that Jutan imports from China as well as the potential strengthening of China's currency against the U.S. dollar; the disruption of international, national or regional transportation systems; the lack of availability or access to sources of inventory; changes in the financial markets that would reduce or eliminate Jutan's access to capital or credit availability; the imposition of new restrictions or regulations regarding its products; and the occurrence of severe weather events or natural disasters which could significantly damage or destroy outlets or prohibit consumers from traveling to retail locations, especially during the peak holiday shopping season.

Product Differentiation, Inventory Management and Market Trends

Jutan's financial results and business operations are also subject to the following specific risk factors: failure to differentiate its business from other distributors; the inability to create, maintain or renew profitable contracts with suppliers and customers; the presence or absence of new services or products and product features in the merchandise categories it sells and unexpected changes in its actual merchandise sales mix; the inability to effectively manage inventory levels in a rapidly changing marketplace; and the inability to successfully identify and analyze emerging growth opportunities in the areas of strategic business alliances, acquisitions, licensing opportunities, new markets, non-store sales channels and innovative products, all or any of which could impact its business operations and on its financial condition, results of operations and cash flows.

Seasonality

Jutan's business is subject to seasonality. The seasonality of the demand for Jutan's products results in lower cash in the last half of each calendar year and may impact Jutan's ability to make cash distributions to Newport. Jutan generates approximately 30% to 40% of its annual revenues in the period from October to December with the majority of these being collected in the first quarter.

Sales and Margin Risk

As a distributor, Jutan's profitability depends on its ability to maintain and grow sales to its customers and to sustain its profit margins. If Jutan's operating costs increase, if competitors compete more aggressively with Jutan or if cost of goods increases (i.e. through increased prices from suppliers for products or increases in commodity prices for products Jutan has already agreed to sell), its sales or margins, or both, would be adversely affected.

The intensely competitive market in which Jutan conducts its business may require it to reduce its prices. If competitors offer discounts on certain products or services in an effort to capture or gain market share or to sell other products, Jutan may be required to lower prices or offer other favourable terms to compete successfully. Any such changes would reduce Jutan's margins and adversely affect operating results.

Some of Jutan's competitors may bundle products that compete with those of Jutan for promotional purposes or as a long-term pricing strategy or provide guarantees of prices and product implementations. These practices could, over time, limit the prices that Jutan can charge for its products. If Jutan cannot offset price reductions with a corresponding increase in sales or with reduced expenses, then Jutan's margins and operating results could be adversely affected.

Absence of Long Term Agreements with Customers

In accordance with general industry practice, Jutan does not normally enter into long-term agreements with its customers. As a result, customers may, on short notice, terminate their relationship with Jutan. In addition, even if customers should decide to continue their relationship with Jutan, there can be no guarantee that they will purchase the same volume of products as in the past or that they will pay the same price for those products as they have in the past. Any loss of customers by Jutan, or decrease in the volume purchased or price paid by them for products, could affect Jutan's sales and result in a material adverse effect on Jutan's financial condition and results of operations.

Absence of Written Agreements with Manufacturers

Historically, Jutan has not entered into written agreements with its manufacturers. As a result, manufacturers may, without notice or penalty, terminate their relationship with Jutan at any time. In addition, even if manufacturers continue their relationship with Jutan, there can be no guarantee that manufacturers will supply the same amount of product as in the past, or that such supply will be on similar terms. Any loss of a significant supplier, or a change in the terms of the relationship with a significant manufacturer, could have a material adverse effect on Jutan's business, financial condition, future prospects and results of operations.

Supply-Side Risks

Jutan is dependent on a limited number of suppliers and there is no guarantee that additional suppliers may be found. Such unavailability could adversely affect Jutan's ability to distribute products.

Consumer Preference

Jutan's business is dependent, in part, upon continued growth in consumer interest in the products it distributes. Changes in consumer preferences may affect demand for Jutan's products. Accordingly, there can be no assurance that the demand for the products distributed by Jutan can be sustained in the future. A decline in the marketability of the products distributed by Jutan could adversely affect Jutan's financial condition and results of operations.

Currency Exchange Rate

Approximately 40% of Jutan's sales are denominated in Canadian dollars while Jutan's inventory purchases are in US dollars, exposing Jutan to fluctuations in currency exchange rates. Purchases in US dollars and hedging could impact the business positively or negatively during any time period. It is forecasted that approximately 50% of AVS' sales will be priced in Canadian dollars based on the then current US dollar, while purchases are all in US dollars, exposing AVS to fluctuations in currency exchange rates. This could impact the business positively or negatively during any time period.

4.6 Risks Related to the Marketing Segment

Loss of Key Clients

Clients can terminate their contracts, or terminate or reduce volumes, on relatively short notice. Additionally, most contracts do not guarantee a minimum level of revenues, and the profitability of each client program may vary depending on contract term of volume. While most client contracts are supported by long-term relationships, there is no guarantee that this business will continue in the future.

Ability to Generate Revenue from New and Existing Clients

To increase its revenue, a marketing company needs to obtain additional clients or generate additional demand for its services from existing clients. The ability to generate initial demand for services from clients and additional demand from existing clients is subject to clients' and potential clients' requirements, pre-existing vendor relationships, financial condition, strategic plans and internal resources, as well as the quality of a marketing company's employees, services and reputation and their breadth of service. To the extent that one of Newport's Operating Partnerships in the marketing area cannot generate new business from new and existing clients due to these limitations, it will limit the agency's ability to grow its business and to increase revenues.

4.7 Risks Related to Gemma

Offshore Competition

In recent years, many contact centre outsource providers have been establishing presence offshore in countries like India, the Philippines and the Caribbean to provide service to North American and European clients and take advantage of lower labour costs in those jurisdictions. The availability of contract centre solutions from lower cost jurisdictions has created an environment with increasing pricing pressure from clients.

Staffing Levels

The contact centre industry is characterized by high employee turnover. If Gemma is unable to maintain adequate staffing levels, it may not be able to provide the required services which could materially impact Gemma's revenues and profitability.

4.8 Risks Related to Capital C

Continually Changing Marketing Industry

Capital C operates in a fast-paced, continually changing marketing industry. There is no assurance that Capital C will continue to be able to react and adapt to changes within the industry and ultimately remain competitive.

4.9 Risks Related to S&E

Reliance on Key Suppliers

S&E is reliant upon key suppliers, including sports arenas, for the advertising products that it sells to clients. Should there be a disruption in this supply chain, S&E's performance will be adversely affected. S&E experienced a decline in its revenue and cash flow due to the impact of the National Hockey League ("NHL") work stoppage during the 2004-2005 season. Should the work stoppage reoccur in the NHL or occur in other professional sports leagues, S&E's financial performance may be materially aversely affected.

Professional Sports Franchises

The revenues of S&E are dependent on the success of sports franchises and the venues in which those franchises play.

Accordingly, a lack of success of such sport franchises could have a material adverse effect on S&E's financial condition and results of operations.

4.10 Risks Related to NPC and the Industrial Services Segment

Volatility of Industry Conditions

Conditions in the oil and gas services industry are influenced by numerous factors over which NPC has no control, including: the level of oil and gas prices; expectations about future oil and gas prices; the cost of exploring for, producing and delivering oil and gas; the expected rates of declining production; the discovery rates of new oil and gas reserves; available pipeline and other oil and gas transportation capacity; worldwide weather conditions; global political, military, regulatory and economic conditions; and the ability of oil and gas companies to raise equity capital or debt financing.

The level of activity in the Canadian oil and gas exploration and production industry is volatile. No assurance can be given that expected trends in oil and gas production activities will continue or that demand for oilfield services will reflect the level of activity in the industry. Any prolonged substantial reduction in oil and natural gas prices would likely affect oil and gas production levels and therefore affect the demand for services to oil and gas customers. A material decline in oil or gas prices or Canadian industry activity could have a material adverse effect on NPC's business, financial condition, results of operations and cash flows and therefore on the distributions to Unitholders.

Seasonality

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Spring break-up during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oilfield services. The duration of this period will have a direct impact on the level of NPC's activities. Spring break-up occurs earlier in the year in south-eastern Alberta than it does in northern Alberta. The timing and duration of spring break-up is dependant on weather patterns but it generally occurs in April and May. Additionally, if an unseasonably warm winter prevents sufficient freezing, NPC may not be able to access well sites and its operating results and financial condition may therefore be adversely affected. The demand for oilfield services may also be affected by the severity of the Canadian winters. In addition, during excessively rainy periods, equipment moves may be delayed, thereby adversely affecting revenues. The volatility in the weather and temperature can therefore create unpredictability in activity and utilization rates, which can have a material adverse effect on NPC's business, financial condition, results of operations and cash flows and therefore on the distributions to Unitholders.

Customer Contracts

The business operations of NPC depend on its ability to perform under its agreement with its customers and the ability to attract new business. The key factors which determine whether a client continues to use NPC are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety and competitive pricing. There can be no assurance that NPC's relationship with its customers will continue, and a significant reduction or total loss of the business from these customers, if not offset by sales to new or existing customers, could have a material adverse effect on NPC's business, financial condition, results of operations and cash flows.

Sources, Pricing and Availability of Equipment and Equipment Parts

NPC sources its equipment and equipment parts from a variety of suppliers. Should any suppliers of NPC be unable to provide the necessary equipment or parts or otherwise fail to deliver products in the quantities required, any resulting delays in the provision of services or in the time required to find new suppliers could have a material adverse effect on NPC's business, financial condition, results of operations and cash flows.

4.11 Risks Related to the Structure of Newport

Dependence on Newport and the Operating Partnerships

The Fund is a limited purpose trust that is entirely dependent on the operations and assets of NPY LP and the Operating Partnerships. Accordingly, cash distributions to Unitholders are not guaranteed, and are dependent on the ability of NPY LP to pay distributions to the Fund and the Operating Partnerships to pay distributions indirectly to NPY LP. The ability of Newport to pay distributions or make other payments or advances to the Fund is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the Credit Facility).

Leverage and Restrictive Covenants

The degree to which Newport is leveraged could have important consequences to Unitholders, including the following: (i) the ability of NPY LP to obtain additional financing for working capital, capital expenditures or acquisitions in the future may be limited; (ii) a material portion of Holding LP's cash flow from operations may need to be dedicated to payment of the principal of and interest on indebtedness, thereby reducing funds available for future operations and to pay distributions; (iii) certain of the borrowings under the Credit Facility may be at variable rates of interest, which exposes Holdings LP to the risk of increased interest rates; and (iv) Newport may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. Holding LP's ability to make scheduled payments of principal and interest on, or to refinance, its indebtedness will depend on its future operating performance and cash flows, which are subject to prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond its control.

The ability of the Fund to make distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness of the Fund and NPY LP (including the Debentures of the Fund and the Credit Facility). The Credit Facility contains restrictive covenants customary for credit facilities of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of NPY LP to incur additional indebtedness, to pay distributions or make certain other payments, to sell or otherwise dispose of material assets and to make additional acquisitions. In addition, the Credit Facility contains a number of financial covenants that require NPY LP to meet certain financial ratios and financial tests. A failure to comply with the obligations in the proposed Credit Facility could result in an event of default that, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the Credit Facility were to be accelerated, there can be no assurance that the assets of NPY LP would be sufficient to repay in full that indebtedness.

Holding LP's revolving operating credit facility has a three year term and its acquisition facility has a one-year term. NPY LP may need to refinance the Credit Facility at the conclusion of its term, and there can be no assurance that NPY LP will be able to do so or able to do so on terms as favourable as the proposed Credit Facility. If NPY LP is unable to refinance the Credit Facility or is only able to refinance the Credit Facility on less favourable and/or more restrictive terms, this may have a material adverse effect on NPY LP's financial position, which may result in a reduction or suspension of cash distributions to Unitholders. In addition, the terms of any new credit facility may be less favourable or more restrictive than the terms of the Credit Facility, which may indirectly limit or negatively impact the ability of the Fund to pay cash distributions to Unitholders.

Cash Distributions Are Not Guaranteed and Will Fluctuate with NPY LP's Performance

Although the Fund intends to distribute the interest and other income earned by the Fund less amounts, if any, paid by the Fund in connection with interest payments on the Debentures and payments in respect of any redemptions of Units, there can be no assurance regarding the amounts of income to be generated by NPY LP and indirectly paid to the Fund. The actual amount distributed in respect of the Units will depend upon numerous factors, including profitability, fluctuations in working capital, the sustainability of margins and capital expenditures of NPY LP and the Operating Partnerships. The market value of the Units may deteriorate if the Fund is unable to meet its cash distribution targets in the future and that deterioration may be material.

Nature of Units

Securities such as the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent a direct investment in the business of NPY LP and should not be viewed by investors as direct interests in NPY LP. As holders of Units, Unitholders will not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. The Units represent a fractional interest in the Fund. The Fund's primary asset is its interest in the Commercial Trust. The price per Unit is a function of anticipated distributable cash.

Potential Sales of Additional Units

The Fund may issue additional Units or securities exchangeable for or convertible into Units in the future. The Fund may issue additional Units in order to, among other things, finance the acquisitions of additional Notes or CT Units in order to indirectly fund NPY LP's capital expenditure and other cash requirements or on the direct or indirect exchange of the Exchangeable Securities. Such additional Units may be issued without the approval of Unitholders. The Unitholders will have no pre-emptive rights in connection with such additional issues. Additional issuance of Units will result in the dilution of the interests of Unitholders.

Distribution of Securities on Redemption or Termination of Newport

Upon a redemption of Units or termination of the Fund, the Trustees may distribute Notes and/or CT Units directly to the Unitholders, subject to obtaining all required regulatory approvals. There is currently no market for such securities, and none is expected to develop in the future. In addition, the Notes will not be freely tradeable and will not be currently listed on any stock exchange. Securities so distributed may not be qualified investments for trusts governed by deferred income plans, depending upon the circumstances at the time.

Restrictions on Potential Growth

The payout by NPY LP of substantially all of its operating cash flow will make additional capital and operating expenditures dependent on increased cash flow or additional financing in the future. Lack of such funds could limit the future growth of NPY LP and the related cash flow to the Fund.

Unitholder Liability

The Declaration of Trust provides that no Unitholder will be subject to any liability in connection with the Fund or its assets or obligations and that, in the event that a court determines that Unitholders are subject to any such liabilities, the liabilities will be enforceable only against, and will be satisfied only out of, the Unitholder's share of the Fund's assets.

The Declaration of Trust further provides that the Trustees shall make all reasonable efforts to include as a specific term of any obligations or liabilities being incurred by the Fund, or the Trustees on behalf of the Fund, a contractual provision to the effect that neither the Unitholders, nor the Trustees have any personal liability or obligations in respect thereof. There remains a risk that a Unitholder may be personally liable despite such a provision in the Declaration of Trust or other agreements made by the Fund.

On December 16, 2004, the *Trust Beneficiaries' Liability Act, 2004* (Ontario) came into force. This statute provides that holders of units of a trust are not, as beneficiaries, liable for any act, default, obligation or liability of the trust if, when the act or default occurs or the liability arises, (i) the trust is a reporting issuer under the *Securities Act* (Ontario), and (ii) the trust is governed by the laws of Ontario. The Fund has been a reporting issuer under the *Securities Act* (Ontario) since July 28, 2005 and it is governed by the laws of Ontario by virtue of the provisions of the Declaration of Trust.

Undiversified and Illiquid Holdings in the Trust

The Fund's holding of CT Units and Notes is undiversified, and such securities are illiquid, as they are not expected to be listed or quoted on any stock exchange or other market.

Investment Eligibility

There can be no assurance that the Units will continue to be qualified investments for deferred income plans.

Income Tax Matters

There can be no assurance that federal income tax laws or the judicial interpretation thereof or the administrative and/or assessing practices of the CRA and/or the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Units. If the Fund ceases to qualify as a "mutual fund trust" under the Tax would be materially and adversely different in certain respects.

On September 8, 2005, the Department of Finance released a consultation paper and launched public consultations on tax and other issues related to publicly listed flow-through entities, including income funds. The focus of the paper was to, among other things, assess whether the tax system should be modified. In the consultation paper, the Department of Finance identified three possible policy responses to issues relating to flow-through entities: (i) limiting deductibility of interest expense by operating entities, (ii) taxing flow-through entities in a manner similar to corporations, or (iii) making the tax system more neutral with respect to all forms of business organization by better integrating the personal and corporate tax system. The Department of Finance indicated that this was not an exhaustive list of the possible policy responses. On September 19, 2005, the Minister of Finance (Canada) announced, with the support of the Minister of National Revenue (Canada), that the CRA would postpone providing advance rulings respecting flow-through entity structures effective immediately, that the Department of Finance was closely monitoring developments in the flow-through entity market with a view to proposing measures in relation to the consultations and that consideration would be given to what, if any, transitional measures would be appropriate. On November 23, 2005, the Minister of Finance (Canada) announced that the public consultation process was ended and tabled in the House of Commons a Notice of Ways and Means Motion to implement a reduction in personal income tax on dividends with a view to establishing a better balance between the treatment of large corporations and that of income trusts. No measures were announced with respect to the taxation of flow-through entities and their investors. No assurance may be given that further review of the tax treatment of flow-through entities will not be undertaken or that Canadian federal income tax law respecting flow-through entities will not be changed in a manner that adversely affects the Fund or its Unitholders.

Although the Fund, the Commercial Trust, NPY LP, Holdings LP, the Operating Partnerships and their subsidiaries are of the view that all expenses to be claimed by them in the determination of their respective incomes under the Tax Act is reasonable and deductible in accordance with the applicable provisions of the Tax Act, and that the allocation of partnership income for purposes of the Tax Act between the holders of A2, Class B (series 1 to 4), class C LP Units and the Commercial Trust is reasonable, there can be no assurance that the Tax Act or the interpretation of the Tax Act will not change, or that CRA will agree with the expenses claimed or such allocation. If CRA successfully challenges the deductibility of such expenses or the allocation of such income, NPY LP's allocation of taxable income to the Commercial Trust, and indirectly the taxable income of the Fund and the Unitholders of the Fund, and taxable income of the Operating Partnerships and their subsidiaries, may change.

Elections have been made under the Tax Act such that the transactions contemplated by the Acquisition Agreements and the Roll-Up Agreements may be effected on a tax-deferred basis. The adjusted cost base of any property transferred to an Operating Partnership pursuant to such agreements may be less than its fair market value, such that a gain may be realized on the future sale of the property.

Further, interest on the Notes held by the Fund accrues at the Fund level for income tax purposes whether or not actually paid. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. If sufficient cash is not available, such distributions will be in the form of Units. Unitholders will generally be required to include an amount equal to the fair market value of those Units into their taxable income, in circumstances where they do not receive a cash distribution.

The acquisitions involved various structuring events to complete the transactions in a tax effective manner. These transactions involved interpretations of the Tax Act which could, if interpreted differently, result in additional tax liabilities.

Restrictions on Non-Resident Ownership

The Declaration of Trust contains a number of provisions designed to protect the status of the Fund as a "mutual fund trust" under the Tax Act which, *inter alia*, requires that a mutual fund trust cannot be established or maintained primarily for the benefit of persons who are not resident in Canada for purposes of the Tax Act. If, in the future, the Fund determines that a risk of losing its mutual fund status exists, it is entitled to take a number of actions under the Declaration of Trust, including to require Unitholders that it believes are non-residents to sell their Units, which action may have an adverse effect on the market price of the Units. In addition, there can be no assurances that the Tax Act will not be amended in the future in a manner that would have a material adverse impact on the mutual fund trust status of the Fund.

Return of Capital

Cash Distributions do not represent a "yield" in the traditional sense as they may represent both return of capital and return on investment.

Shot-Gun Buy-Sell Rights

Certain of the Operating LP Agreements contain shot-gun buy-sell provisions. Any sale by Holdings LP pursuant to such shot-gun buy-sell provisions will require consent of the lenders under the Credit Facility. No assurance can be given that such consent will be obtained on acceptable terms or at all should Holdings LP decide that it wishes to sell under such shot-gun buy-sell provisions.

Credit Facilities

Holdings LP and Jutan maintain credit facilities with Canadian chartered banks. These facilities contain a variety of financial covenants. Failure to comply with these covenants could cause a default under the facilities which could have a material adverse effect on Newport's financial condition and results of operations.

5. Distributions

The Fund's policy is to make monthly cash distributions of its distributable cash to Unitholders of record on the last business day of each month and the distributions will be paid within 15 days following each month end.

The amount of the Fund's distributable cash is equal to the interest and principal repayments on the Notes owned by the Fund and the distributions (if any) on or in respect of the CT Units owned by the Fund less: (i) administrative expenses and other obligations of the Fund; (ii) amounts that may be paid by the Fund in connection with any cash redemptions or repurchases of Units; (iii) satisfaction of its debt service obligations (principal and interest) on indebtedness, if any (including the Debentures), and of its obligations pursuant to any agreements entered into in connection with the Credit Facility; and (iv) any amount that the Trustees may reasonably consider to be necessary to provide for the payment of any costs or expenses, including any tax liability of the Fund, that have been or are reasonably expected to be incurred in the activities and operations of the Fund (to the extent that such costs or expenses have not otherwise been taken into account in the calculation of the available distributable cash of the Fund) and for reasonable reserves.

The Fund may make additional distributions in excess of the aforementioned monthly distributions during the year, as the Trustees may determine. The distribution declared in respect of the month ending December 31 in each year will include such amount in respect of the taxable income and net realized capital gains, if any, of Newport for such year as is necessary to ensure that Newport is not liable for taxes under Part I of the Tax Act in such year.

Any income of the Fund that is unavailable for cash distribution will, to the extent necessary to ensure that the Fund does not have any income tax liability under Part I of the Tax Act, be distributed to Unitholders in the form of additional Units. Such additional Units will be issued pursuant to applicable exemptions under applicable securities laws, discretionary exemptions granted by applicable securities regulatory authorities or an annual information form or similar filing. The Declaration of Trust provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units.

Unitholders who are non-residents of Canada are required to pay all withholding taxes payable in respect of any distributions of income by the Fund, whether such distributions are in the form of cash or additional Units. The Fund will withhold from monthly distributions all amounts required to be withheld by law. In the event of a distribution in the form of additional Units, the Trustees may sell such Units to pay withholding taxes and to pay all of the Trustee's reasonable expenses with regard thereto. Any such sale will be made on any stock exchange or other market on which the Units are listed or traded. Non-residents should consult their own tax advisors regarding the tax consequences of investing in the Units.

Summary of Distributions

The following table sets forth the monthly distributions per Unit paid by the Fund since the initial public offering on August 8, 2005.

2005	$ Per Unit
August	0.06082
September	0.07708
October	0.07708
November	0.07917
December	0.07917
2006	
January	0.07917
February	0.07917
March	0.07917

6. Consolidated Capitalization of the Fund

The following table sets forth the consolidated capitalization of the Fund as at December 31, 2005.

	Authorized	Issued	As at December 31, 2005 ($000s)
Convertible Debentures	—		$ 84,339
Non-Controlling Interest			$259,090
Special Voting Units	Unlimited	39,003,010	
Units(1)	Unlimited	25,766,036	$238,740

Note:

(1) Sufficient Units are reserved for issuance to satisfy the Fund's obligations in connection with the Exchange Rights granted under the Exchange Agreement. See "Exchange Agreement — Exchange Rights".

Declaration of Trust

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005 (the "Original Fund Declaration of Trust"). The Original Fund Declaration of Trust was amended and restated in its entirety by the Declaration of Trust dated as of August 8, 2005. The Fund qualifies as a "unit trust" and a "mutual fund trust" for the purposes of the *Income Tax Act (Canada),* (the "Tax Act"), although the Fund is not a mutual fund under applicable securities laws. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust which does not purport to be complete. Reference is made to the Declaration of Trust available at www.sedar.com for a complete description of the Units and the full text of its provisions.

Units and Special Voting Units

The beneficial interests in the Fund are divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively. An unlimited number of Units and Special Voting Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of the termination or winding-up of the Fund. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders.

The Special Voting Units are not entitled to any interest or share in the Fund, in any distribution from the Fund whether of net income, net realized capital gains or other amounts, or in the net assets of the Fund in the event of the termination or winding-up of the Fund. Special Voting Units may be issued in series and are only issued to the holders of A2 LP Units, A3 LP Units, Class B LP Units and Class C LP Units and, if the Trustees so determine, other Exchangeable Securities, in each case, for the purpose of providing voting rights with respect to the Fund to the holders of such securities. Special Voting Units have been issued to the holders of the A2 LP Units, A3 LP Units, Class B LP Units and Class C LP Units or other Exchangeable Securities to which they relate, and are evidenced only by the certificates representing such A2 LP Units, A3 LP Units, Class B LP Units and Class C LP Units or other Exchangeable Securities unless the Trustees determine otherwise in their sole discretion. Special Voting Units are not transferable separately from the A2 LP Units, A3 LP Units, Class B LP Units and Class C LP Units or other Exchangeable Securities to which they relate. Each Special Voting Unit entitles the holder thereof to that number of votes at any meeting of Unitholders equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the A2 LP Units, A3 LP Units, Class B LP Units and Class C LP Units or other Exchangeable Securities to which the Special Voting Unit is related. Upon the exchange or conversion of an A2 LP Unit, A3 LP Unit, Class B LP Unit or Class C LP Unit or other Exchangeable Security, as the case may be, for Units, the Special Voting Unit that relates to such A2 LP Unit, A3 LP Unit, Class B LP Unit and Class C LP Unit or other Exchangeable Security will be immediately cancelled without any further action of the Trustees, and the former holder of such Special Voting Unit will cease to have any rights with respect thereto.

Issued and outstanding Units may be subdivided or consolidated from time to time with the approval of a majority of Unitholders, provided that Units may also be consolidated without such approval in the event of any non-cash distribution of the Fund, as described below. Units are redeemable at any time on demand by Unitholders upon delivery of a completed notice specifying the number of Units to be redeemed. The price per Unit will be equal to the lesser of: (a) 90% of the weighted average trading price of the Units on the applicable market for the last 10 trading days on such market ending immediately prior to the date on which the Units were tendered for redemption; and (b) the closing market price of the Units on the date the Units were tendered for redemption on the principal stock exchange on which the Units are listed. Units may also be repurchased from time to time for cancellation by the Fund in accordance with applicable securities laws.

The Declaration of Trust will provide that at no time may Non-Resident Holders be the beneficial owners of more than 45% of the Units then outstanding. This 45% limitation is applied with respect to the issued and outstanding Units of the Fund on both a non-diluted basis and a fully diluted basis.

No certificates will be issued for fractional Units and fractional Units will not entitle the holders thereof to vote. The Units are not "deposits" within the meaning of the *Canada Deposit Insurance Corporation Act* (Canada) and are not insured under the provisions of such act or any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. Holders of Units and Special Voting Units have substantially all of the same protections, rights and remedies as a shareholder would have under the Canada Business Corporations Act. These protections, rights and remedies are contained in the Declaration of Trust.

Exchange Agreement

Exchange Rights

Under the Exchange Agreement, the Fund granted to holders of A2 LP Units the right to require the Fund at any time to indirectly exchange each A2 LP Unit for Units of the Fund on a one-for-one basis, subject to customary anti-dilution protection and provided that the exchange will not jeopardize the Fund's status as a "mutual fund trust" under the Tax Act. The exchange rights granted by the Fund are referred to herein as the "Exchange Rights".

Dilution Rights and Economic Equivalence

The Exchange Agreement and the Limited Partnership Agreement provide that if there is a change in the number of Units outstanding as a result of a subdivision, consolidation, reclassification, capital reorganization or similar change in the Units (other than a consolidation of Units immediately following a distribution of Units in lieu of a cash distribution), the exchange ratio of LP Units for Units will be proportionately adjusted. The

Exchange Agreement also provides that the Fund will not issue or distribute Units to the holders of all or substantially all of the then outstanding Units (other than a distribution of Units in lieu of cash distribution), issue or distribute rights, options or warrants to the holders of all or substantially all of the then outstanding Units or issue or distribute property of the Fund to the holders of all or substantially all of the then outstanding Units unless, in each case, the economic equivalent thereof (as determined by the Trustees) is issued or distributed simultaneously to the holders of LP Units.

Reclassification of Units

If, at any time while any LP Unit is outstanding, there is any consolidation, amalgamation, arrangement, merger or other form of business combination of the Fund with or into any other entity resulting in a reclassification of the outstanding Units, the Exchange Rights will be adjusted in a manner approved by the Trustees, acting reasonably, so that holders of LP Units will be entitled to receive, in lieu of the number of Units to which they would otherwise have been entitled, the kind and number or amount of securities that they would have been entitled to receive as a result of such event if, on the effective date thereof, they had been the registered holders of the number of Units which they would have held had they exercised the Exchange Rights immediately before the effective date of any such transaction.

If any such reclassification of the outstanding Units, change of the Units into other units or securities or other capital reorganization of the Fund is the result of any consolidation, amalgamation, arrangement, merger or other form of business combination of the Fund with or into any other entity (other than any such reclassification, reorganization or transaction initiated or requested by a holder of the LP Units, any person not acting at arm's-length to a holder of LP Units or any associate or affiliate thereof), and such transaction is approved by a resolution passed by more than 66⅔% of the votes cast at a meeting of Unitholders, then notwithstanding the terms and conditions of the LP Units, the Exchange Agreement, and any other provision of the Declaration of Trust or the Limited Partnership Agreement, the outstanding LP Units will automatically become exchangeable for, in lieu of the number of Units which they would otherwise have been exchangeable for upon the exercise of the Exchange Rights, the kind and number or amount of securities that the holders of such LP Units would have been entitled to receive as a result of such event if, on the effective date thereof, they had been the registered holders of the number of Units which they would have received had they exercised the Exchange Rights immediately before the effective date of any such transaction.

Convertible Debentures

On December 12, 2005, the Fund issued $85,000,000 aggregate principal amount of subordinated unsecured convertible debentures due December 31, 2010 (the "Debentures") pursuant to a Trust Indenture dated December 12, 2005 (the "Trust Indenture"). The Debentures bear interest at a rate of 7.50% per annum payable semi-annually in arrears on June 30 and December 31 of each year commencing June 30, 2006. The proceeds of the offering were used by the Fund to repay indebtedness incurred under the Fund's credit facilities and for general business purposes.

The Trust Indenture provides that the Debentures are convertible, at the option of the holder at any time prior to maturity, in to a maximum of 8,947,369 Units based on a conversion price of $9.50 per Unit. The Debentures are redeemable by the Fund after December 31, 2008 and on or prior to December 31, 2009 at a price equal to their principal amount plus accrued and unpaid interest, provided that the volume-weighted average trading price of the Units of the Fund for the 20 consecutive trading days ending five trading days prior to the date on which the notice of redemption is given is at least 125% of the conversion price. The Debentures are redeemable by the Fund after December 31, 2009 and on or prior to the maturity date at a price equal to their principal amount plus accrued and unpaid interest. In addition, subject to regulatory approval, the Fund may satisfy its obligation to repay the principal amount of the Debentures on maturity or redemption by issuing the number of Units obtained by dividing $1,000 by 95% of the volume-weighted average trading price of the Units on TSX for the 20 consecutive trading days ending five trading days preceding the date fixed for redemption or the maturity date, as applicable. The debentures are subject to a hold period that expires on April 13, 2006.

In connection with the Debenture offering, the Fund entered into an Underwriting Agreement dated November 28, 2005 with a syndicate of underwriters led by RBC Capital Markets. Pursuant to the Underwriting Agreement, the underwriters agreed to purchase the Debentures on an underwritten bought deal private placement basis.

7. Market for Securities

The Units are listed for trading on the Toronto Stock Exchange under the symbol NPF.UN.

Trading Price and Volume

The following table sets out the high and low trading prices, closing prices and trading volumes of the Units for the period commencing on August 8, 2005, the date the Units commenced trading on the Toronto Stock Exchange until December 31, 2005.

	Price Data			
2005	High	Low	Close	Monthly Volume
August	$10.22	$9.76	$9.85	4,041,846
September	$ 9.99	$8.50	$9.30	1,744,900
October	$ 9.20	$7.85	$8.10	1,576,311
November	$ 8.48	$7.40	$8.30	1,777,051
December	$ 9.40	$8.26	$9.40	1,188,396

8. Trustees and Officers

Newport Partners Income Fund

Trustees

The Trustees are to supervise the activities and manage the affairs of the Fund. The Trustees of the Fund are Paul Beeston, John K. Bell, K. Michael Edwards, Richard W. Ivey, Gerry Smith and David A. Williams. Under the Declaration of Trust, all of the Trustees are required at all times to be "independent" within the meaning of Multilateral Instrument 52-110 — *Audit Committees*.

The names, municipalities of residence and principal occupation of the Trustees of the Fund are set out in the table below:

Name and Municipality of Residence	Position with the Fund	Principal Occupation
PAUL BEESTON Toronto, Ontario	Trustee	Retired Executive and Director
JOHN K. BELL Cambridge, Ontario	Trustee	President and Chief Executive Officer, Polymer Technologies Inc.
K. MICHAEL EDWARDS Toronto, Ontario	Trustee	Chairman and Chief Executive Officer, FieldWorker Products Limited
RICHARD W. IVEY Toronto, Ontario	Trustee	Chairman, Ivest Properties Limited
GERRY SMITH Orillia, Ontario	Trustee	President, Huronia Investments Inc.
DAVID A. WILLIAMS Toronto, Ontario	Trustee	President, Roxborough Holdings Limited

The following is a brief profile of the Trustees of the Fund:

Paul Beeston. Mr. Beeston was President and chief operating officer of Major League Baseball from 1997 to 2002. Prior to this, he held senior offices with the Toronto Blue Jays since 1976, including President and chief executive officer in 1991. Mr. Beeston earned the distinction of Canadian Baseball Man of the Year in 1994, and was inducted in to the Canadian Baseball Hall of Fame in 2002. Mr. Beeston is a member of the Board of Directors of Loblaw Companies Limited, the Vice Chairman on the Board of Trustees of the Centre for Addiction and Mental Health, a member of the Executive Committee of the Baseball Hall of Fame in Cooperstown, and a member of the Board of Huron University College at the University of Western Ontario. Mr. Beeston holds a B.A. in economics and political science and an honorary Doctor of Laws degree from the University of Western Ontario, an honorary Doctor of Social Sciences from Niagara University, and is a Fellow of the Institute of Chartered Accountants. In 1998, Mr. Beeston was appointed a Member of the Order of Canada.

John K. Bell. Mr. Bell is a Cambridge-based entrepreneur and president and chief executive officer of Polymer Technologies Inc., an auto parts supplier. Prior to acquiring Polymer in 1996, Mr. Bell founded Shred-Tech Ltd. which he grew to become a world leader in industrial recycling technology and equipment before selling the company in 1995. Mr. Bell is Chairman and a significant equity holder in a tier-2 Chatham-based automotive supplier, and holds significant ownership positions in other private equity investments. Mr. Bell is currently the Chairman of the Board of Cambridge Memorial Hospital, and is a member of the Board of Directors of BSM Technologies Inc. He was the Vice Chair of Cambridge and North Dumphries Hydro from 2000-2004, the Founding Chair of Canada's Technology Triangle Accelerator Network from 1995-2000, and Chair of the Waterloo Regional Police Services Board from 1985-1990. Mr. Bell holds a degree in Business Administration from the University of Western Ontario, and is a Chartered Accountant.

K. Michael Edwards. Mr. Edwards became the chairman and chief executive officer of FieldWorker Products Limited, a mobile data solutions development company after retiring from the position of president and chief executive officer of RT Investment Management Holdings Inc., a money manager, in February 2002. Mr. Edwards has a long history in the investment business, having held senior positions within RBC Financial Group and Richardson Greenshields prior to its acquisition by RBC, Gardiner Watson/Dean Witter, and McLeod Young Weir. Mr. Edwards served as a member of the Executive Committee of the Investment Dealers Association, was the Chairman of the Joint Industry Committee on Pension Reform, was a Director and member of the Executive Committee of the Mutual Fund Dealers Association, and a was a member of the Dey Commission on Corporate Governance. He became a member of the Board of Governors of the TSX in 1985, and has served as both the Vice Chairman and Chairman. Mr. Edwards is also an active community member, having held the position of Director of the Children's Aid Society Foundation of Metropolitan Toronto, Governor of the Banff Centre and Director of the Stratford Festival Foundation. Mr. Edwards is currently a Director of the Mount Pleasant Group and a Director of Epcor Preferred Equity Inc. and a Director of Energy Split Corp Inc. and Energy Split Corp II Inc., a member and past-Chair of the Business Advisory Council of the University of Alberta and Founding Director and Vice Chairman of the Invest in Kids Corporation and Foundation. Mr. Edwards holds a Bachelor of Commerce degree from the University of Alberta.

Richard W. Ivey. Mr. Ivey is Chairman of Ivest Properties Limited, a real estate development and management company. Prior to this, Mr. Ivey practiced law at Torys LLP until 1982. Mr. Ivey serves as a member of the Board of Directors of Canada Colors and Chemicals Limited, and is a past-Director of several companies across a variety of industries. His charitable and community involvement is extensive. Mr. Ivey currently holds the positions of Chairman of the Canadian Institute for Advanced Research, Secretary and Treasurer of the Ivey Foundation, Vice Chairman of the Board of Trustees of University Health Network, Chairman of the Advisory Group of the Centre for Global eHealth Innovation, member of the Advisory Board of the Richard Ivey School of Business, member of the Board of Directors of Pearson College of the Pacific Foundation, member of the President's International Alumni Council for the University of Toronto, and member of the Advisory Board of Social Capital Partners. Mr. Ivey holds a degree in Business Administration from the University of Western Ontario, and a Law degree from the University of Toronto.

Gerry Smith. Mr. Smith is owner and president of Huronia Investments Inc., a private investment holding company, and owner and executive of Sitecom Services Limited, a supplier of wireless communications products and services. Previously, Mr. Smith was an owner and executive of Seeburn Metal Products Limited, an automotive parts manufacturing company. His past Board experience includes positions with Huronia Trust, Merchant Private Trust Limited and Connor Clark Limited. Mr. Smith is past-Chairman of the Orillia Police Services Board and Y.M.C.A. of Orillia. Mr. Smith holds a Bachelor of Commerce degree and an M.B.A. from McMaster University, and is a Chartered Accountant.

David A. Williams. Mr. Williams has served as president of his investment company, Roxborough Holdings Limited, since 1995. From 1969 to 1994, he held senior management positions with Beutel Goodman Company, one of Canada's largest institutional money managers. He also has extensive board experience, serving as Chairman of Bennett Environmental and FRI Corporation. He is a director of MetroOne Telecommunications, Western Silver, Calvalley Petroleum, Atlantis Systems, Resin Systems Inc. and RoaDor Industries Ltd. Mr. Williams is a Director of Bishop's University Foundation and is involved with a number of community related projects. Mr. Williams holds a Bachelors degree in Business from Bishop's University, and an M.B.A. from Queen's University.

The term of office for each of the Trustees will expire at the time of the next annual meeting of Unitholders of the Fund.

The trustees of the Fund as a group beneficially own, directly or indirectly, 48,632 Units and 711,642 NPY LP units, representing approximately 1.2% of the fully diluted outstanding Units.

Committees

The Trustees have appointed an audit committee consisting of John Bell (Chairman), Paul Beeston and David Williams all of whom are independent and financially literate within the meaning of Multilateral Instrument 52-110 — *Audit Committees*. The audit committee is responsible for the oversight and supervision of (i) the accounting and financial reporting practices and procedures of Newport; (ii) the adequacy of the internal accounting controls and procedures of Newport; and (iii) the quality and integrity of the financial statements of Newport. In addition, the audit committee is responsible for the appointment, compensation, retention and oversight of the external auditor, as well as the pre-approval of all non-audit services to be provided by the external auditor, and for directing the auditor's examination into specific areas of the business of the Fund. The audit committee has a written charter (attached as Appendix A) and has established procedures to deal with complaints regarding accounting, internal accounting controls or auditing matters and to deal with confidential, anonymous submissions by employees of concerns regarding questionable accounting or auditing matters.

The Compensation and Corporate Governance Committee is composed of Michael Edwards (chairman), Richard Ivey and Gerry Smith, each of whom is an independent trustee, as contemplated by the Guidelines of the Ontario Securities Commission. Each member of the Compensation and Corporate Governance Committee will serve only at the pleasure of the NPGP Inc. Board of Directors and, in any event, only so long as he or she shall be an independent director. The Compensation and Corporate Governance Committee has the responsibility to review and monitor the corporate governance practices and senior officer compensation of Newport. While corporate governance and compensation ultimately remains the responsibility of the Board of Directors, the Committee shall review and monitor the corporate governance practices and compensation of NPGP Inc. and NPY LP. The Compensation and Corporate Governance Committee will primarily fulfill its responsibilities by carrying out the activities outlined in its Charter. The Committee is given full access to management and records and as necessary to carry out these responsibilities.

Trustees and Directors of Related Entities

The sole trustee of the Commercial Trust is Newport Partners Trustee Inc. ("CT Trustee"), a corporation incorporated under the laws of the Province of Ontario and a wholly-owned subsidiary of the Fund. The directors of CT Trustee are the six Trustees of the Fund.

The General Partner of NPY LP is NPY GP Trust ("GP Trust"), an unincorporated open-ended trust established under the laws of the Province of Ontario. The sole trustee of the General Partner is Newport

Partners GP Inc. ("GP Trustee"), a corporation incorporated under the laws of the Province of Ontario and a wholly-owned subsidiary of the Commercial Trust.

The board of directors of GP Trustee are the six Trustees of the Fund and the following individuals:

Aubrey W. Baillie. Mr. Baillie is executive chairman of NPY LP and one of the founders of Newport Partners Inc. ("NPI"), a predecessor to NPLP, with over 35 years experience in the investment industry. He retired in 1999 as deputy chairman and chief operating officer of Nesbitt Burns Inc., having joined a predecessor firm in 1977. Mr. Baillie is a member of the board of directors of each of Ausnoram Holdings Ltd., Welton Energy Corporation, Brompton SI Fund Management Limited, Brompton Management Ltd. and Brompton BTF Management Limited. He is a past chair of the board of trustees of United Way of Greater Toronto, a member of the board of the Juvenile Diabetes Research Foundation International, Appleby College and Wellspring. Mr. Baillie holds a degree in Business Administration from the University of Western Ontario and is a Chartered Accountant.

Douglas C. Brown. Mr. Brown is one of the founders of NPI with more than 20 years experience advising individuals and families on wealth management and investment advisory services. Mr. Brown was called to the Law Society of Upper Canada in 1985 and began practicing law at the firm Fasken & Calvin (now Fasken Martineau DuMoulin LLP). In 1994, he left his law practice to join Merchant Private Trust Company where he was managing director from 1996 to 1998. In 1998, Mr. Brown was appointed president of Merchant Private Trust Company and in 1999 the firm, re-named Connor Clark Private Trust, was purchased by Royal Bank of Canada and renamed RBC Private Counsel, where Mr. Brown was appointed vice-chairman. Mr. Brown sits on the board of directors of various private companies and charitable foundations. Mr Brown received an Honours Bachelor of Arts from University of Toronto, and a Bachelor of Laws from the University of Windsor.

Mark A. Kinney. Mr. Kinney is one of the founders of NPI with 17 years experience in the financial industry. Prior to joining NPI, he was a vice president at RBC Private Trust. From 1992 to 1999, he was a principal with Merchant Private Trust Company and Connor Clark Private Trust, which was acquired by the Royal Bank of Canada in 1999. He started his career in the investment industry as an account executive at Canada Trust in 1989. Mr. Kinney is chair of NPLP's Investment Committee and is responsible for setting asset allocation strategy and reviewing the performance of the money managers selected on behalf of clients. Mr. Kinney is active in a number of community and charitable organizations. Mr Kinney received an Honours Bachelor of Arts (Economics) from York University, an MBA (Finance) from McMaster University and is a CFA charterholder.

David T. Lloyd. Mr. Lloyd is one of the founders of NPI and has 25 years wealth management advisory experience. Prior to forming NPI, he was a vice president at RBC Private Counsel, having co-founded its predecessor firm, Merchant Private Trust Company in 1991. From 1986 to 1991, Mr. Lloyd was a partner in PerCor Financial Inc. (one of Canada's first fee-for-service financial planning firms). He joined Clarkson Gordon in 1980 and began specializing in personal tax and financial planning in 1983. Mr. Lloyd has written articles that have been published in a variety of financial journals, including the Canadian Institute and the Insight Conference on investment strategy and he has appeared on CBC Newsworld and Moneysworth. Mr Lloyd has a Bachelor of Arts (Economics) from the University of Western Ontario and is a Chartered Accountant.

Peter L. Wallace. Mr. Wallace is the president and chief executive officer of Newport and one of the founders of NPI. He has 27 years experience in the investment industry. Prior to joining NPI in 2001, Mr. Wallace was president of Blythco Inc., his personal investment company. From 1995 to 1997, he was president of a private securities firm, which he sold to Canada Trust Financial Services and became president of Wealth Management from 1997 to 1999. Prior to 1995, Mr. Wallace was president of Midland Walwyn Capital Inc. (now Merrill Lynch Canada Inc.). He has been a governor of the TSX and is currently a director of several TSX-listed companies. Mr. Wallace is a director of Welton Energy Corporation. Mr Wallace holds a Bachelor of Commerce degree from McGill University and an MBA from the University of Western Ontario.

Officers of GP Trustee

The following table sets out, for each of the executive officers of GP Trustee, the person's name, municipality of residence and position with GP Trustee.

Name and Municipality of Residence	Position with GP Trustee
AUBREY W. BAILLIE Toronto, Ontario	Executive Chairman
PETER L. WALLACE Toronto, Ontario	President and Chief Executive Officer
KELLY A. BAIRD Toronto, Ontario	Chief Financial Officer and Secretary
DOUGLAS C. BROWN Mississauga, Ontario	Vice-President
PETER CHURCHILL-SMITH Oakville, Ontario	Vice-President
ROBERT W. CLARK Toronto, Ontario	Vice-President
J. DAVID COLE Toronto, Ontario	Vice-President
JOHN M. GARROW Toronto, Ontario	Vice-President
STEPHEN R. HAFNER Toronto, Ontario	Vice-President
MARK A. KINNEY Toronto, Ontario	Vice-President
DONALD L. LENZ Toronto, Ontario	Vice-President
DAVID T. LLOYD Toronto, Ontario	Vice-President
ANDREW D. MCGEE Toronto, Ontario	Vice-President
P. MICHAEL NEDHAM Toronto, Ontario	Vice-President
MICHAEL J. SVETKOFF Toronto, Ontario	Vice-President
KEITH HALBERT Toronto, Ontario	Vice-President
KEN THOMSON Toronto, Ontario	Vice-President

Name and Municipality of Residence	Position with GP Trustee
MIHKEL HOLMBERG Toronto, Ontario	General Counsel
KELLY WILLIS Toronto, Ontario	Vice-President
MATT REYNOLDS Toronto, Ontario	Vice-President

Corporate Cease Trade Orders or Bankruptcies

Mr. Williams was a director of Krystal Bond Inc. ("Krystal Bond") from April 1996 to April 2002. Krystal Bond was subject to a cease trade order issued by the Ontario Securities Commission on April 12, 2002. Mr. Williams was a director of Octagon Industries Inc. ("Octagon") from November 1993 to present. Octagon was subject to cease trade orders issued by the British Columbia Securities Commission on May 29, 2001 (revoked on August 28, 2001) and on June 24, 2004, and by the Alberta Securities Commission on June 8, 2004, for failure to file its required financial statements. Octagon was delisted from the NEX (a separate exchange of the TSX Venture Exchange) for default of paying its listing fees for the third quarter of 2004. On August 12, 2001, Octagon's trustee sent a proposal to unsecured creditors of Octagon (the "Proposal") pursuant to the Bankruptcy and Insolvency Act (Canada). A majority of the unsecured creditors approved the Proposal at a general meeting of the creditors held on August 25, 2001.

Messrs. Wallace and Baillie became directors of The NRG Group Inc. ("NRG") in March 2000. NRG was suspended from trading on the TSX for failure to meet the minimum market capitalization listing requirements. NRG was subject to cease trade orders issued by the Ontario, British Columbia, Alberta and Manitoba Securities Commissions for failure to file its audited financial statements for the year ended December 31, 2002 and for the three month period ended March 31, 2003. The financial statements were subsequently filed on SEDAR on August 7, 2003 and August 18, 2003, respectively, and the cease trade orders were revoked. On July 23, 2003, the company was voluntarily delisted from the TSX. In August 2003, the shareholders of NRG approved the acquisition of Welton Energy Corporation ("Welton"), a private Alberta-based oil and natural gas company, by NRG. It continues to carry on its business under the Welton name, and Messrs. Wallace and Baillie remain directors of Welton.

9. Promoters

NPI Holdings Ltd. and NPY LP took the initiative in organizing the business and affairs of the Fund, and accordingly, may be considered to be promoters of the Fund within the meaning of applicable securities legislation.

10. Legal Proceedings

Management of the Fund is not aware of any litigation outstanding, threatened or pending as of the date hereof by or against the Fund, the Commercial Trust, NPY LP or any Operating Partnership or relating to their respective businesses which would be material to the Fund's financial condition or results of operations, on a consolidated basis.

11. Interest of Management and Others in Material Transactions

Prior to the initial public offering, NPY LP and NICI were parties to an investment advisory agreement under which the general partner of NPY LP engaged NICI to advise on investment policies and strategies and to manage the investment portfolio of NPY LP. NICI was entitled to receive an annual management fee of 2% of the net asset value of NPY LP and a service fee of 0.20% per annum of net asset value. On August 8, 2005, coincident with the closing of the initial public offering, NPY LP's obligation to pay these fees was terminated.

The investment advisory agreement also obligated NPY LP to pay NICI a performance fee of 20% of the appreciation above 8% of the net asset value of the partnership. NPY LP was obligated under the LP Agreement to pay this performance fee on August 8, 2005 as a result of the initial public offering. The amount of the performance fee was approximately $41,832,000. Employees of NPY LP and NPLP received bonuses from NICI equivalent to the performance fee received by NICI and immediately invested these proceeds, after tax, in A2 LP Units.

The following table summarizes management and trustee holdings as at December 31, 2005.

	Newport	NPY LP	Total Owned	Total Issued and Outstanding	Percentage Owned
Newport Principals and NPI Holdings Ltd.(1)	2,554,137	9,944,922	12,499,059	64,769,046	19.30%
Trustees	48,632	711,642	760,274	64,769,046	1.17%
Newport Employees (other than Newport Principals)	133,303	118,956	252,259	64,769,046	0.39%

Note:

(1) NPI Holdings Ltd. is 100% owned by the Newport Principals.

12. Transfer Agent and Registrar

CIBC Mellon Trust Company, 320 Bay Street P.O. Box 1, Adelaide Street Postal Station, Toronto, Ontario, M5H 4A6, is the transfer agent and registrar for the Units.

13. Material Contracts

In connection with the initial public offering of the Fund, the Fund entered into a number of material contracts, which are referred to in the Fund's prospectus dated July 28, 2005 under the heading "Material Contracts", which section is hereby incorporated by reference in this Annual Information Form. The prospectus of the Fund is available at www.sedar.com.

Since the date of the Fund's initial public offering, the Fund has entered into the following additional material contracts:

(i) the Trust Indenture, dated December 12, 2005, relating to the Debentures; and

(ii) the Underwriting Agreement, dated November 28, 2005, relating to the Debentures

The material terms of which are referred to under "Convertible Debentures". Copies of these documents are also available on SEDAR at www.sedar.com.

14. Interest of Experts

The Fund's independent external auditors are KPMG LLP, Yonge Corporate Centre, 4100 Yonge Street, Suite 200, Toronto, Ontario, M5H 2H3. KPMG LLP has audited the financial statements of the Fund for the period ended December 31, 2005, and has issued an audit report to the Fund with respect to such financial statements.

KPMG LLP is independent of the Fund in accordance with the requirements of the Ontario Institute of Chartered Accountants.

15. Additional Information

Additional information relating to the Fund may be found on SEDAR at www.sedar.com. Additional information, including directors' and officers' remuneration and indebtedness and principal holders of the Fund's securities is contained in the Fund's information circular prepared in connection with the Fund's Annual Meeting of Unitholders.

Additional information is provided in the Fund's financial statements and Management's Discussion & Analysis for the financial year period ended December 31, 2005.

Appendix A

AUDIT COMMITTEE INFORMATION

1. Audit Committee Charter

See Schedule 1 attached hereto.

2. Composition of the Audit Committee

The Audit Committee of the Fund is currently comprised of John Bell (chairman), Paul Beeston and David Williams all of whom are independent and financially literate within the meaning of Multilateral Instrument 52-110 — *Audit Committees*.

3. Relevant Education and Experience

Mr. Bell, who is the chair of the Audit Committee, is president and chief executive officer of Polymer Technologies Inc., an auto parts supplier. He is also chairman and a significant equity holder in an automotive supplier and holds significant ownership positions in other private equity investments.

Mr. Bell is a chartered accountant and holds a degree in Business Administration from the University of Western Ontario.

Mr. Beeston is a member of the board of directors of Loblaw Companies Limited. Prior to that, Mr. Beeston was president and chief operating officer of Major League Baseball from 1997 to 2002 and held senior offices with the Toronto Blue Jays from 1976, including president and chief executive officer.

Mr. Beeston is a Fellow of the Institute of Chartered Accountants and holds a B.A. in economics and political science, an honorary Doctor of Laws from the University of Western Ontario and an honorary Doctor of Social Sciences from Niagara University.

Mr. Williams is president of Roxborough Holdings Limited, an investment company. He is also a director of MetroOne Telecommunications, Western Silver, Calvalley Petroleum, Atlantis Systems, Resin Systems Inc. and RoaDor Industries Ltd. Prior to this, he held senior management positions with Beutel Goodman Company, a large Canadian institutional money manager.

Mr. Williams holds a bachelor's degree in Business from Bishop's University and an M.B.A. from Queen's University.

4. External Auditor Service Fees

Audit Fees

KPMG LLP, the Fund's external auditor and auditor of NPY LP and certain operating partnerships, charged $971,685 for audit services in the 2005 fiscal period.

Other auditors charged the operating partnerships $409,966 for audit services for 2005.

Audit-Related Fees

KPMG LLP, the Fund's external auditor, charged the Fund and NPY LP $2,698,775 for audit related services in the 2005 fiscal period. The audit-related services were provided by KPMG LLP to the Fund in connection with the Fund's IPO, specified procedures relating to the quarterly reports of the Fund, and services related to the convertible debenture issue and Business Acquisition Reporting.

Other auditors charged the Fund and NPY LP $1,461,562 for audit-related services in connection with the Fund's IPO.

Tax Fees

KPMG LLP, the Fund's external auditor and the auditor of NPY LP and certain operating partnerships, charged the Fund $518,000 for tax services in the 2005 fiscal period. These services included advice with respect to the tax structuring of the Fund's initial public offering as well as compliance reporting.

Other auditors charged $50,000 for tax services in the 2005 fiscal period relating to tax compliance relating to tax structuring.

Schedule I

AUDIT COMMITTEE CHARTER

Purpose

The primary function of the Audit Committee is to assist the Board of Trustees of Newport Partners Income Fund ("NPIF") and the Board of Directors of Newport Partners GP Inc. ("NPGP") in fulfilling their oversight responsibilities by reviewing the financial information that will be provided to unitholders and others, the systems of internal controls that management and the Board of Trustees and Board of Directors have established, and NPIF's and Newport Private Yield LP's ("NPY LP's") and their subsidiaries, audit and financial reporting processes.

The external auditor's ultimate responsibility is to the Board of Directors and the Audit Committee, as representatives of NPIF and its unitholders.

The Audit Committee will primarily fulfill its responsibilities by carrying out the activities outlined in this Charter. The Committee is given full access to NPY LP's management and records and its external auditors as necessary to carry out these responsibilities.

The Audit Committee has the authority to engage independent counsel and other advisors as may be necessary, and to set and pay their compensation.

Composition and Qualification

The Audit Committee is comprised of 3 directors, each of whom is an independent director, as contemplated by Multilateral Instrument 52-110 — *Audit Committees*, published by the Ontario Securities Commission.

Each member of the Audit Committee will serve only at the pleasure of the NPGP Board of Directors and, in any event, only so long as he or she shall be an independent director. The Board may fill vacancies in the Audit Committee by appointment from among the directors of NPGP, and if and whenever a vacancy shall exist in the Audit Committee, the remaining members may exercise all of its powers so long as a quorum remains in office.

All members of the Committee are financially literate within the meaning of Multilateral Instrument 52-110 — *Audit Committees* and thus be able to read and understand a set of financial statements that have a level of complexity of accounting that is comparable to that of NPY LP's financial statements. At least 1 member of the Committee will have accounting or related financial expertise. This could include past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including being or having been a chief executive officer, chief financial officer or other senior officer of an entity with financial oversight responsibilities.

Responsibilities and Duties

To fulfill its responsibilities and duties, the Audit Committee shall:

a) meet at least four times per year and review and recommend to the Board for approval:

- the audited financial statements of NPIF and NPY LP and the management discussion and analysis contained therein;
- all financial information in any annual reports, prospectuses and other offering memoranda of NPIF and NPY LP;
- interim and year end financial statements of NPIF and NPY LP required by regulatory authorities;
- press releases relating to interim and year end financial results of NPIF and NPY LP;

- recommendations of the auditors for strengthening internal controls to ensure that processes are in place to mitigate or eliminate risks associated with financial reporting and cash management for NPIF and NPY LP as well as the response of management to these recommendations;
- ensure adequate procedures are in place for the review of NPIF's and NPY LP's public disclosure of financial information extracted or derived from NPIF's and NPY LP's financial statements, other than the disclosure referred to above, and periodically assess the adequacy of these procedures;

b) review with management all significant variances between comparative reporting periods in any financial statements of NPIF and NPY LP, including variances in forecasted financial information from actual results which may have been included in any public documents of NPIF and NPY LP;

c) meet periodically with the external auditors and at least once a year meet in confidence with the external auditors and report to the Board on such meetings including the nature of the external auditor's recommendations and assume direct responsibility for overseeing the work of the external auditors;

d) make recommendations to the Board as to the reappointment or appointment of the auditors and the nomination and remuneration of the auditors on an annual basis. If a change in auditors is proposed, the Audit Committee will inquire as to the reasons for the change, including the response of the incumbent auditors and inquire as to the qualifications of the newly proposed auditors before making its recommendation to the Board;

e) review the audit plans of the auditors and report to the Board any significant reservations the Audit Committee may have or the auditors have expressed with respect to such arrangements or scope. Review with the auditors the degree of coordination of those plans and inquire as to the extent the planned audit scope can be relied upon to detect weaknesses in internal controls;

f) review management programs and policies regarding the adequacy of internal controls over the accounting and financial reporting systems within NPIF and NPY LP. Meet with appropriate officers of NPGP to discuss the effectiveness of the internal control and information security procedures established for NPIF and NPY LP. Receive reports relating to the control environment in connection with the trading activities of NPIF;

g) receive reports relating to compliance by NPIF and NPY LP with the legal and regulatory obligations applicable to it;

h) review management plans regarding any changes in accounting practices or policies and the financial impact thereof and review any major areas of management judgement and estimates that have significant effect upon the financial statements of NPIF and NPY LP;

i) review with management, the auditors and, if necessary, with legal counsel, any litigation, claim or other contingency, including tax assessments, that could have a materially adverse effect upon the financial position or operating result of NPIF and NPY LP, and the manner in which these matters have been disclosed in the financial statements of NPIF and NPY LP;

j) review and pre-approve any non-audit related services provided by the external auditors of NPIF and NPY LP and the fees related thereto. Review and confirm the independence of the external auditors by obtaining statements from such auditors on relationships between the auditors and NPIF and/or NPY LP, including non-audit services, and discussing the relationships with the auditors;

k) review the basis and amount of the external auditor's fees in light of the number and nature of reports issued by the auditors, the quality of the internal controls, the size, complexity and financial condition of NPIF and NPY LP and the extent of support provided to the auditors and to review all other non-audit fees of the auditors and other accounting firms;

l) report annually to the unitholders, describing the Audit Committee's composition, responsibilities and how they were discharged, and any other information required;

m) perform other activities related to this charter as requested by the Board;

n) establish procedures for (i) the receipt, retention and treatment of complaints received by NPIF and/or NPY LP regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of NPGP or the Operating Partnerships of concerns regarding questionable accounting or auditing matters, including a violation of the Code of Ethics;

o) review and assess the adequacy of the Audit Committee Charter annually, requesting Board approval for proposed changes;

p) review and approve NPGP's hiring policies regarding partners, employees and former partners and employees of the present and former external auditors;

q) confirm to the Board annually that all responsibilities outlined in this Charter have been carried out; and

r) evaluate the Audit Committee's and individual members' performance on a regular basis.

Meetings

The Audit Committee will meet on a quarterly basis and will hold special meetings if circumstances require. The time of the meetings shall be determined by the Committee. The Committee may engage external advisors as it determines necessary and will set the compensation for such advisors. A quorum for the transaction of business of the Audit Committee shall consist of two members of the Committee.

The time and place for meetings of the Audit Committee and procedures at such meetings shall be determined from time to time by the Audit Committee. The Secretary of NPGP shall, upon request of the Audit Committee Chairman, any member of the Audit Committee, the external auditors, the chief executive officer or chief financial officer of NPGP, call a meeting of the Audit Committee by letter, telephone, fax, telegram or other communication equipment, by giving at least 48 hours notice, provided that no notice of a meeting shall be necessary if all of the members are present either in person or by means of conference telephone or if those absent have waived notice or otherwise signified their consent to the holding of such meeting.

Any member of the Audit Committee may participate in the meeting of the Committee by means of conference telephone or other communication equipment and the member participating in a meeting pursuant to this paragraph shall be deemed, for purposes hereof, to be present in person at the meeting.

The Audit Committee shall keep minutes of its meetings which shall be submitted to the Board of Directors.

One of the members of the Audit Committee shall be elected as its Chairman by the Audit Committee or the Board of Directors of NPGP and the Committee may, from time to time, appoint any person who need not be a member, to act as a secretary at any meeting.

The Audit Committee may invite such officers, directors and employees of NPGP and the external auditors of NPIF and NPY LP as it may see fit, from time to time, to attend meetings of the Audit Committee.

The Board of Directors may at any time amend or rescind any of the provisions hereof or cancel them entirely with or without substitution.

Appendix B

GLOSSARY OF TERMS

In this Annual Information Form, the following terms shall have the meanings set forth below, unless otherwise indicated or the context otherwise requires:

"**A1 LP Units**", "**A2 LP Units**" and "**A3 LP Units**" mean, respectively, the Class A LP Units designated as Series 1, Series 2 and Series 3;

"**AVS**" means AVS Technologies Limited Partnership, a limited partnership formed under the laws of the Province of Ontario;

"**Brompton**" means Brompton Funds LP, a limited partnership formed under the laws of the Province of Manitoba;

"**Capital C**" means Capital C Communications LP, a limited partnership formed under the laws of Ontario;

"**Class A LP Units**" means the Class A limited partnership units of NPY LP and includes the A1 LP Units, the A2 LP Units and the A3 LP Units;

"**Class B LP Units**" means the Class B limited partnership units of NPY LP and includes the B1 LP Units, the B2 LP Units, the B3 LP Units and the B4 LP Units;

"**Class C LP Units**" means the Class C limited partnership units of NPY LP;

"**Commercial Trust**" means Newport Partners Commercial Trust, an unincorporated open-ended limited purpose trust established under the laws of Ontario in accordance with the Original CT Declaration of Trust;

"**Credit Facility**" means the secured operating facilities entered into on August 8, 2005 by Holdings LP and amended on August 31 and November 30, 2005;

"**CT Declaration of Trust**" means the amended and restated declaration of trust dated as of August 8, 2005, pursuant to which the Commercial Trust will be governed (as the same may be amended, supplemented or restated from time to time) and which replaces in its entirety the Original CT Declaration of Trust;

"**CT Trustee**" means Newport Partners Trustee Inc., a corporation incorporated under the laws of the Province of Ontario; the CT Trustee is trustee of the Commercial Trust and all of its shares are owned by the Fund;

"**CT Units**" means the units of the Commercial Trust, each of which represents an equal undivided interest in the Commercial Trust and any distributions from the Commercial Trust, and includes a fraction of such a unit of the Commercial Trust;

"**Debentures**" means the $85,000,000 aggregate principal amount of subordinated unsecured convertible debentures due December 31, 2010 issued pursuant to a trust indenture dated December 12, 2005;

"**Declaration of Trust**" means the declaration of trust dated May 13, 2005 as amended and restated by the first and second amended and restated declarations of trust dated June 22, 2005 and August 8, 2005, respectively, pursuant to which the Fund is governed (as the same may be amended, supplemented or restated from time to time). The second amended and restated declaration of trust, dated August 8, 2005 replaces in its entirety the Original Declaration of Trust.

"**ESR**" means Elliott Special Risks LP, a limited partnership formed under the laws of the Province of Ontario;

"**Exchange Agreement**" means the Exchange Agreement entered into among the Fund, the Commercial Trust, NPY LP, the General Partner and others providing for, among other things, the Exchange Rights;

"**Exchange Rights**" means the right of a holder of LP Units to exchange one LP Unit for one Unit of the Fund by delivery of such LP Unit in exchange for a Unit;

"**EZEE**" means a limited partnership formed under the laws of the Province of Ontario;

"**Fund**" means Newport Partners Income Fund, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario in accordance with the Original Declaration of Trust;

"**GAAP**" means, at any time, Canadian generally accepted accounting principles, including those set out in the Handbook of the Canadian Institute of Chartered Accountants, applied on a consistent basis;

"**Gemma**" means Gemma Communications LP, a limited partnership formed under the laws of the Province of Ontario;

"**General Partner**" means the general partner of NPY LP, GP Trust;

"**GP Trust**" means NPY GP Trust, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario;

"**GP Trustee**" means Newport Partners GP Inc., a corporation incorporated under the laws of the Province of Ontario and a wholly-owned subsidiary of Commercial Trust;

"**Holdings LP**" means Newport Partners Holdings LP, a limited partnership established under the laws of the Province of Ontario;

"**Jutan**" means Jutan Limited Partnership, a partnership formed under the laws of Ontario;

"**Kenna**" means Kenna Group LP, a partnership formed under the laws of Ontario;

"**Limited Partnership Agreement**" or "**LP Agreement**" means the Second Amended and Restated Limited Partnership Agreement dated August 8, 2005 in respect of NPY LP entered into between NPY Inc., as the general partner, and various other parties, as limited partners, as amended, supplemented or restated from time to time;

"**LP Unit**" means a limited partnership unit of NPY LP and "**LP Units**" means collectively all limited partnership units of the Partnership of every class and series including, without limitation, the Class A LP Units, the Class B LP Units and the Class C LP Units;

"**Morrison Williams**" means Morrison Williams Investment Management LP, a limited partnership formed under the laws of the Province of Ontario;

"**Murray**" means Murray Demolition LP, a partnership formed under the laws of Ontario, in which NPY LP purchased a partnership interest on March 16, 2006;

"**Newport**" means the Fund and NPY LP, collectively;

"**Newport Entrepreneurs**" means, collectively, the individuals who comprise the Newport network of partners and entrepreneurs;

"**Newport Principals**" means, collectively, the people who manage NPY LP;

"**NICI**" means Newport Investment Counsel Inc., a corporation incorporated under the laws of the Province of Ontario;

"**Note Indenture**" means the indenture to be made between the Commercial Trust and the Note Trustee providing for the issuance of the Notes, as described under "Description of the Commercial Trust — The Notes";

"**Note Trustee**" means CIBC Mellon Trust Company;

"**Notes**" means the notes issuable from time to time under the Note Indenture;

"**NPC**" means NPC Integrity Energy Services Limited Partnership, a limited partnership formed under the laws of the Province of Alberta;

"**NP GP Inc.**" means Newport Partners GP Inc., the sole trustee of NPY GP Trust;

"**NPLP**" means Newport Partners LP, a limited partnership formed under the laws of the Province of Ontario;

"**NPY GP Trust**" means NPY GP Trust, the general partner of NPY LP and Holdings LP;

"**NPY LP**" means Newport Private Yield LP;

"**On-Site**" means a limited partnership formed under the laws of the Province of Ontario;

"**Operating LP Agreements**" means, in respect of each Operating Partnership, the limited partnership agreement in respect of such Operating Partnership, as the same may be amended, supplemented or restated from time to time;

"**Operating Partnership**" means a limited partnership which carries on a business in which NPY LP has invested or will invest, directly or indirectly, and includes subsidiary partnerships and corporations of that limited partnership;

"**Original CT Declaration of Trust**" means the declaration of trust dated June 21, 2005 pursuant to which the Commercial Trust was established and is governed;

"**Original Declaration of Trust**" means the declaration of trust dated May 13, 2005, as amended or restated from time to time, pursuant to which the Fund was established and is governed;

"**S&E**" means Sports and Entertainment Limited Partnership, a limited partnership formed under the laws of the Province of Ontario;

"**Special Voting Units**" means the special voting units of the Fund, each of which represents only a right to vote with respect to the Fund and does not entitle the holder to any distributions from the Fund;

"**TSX**" means the Toronto Stock Exchange;

"**Units**" means the units of the Fund, each of which represents an equal undivided interest in the Fund and any distributions from the Fund, and includes a fraction of such a unit of the Fund;

"**Voting Securities**" means Units and Special Voting Units;

"**Voting Securityholders**" means the holders of Units and Special Voting Units.