

# Newport Partners

Income Fund



NOTICE OF ANNUAL MEETING OF UNITHOLDERS

To be held on June 29, 2010

AND

MANAGEMENT INFORMATION CIRCULAR

OF

NEWPORT PARTNERS INCOME FUND

May 26, 2010

# Newport Partners

Income Fund



## NOTICE OF ANNUAL MEETING OF UNITHOLDERS

NOTICE IS HEREBY GIVEN that the annual meeting (the "**Meeting**") of the holders of trust units and special voting units (collectively, "**Unitholders**") of Newport Partners Income Fund (the "**Fund**") will be held in the Canada Room, 34<sup>th</sup> Floor, First Canadian Place, 100 King Street West, Toronto, Ontario, M5X 1A4 on June 29, 2010 at 4:30 p.m. (Toronto time) for the following purposes:

1. to receive the audited consolidated financial statements of the Fund for the year ended December 31, 2009, together with the report of the auditors thereon;
2. to elect trustees;
3. to appoint the auditors and to authorize the trustees to fix their remuneration; and,
4. to transact such further or other business as may properly come before the Meeting or any adjournment thereof.

This notice is accompanied by the Circular and a form of proxy.

Whether or not you expect to attend the meeting, please exercise your right to vote; Unitholders who deposit a proxy may still attend the meeting. Please complete, date and sign the enclosed form of proxy and deposit it with CIBC Mellon Trust Company, by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502 or in person at 320 Bay Street, Ground Floor, Toronto, Ontario, M5H 4A6 not later than 12:00 p.m. (Toronto time) on June 25, 2010, or not later than 12:00 p.m. (Toronto time) on the second business day before any adjourned Meeting. The Chair of the Meeting may waive this time limit for receipt of completed proxies by CIBC Mellon Trust Company without notice. Proxies may also be delivered to the Chair of the Meeting on the day of, but prior to the commencement of, the Meeting or any adjournment thereof.

If you are a non-registered Unitholder and have received this notice and Circular from your broker or another intermediary, please complete and return the proxy, voting instruction form or other authorization form provided to you by your broker or other intermediary in accordance with the instructions provided to you.

The trustees of the Fund have fixed the close of business on May 17, 2010 as the record date for the determination of Unitholders entitled to notice of and to vote at the Meeting and any adjournment thereof.

DATED at Toronto, Ontario this 26<sup>th</sup> day of May, 2010.

**BY ORDER OF THE TRUSTEES**

A handwritten signature in black ink, appearing to read 'Kelly A. Baird', written in a cursive style.

Kelly A. Baird  
Secretary of Newport Partners Income Fund

## TABLE OF CONTENTS

	Page
<b>GLOSSARY OF TERMS.....</b>	<b>1</b>
<b>SOLICITATION OF PROXIES .....</b>	<b>3</b>
<b>INFORMATION CONTAINED IN THIS CIRCULAR.....</b>	<b>3</b>
<b>APPOINTMENT AND REVOCATION OF PROXIES .....</b>	<b>3</b>
<b>VOTING OF PROXIES.....</b>	<b>4</b>
<b>VOTING OF UNITS – ADVICE TO BENEFICIAL UNITHOLDERS.....</b>	<b>4</b>
<b>DESCRIPTION OF THE FUND .....</b>	<b>5</b>
<b>VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF .....</b>	<b>5</b>
Units .....	5
<b>QUORUM AND ADJOURNMENT.....</b>	<b>6</b>
<b>MATTERS TO BE ACTED UPON AT THE MEETING .....</b>	<b>6</b>
Audited Consolidated Financial Statements .....	6
Election of Trustees .....	6
Appointment of Auditors.....	10
<b>STATEMENT OF EXECUTIVE COMPENSATION .....</b>	<b>10</b>
Compensation Discussion and Analysis .....	10
Compensation and Corporate Governance Committee.....	10
Objectives of the Fund's Compensation Programs .....	10
Elements of Compensation .....	11
Details of the Elements of the Fund's Compensation Programs .....	12
Base Salary .....	12
Annual Bonus .....	12
Other Perquisites.....	13
Summary Compensation Table.....	13
Pension Plan .....	14
Termination and Change of Control Benefits.....	14
Trustee and Director Compensation .....	16
Trustee and Director Compensation Table .....	16
Conclusion .....	17
Performance Graph.....	17
Aggregate Indebtedness.....	18
Indebtedness of Trustees, Directors and Executive Officers under Securities Purchase and Other Programs .....	18
<b>INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON .....</b>	<b>19</b>
<b>INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS .....</b>	<b>20</b>
<b>STATEMENT OF CORPORATE GOVERNANCE PRACTICES.....</b>	<b>20</b>
<b>OTHER BUSINESS .....</b>	<b>20</b>
<b>DISCLAIMERS .....</b>	<b>20</b>

**TABLE OF CONTENTS**  
(continued)

	Page
<b>TRANSFER AGENT AND REGISTRAR .....</b>	<b>20</b>
<b>ADDITIONAL INFORMATION.....</b>	<b>20</b>
<b>APPROVAL .....</b>	<b>21</b>
<b>APPENDIX "A" STATEMENT OF CORPORATE GOVERNANCE PRACTICES.....</b>	<b>A-1</b>
<b>APPENDIX "B" CODE OF BUSINESS ETHICS .....</b>	<b>B-1</b>

## GLOSSARY OF TERMS

The following is a glossary of terms used frequently in this Circular:

"**Administration Agreement**" means an administration agreement dated as of August 8, 2005 among the Fund, Newport Partners Commercial Trust and GP Trustee, whereby GP Trustee agrees to provide certain administrative and advisory services to the Fund and to Newport Partners Commercial Trust;

"**Audit Committee**" means the audit committee of the Board of Trustees;

"**Board of Directors**" means the board of directors of GP Trustee;

"**Board of Trustees**" means the board of trustees of the Fund;

"**Business Day**" means any day other than a Saturday, Sunday or day on which banking institutions in Toronto, Canada are authorized or obligated to close;

"**Circular**" means this management information circular;

"**Compensation and Corporate Governance Committee**" means the compensation and corporate governance committee of the Board of Directors;

"**Declaration of Trust**" means the Second Amended and Restated Declaration of Trust dated August 8, 2005 made between the trustees of the Fund;

"**Depository**" means CDS Clearing and Depository Services Inc.;

"**Director**" means a member of the board of directors of GP Trustee;

"**Fund**" means Newport Partners Income Fund;

"**Fund Units**" means the trust units of the Fund;

"**GP Trustee**" means Newport Partners GP Inc., as administrator of the Fund pursuant to the Administration Agreement;

"**Incentive Option**" means an option to acquire Fund Units in accordance with the Incentive Option Plan;

"**Incentive Option Plan**" means the incentive Unit option plan of the Fund approved by the Unitholders at the annual meeting held November 30, 2009;

"**Intermediary**" includes, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans;

"**Meeting**" means the annual meeting of Unitholders to be held on June 29, 2010, or any adjournment thereof;

"**Meeting Materials**" means the Notice of Meeting, this Circular and the accompanying form of proxy mailed to Unitholders in connection with the Meeting;

"**Newport Group**" means the Fund and its subsidiaries and affiliates;

"**NPLP**" means Newport Partners Limited Partnership, a wholly-owned indirect subsidiary of the Fund;

"**NPY LP**" means Newport Private Yield LP, a wholly-owned subsidiary of the Fund;

**"Record Date"** means May 17, 2010;

**"Special Voting Units"** means the units of the Fund designated as "Special Voting Units" under the Declaration of Trust, each of which represents only a right to vote with respect to the Fund;

**"Trustee"** means a member of the board of trustees of the Fund;

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

**"Unitholders"** means, collectively, the holders of Fund Units and Special Voting Units; and

**"Units"** means, collectively, the Fund Units and the Special Voting Units.

## NEWPORT PARTNERS INCOME FUND

### MANAGEMENT INFORMATION CIRCULAR FOR ANNUAL MEETING OF UNITHOLDERS

(as at May 26, 2010)

#### SOLICITATION OF PROXIES

This Management Information Circular (the "**Circular**") is furnished in connection with the solicitation of proxies by and on behalf of management of Newport Partners Income Fund (the "**Fund**") for use at the annual meeting (the "**Meeting**") of holders of Fund Units and Special Voting Units (collectively, the "**Unitholders**") to be held at the time and place and for the purposes set forth in the accompanying notice of annual meeting of Unitholders (the "**Notice of Meeting**") accompanying this Circular. It is expected that the solicitation of proxies will be primarily by mail, but proxies may also be solicited personally, by telephone or by other forms of electronic communication by trustees, directors, officers and employees of the Fund and its affiliates. The cost of soliciting proxies will be borne by the Fund.

Certain terms used in this circular are defined in the "**Glossary of Terms**". Unless otherwise indicated, all amounts are expressed in Canadian dollars ("\$").

#### INFORMATION CONTAINED IN THIS CIRCULAR

The information contained in this Circular is given as at May 26, 2010, except where otherwise noted.

#### APPOINTMENT AND REVOCATION OF PROXIES

The persons named in the enclosed form of proxy are Dean MacDonald, President and Chief Executive Officer of the Fund and Keith Halbert, Chief Financial Officer of the Fund. **Each Unitholder is entitled to appoint a person other than the individuals named in the enclosed form of proxy to represent such Unitholder at the Meeting. A Unitholder desiring to appoint some other person to represent him, her or it at the Meeting may do so by inserting the desired person's name in the blank space provided in the form of proxy and depositing the completed proxy with CIBC Mellon Trust Company, by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502 or in person at 320 Bay Street, Ground Floor, Toronto, Ontario, M5H 4A6 not later than 12:00 p.m. (Toronto time) on June 25, 2010, or not later than 12:00 p.m. (Toronto time) on the second Business Day before any adjourned Meeting. The Chair of the Meeting may waive this time limit for the receipt of proxies by CIBC Mellon Trust Company without notice. Proxies may also be delivered to the Chair of the Meeting on the day of, but prior to the commencement of, the Meeting or any adjournment thereof. A proxyholder need not be a Unitholder.**

A proxy given pursuant to this solicitation may be revoked by instrument in writing, including another proxy bearing a later date, executed by the Unitholder or by his or her attorney authorized in writing, and deposited with CIBC Mellon Trust Company, by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502 or in person at 320 Bay Street, Ground Floor, Toronto, Ontario, M5H 4A6 not later than 12:00 p.m. (Toronto time) on June 25, 2010, or not later than 12:00 p.m. (Toronto time) on the second Business Day before any adjourned Meeting, or with the Chair of the Meeting on the day of, but prior to the commencement of, the Meeting or any adjournment thereof, or in any other manner permitted by law.



## VOTING OF PROXIES

The Units represented by the proxies which are hereby solicited will be voted or withheld from voting in accordance with the instructions of the Unitholder on any ballot that may be called for and, if the Unitholder specifies a choice with respect to any matter to be acted upon, the Units will be voted accordingly. **Where a Unitholder fails to specify a choice with respect to a matter referred to in the Notice of Meeting, the persons named in the enclosed form of proxy will vote the Units represented by such proxy IN FAVOUR OF such matter.**

**The enclosed form of proxy confers discretionary authority upon the persons named therein with respect to amendments or variations to matters identified in the Notice of Meeting, or other matters that may properly come before the Meeting or any adjournment thereof. As at the date hereof, neither the Trustees nor the Directors know of any amendments, variations or other matters to come before the Meeting.**

## VOTING OF UNITS – ADVICE TO BENEFICIAL UNITHOLDERS

Only registered Unitholders or the persons they appoint as their proxies are permitted to vote at the Meeting. However, in many cases, Units beneficially owned by a person (a "**Beneficial Holder**") are registered either:

- (i) in the name of an intermediary (an "**Intermediary**") that the Beneficial Holder deals with in respect of the Units (Intermediaries include, among others, banks, trust companies, securities dealers or brokers and trustees or administrators of self-administered RRSPs, RRIFs, RESPs and similar plans); or
- (ii) in the name of a depository (a "**Depository**", such as CDS Clearing and Depository Services Inc.) of which the Intermediary is a participant.

In accordance with the requirements of *National Instrument 54-101 – Communication with Beneficial Owners of Securities of a Reporting Issuer*, the Fund will have distributed copies of the Notice of Meeting, this Circular and the accompanying form of proxy (collectively, the "**Meeting Materials**") to the Depositories and Intermediaries for onward distribution to Beneficial Holders. Intermediaries are required to forward the Meeting Materials to Beneficial Holders, unless a Beneficial Holder has waived the right to receive them. Intermediaries often use service companies to forward the Meeting Materials to Beneficial Holders. Generally, Beneficial Holders who have not waived the right to receive Meeting Materials will either:

- (i) be given a form of proxy which has already been signed by the Intermediary (typically by a facsimile, stamped signature), which is restricted as to the number of Units beneficially owned by the Beneficial Holder but which is otherwise not completed. In this case, the Beneficial Holder who wishes to submit a proxy should properly complete the form of proxy and submit it to the Fund, c/o CIBC Mellon Trust Company, by mail to P.O. Box 721, Agincourt, Ontario, M1S 0A1, by fax to (416) 368-2502 or in person at 320 Bay Street, Ground Floor, Toronto, Ontario, M5H 4A6; or
- (ii) more typically, be given a voting instruction form which is not signed by the Intermediary and which must be properly completed and signed by the Beneficial Holder and returned to the Intermediary in accordance with the instructions of the Intermediary or Depository.

The purpose of these procedures is to permit Beneficial Holders to direct the voting of the Units of the Fund they beneficially own. **Should a Beneficial Holder wish to attend and vote at the Meeting, or any adjournment thereof, in person (or to have another person appointed as proxyholder to attend and vote on behalf of the Beneficial Holder), the Beneficial Holder should follow the procedure in the request for voting instructions provided by or on behalf of the Intermediary or Depository and request a form of legal proxy which will grant the Beneficial Holders the right to attend the Meeting, and any adjournment thereof, and**

**vote in person. Beneficial Holders should carefully follow the instructions of their Intermediary or Depository, including those regarding when and, where the proxy or voting information form is to be delivered.**

A Beneficial Holder may revoke a proxy or voting information form which has been given to an Intermediary or Depository by written notice to the Intermediary or Depository or by submitting a proxy or voting instruction form bearing a later date. In order to ensure that an Intermediary or Depository acts upon a revocation of a proxy or voting information form, the written notice should be received by the Intermediary or Depository well in advance of the time by which the Intermediary or Depository is required to submit the revocation of proxy or new proxy. See "Appointment and Revocation of Proxies".

## **DESCRIPTION OF THE FUND**

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario. The Fund is administered by the Trustees and by Newport Partners GP Inc. ("**GP Trustee**") pursuant to an administration agreement (the "**Administration Agreement**") dated as of August 8, 2005 among the Fund, Newport Partners Commercial Trust and GP Trustee.

The Fund was established to hold, through the Fund's investments in Newport Partners Commercial Trust, and Newport Private Yield LP ("**NPY LP**") a limited partnership established under the laws of the Province of Ontario, an indirect interest in Newport Partners Holdings LP ("**NP Holdings**") a limited partnership established under the laws of the Province of Ontario. NP Holdings was established to acquire, invest in, transfer, dispose of and otherwise deal with investments in debt and/or equity securities and/or assets of partnerships, corporations, trusts and other persons including, but not limited to, private businesses, and to make such other investments as GP Trustee may determine. NP Holdings is, indirectly, wholly-held by the Fund.

Under applicable securities legislation, the Fund is required to provide certain information with respect to the Fund, its Trustees and officers. The Fund, however, does not carry on business and is dependent for its results on the performance of NP Holdings. The Directors and officers of GP Trustee are responsible for administering the Fund and its business in accordance with the Administration Agreement. Consequently, in addition to the information relating to the Fund and its Trustees, this Circular includes information relating to GP Trustee and its Directors and officers.

Under the terms of the Administration Agreement, GP Trustee receives no additional consideration other than reimbursement by the Fund of out-of-pocket expenses incurred by GP Trustee for provision of such services, administration and support services to the Fund.

## **VOTING SECURITIES AND PRINCIPAL HOLDERS THEREOF**

### **Units**

Each Unit entitles the holder thereof to one vote on all matters to be acted upon at the Meeting.

The Fund has fixed the close of business on May 17, 2010 as the record date (the "**Record Date**") for the purposes of determining the Unitholders entitled to receive notice of, and to vote at, the Meeting. As at the Record Date, the Fund had 71,631,431 Fund Units and 320,045 Special Voting Units outstanding.

To the knowledge of the Trustees and executive officers of the Fund and the Directors and executive officers of GP Trustee, no person or company beneficially owns, or controls or directs, directly or indirectly, more than 10% of the outstanding Fund Units and of the voting rights attached to the outstanding Special Voting Units.

## QUORUM AND ADJOURNMENT

Pursuant to the Declaration of Trust governing the Fund, a quorum for the Meeting shall consist of two or more Unitholders present in person or represented by proxy and representing at least 10% of the Units then outstanding.

If a quorum is not present at the Meeting within 30 minutes after the time fixed for the Meeting, the Meeting shall be adjourned to a day not less than 14 days later and to such place and time as may be appointed by the Chair of the Meeting. No notice is required to be given of the adjourned meeting. At any adjourned Meeting, the Unitholders present in person or represented by proxy will be deemed to form a quorum and may transact any business for which the Meeting was originally convened.

The proxies submitted for the Meeting shall remain valid for purposes of voting at the adjourned Meeting. Consequently, a Unitholder is not required to re-submit his or her proxy form for the purposes of any adjourned Meeting.

## MATTERS TO BE ACTED UPON AT THE MEETING

### **Audited Consolidated Financial Statements**

A copy of the audited consolidated financial statements of the Fund for the year ended December 31, 2009, together with the auditors' report thereon, will be submitted at the Meeting. The audited consolidated financial statements for the year ended December 31, 2009 and the auditors' report thereon together with the Management Discussion and Analysis with respect thereto, Annual Information Form and Annual Report, and the unaudited consolidated financial statements for the three months ended March 31, 2010, together with the Management Discussion and Analysis with respect thereto, are available on SEDAR at [www.sedar.com](http://www.sedar.com). The Annual Report, including the audited consolidated financial statements of the Fund for the year ended December 31, 2009, together with the auditors' report thereon, and the Management Discussion and Analysis with respect thereto, have been circulated to the Unitholders.

### **Election of Trustees**

The Declaration of Trust provides that the Fund must have a minimum of three and a maximum of 10 Trustees. Until otherwise so determined by resolution of the Trustees, the number of Trustees is five.

At the Meeting, Unitholders will be asked to pass a resolution electing five nominees, named below, to act as Trustees. Each Trustee will hold office until the next annual meeting or until his successor is elected or appointed. All five of the nominees are currently Trustees.

It is not anticipated that any of the nominees will be unable to serve as Trustees, but if that should occur for any reason prior to the Meeting, or any adjournment thereof, the persons named in the enclosed form of proxy shall be entitled to vote for any other nominee(s) in their discretion. Each Trustee elected will hold office until the next annual meeting of Unitholders or until his successor is elected or appointed.

The table and notes below set out, in respect of each nominee to the Board of Trustees, the name and municipality of residence of each person proposed to be nominated for election as a Trustee, the period or periods during which the nominee has served as a Trustee, the nominee's principal occupation or employment during the last five years and all other positions with the Fund and any affiliate thereof now held by the nominee, if any, and the number of Units beneficially owned, or controlled or directed, directly or indirectly, by the nominee as at May 26, 2010. The statement as to ownership, control and discretion over Units is based upon information furnished by the relevant nominee.

Name and Municipality of Residence	Position with the Fund	Date first became a Trustee	Principal Occupation	Number of Units Beneficially Owned or Controlled <sup>(1)</sup>
John K. Bell <sup>(1)(2)(3)</sup> Cambridge, Canada	Trustee	August 8, 2005	Chairman, Onbelay Investment Corporation	222,352
K. Michael Edwards <sup>(1)(2)(3)</sup> Toronto, Canada	Trustee	August 8, 2005	Chairman and Chief Executive Officer, FieldWorker Products Limited	152,622
Richard W. Ivey <sup>(1)(2)(3)</sup> Toronto, Canada	Trustee	August 8, 2005	Chairman, Ivest Properties Limited	673,112
Gerry Smith <sup>(1)(2)(3)</sup> Orillia, Canada	Trustee	August 8, 2005	President, Huronia Investments Limited	291,190
David A. Williams <sup>(1)(2)(3)</sup> Toronto, Canada	Trustee	August 8, 2005	President, Roxborough Holdings Limited	700,000

**Notes:**

- (1) All Units beneficially owned or controlled and set out in the table above are Fund Units.
- (2) Denotes member of the Audit Committee.
- (3) Denotes member of the Compensation and Corporate Governance Committee.

The following is a brief profile of each nominee to the Board of Trustees:

*John K. Bell.* Mr. Bell is Chief Executive Officer of Onbelay Investment Corporation, a private equity company with investments in technology, telematics and automotive. Previously he was owner and Chief Executive Officer of Polymer Technologies Inc., a North American automotive parts manufacturer. Prior to that he was the founder and owner of Shred Tech Limited, a world leader in recycling technology and equipment. He is Chairman of BSM Wireless Inc., a director of Strongco Income Fund and the Royal Canadian Mint. Mr. Bell is the Past Chairman of Cambridge Memorial Hospital and Waterloo Regional Police. Mr. Bell is a graduate of the University of Western Ontario School of Business and a Fellow of the Institute of Chartered Accountants of Ontario.

*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 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, a director of FundSERV, Energy Split Corp Inc. and Energy Split Corp II Inc. He is also a member and past-Chair of the Business Advisory Council of the University of Alberta, and a founding director and 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. For many years he was an executive in the packaging and logistics industries. 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, member of the Advisory Board of the Richard Ivey School of Business, member of the board of directors of MaRS Discovery District, the Toronto Community Foundation and Pearson College of the Pacific Foundation, 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. He is also an owner and executive with Point To Point Communications Limited and Sitecom Services Limited, both companies involved in the supply of wireless communication products and services and the development of wireless broadband solutions. 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, and Connor Clark Limited. 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. He is a director of Radiant Energy Services, Western Copper, Atlantis Systems Corp., Resin Systems Inc., SQ1 Diagnostics, 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 Directors of GP Trustee, the administrator of the Fund, will be the five Trustees and the following five individuals. The table and notes below set out the name and municipality of residence of each Director, the period or periods during which each Director has served as a director of GP Trustee, the Director's principal occupation or employment during the last five years and all other positions with the Fund and any affiliate thereof now held by the Director, if any, and the number of Units beneficially owned, or controlled or directed, directly or indirectly, by the Director as at May 26, 2010. The statement as to ownership, control and discretion over Units is based upon information furnished by the relevant Director.

<b>Name and Municipality of Residence</b>	<b>Position with GP Trustee</b>	<b>Date first became a Director<sup>(1)</sup></b>	<b>Principal Occupation</b>	<b>Number of Units Beneficially Owned or Controlled<sup>(2)</sup></b>
Aubrey W. Baillie Toronto, Canada	Director	August 8, 2005	Executive Chairman, GP Trustee	1,364,300
Dean T. MacDonald St. John's, Newfoundland	Director	December 1, 2008	President and Chief Executive Officer, the Fund	781,345
David T. Lloyd Toronto, Ontario	Director	August 8, 2005	President & Managing Director, Newport Investment Counsel Inc. <sup>(3)</sup>	1,411,795
Douglas C. Brown Toronto, Ontario	Director	August 8, 2005	Managing Director, Newport Investment Counsel Inc. <sup>(3)</sup>	1,422,746
Mark A. Kinney Toronto, Ontario	Director	August 8, 2005	Managing Director, Newport Investment Counsel Inc. <sup>(3)</sup>	1,327,426

**Notes:**

- (1) Directors are re-elected annually.
- (2) All Units beneficially owned or controlled and set out in the table above are Fund Units.
- (3) Newport Investment Counsel Inc. is a wholly-owned subsidiary of NPLP, which, in turn, is a wholly-owned by NP Holdings.

The following is a brief profile of each of the Directors, other than those who are also Trustees:

*Aubrey W. Baillie.* Mr. Baillie is Executive Chairman of GP Trustee and one of the founders of NPLP, with over 35 years of 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 director of Brompton Corp., an indirect subsidiary of the Fund. He is a past Chair of the board of trustees of the United Way of Greater Toronto, Chair of the board of the Juvenile Diabetes Research Foundation, Canada and Appleby College Foundation. Mr. Baillie holds a degree in Business Administration from the University of Western Ontario, and is a chartered accountant.

*Dean MacDonald.* Mr. MacDonald is President and Chief Executive Officer of the Fund. He has a long and successful career as an operating executive and entrepreneur. His operating experience includes serving as the Chief Operating Officer of Rogers Cable and as the Chief Executive Officer of Persona Communications, a cable and internet services company. Mr. MacDonald worked with a syndicate of investment partners to turn around Persona's

operations and subsequently sold the business at a significant premium to its purchase price in 2007. Mr. MacDonald sits on the board of UniTek Global Services, Inc. and has also served as Chairman of the Newfoundland and Labrador Energy Corporation which manages the province's oil and gas assets. He has management and investment experience in a number of industries including advertising, marketing and communications. In 2007, Mr. MacDonald was selected as Chief Executive Officer of the Year by Birch Hill Capital Partners.

*David T. Lloyd.* Mr. Lloyd is one of the founders of NPLP and has over 25 years of wealth management advisory experience. Prior to forming NPLP, 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 at 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 is a contributing author of NPLP's blog, has written articles that have been published in a variety of financial journals, and has appeared on various business television programs. Mr. Lloyd has a Bachelor of Arts (Economics) from the University of Western Ontario and is a chartered accountant.

*Douglas C. Brown.* Mr. Brown is one of the founders of NPLP with 25 years of experience advising individuals and families on wealth management. Mr. Brown was called to the Law Society of Upper Canada in 1985 and was a partner at the firm Fasken & Calvin (now Fasken Martineau DuMoulin LLP). In 1994, he left his partnership 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 acquired by the 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 the University of Toronto, and a Bachelor of Laws from the University of Windsor.

*Mark A. Kinney.* Mr. Kinney is one of the founders of NPLP with over 20 years of experience in the financial industry. Mr. Kinney is a director of Brompton Corp., an indirect subsidiary of the Fund. Prior to joining NPLP, he was a vice president at RBC Private Counsel. 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 at Canada Trust in 1989. Mr. Kinney is Chair of NPLP's Investment Committee. Mr. Kinney is a director of The Yellow Bus Foundation. He received an Honours Bachelor of Arts (Economics) from York University, and MBA (Finance) from McMaster University and is a CFA charterholder. He is also a current member of the Toronto Society of Financial Analysts, and is a member of the Association for Investment Management and Research.

#### **Corporate Cease Trade Orders or Bankruptcies**

Mr. Williams was a director of Octagon Industries Inc. from November 1993 to 2005. Octagon Industries Inc. 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 Industries Inc. 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, the trustees of Octagon Industries Inc., sent a proposal to unsecured creditors of Octagon Industries Inc. 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.

Mr. Baillie became a director of the NRG Group Inc. 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 at [www.sedar.com](http://www.sedar.com) on August 7, 2003 and August 18, 2003, respectively, and the cease trade orders were revoked. On July 23, 2003, NRG was voluntarily delisted from the TSX. In August 2003, the shareholders of NRG approved the acquisition of Welton Energy Corporation, a private Alberta-based oil and natural gas company, by NRG.

## **Appointment of Auditors**

At the Meeting, Unitholders will be asked to pass a resolution appointing Ernst & Young LLP to continue as auditors of the Fund, and to authorize the Trustees to fix their remuneration.

See the Annual Information Form of the Fund for the year ended December 31, 2009, which is available on SEDAR at [www.sedar.com](http://www.sedar.com), for a summary of the fees paid to Ernst & Young LLP and other auditors who provided services to the Fund in 2009.

## **STATEMENT OF EXECUTIVE COMPENSATION**

### **Compensation Discussion and Analysis**

This Compensation Discussion and Analysis focuses on: (i) significant elements of the Fund's senior management compensation program; (ii) principles on which the Fund makes compensation decisions and on which it determines the amount of each element of senior management compensation; and (iii) an analysis of the material compensation decisions made by the Compensation and Corporate Governance Committee for the financial year ended December 31, 2009.

### **Compensation and Corporate Governance Committee**

The Compensation and Corporate Governance Committee makes recommendations to the Board of Directors regarding senior management compensation and human resource policies, including compensation of the Chief Executive Officer. The Compensation and Corporate Governance Committee reports to the Board of Directors, as set out in its terms of reference, and the Board of Directors gives final approval on compensation matters.

The Compensation and Corporate Governance Committee is comprised of Michael Edwards (Chair), John K. Bell, Richard Ivey, Gerry Smith, David Williams and Brian Tobin. All of the members of the Compensation and Corporate Governance Committee are independent members of the Board of Directors within the meaning of Multilateral Instrument 52-110 – *Audit Committees*. Messrs. Bell and Williams were appointed to the Compensation and Corporate Governance Committee in June 2008 and Mr. Tobin was appointed in November 2009. Mr. Tobin will not continue as member of the Compensation Committee in 2010 as he will not be standing for re-election as Trustee or Director at the Meeting. None of the members of the Compensation and Corporate Governance Committee are, or have been, officers or employees of the Fund or GP Trustee.

The Compensation and Corporate Governance Committee has reviewed and discussed with management the compensation disclosure in this Circular, and has recommended to the Board of Directors and Trustees that the disclosure be included in this Circular.

### **Objectives of the Fund's Compensation Programs**

The Fund's compensation programs are intended to meet the following principal objectives:

- To advance the business strategy of the Fund;
- To enhance the growth and profitability of the Fund;
- To provide competitive levels of compensation in order to attract, retain and motivate high-quality individuals at all levels of the organization;
- To encourage individual performance and achievement of business objectives;
- To maintain an entrepreneurial spirit by linking incentives to performance;

- To incentivize and align the interests of management with the long-term interests of Unitholders; and
- To foster a sense of teamwork and fairness.

The following outlines: (i) each element of compensation; (ii) why the Fund has chosen to pay each element; (iii) how the Fund determines the parameters for the calculation and payment of compensation; and (iv) how each compensation element fits within the Fund's overall compensation objectives.

### **Elements of Compensation**

The Fund's compensation program for 2009 included the following elements:

- Base salary;
- Annual bonus; and
- Incentive Option Plan.

The Fund also provided in 2009 a benefits program consisting of medical, dental, life insurance and disability benefits. The Fund believes that providing these benefits furthers its compensation objectives. These programs offer a total compensation package that is, generally speaking, competitive with companies of similar size and scope in the industries in which the Fund operates. The Fund does not use any benchmarking in determining compensation or other elements of compensation. No outside compensation consultant was engaged by the Compensation and Corporate Governance Committee in determining compensation paid by the Fund in 2009.

These compensation programs are collectively intended to create a link between compensation and the achievement of the Fund's business strategy in the short, medium and long term by providing a balanced mix of fixed income and performance-based income. For 2009, the Fund's primary business objectives were the stabilization of the Fund's balance sheet and streamlining operations of investee businesses. Short term compensation (such as cash) rewards current performance and long term compensation (such as the Incentive Option Plan) serves as a retention tool and encourages senior management to produce positive long-term results and aligns their interests with those of Unitholders. From 2006 to 2008, a Fund Unit loan plan formed part of the senior management compensation package and has been discontinued. The Incentive Option Plan was approved by Unitholders on November 30, 2009. Senior management's actual compensation is determined using a balanced mix of personal performance and the Fund's performance.



## Details of the Elements of the Fund's Compensation Programs

Element	Description	Purpose
Base Salary	Paid 100% in cash. Based on position and generally reviewed annually.	To attract, motivate and retain, and to provide a median base level of fixed compensation that is consistent with market practice.
Annual bonus	Paid 100% in cash. Performance-based discretionary incentives based on achievement of the Fund's business objectives. Amounts can vary significantly from year to year. The bonus amount is typically capped at 100% of base salary.	To provide a component of compensation that: (i) rewards near-term performance and results generated by the senior management; and (ii) fosters teamwork and fairness.
Incentive Option Plan	Rewards achievement of performance objectives through growth and a proprietary interest in the Fund.	To attract, motivate and retain qualified trustees, directors, officers, employees, consultants and third party service providers and to align their interests with the long-term interests of Unitholders.

The following further describes each element of compensation, including how each element fits into the Fund's overall compensation objectives.

### Base Salary

The Fund pays a base salary as a means of providing a non-performance based element of compensation that is certain and predictable and is generally competitive with market practices. Base salaries are generally reviewed annually, although base salaries may be adjusted at other times of the year in connection with a promotion or other change in roles or responsibilities. The review focuses on the roles and responsibilities of individuals, external market data for similar positions, and the recommendation of the President and Chief Executive Officer. The Fund believes that providing a predictable base salary is fair and essential to attract and retain talented individuals. The determination of the appropriate level of base salary for each individual is subjective and not formulaic. The Compensation and Corporate Governance Committee negotiates salary levels and changes for the President and Chief Executive Officer and makes recommendations to the Board of Directors for a final determination. The President and Chief Executive Officer negotiates the salary level for the Chief Financial Officer and other senior management. Base salary recognizes and compensates senior management for their position, experience and professional qualifications and the level of responsibility of the position.

### Annual Bonus

The Fund has established an annual bonus policy based on overall performance of the Fund and related contribution and achievements of its senior management. The Fund believes that performance-based compensation is an important element of the compensation programs. The Fund's annual bonus policy is intended to provide the opportunity for senior management to realize additional gains when the Fund's annual performance objectives are met or exceeded.

## Incentive Option Plan

On November 30, 2009, the Incentive Option Plan was approved by the Unitholders. The Incentive Option Plan is designed to reward achievement of performance objectives by aligning the goals of the Fund with those of individual employees, through growth and granting a proprietary interest in the Fund. The Incentive Option Plan, under which options are granted based on individual contribution and performance, was put in place to attract, motivate and retain qualified employees, directors, trustees, consultants and third party service providers. No options were granted under the Incentive Option Plan in 2009.

## Other Perquisites

Senior management participate in other group benefit plans, including medical, dental, life insurance and disability benefits plans, that are available to all employees of the Fund and GP Trustee. In addition, in 2009 certain senior management members received a housing allowance, car allowance and contributions to an RRSP, and these programs were discontinued in 2010. The perquisite program of the Fund for senior management is approved by the President and Chief Executive Officer. Base salary recognizes and compensates executives for their position, experience and professional qualifications and the level of responsibility of the position.

## Summary Compensation Table

The following table sets forth the compensation paid or awarded to the following officers the Fund: (i) the President and Chief Executive Officer; (ii) the Secretary; (iii) the Chief Financial Officer; (iv) the Chief Operating Officer; and (v) the Vice-President (collectively, the "**Named Executive Officers**") for the Fund's financial year ended December 31, 2009:

Name and principal position	Year	Salary (\$)	Unit-based awards (\$) <sup>(2)</sup>	Option-based awards (\$) <sup>(2)</sup>	Non-equity incentive plan compensation (\$)		Pension value (\$) <sup>(3)</sup>	All other compensation (\$)	Total compensation (\$)
					Annual incentive plans <sup>(3)</sup>	Long-term incentive plans <sup>(3)(5)</sup>			
Dean T. MacDonald, President and Chief Executive Officer	2009	750,000 <sup>(1)</sup>	Nil	Nil	750,000 <sup>(1)</sup>	Nil	N/A	375,000 <sup>(1)</sup>	1,875,000 <sup>(1)</sup>
Kelly Baird, Secretary <sup>(9)</sup>	2009	250,000	Nil	Nil	Nil	Nil	N/A	152,713 <sup>(4)</sup>	402,713
Keith Halbert, Chief Financial Officer <sup>(9)</sup>	2009	326,404	Nil	Nil	325,000	Nil	N/A	N/A	651,404
C. Paul Hatcher, Chief Operating Officer	2009 <sup>(6)</sup>	284,250	Nil	Nil	325,000	Nil	N/A	N/A	609,250
Charles Hutchings, Vice-President	2009 <sup>(7)</sup>	197,791	Nil	Nil	280,000	Nil	N/A	23,750 <sup>(8)</sup>	501,541

### Notes:

- (1) Mr. MacDonald was paid a \$750,000 consulting fee, with a \$750,000 bonus and a \$375,000 signing bonus. The fee was paid to Deacon Investments Limited, a company controlled by Mr. MacDonald. Effective January 1, 2010, Mr. MacDonald's compensation was changed to a base salary of \$750,000 and performance bonus to better align its structure with that of other senior management.

- (2) As at December 31, 2009, there were no Unit-based awards or option-based awards outstanding in favour of any Named Executive Officers.
- (3) The Fund does not have any defined benefit or defined contribution plans or any plans that provide for the payment of pension plan benefits.
- (4) Represents amounts paid by NPLP for services performed by Ms. Baird as its Chief Operating Officer.
- (5) The long-term incentive plan was cancelled with the introduction of the Incentive Option Plan on November 30, 2009.
- (6) Mr. Hatcher joined the Fund on February 16, 2009 and his annual salary was set at \$325,000 per annum.
- (7) Mr. Hutchings joined the Fund on March 16, 2009 and his annual salary was set at \$250,000 per annum.
- (8) Represents a car allowance and RRSP contribution paid to or on behalf of Mr. Hutchings. Effective January 1, 2010, these amounts are included in base salary.
- (9) Ms. Baird was Chief Financial Officer until Mr. Halbert's appointment to the role on December 1, 2009. Ms. Baird retained the role of Secretary.

## Pension Plan

The Fund has not adopted any retirement plan, pension plan or deferred compensation plan.

## Termination and Change of Control Benefits

The following agreements were in place for the fiscal year ended 2009.

Event	Action
Resignation	<ul style="list-style-type: none"> <li>• All salary and benefit programs cease</li> <li>• Annual incentive bonus is not paid</li> <li>• Unvested options terminate; vested options may be exercised the earlier of (i) 90 days following the date of termination, or (ii) the date the options expire</li> </ul>
Death & Disability	<ul style="list-style-type: none"> <li>• Salary ceases</li> <li>• Benefit programs are continued for a period of 365 days and payout is made on any applicable insurance benefits</li> <li>• Annual incentive bonus is paid on a <i>pro rata</i> basis</li> <li>• Unvested options terminate; vested options may be exercised the earlier of (i) 90 days following the date of death or disability, or (ii) the date the options expire</li> </ul>
Termination without cause	<ul style="list-style-type: none"> <li>• All salary and benefit programs cease</li> <li>• Severance provided equal to a multiple of salary and bonus<sup>(1)</sup> received for the 12-month period preceding the date of termination (excluding benefits program)</li> <li>• Unvested options terminate; vested options may be exercised the earlier of (i) 90 days following the date of termination, or (ii) the date the options expire</li> </ul>
Termination on change of control	<ul style="list-style-type: none"> <li>• Salary ceases</li> <li>• Severance provided equal to a multiple of salary and bonus<sup>(2)</sup> for the 12-month period preceding the date of termination; benefits to continue</li> <li>• All outstanding options vest; vested options may be exercised at the earlier of (i) 90 days following the change of control and (ii) the date the options expire</li> <li>• Change of Control events include the acquisition by any person or group of more than 35% of the outstanding Fund units, the liquidation or dissolution of the Fund (other than in connection with the conversion of the Fund from a trust to a corporation), the sale or other disposition of all or substantially all of the Fund's assets, significant changes to the members of the Board of Trustees in certain circumstances, the issuance of Fund units in repayment of the principal amount of the Fund's outstanding Series 2005 or Series 2007 unsecured convertible debentures</li> </ul>

Event	Action
	if, following such repayment, the former holders of either series of debentures would hold, in aggregate, more than 50% of the outstanding Fund units, and certain other events resulting in any person or group having the power to exercise effective control of the Fund.
Termination with cause	<ul style="list-style-type: none"> <li>All salary and benefit programs cease</li> <li>Annual incentive bonus is not paid</li> <li>Unvested options terminate; vested options may be exercised the earlier of (i) 30 days following the date of termination, or (ii) the date the options expire</li> </ul>

<sup>(1)</sup>Multiples of salary are set as follows: Mr. MacDonald (2), Messrs. Hatcher and Hutchings (1.5), Mr. Halbert and Ms. Baird (1).

<sup>(2)</sup>Multiples of salary are set as follows: Messrs. MacDonald, Hatcher and Hutchings (2), Mr. Halbert and Ms. Baird (1.5).

The following table sets forth the amounts that the Named Executive Officers would have received upon termination of employment for the various reasons outlined below, determined as if termination occurred on December 31, 2009.

Name	Event <sup>(1)</sup>	Amounts Due on Termination					
		Contractual Severance		Benefits (\$)	Long term incentives	Other (\$)	Total (\$)
		Salary (\$)	Annual Bonus (\$) <sup>(1)</sup>		Options (\$)		
<b>Dean T. MacDonald</b> <sup>(2)</sup> President and Chief Officer	Termination with cause	0	0	0	0	0	0
	Termination without cause	1,500,000	1,500,000	0	0	0	3,000,000
	Resignation	0	0	0	0	0	0
	Death and Disability	0	0	-	0	0	Benefits
	Change of Control <sup>(3)</sup>	1,500,000	1,500,000	-	0	0	3,000,000
<b>Kelly Baird</b> Secretary	Termination with cause	0	0	0	0	0	0
	Termination without cause	250,000	0	0	0	152,713	402,713
	Resignation	0	0	0	0	0	0
	Death and Disability	0	0	-	0	0	Benefits
	Change of Control <sup>(3)</sup>	375,000	0	-	0	-(4)	375,000 <sup>(4)</sup>
<b>Keith Halbert</b> Chief Financial Officer	Termination with cause	0	0	0	0	0	0
	Termination without cause	326,404	325,000	0	0	0	651,404
	Resignation	0	0	0	0	0	0
	Death and Disability	0	0	-	0	0	Benefits
	Change of Control <sup>(3)</sup>	489,606	487,500	-	0	0	977,106
<b>C. Paul Hatcher</b> Chief Operating Officer	Termination with cause	0	0	0	0	0	0
	Termination without cause <sup>(6)</sup>	487,500	390,000	0	0	0	877,500
	Resignation	0	0	0	0	0	0
	Death and Disability	0	0	-	0	0	Benefits
	Change of Control <sup>(3) (6)</sup>	650,000	520,000	-	0	0	1,170,000
<b>Charles Hutchings</b> Vice President	Termination with cause	0	0	0	0	0	0
	Termination without cause <sup>(6)</sup>	375,000	300,000	0	0	35,625 <sup>(5)</sup>	710,625
	Resignation	0	0	0	0	0	0
	Death and Disability	0	0	-	0	0	Benefits
	Change of Control <sup>(3) (6)</sup>	500,000	400,000	-	0	47,500 <sup>(5)</sup>	947,500

(1) The figures are based upon the occurrence of termination on December 31, 2009, and represent severance payments in addition to full salary, bonus and other amounts having been paid for the year 2009.

(2) Mr. MacDonald was an independent contractor in 2009, his compensation being paid to Deacon Investments Limited, a corporation controlled by Mr. MacDonald.

(3) Benefits continue for 12 months.

(4) Ms. Baird receives compensation from NP LP, and the governing agreement is silent as to change of control.

(5) Represents salary in kind, including car allowance and RRSP contributions. Effective January 1, 2010, these amounts are included in base salary.

(6) Messrs. Hatcher and Hutchings' employment contracts stipulate that, had they been employed for less than two years, the severance provisions are based on (a) salary component: a multiple of annual base salary; (b) bonus component: a multiple of 80% of annual base salary; and (c) a multiple of other compensation.

Mr. Mikhel Holmberg ceased to be General Counsel effective March 6, 2009. Under the terms of a settlement agreement with the Newport Group, Mr. Holmberg was paid \$370,000 (representing total compensation paid in the previous 12 months) and was released from a personal guarantee in respect of a loan from the Newport Group to his company AMI Canada Corporation (the Newport Group disputes the validity of this release). Also in the settlement agreement, Mr. Holmberg released the Newport Group from all claims he may have related to his employment, and agreed to continue to comply with the provisions of his employment contract relating to non-competition, non-solicitation and confidentiality. Also see “Indebtedness of Trustees, Directors and Executive Officers under Securities Purchase and Other Programs.”

Mr. Michael Svetkoff ceased to be Managing Director effective August 24, 2009 upon his resignation. No amounts have been paid to Mr. Svetkoff in connection with his departure. Mr. Svetkoff's employment agreement dated August 5, 2005 contains provisions relating to non-competition, non-solicitation and confidentiality, that must be complied with. Subsequently, Mr. Svetkoff has commenced litigation in which he claims that he was constructively dismissed. The Newport Group has defended itself against this claim, and counterclaimed against Mr. Svetkoff for related matters. Also see “Indebtedness of Trustees, Directors and Executive Officers under Securities Purchase and Other Programs.”

### Trustee and Director Compensation

Each Trustee is entitled to an annual retainer of \$35,000 for and in respect of the Fund's 2009 financial year and such retainer is paid quarterly in arrears. In addition, each Trustee is entitled to \$5,000 per annum, payable quarterly in arrears, to act as a director of GP Trustee. Each Trustee is paid an attendance fee of \$1,000 per quarterly meeting and is entitled to be reimbursed for reasonable out-of-pocket expenses incurred in connection with the conduct of Fund business. The Chairs of the Audit Committee and of the Compensation and Corporate Governance Committee are paid \$10,000 and \$5,000 per annum, respectively. Mr. Baillie is paid \$100,000 per annum for his services as Executive Chairman. Messrs. Brown, Lloyd, Kinney and MacDonald did not receive any remuneration for their services as Directors in 2009.

### Trustee and Director Compensation Table

The following table sets forth information concerning the compensation paid to Trustees and Directors for the financial year ended December 31, 2009:

Name and principal position	Fees paid (\$)	Unit-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value <sup>(1)</sup> (\$)	All other compensation (\$)	Total compensation (\$)
Aubrey Baillie (Director)	100,000	Nil	Nil	Nil	N/A	Nil	100,000
John K. Bell (Trustee)	54,000	Nil	Nil	Nil	N/A	Nil	54,000
Douglas C. Brown (Director)	Nil	Nil	Nil	Nil	N/A	762,462 <sup>(2)</sup>	762,462
K. Michael Edwards (Trustee)	48,000	Nil	Nil	Nil	N/A	Nil	48,000
Richard W. Ivey (Trustee)	44,000	Nil	Nil	Nil	N/A	Nil	44,000
Mark A. Kinney (Director)	Nil	Nil	Nil	Nil	N/A	762,462 <sup>(2)</sup>	762,462
David T. Lloyd (Director)	Nil	Nil	Nil	Nil	N/A	762,462 <sup>(2)</sup>	762,462
Dean T. MacDonald (Director)	Nil	Nil	Nil	Nil	N/A	1,875,000 <sup>(3)</sup>	1,875,000
Gerry Smith (Trustee)	44,000	Nil	Nil	Nil	N/A	Nil	44,000

Name and principal position	Fees paid (\$)	Unit-based awards (\$)	Option-based awards (\$)	Non-equity incentive plan compensation (\$)	Pension value <sup>(1)</sup> (\$)	All other compensation (\$)	Total compensation (\$)
Peter Wallace <sup>(4)</sup>	Nil	Nil	Nil	Nil	N/A	200,000 <sup>(4)</sup>	200,000
David A. Williams (Trustee)	44,000	Nil	Nil	Nil	N/A	Nil	44,000
Brian Tobin (Trustee) <sup>(5)</sup>	Nil	Nil	Nil	Nil	Nil	Nil	Nil
Total:	334,000						4,696,386

**Notes:**

- (1) The Fund does not have any defined benefit or defined contribution plans or any plans that provide for the payment of pension plan benefits.
- (2) Messrs. Brown, Kinney and Lloyd are compensated directly from the Fund in the amount of \$200,000 per annum for the performance of specified activities related to the management of the Fund. In addition, Messrs. Brown, Kinney and Lloyd receive compensation from NPLP for their employment activities. For 2009 this amounted to \$562,462. Such compensation is not set or approved by the Fund and is not related to their role as a Director of NPY. Compensation for all NPLP employees is set annually by the compensation committee of NPLP and approved by NPLP's Board.
- (3) Mr. MacDonald was appointed as President and Chief Executive Officer effective December 1, 2008 and for 2009 Mr. MacDonald was paid a \$750,000 consulting fee. The fee was paid to Deacon Investments Limited a company controlled by Mr. MacDonald. Effective January 1, 2010, Mr. MacDonald's compensation was changed to a base salary of \$750,000 and performance bonus to better align its structure with that of other senior management.
- (4) Mr. Wallace resigned as a Director effective January 22, 2009. Prior to December 1, 2008, Mr. Wallace was the President and Chief Executive Officer of GP Trustee. Mr. Wallace was paid \$400,000 as a retiring allowance in December 2008. In addition on December 17, 2009, Mr. Wallace was paid an additional \$200,000 as a retiring allowance.
- (5) Mr. Tobin was first elected on November 30, 2009. No fees were paid to Mr. Tobin in 2009; however, Mr. Tobin received related fees in 2010.

**Conclusion**

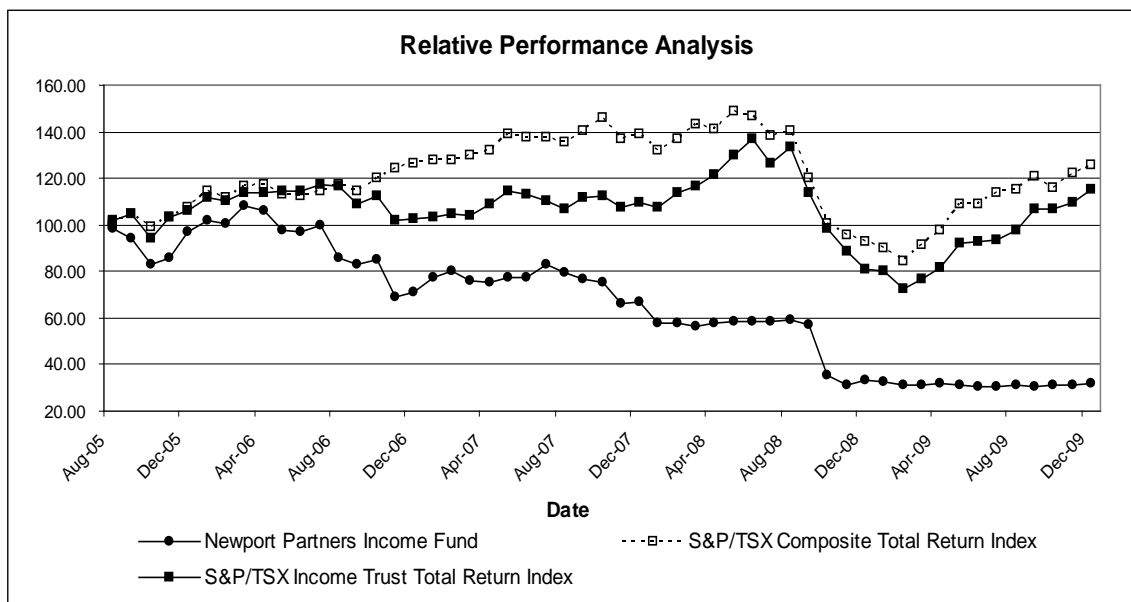
The Compensation and Corporate Governance Committee believes that the various components of compensation, together with the Incentive Option Plan, are appropriately balanced to provide direction and motivation for senior management to make a positive contribution to the Fund's overall success, thereby enhancing the value of the Fund for its Unitholders.

The foregoing report on executive compensation is submitted by the Compensation and Corporate Governance Committee:

Michael Edwards (Chair)  
John K. Bell  
Richard Ivey  
Gerry Smith  
David Williams  
Brian Tobin

**Performance Graph**

The following graph compares the total cumulative return to Unitholders for \$100 invested in Fund Units with the total cumulative return of the S&P/TSX Composite Total Return Index and the S&P/TSX Income Trust Total Return Index for the period from August 8, 2005, when the Fund Units were first listed for trading on the TSX, to December 31, 2009, assuming a \$100 investment on August 8, 2005 and reinvestment of distributions during the period:



As discussed earlier in this Circular, the Compensation and Corporate Governance Committee considers a number of factors in connection with its determination of appropriate levels of compensation for Named Executive Officers. These factors do not necessarily track the changes in the market value of Fund Units.

During the period covered by the performance graph, the performance of the Fund was one of the factors in determining and awarding the base salaries of the Named Executive Officers and related performance-based compensation. In 2009, the Fund’s senior management underwent a number of changes with a view of improving long-term Fund performance. Please see “Trustee and Director Compensation Table.”

**Aggregate Indebtedness**

Except as set forth in the table below, no trustee, director, executive officer or employee, and no former trustee, director, executive officer or employee, of the Fund or any of its subsidiaries, is currently indebted to the Fund or any of its subsidiaries, and no indebtedness of such persons is or has been the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Fund or any of its subsidiaries.

Purpose	To the Fund or its Subsidiaries	To Another Entity
Fund Unit purchases	\$3,951,594	Nil

**Indebtedness of Trustees, Directors and Executive Officers under Securities Purchase and Other Programs**

Except as set forth in the table below, no Trustee, Director, executive officer or proposed nominee for election as a Trustee or Director, and no former Trustee, Director or executive officer, of the Fund or GP Trustee, nor any associate thereof, is currently, or was at any time during the financial year ended December 31, 2009, indebted to the Fund or any of its subsidiaries, and no indebtedness of such persons is or has been the subject of a guarantee, support agreement, letter of credit or other similar agreement provided by the Fund or any of its subsidiaries.

Name and Principal Position	Involvement of Fund or Subsidiary	Largest Amount Outstanding During the Financial Year Ended December 31, 2009 (\$)	Amount Outstanding as at April 30, 2010 (\$)	Financially Assisted Securities Purchased (#)	Security for Indebtedness	Amount Forgiven During the Financial Year Ended December 31, 2009 (\$)
Keith Halbert, Chief Financial Officer	Newport Partners Holdings LP	\$250,000	\$250,000	27,561 Fund Units <sup>(1)</sup>	Pledge of Fund Units	Nil
Mark Kinney	Newport Securities LP	\$504,198	\$504,198	N/A <sup>(2)</sup>	Pledge of Fund Units	Nil
Douglas Brown	Newport Securities LP	\$188,649	\$188,649	N/A <sup>(3)</sup>	Pledge of Fund Units	Nil
Michael Svetkoff <sup>(4)</sup>	Newport Securities LP	\$654,049	\$658,806	N/A	Pledge of Fund Units	Nil
Mikhel Holmberg <sup>(5)</sup>	Newport Securities LP	\$256,063	\$258,013	27,561 Fund Units	Pledge of Fund Units	Nil

**Notes:**

- (1) Mr. Halbert was provided with a loan in the amount of \$250,000 to purchase Fund Units in June 2006. The loan bears interest at prime, is payable quarterly, and is secured by a pledge of the Fund Units purchased and a general security agreement.
- (2) Mr. Kinney, indirectly through Brackenrig Holdings Limited, a company owned by Mr. Kinney, was provided with a loan in the amount of \$504,198 to refinance his third party loan obtained to purchase Fund Units. The loan bears interest at prime, is payable quarterly in arrears, is secured by a pledge of Fund Units, a general security agreement and a personal guarantee of Mr. Kinney. Mr. Kinney exercises direction over the Fund Units owned by Brackenrig Holdings Limited, although such Fund Units are in the physical possession of Newport Securities LP.
- (3) Mr. Brown, indirectly through Jorsam Investments Inc., a company owned by Mr. Brown, was provided with a loan in the amount of \$188,649 to refinance his third party loan obtained to purchase Fund Units. The loan bears interest at prime, is payable quarterly in arrears and is secured by a pledge of Fund Units, a general security agreement and a personal guarantee of Mr. Brown. Mr. Brown exercises direction over the Fund Units owned by Jorsam Investments Inc., although such Fund Units are in the physical possession of Newport Securities LP.
- (4) Bedford Holdco Inc., a company wholly owned and controlled by Mr. Svetkoff, was provided with a loan in December 2008 in the amount of \$643,056 to refinance both Mr. Svetkoff's third party loan obtained to purchase Fund Units and certain other of his debts. The loan bears interest at prime, is payable quarterly in arrears, and is secured by a pledge of Fund Units and a personal guarantee of Mr. Svetkoff. Mr. Svetkoff ceased to be an employee of the Newport Group effective August 24, 2009. The loan became due and payable on August 24, 2009 when Mr. Svetkoff left the employ of Newport Group; the loan is also in default for non-payment of interest. The Fund has issued a claim against Bedford Holdco Inc. and Mr. Svetkoff in respect of the loan and other matters. In addition, the Fund has commenced proceedings to enforce its security against the Fund Units pledged as security for the loan.
- (5) AMI Canada Corporation, a company wholly owned and controlled by Mr. Holmberg, was provided with a loan in the amount of \$250,000 to purchase Fund Units in June 2006. The loan bears interest at prime, is payable quarterly, and is secured by a pledge of the Fund Units purchased. A personal guarantee in the amount of \$125,000 was also given by Mr. Holmberg as security. That guarantee was later purportedly released, but there is a dispute before the court as to the validity or enforceability of that release. Mr. Holmberg ceased to be an employee of the Fund effective March 6, 2009. The loan is in default for non-payment of interest. The Fund has issued a claim against AMI Canada Corporation and Mr. Holmberg in respect of this loan and other matters. In addition, the Fund had commenced proceedings to enforce its security against the Fund Units pledged as security for the loan.

**INTERESTS OF CERTAIN PERSONS OR COMPANIES IN MATTERS TO BE ACTED UPON**

Other than as disclosed in this Circular, to the knowledge of the Fund, no person who has been a Trustee or officer of the Fund or Director or officer of GP Trustee at any time since January 1, 2009, no proposed Trustee of the Fund, and no associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, by way of beneficial ownership of securities or otherwise, in any matter to be acted upon at the Meeting, other than the election of Trustees.



## **INTEREST OF INFORMED PERSONS IN MATERIAL TRANSACTIONS**

Other than as disclosed in this Circular, to the knowledge of the Fund, no Trustee or officer of the Fund or Director or executive officer of GP Trustee, no person or company who beneficially owns, or controls or directs, directly or indirectly, more than 10% of the Fund Units or of the voting rights attached to the outstanding Special Voting Units, no director or executive officer of any of the foregoing, no proposed Trustee of the Fund, and no associate or affiliate of any of the foregoing, has had any material interest, direct or indirect, in any transaction since January 1, 2009 or any proposed transaction which has materially affected or would materially affect the Fund or any of its subsidiaries.

## **STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

The Canadian Securities Administrators have established National Policy 58-201 – *Corporate Governance Guidelines*, which sets out a series of guidelines for effective corporate governance (the "**Guidelines**"). The Guidelines address matters such as the constitution and independence of corporate boards, the functions to be performed by boards and their committees and the effectiveness and education of board members. National Instrument 58-101 – *Disclosure of Corporate Governance Practices* requires the disclosure by each public company of its approach to corporate governance with reference to the Guidelines. Appendix "A" to this Circular is a statement of the Fund's corporate governance practices.

## **OTHER BUSINESS**

The Fund knows of no matters to come before the Meeting other than the matters referred to in the accompanying Notice of Meeting.

## **DISCLAIMERS**

No person has been authorized to give any information or to make any representation on behalf of the Fund or any of its subsidiaries that is not contained in this Circular and, if given or made, such information or representation must not be relied upon as having been authorized. The delivery of this Circular shall not under any circumstances create any implication that the information contained herein is correct as of any time subsequent to the date hereof or that there has been no change in the information set forth herein or in any attachments hereto or in the affairs of the Fund or any of its subsidiaries since the date hereof.

## **TRANSFER AGENT AND REGISTRAR**

The transfer agent and registrar for the Fund Units is CIBC Mellon Trust Company at 320 Bay Street, PO Box 1, Toronto, Ontario M5H 4A6.

## **ADDITIONAL INFORMATION**

Information contained in this Circular is given as at May 26, 2010 except as otherwise noted. Additional information relating to the Fund can be found on SEDAR at [www.sedar.com](http://www.sedar.com). Financial information regarding the Fund can be found in the Fund's audited consolidated financial statements for the year ended December 31, 2009, together with the auditors' report thereon and the Management's Discussion and Analysis for the year ended December 31, 2009, and in the Fund's unaudited consolidated financial statements for the three months ended March 31, 2010, together with the Management's Discussion and Analysis for the three months ended March 31, 2010. Copies of this financial information, as well as any additional copies of this Circular, are available upon written request, free of charge, by contacting the Secretary of the Fund, Kelly Baird at [baird@newportpartners.ca](mailto:baird@newportpartners.ca) and are available on SEDAR at [www.sedar.com](http://www.sedar.com).

**APPROVAL**

The contents and mailing of this Circular have been approved by the Board of Trustees of the Fund.

Dated at Toronto, Ontario this 26<sup>th</sup> day of May, 2010.

**BY ORDER OF THE TRUSTEES**

A handwritten signature in black ink, appearing to read 'Kelly A. Baird', written in a cursive style.

Kelly A. Baird  
Secretary of Newport Partners Income Fund

**APPENDIX "A"**  
**STATEMENT OF CORPORATE GOVERNANCE PRACTICES**

National Instrument 58-101 – *Disclosure of Corporate Governance Practices* ("NI 58-101") and National Policy 58-201 – *Corporate Governance Guidelines* ("NP 58-201") of the Canadian Securities Administrators provide for mandated disclosure of an issuer's corporate governance practices and guidelines on best practices, respectively.

The board of directors (the "**Board of Directors**") of Newport Partners GP Inc. ("**GP Trustee**") is responsible for the governance of the Newport Partners Income Fund (the "**Fund**") and Newport Private Yield LP ("**NPY LP**"). The Compensation and Corporate Governance Committee reports to the Board of Directors. The Board of Directors and senior management recognize the importance of corporate governance to the effective management of the Fund and NPY LP and to unitholders of the Fund ("**Unitholders**"). The Fund's approach to significant issues of corporate governance is designed with a view to ensuring that the business and affairs of the Fund and NPY LP are effectively managed so as to enhance Unitholder value.

This statement on corporate governance practices has been prepared by the Compensation and Corporate Governance Committee of the Board of Directors.

The following sets out the Fund's approach to corporate governance in accordance with NI 58-101 and NP 58-201.

**Board of Trustees and Board of Directors**

The board of trustees of the Fund ("**Board of Trustees**") was comprised of five trustees for most of 2009 and moved to six with the appointment of Mr. Tobin on November 30, 2009. As required by the Fund's Declaration of Trust, all the trustees of the Fund must be "independent" (as defined below). All of the trustees are independent.

Pursuant to NI 58-101 and Multilateral Instrument 52-110 – *Audit Committees*, a trustee or director is independent if such trustee or director has no direct or indirect material relationship with the issuer, which could, in the view of the respective board, be reasonably expected to interfere with the exercise of a member's independent judgment. The Board of Directors is responsible for determining whether or not each director is "independent" (as defined below). The Board of Directors is comprised of the trustees of the Fund, all of whom are independent and representatives of management of the Fund and GP Trustee and its wholly-owned indirect subsidiary NPLP. In 2009 the following individuals were not considered independent: Aubrey Baillie, Douglas Brown, Mark Kinney, David Lloyd and Dean MacDonald. Peter Wallace resigned as a Director on January 22, 2009 and was not independent.

The other directorships which each of the trustees and directors hold in other reporting issuers (or equivalent in foreign jurisdictions) are as follows:

<b>Trustee/Director</b>	<b>Reporting Issuer</b>
Aubrey Baillie (Director)	Brompton Corp.
John K. Bell (Trustee)	BSM Technologies, ATS Automation Tooling Systems Inc. and Strongco Income Fund
K. Michael Edwards (Trustee)	Energy Split Corp Inc. and Energy Split Corp II Inc.
Dean T. MacDonald (Director)	UniTek Global Services, Inc., trading as Berliner Communications, Inc.
Mark A. Kinney (Director)	Brompton Corp.
The Honourable Brian Tobin	New Flyer Industries Inc., Aecon Group Inc., Consolidated Thompson Iron Mines Limited and Lions Gate Entertainment Corp.
David A. Williams (Trustee)	Western Copper Corporation, Atlantis Systems Corp., Resin Systems Inc. and RoadDor Industries Ltd.

The Board of Trustees has appointed K. Michael Edwards as the lead trustee. Mr. Edwards is independent of management. The Board of Directors of GP Trustee has not appointed a chair that is independent of management

because the Board of Directors believes that the role of the chair in setting the board agenda and ensuring that adequate and proper information is available to the Board of Directors is appropriately served for the time being by one who has knowledge of GP Trustee and its operations. Notwithstanding the foregoing, certain responsibilities are better served by independent committees such as the Compensation and Corporate Governance Committee and the Audit Committee. Amongst other things, the Compensation and Corporate Governance Committee has established procedures to govern the responsibilities of the Board of Directors and ensure that the Board of Directors acts independently of management. The independent members of the Board of Directors are also encouraged to conduct discussions and meet independently of management. The Board of Directors has adopted a policy of meeting without management present at each regularly scheduled meeting of the board. These sessions are of no fixed duration and participating directors are encouraged to raise and discuss any issues of concern. From January 1, 2009 to December 31, 2009, the independent directors of GP Trustee met six times without management present.

The attendance record of each trustee and director for board meetings of each of the Fund and GP Trustee, respectively, held from January 1, 2009 to December 31, 2009 is as follows:

<b>Trustee/Director</b>	<b>Trustee Meetings Attended</b>	<b>Board Meetings Attended</b>
Aubrey W. Baillie	Not applicable	5 of 5
John K. Bell	6 of 6	5 of 5
Douglas C. Brown	Not applicable	5 of 5
K. Michael Edwards	6 of 6	5 of 5
Richard W. Ivey	6 of 6	5 of 5
Mark A. Kinney	Not applicable	5 of 5
David T. Lloyd	Not applicable	4 of 5
Dean MacDonald	Not applicable	5 of 5
Gerry Smith	6 of 6	5 of 5
Hon. Brian Tobin <sup>(1)</sup>	1 of 6	1 of 5
Peter L. Wallace <sup>(2)</sup>	Not applicable	Not applicable
David A. Williams	6 of 6	5 of 5

**Notes:**

- (1) Mr. Tobin was appointed as a Trustee and Director on November 30, 2009.
- (2) Mr. Wallace resigned as a Director on January 22, 2009.

**Mandate of the Board of Trustees and Board of Directors**

The Board of Trustees and Board of Directors have adopted the following mandate setting out their responsibilities for the stewardship of GP Trustee, NPY LP and the Fund. The mandate of the Board of Trustees and the Board of Directors is to oversee management of both GP Trustee and the Fund and includes the following duties and responsibilities:

- Supervising the management of GP Trustee and the Fund;
- The establishment of standards of conduct to be communicated to senior management and staff;
- The adoption of intermediate and long term goals and the establishment of a strategic planning process to reach established goals;
- Approving significant acquisitions, investments and divestitures before they are implemented. "Significant" means a transaction resulting in total costs or proceeds exceeding \$10 million;
- Establishing the distribution rate payable to Unitholders;
- Ensuring systems are in place that effectively monitor and manage risks as well as measure the potential returns with a view to the long-term viability of the Fund;

- Adopting a disclosure policy, reviewing that policy annually and, prior to issuance, reviewing major Unitholder communications;
- Establishing policies and processes to ensure the integrity of internal control and management information systems;
- Approving a Code of Business Conduct and Ethics and monitoring compliance with that Code;
- Assessing the contribution of the committees and all trustees and directors annually and reviewing matters of succession and succession planning (including appointing, training and monitoring senior management);
- Developing an approach to corporate governance. Reviewing and monitoring corporate governance principles and disclosures, as well as measures for receiving Unitholder feedback (including establishing a process for direct communication between Unitholders and the independent directors); and
- Ensuring that all new directors receive a comprehensive orientation and fully understand the role of the boards and their committees, as well as the contribution individual directors and trustees are expected to make (including the commitment of time and resources).

In general, all matters of management philosophy, strategic direction and all actions proposed to be taken that are not in the ordinary course of operations require prior approval of the Board of Trustees or the Board of Directors, or a board committee to which approval has been delegated by the Board of Trustees or Board of Directors.

The Board of Trustees can and does act independently of management. The Board of Trustees expects management to be responsible for operations while respecting authorized limits, adhering to the business plan, operational budget and policies adopted for NPY LP and the Fund. The Board of Trustees expects to be advised by management in a complete, accurate and timely fashion on the business and affairs of NPY LP and the Fund and its subsidiaries generally and on any individual matter that management considers to be of material or significant consequence.

The Board of Trustees has discussed and considered how the Fund communicates with its Unitholders, and other stakeholders and the public. The Board of Trustees has approved a Disclosure Policy covering the timely disclosure of all material information. The Disclosure Policy establishes consistent guidance for determining what information is material, how it is to be disclosed and, to avoid making selective disclosure, making all material disclosures on a widely disseminated basis. The Fund seeks to communicate with its Unitholders and other stakeholders through a variety of channels, including its annual report, quarterly reports, annual information form, news releases and conference calls.

The Board of Trustees and Board of Directors, through the Audit Committee, review with management and the Fund's auditors, the adequacy of the Fund's internal controls and management information systems on a regular basis.

### **Position Descriptions**

The Board of Trustees and Board of Directors have not developed a written position description for the Chairman or the Chair of each board committee. The Board of Trustees and Board of Directors believe that the charters of the Audit Committee and the Compensation and Corporate Governance Committee adequately delineate the roles of the chairs of such committees.

GP Trustee has developed a written position description for the President and Chief Executive Officer of the Fund. The President and Chief Executive Officer is responsible for:

- Ensuring that the Board of Directors is advised in a complete, accurate and timely fashion on the business and affairs of the Fund and NPY LP and on any individual matter that management considers to be material or of significant consequence for the Fund and NPY LP and/or the Unitholders of the Fund;
- Ensuring the business plan is being followed;
- Ensuring the monthly distributions are made in accordance with the direction of the Board of Directors and providing the information necessary or requested by the Board of Directors to give such direction;
- Ensuring that annual general and administrative budgets are prepared and presented to the Board of Directors for approval and that the results are reviewed with the Board quarterly;
- Ensuring there are proper internal controls and financial reporting to effectively monitor and report on the performance of the Fund and NPY LP, and all of its subsidiary companies, as well as their operations; and
- Ensuring financial statements for the Fund and NPY LP, and all subsidiary entities, are prepared quarterly in accordance with generally accepted accounting principles and that the annual financial statements are audited in accordance with the mandate prescribed by the Audit Committee and tendered to the Board of Directors for approval.

### **Orientation and Continuing Education**

Part of the mandate of the Board of Directors is to ensure that all new trustees and directors receive a comprehensive orientation and fully understand the role of each Board and their Committees, as well as the contribution individual trustees and directors are expected to make, including the commitment of time and resources.

To foster the familiarity of the Board of Directors with corporate matters on an on-going basis, the Board of Directors from time to time may invite senior operating partner management to attend at meetings of the Board of Directors to report on their respective business unit activities.

### **Ethical Business Conduct**

The Fund and its subsidiaries and operating partnerships have adopted a code of business ethics (the "**Code**") for all trustees, directors, officers, senior management, employees and service providers (each, a "**Covered Party**"). The principles of the Code establish a minimum standard of conduct by which each Covered Party must abide.

Each Covered Party is required to exercise their powers and perform their duties honestly, in good faith and in the best interests of the Unitholders of the Fund. Each Covered Party has a responsibility to: (i) avoid conflicts of interest; (ii) separate personal and business affairs; (iii) protect the Fund's assets; (iv) ensure confidential information remains confidential; (v) act with integrity; and (vi) report violations of the Code of which such Covered Party becomes aware.

The text of the Code is set out in Appendix "B" to this Circular.

### **Nomination of Trustees and Directors**

The Board of Trustees is comprised of six Trustees and the Board of Directors of GP Trustee is comprised of eleven directors consisting of the six trustees of the Fund and five members of management of GP Trustee. (In 2010, the Board of Trustees will be comprised on five Trustees.) The Board of Directors believes that this is an appropriate size to facilitate decision-making. The Board of Directors considers the competencies and skills that the board, as a whole, should possess, evaluates the competencies and skills of current board members and then determines the competencies and skills and other qualities for new directors and assesses new directors against the framework. Additionally, the Board of Directors considers whether or not each new nominee can devote sufficient time and resources to his/her duties as a member of the Board of Directors.

## **Compensation**

The Compensation and Corporate Governance Committee reviews and recommends to the Board of Directors for approval the remuneration of trustees and directors. In determining the appropriate remuneration, the Compensation and Corporate Governance Committee considers time commitment, comparative fees and responsibilities of board members.

The Compensation and Corporate Governance Committee reviews and approves corporate goals and objectives relevant to the compensation of the Chief Executive Officer, evaluates the Chief Executive Officer's performance in light of those goals and objectives, and makes recommendations to the Board of Directors with respect to the Chief Executive Officer's compensation level based on this evaluation. The Compensation and Corporate Governance Committee also reviews the recommendation of the President and Chief Executive Officer as to the compensation of GP Trustee's other senior executives. The Compensation and Corporate Governance Committee is responsible for the administration of the Incentive Option Plan of the Fund.

## **Assessments**

The Compensation and Corporate Governance Committee is responsible for assessing the effectiveness of the Board of Directors as a whole. The Compensation and Corporate Governance Committee evaluates the performance and contribution of individual members of the Board of Directors in their capacity as directors and as members of any board committee and recommends timely changes in the role, size, composition and structure of the Board of Directors and the board committees.

## **Other Board Committees**

### **Audit Committee**

The audit committees (the "**Audit Committees**") of the Board of Trustees and Board of Directors are composed of John Bell (Chair), David Williams, Richard Ivey, Gerry Smith, Michael Edwards and Hon. Brian Tobin (joined November 30, 2009). The Board of Trustees and Board of Directors consider all members of the Audit Committees to be "independent" and "financially literate" within the meaning of Multilateral Instrument 52-110 – *Audit Committees*. The Audit Committees have a specifically defined mandate and charter which clearly defines its role and responsibilities. The Audit Committees are responsible for recommending to the Board of Trustees and Board of Directors the appointment and compensation of the external auditor; overseeing the work of the external auditor, including the resolution of disagreements between the external auditor and management; pre-approving all non-audit services to be provided to the Fund or its subsidiaries by the external auditor; satisfying themselves that adequate procedures are in place for the review of the Fund's public disclosure of financial information extracted or derived from its financial statements, including periodically assessing the adequacy of such procedures; establishing procedures for the receipt, retention and treatment of complaints received by the Fund regarding accounting, internal controls or auditing matters, and for the confidential, anonymous submission by employees of the Fund or its subsidiaries of concerns regarding questionable accounting or auditing matters; reviewing and approving any proposed hiring of current or former partner or employee of the current and former auditor of the Fund or its subsidiaries; and reviewing and approving the annual and interim financial statements, related management discussion and analysis and other financial information provided by the Fund to any governmental body or the public. The text of the Audit Committee Charter can be found attached to the Fund's Annual Information Form of the Fund for the year ended December 31, 2009, which is available on SEDAR at [www.sedar.com](http://www.sedar.com).

### **Compensation and Corporate Governance Committee**

The Compensation and Corporate Governance Committee is comprised of Michael Edwards (Chair), Richard Ivey, Gerry Smith, John Bell, David Williams and Hon. Brian Tobin (joined November 30, 2009). The Board of Directors considers all members of this Committee to be "independent" within the meaning of Multilateral Instrument 52-110 – *Audit Committees*. The responsibilities of the Compensation and Corporate Governance Committee are discussed above.

**APPENDIX "B"**  
**CODE OF BUSINESS ETHICS**

NEWPORT PARTNERS INCOME FUND (the "Fund")  
And each of its subsidiaries and operating partnerships

The Fund has adopted the following code of business ethics for the trustees, directors, officers, senior management, employees and service providers of the Fund and each of its subsidiaries and operating partnerships. References herein to the "**Company**" shall mean the Fund and each of the Fund's subsidiaries and operating partnerships and each of their board of trustees, board of directors, officers, senior management, employees and service providers, unless the context requires otherwise.

1. Each such trustee, director, officer, employee and service provider (a "**Covered Party**") must abide by this Code of Business Ethics.
2. Each Covered Party is required to exercise their powers and perform their duties honestly, in good faith and in the best interests of the Unitholders of the Company.
3. Each Covered Party is required to comply with:
  - (a) all applicable laws and regulations to which the business operations of the Company are subject;
  - (b) all policies, procedures and regulations of regulatory authorities including the provincial securities regulators and the Toronto Stock Exchange;
4. Additionally, the following shall apply to each Covered Party:
  - (a) **Conflicts of Interest:** Each Covered Party must conduct all business affairs in the best interests of the Company by dealing with customers, suppliers, contractors, competitors, existing and potential business partners and other Covered Parties in a manner that avoids real, perceived or potential conflicts of interest.
  - (b) **Separation of Business and Personal Affairs:** Covered Parties who are trustees or directors of the Company shall keep separate their personal or other business dealings from their dealings as trustees/directors of the Company. Trustees/directors shall use goods, services and facilities provided to them by the Company strictly in accordance with the terms on which they are provided. Trustees/directors shall fully disclose active private or other business interests promptly and any other matters which may lead to potential or actual conflicts of interest in accordance with such policies that the trustees/directors may adopt from time to time.
  - (c) **Protecting the Company's Assets:** Covered Parties shall protect the assets of the Company from fraud and theft and ensure records are accurate, timely and complete. Transactions with third parties are to be recorded in writing. Information is a key asset so Covered Parties are required to safeguard the proprietary and confidential information of the Company as well as their proprietary information that has been entrusted to any one or more of them by others.
  - (d) **Confidentiality of Information:** Covered Parties must ensure that confidential information relating to the customers, operations, employees, officers, trustees, and directors of the Company is not given either inadvertently or deliberately to third parties without the consent of the Company. Covered Parties shall not use information obtained by them in their respective capacities with the Company for personal financial gain, nor may that information be used to obtain financial benefit for any other person or business.
  - (e) **Ethical Business Conduct:** Covered Parties must always act honestly and with integrity in all business relationships with customers, suppliers, competitors, potential business partners and



governmental officials. Payments made by the Company must be necessary, lawful and properly documented and bribes, favours or "kickbacks" for the purpose of securing business transactions must never be offered or accepted.

- (f) Reporting Violations: If a Covered Party becomes aware of a violation of this Code of Business Ethics, or is asked to violate this Code of Business Ethics through participation in an illegal or unethical activity, he or she should immediately report it to any member of the Audit Committee of the Fund, the Secretary of the Fund, or as outlined in the "Employee Complaints and Concerns Policy".
- (g) Compliance with this Code of Business Ethics is of utmost importance and a breach of any of its provisions is grounds for a warning, revision of responsibilities, suspension or dismissal with or without notice, depending on the particular circumstances. The board of trustees/board of directors of the Company is responsible for monitoring compliance with the Code of Business Ethics. Any waivers therefrom that are granted for the benefit of a Covered Party who is a trustee, director or executive officer shall be granted by the board of trustees, the board of directors or by a committee of the board of trustees or board of directors.