Newport Partners Income Fund

ANNUAL INFORMATION FORM
(for the year ended December 31, 2010)

March 30, 2011

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Caution Regarding Forward-Looking Information and Non-GAAP Measures

Forward-looking information

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

Non-GAAP measures

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

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

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

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

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

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

1. CORPORATE STRUCTURE

1.1 Name, Address and Incorporation

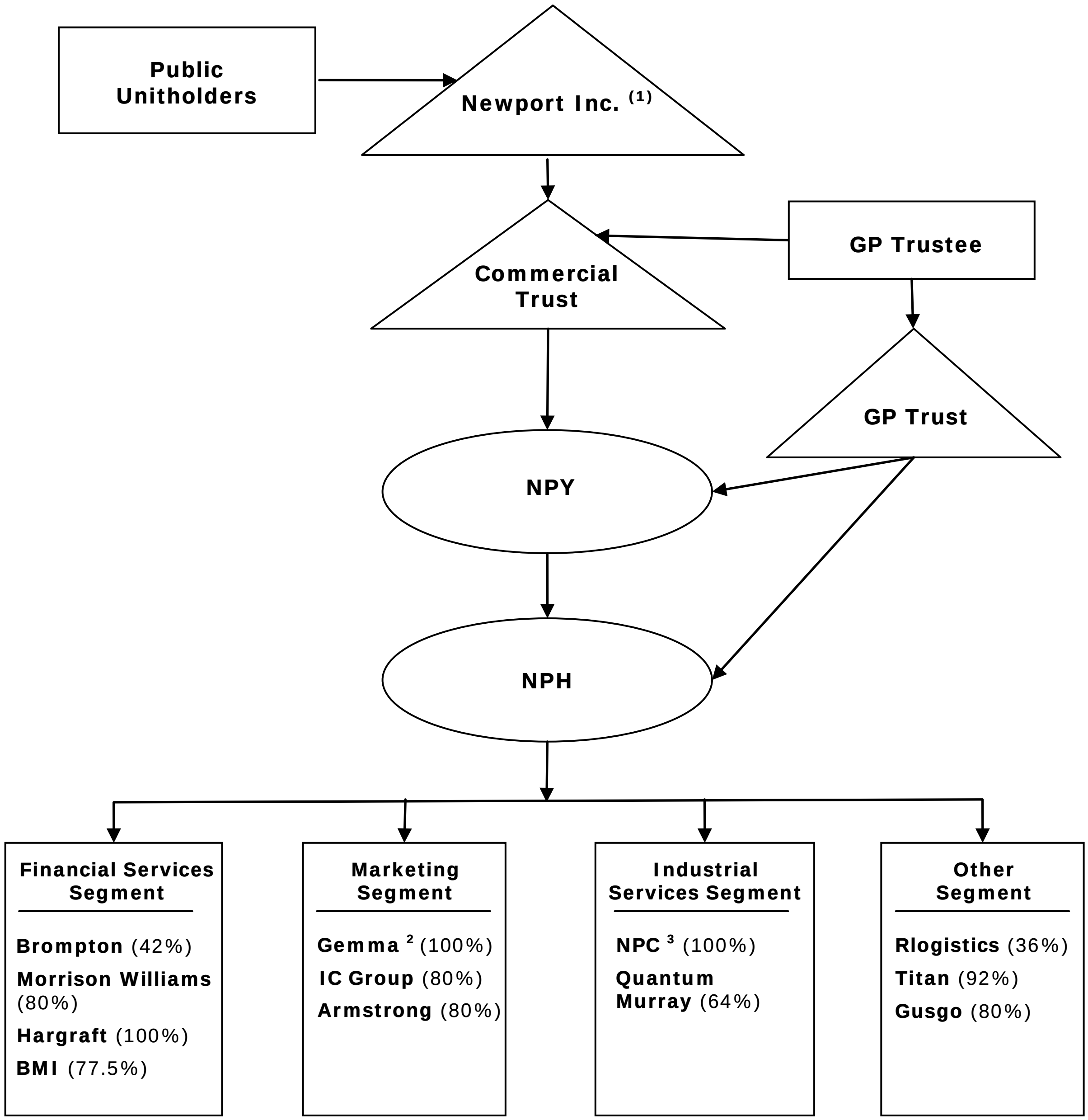
Newport Partners Income Fund (the "**Fund**") is an unincorporated open-ended trust established and existing under the laws of the Province of Ontario pursuant to a declaration of trust dated May 13, 2005, as amended and restated on June 22, 2005, and on August 8, 2005, and as further amended by an amending agreement dated March 21, 2007 (the "**Declaration of Trust**"). The head and registered office of the Fund is located at 469 King Street West, 4th Floor, Toronto, Ontario M5V 1K4.

1.2 Intercorporate Relationships

The Fund holds all of the outstanding units (the "**CT Units**") and notes (the "**CT Notes**") of Newport Partners Commercial Trust (the "**Commercial Trust**") and indirectly holds all of the A1 LP Units of Newport Private Yield LP ("**NPY**") and 100% of the shares of Newport Partners GP Inc. ("**GP Trustee**") which is the sole trustee of NPY GP Trust ("**GP Trust**"), the general partner of NPY. NPY indirectly holds through Newport Partners Holdings LP ("**NPH**") interests ranging from 36% to 100% in the Operating Partnerships.

The simplified structure of the Fund follows on the next page.

The simplified structure of the Fund is as follows. This chart has been updated to reflect all changes as of the date of this AIF.



1. It is anticipated that Newport Partners Income Fund, will convert to Newport Inc. effective April 1, 2011

2. On January 4, 2010 the Fund, through NPH acquired an additional 20% of Gemma to increase its ownership to 100%. See *"General Development of the Business – Significant Acquisitions"*

3. On December 20, 2010 the Fund, acquired all of the Class A units of NPC held by Bear Rock LP to increase its indirect ownership to 100%. See "*General Development of the Business – Significant Acquisitions"*.

Each of the Fund, Commercial Trust, NPY, NPH, GP Trust, GP Trustee, NP Trustee and the Operating Partnerships, other than, NPC and Titan, have been established under the laws of the Province of Ontario.

NPC and Titan have been established under the laws of the Province of Alberta.

2. GENERAL DEVELOPMENT OF THE BUSINESS

2.1 History

NPY was formed on February 27, 2004 with capital provided by clients of NP LP[1] and prior to the initial public offering ("**IPO**") of the Fund on August 8, 2005 raised over $100 million from these accredited investors to fund investments in private companies.

NPY formed its first Operating Partnership in March 2004 and made investments in this and nine additional Operating Partnerships between then and its IPO. Since the Fund's IPO, nine new Operating Partnerships have been formed, numerous investments have been made directly by the Operating Partnerships and the Fund has sold seven investments:, RGC LP, Ezee, ESR, S&E, Peerless, Capital C, and NP LP through asset or unit sales. See "2.3 – Significant dispositions for information on 2010 dispositions.

As of December 31, 2010, the Fund had ownership interests in 12 Operating Partnerships operating in four reportable segments: financial services, marketing, industrial services, and other. The Fund forms these partnerships by acquiring an ownership interest in the entrepreneur's business with the entrepreneur typically retaining an equity interest.

On March 25, 2011, the Unitholders of the Fund approved the conversion of the Fund to a corporation under the Business Corporations Act (Ontario) named Newport Inc. which is expected to become effective April 1, 2011.

[1] See "2.3 – Significant Dispositions"

The following table identifies the 12 Operating Partnerships, the business of each Operating Partnership, the Fund's current invested capital and ownership interest, and the date of the Fund's initial investment. The table is current as of the date of this report.

Operating Partner by Segment	Business	Ownership Interest	Date of Initial Investment	Invested Capital (000s)
Financial Services				
Brompton	Asset manager of public and private investment funds	42%	Aug. 2005	27,200
Morrison Williams	Provider of investment management services to institutional clients	80%	Aug. 2005	42,000
Hargraft	Insurance broker specializing in the transportation, manufacturing and construction sectors	100%	Apr. 2006	18,300
BMI	Full service insurance broker focusing primarily on commercial clientele with expertise in the transportation sector	78%	Apr. 2007	18,200
Marketing				
Gemma	An outsourced contact centre operator providing outbound revenue generation and inbound customer care services	100%	Mar. 2005	32,300
IC Group	Provider of on-line promotional and loyalty programs and select insurance products	80%	July 2006	10,800
Armstrong	Fully integrated marketing agency providing in-store promotional marketing, digital and social media marketing solutions	80%	Oct. 2006	20,000
Industrial Services				
NPC	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands	100%	Oct. 2004	147,300 (1)
Quantum Murray	National provider of demolition, remediation and scrap metal services	64%	Mar. 2006	77,900
Other				
Rlogistics	Re-seller of closeout, discount and refurbished consumer electronic and household goods in Ontario	36%	May 2006	10,000
Titan	Manufacturer and distributor of rigging products and services, and ground engaging tools to the oil and gas, and construction sectors	92%	Sept. 2006	25,200
Gusgo	Transportation and storage services provider	80%	Oct. 2006	12,500
Total				**441,700**

1 Includes acquisition of minority interest in Golosky, completed in February 2011.

The operations of the Fund's Operating Partnership's are discussed in further detail beginning on page 14 of this AIF along with the risks associated with these businesses beginning on page 30 of this AIF.

2.2 Overall Summary Financial Results and Summary Results by Business Segment

The following tables set out, among other things, the revenues, gross margins, net income and EBITDA generated by each reportable segment of the Fund for the years ended December 31, 2010, 2009 and 2008.

SUMMARY RESULTS FROM CONTINUING OPERATIONS– ($000S)

	Year ended December 31		
	2010	2009	2008
Revenues	$ 467,769	$ 504,913	$ 570,865
Cost of revenues	(357,373)	(385,096)	(433,552)
Gross profit	110,396	119,817	137,313
Selling, general and administrative expenses	(87,453)	(92,667)	(90,687)
Amortization expense	(16,422)	(21,575)	(27,396)
Depreciation expense	(10,801)	(12,539)	(10,693)
Income from equity investments	2,483	1,160	1,824
Other income	-	-	330
Interest expense	(37,078)	(40,122)	(40,363)
Loss on dilution of ownership interest	-	-	(845)
Write-down of goodwill and intangible assets	(19,023)	(41,699)	(183,258)
Impairment of long- term investment	-	-	(29,000)
Loss on sale of investment	(442)	-	-
Income tax expense-current	(400)	(18)	(7)
Income tax recovery -future	6,415	10,735	24,225
Loss from continuing operations before non-controlling interest	$ (52,325)	$ (76,908)	$ (218,557)
Net loss	$ (56,148)	$ (32,178)	$ (224,409)
Loss per unit:			
Loss from continuing operations, before non-controlling interest	$ (0.73)	$ (1.12)	$ (3.17)
Net loss	$ (0.78)	$ (0.51)	$ (5.18)
Loss from continuing operations before non-controlling interest	$ (52,325)	$ (76,908)	$ (218,557)
Add:			
Amortization	16,422	21,575	27,396
Depreciation[1]	10,857	12,601	10,888
Amortization of Brompton intangible assets	1,150	1,150	1,936
Interest expense	37,078	40,122	40,363
Income tax expense-current	400	18	7
Income tax recovery-future	(6,415)	(10,735)	(24,225)
EBITDA	$ 7,167	$ (12,177)	$ (162,192)
Loss on dilution of ownership interest	-	-	845
Write-down of goodwill, intangible assets and long-term investment	19,023	41,699	212,258
Loss on sale of investment	442	-	-
Adjusted EBITDA	$ 26,632	$ 29,522	$ 50,911

[1] Depreciation of $56 was recorded in Cost of Revenues for the year ended December 31, 2010 (2009 - $62; 2008 – $195).

SUMMARY FINANCIAL TABLE – (SEGMENTED) ($000S EXCEPT PER UNIT AMOUNTS)

YEAR ENDED DECEMBER 31, 2010

	Financial Services	Marketing	Industrial Services[2]	Other	Corporate[1]	Total
Revenues	$ 13,483	$ 52,189	$ 359,833	$ 42,264	$ -	$ 467,769
Gross profit	12,186	16,876	67,654	13,680	-	110,396
Income (loss) from continuing operations before non-controlling interest	(14,748)	949	(2,814)	3,128	(38,840)	(52,325)
EBITDA from continuing operations	(11,697)	4,791	21,243	5,373	(12,543)	7,167
Write-down of goodwill and intangible assets	17,244	-	1,779	-	-	19,023
Loss on sale of investment	-	-	442	-	-	442
Adjusted EBITDA from continuing operations	5,547	4,791	23,464	5,373	(12,543)	26,632
Interest income (expense)[2]	95	(129)	(1,862)	(612)	(34,570)	(37,078)
Non-cash interest expense[3]	-	-	-	-	3,693	3,693
Income tax expense - current	-	-	(49)	-	(351)	(400)
Maintenance capital expenditures and reserves	(975)	(348)	(3,198)	(236)	-	(4,757)
Capital lease payments	-	(180)	(4,148)	(259)	-	(4,587)
Priority income per partnership agreement[4]	-	-	-	452	-	452
Distributable cash from (used by) continuing operations	$ 4,667	$ 4,134	$ 14,207	$ 4,718	$ (43,771)	$ (16,045)
Distributable cash from discontinued operations						10,592
Distributable cash used by the Fund[5]						$ (5,453)

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

2 The Fund advanced approximately $62,000 to NPC to allow it to complete its investment in Golosky on July 31, 2007. This long term facility can be converted into equity, if certain future performance criteria are met, and in anticipation of the triggering targets being met, and also in order to remove the financing component from the operating results of NPC, interest expense of NPC, and the Industrial Services segment in this Summary Financial table has been reduced by $6,027 for the year ended December 31, 2010 and such amount has been added to the interest expense of the Corporate segment (2009 - $6,027).

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

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

5 As there were no distributions made during 2010 and 2009, distributable cash per unit information has not been provided.

YEAR ENDED DECEMBER 31, 2009

	Financial Services	Marketing	Industrial Services[2]	Other	Corporate[1]	Total
Revenues	$ 16,591	$ 51,901	$ 397,525	$ 38,896	$ -	$ 504,913
Gross profit	13,249	18,431	75,524	12,613	-	119,817
Income (loss) from continuing operations before non-controlling interest	(10,192)	1,733	(17,038)	(6,812)	(44,599)	(76,908)
EBITDA from continuing operations	(6,608)	7,646	6,403	(3,248)	(16,370)	(12,177)
Write-down of goodwill and intangible assets	11,938	-	18,640	7,554	3,567	41,699
Adjusted EBITDA from continuing operations	5,330	7,646	25,043	4,306	(12,803)	29,522
Interest income (expense)[2]	113	(68)	(2,680)	(692)	(36,795)	(40,122)
Non-cash interest expense[3]	-	-	-	-	3,453	3,453
Income tax expense - current	-	-	-	-	(18)	(18)
Maintenance capital expenditures and reserves	(1,183)	(253)	86	(131)	-	(1,481)
Capital lease payments	-	(144)	(5,508)	(233)	-	(5,885)
Priority Income per partnership agreement[4]	20	-	-	436	-	456
Distributable cash from (used by) continuing operations	$ 4,280	$ 7,181	$ 16,941	$ 3,686	$ (46,163)	$ (14,075)
Distributable cash from discontinued operations						19,847
Distributable cash retained by the Fund[5]						$ 5,772

2.3 Financing

SENIOR FACILITY

The Fund, through Newport Finance Corp. ("NFC"), a subsidiary of the Fund, had a Senior Credit Agreement (the "Senior Credit Agreement") with a syndicate of lenders (the "Lenders"). Since December 31, 2008, the Fund had not been in compliance with certain covenants under the Senior Credit Agreement. On April 1, 2009 and April 29, 2009, the Fund received notices from the Lenders confirming the events of default.

FORBEARANCE AGREEMENT

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

In conjunction with the execution of the Forbearance Agreement, NPH, a subsidiary of the Fund, arranged for a $20 million subordinated financing facility from an affiliate in order to provide sufficient working capital (the "Newport Investor Loan Obligations"). The facility bore interest at 10% per annum and repayments of principal and interest could be made after full repayment of amounts owing under the Senior Credit Agreement.

AMENDMENTS TO FORBEARANCE AGREEMENTS

During 2009 and 2010 the Fund and the Lenders agreed to four separate amendments to the Forbearance Agreement which resulted in, among other things, the Forbearance Period being extended to January 31, 2011. During the period July 21, 2009 to December 21, 2010 the Fund repaid $155,158 in principal and paid $13,590 in fees and default interest as detailed below:

	Jan 21 – Dec 31 2010	July 21 – Dec 31 2009
Principal repayments	$63,560	$91,598
Amendment fees	5,738	118
Swap breakage fees	3,286	963
Default interest	2,952	533

SUPPORT AGREEMENTS AND ASSIGNMENT OF SENIOR DEBT

On November 30, 2010 the Fund announced it had entered into support agreements ("Support Agreements") for comprehensive senior debt refinancing and amendments to the Old Debentures. These Support Agreements between Marret Asset Management Inc. (acting on behalf of the funds it manages or administers) ("Marret"), K2 & Associates Investment Management Inc. ("K2") and the Fund secured the support of Marret and K2 for (i) the assignment to Marret and amendment of the Senior Credit Agreement and (ii) an exchange transaction pursuant to which the terms of the Old Debentures and their related indenture would be amended to provide for the mandatory and voluntary exchange of the Old Debentures secured debentures of the Fund (the "Secured Debentures") and unsecured debentures of the Fund (the "Unsecured Debentures").

The debt restructuring contemplated under the Support Agreements also included the issuance of Secured Debentures in repayment of the Newport Investor Loan Obligations.

On December 20, 2010 the Fund announced the successful assignment of the Senior Credit Agreement (the "Amended and Restated Senior Credit Agreement") and Forbearance Agreement (as amended) to Marret, for itself and on behalf of various funds under management (collectively, the "Marret Lenders"). In connection with the assignment, the Marret Lenders received an assignment of all of the rights and obligations of the Lenders under the Senior Credit Agreement, and the Forbearance Agreement (as amended). In connection with the assignment, the Marret Lenders agreed to extend the Forbearance Period until December 31, 2011, unless amendments curing existing events of default were entered into prior to that date. The Amended and Restated Senior Credit Agreement with NFC and certain of its affiliates, as well as an amended and restated Forbearance Agreement, provides improved borrowing terms to the Newport group of companies.

The key terms under the Amended and Restated Senior Credit Agreement include, the principal amount of advances were not to exceed $112,000,000 the interest rate is determined in accordance with a Total Leverage Ratio test but was initially set at 9.5% per annum, mandatory prepayments of 100% of all net proceeds on any asset sale and 75% of excess cash flow from operations. A consent fee of $1,000,000 was paid to Marret on the completion of the assignment.

SECOND AMENDED & RESTATED SENIOR CREDIT AGREEMENT

On March 23, 2011 the Fund, through NFC, and the Marret Lenders entered into, a second amended and restated senior credit agreement (“ARCA”). Which replaced the Amended and Restated Senior Credit Agreement. Among other things , the ARCA removed all forbearance conditions. See note 10 in the Fund’s financial statements for the year ended December 31, 2010 for further details.

SECURED DEBENTURES AND UNSECURED DEBENTURES

As a consequence of the continuing events of default under the Senior Credit Agreement, the Fund was contractually prohibited from making the interest payments on the Existing Debentures since June 30, 2009 and as of July 15, 2009, the failure to make the interest payment on June 30, 2009 constituted an event of default under the terms of the Trust Indentures governing the Old Debentures.

On March 18, 2011, holders of the Old Debentures approved certain amendments to the Old Debentures and related indenture (the “Debenture Amendments”). The Debenture Amendments provided for, among other things, an optional and mandatory exchange of the Old Debentures for newly issued Secured Debentures in an aggregate principal amount equal to the aggregate principal amount outstanding under the Old Debentures on the date the Debenture Amendments became effective (the “Effective Date”) and the issuance of the Unsecured Debentures in an aggregate principal amount equal to the accrued and unpaid interest owing on the Old Debentures on the Effective Date.

On the Effective Date (March 23, 2011), the Fund entered into a second supplement indenture to the indenture relating to the Old Debentures which gave effect to the Debenture Amendments. Accordingly, the Fund exchanged the Old Debentures for the Secured Debentures and the Unsecured Debentures on the Effective Date.

The aggregate principal amount of the Secured Debentures is $176,228,000 and the maturity date is March 23, 2016 (the “Secured Debenture Maturity Date). The interest rate is 8.0% per annum, payable semi-annually in arrears on June 30 and December 31 in each year until the Secured Debenture Maturity Date. The Fund has the option to repurchase any or all Secured Debentures outstanding at any time on or before the business day before the Secured Debenture Maturity Date. The Fund is also obligated, in certain cases, to redeem in whole or in part the Secured Debentures in advance of the Secured Debenture Maturity Date. The Secured Debentures are secured by substantially the same security as, and, subject to limited expectations, ranks subordinately only to, the Marret Lenders under the ARCA. The Secured Debentures began trading on the TSX on the Effective Date under the symbol “NPF.DB.B”.

The aggregate principal amount of the Unsecured Debentures $26,552,000 and the maturity date is March 23, 2014 (the “Unsecured Debenture Maturity Date”). Interest will accrue on the principal amount of the Unsecured Debentures at a non-compounding rate of 3.624% per annum. Unless a going private transaction has occurred (or other mandatory redemption event), the Fund shall satisfy its obligations to repay, on maturity, the aggregate principal amount of the Unsecured Debentrues not otherwise previously redeemed by delivering to the holders of such Unsecured Debentures units of the Fund or common shares of a continuing corporation following the Fund’s conversion from an income trust, as applicable. The number of securities so issuable shall be limited to 10% of the units (subject to certain adjustments) or common shares outstanding on the Unsecured Debenture Maturity Date, on a fully-diluted basis. The Fund must, in certain cases, redeem in whole or in part the Unsecured Debentures in cash at 115% of the outstanding principal amount of the Unsecured Debentures or, following a going private transaction, at 100% of the principal amount of the relevant Unsecured Debentures, in advance of the Unsecured Debenture Maturity Date. In such cases, the Fund must also pay accrued and unpaid interest on the Unsecured Debentures so redeemed up to but excluding the date of redemption. The Unsecured Debentures began trading on the TSX on the Effective Date under the symbol "NPF.DB.C".

For accounting purposes, the exchange of the Old Debentures will be accounted for as extinguishments of the Old Debentures, the accrued interest payable under the Old Debentures and the Newport Investor Loan Obligations. The Secured Debentures and Unsecured Debentures will be initially recorded at their estimated fair value. All costs incurred in connection with the issuance of the Secured Debentures and the Unsecured Debentures will be expensed as a reduction of any gain on extinguishment. The Secured Debentures and Unsecured Debentures will be accreted up to their principal amount over the period to the respective maturity dates using the effective interest method.

2.4 Significant Acquisitions

On August 4, 2009, the minority limited partner of Gemma delivered to the Fund an offer letter pursuant to the shotgun buy-sell provision of the limited partnership agreement governing Gemma. The Fund elected to accept the minority limited partner's offer to sell its 20% interest in Gemma. The buy-sell transaction closed on January 4, 2010, at which time, the Fund paid $4,285, and its interest in Gemma increased to 100%.

On December 20, 2010, the Fund acquired all of the Class A units of NPC held by Bear Rock LP for approximately $14.5 million. As a result of the acquisition, the Fund indirectly owns 100% of the outstanding securities of NPC.

On February 10, 2011, the Fund acquired all of the units of Golosky Holdings LP and Clearwater Holdings LP held by Oil Sands Energy Holdings Inc for approximately $19.7 million. As a result of the transaction, NPC now owns 100% of its oil sands division.

2.5 Significant Dispositions

On December 23, 2010 the Fund sold its 100% investment in Newport Partners LP ("NP LP") and certain related assets to a group of principals of NP LP. The investment was sold for net proceeds of $15,000, resulting in an accounting loss of $3,454 (net of tax of $1,935).

On December 1, 2010 the Fund sold its 67.13% interest in Captial C Communications LP ("Capital C") to MDC Partners Inc. Capital C includes two divisions, Capital C and Kenna. The investment was sold for net proceeds of $27,000, resulting in an accounting gain of $1,539 (net of tax of $1,816).

On August 19, 2010 the Fund sold its 90% interest in Peerless Garments LP ("Peerless") to ComWest Enterprise Corp. The investment was sold for net proceeds of $20,381 resulting in an accounting loss of $3,396 (net of tax of $4,404).

On June 23, 2010, the Fund sold substantially all of the assets of its investment in Sports and Entertainment LP ("S&E"), for net cash proceeds of $271 plus a promissory note for $250.

On January 30, 2009, the minority limited partner of Elliot Special Risks LP ("ESR") delivered to NPH an offer letter pursuant to the shotgun buy-sell provision of the limited partnership agreement governing ESR. On February 27, 2009 NPH elected to accept the minority limited partner's offer to sell its 20% interest in ESR. The transaction closed on March 31, 2009, at which time, the Fund paid $8,500 and its interest in ESR increased to 100%. This transaction has been accounted for using the purchase method. On October 1, 2009, the Fund sold its 100% interest in ESR for net proceeds of $74,614 and an accounting gain of $23,682 (net of tax of $7,626).

2.6 Strategy

The Fund's business and investment strategy is based on:

- Reducing debt levels through asset sale proceeds and excess cash flow.
- Providing operational support to facilitate the growth and performance of the portfolio investments.

2.7 Planned Corporate Conversion

In October 2006, the Minister of Finance announced the federal government's plan to change the tax treatment of specified investment flow-through trusts (the "SIFT Rules"). The SIFT Rules impose a tax at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax rate and treat such distributions as dividends to Unitholders. Once the Fund became subject to the SIFT Rules in 2011, the comparative income tax advantage of the income trust structure over a corporate structure was eliminated. In effect, the Fund is now subject to tax as if it was a corporation, resulting in the loss of the tax and cash yield benefits that underpinned the rationale for adoption of an income trust structure in the first instance.

Based on a review of the Fund's trust structure and taking into consideration the Fund's financial position and proposed debt restructuring, the Fund determined that a corporate structure would be better suited to the Fund's business strategy following the debt restructuring. At a special meeting of Unitholders held on March 25, 2011, a special resolution was passed approving the conversion of the Fund to a corporation pursuant to a plan of arrangement (the "Arrangement") under the Business Corporations Act (Ontario).

The Arrangement will result in the reorganization of the Fund's income trust structure into a corporation named "Newport Inc.", and the Unitholders will become shareholders of the new corporation. It is anticipated that the Arrangement will become effective at 12:01 a.m. (Eastern Standard Time) on April 1, 2011.

3. DESCRIPTION OF THE BUSINESS

The Fund has continuing ownership interests in 12 Operating Partnerships. These partnerships operate in four reportable segments: (1) financial services; (2) marketing; (3) industrial services; and (4) other. The following is a description of the business of each Operating Partnership organized by business segment.

3.1 Description of Operating Partnerships by Business Segment

A. Financial Services

i. Brompton Corp. ("Brompton")

Business Overview

On April 4, 2008, the Fund, through NPH, exchanged its 45% equity interest in Brompton LP for 41.7% equity interest in Brompton. Brompton provides management services to 16 closed-end investment funds (all of which trade on the Toronto Stock Exchange "TSX") and 3 underlying funds (collectively, the "Brompton Funds") with total net assets of approximately $1.8 billion as at December 31, 2010.

Brompton is based in Toronto and has approximately 14 employees.

Brompton has been in the portfolio since August 2005.

Products and Services

Brompton manages the Brompton Funds and generally receives a fee based on the net assets under management. Brompton primarily engages external portfolio managers to manage the Fund's investment portfolio with a focus on investing in equity securities, debt instruments, and precious metals. Brompton generally provides all other fund management and administration services for the Brompton Funds. Nine of the closed-end Brompton Funds have indefinite terms and seven of the Brompton Funds have fixed terms which range from May 2011 to June 2028.

Industry Overview and Trends

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

Competition

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

ii. Morrison Williams Investment Management LP ("Morrison Williams")

Business Overview

Morrison Williams is predominately an institutional money manager with approximately $1.9 billion of funds under management as at December 31, 2010. Founded in 1992, Morrison Williams invests primarily on behalf of pension funds and mutual funds. It also invests on behalf of institutional clients and a number of high net-worth individuals. Morrison Williams' investment philosophy has generated results for its clients that Morrison Williams believes have exceeded its clients' benchmarks over the medium and long-term.

Morrison Williams' head office is in Toronto and has 13 employees and one consultant.

Morrison Williams has been in the Fund's portfolio since August 2005.

Products and Services

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

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

Customers

Morrison Williams' primary clients are pension funds and mutual funds. It also manages assets for institutional clients and a relatively small group of high net-worth individuals. Morrison Williams' largest client accounts for approximately 25% of assets under management and its five largest clients make up approximately 65% of assets under management, as at December 31, 2010. Morrison Williams has enjoyed long-standing relationships with its five largest clients.

Industry Trends

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

Competition

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

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

People

As part of its ongoing commitment to the development and growth of its organization, Morrison Williams hired the following personnel during 2010: Chief Investment Officer and managing Director, Senior Vice President, Sales and Marketing, Portfolio Manager, Canadian and Foreign Equities and a Senior Equity Analyst.

iii. Hargraft Schofield LP ("Hargraft")

Business Overview

Founded in 1874, Hargraft is a leading participant in the Canadian insurance industry and was one of the first brokerages established in Ontario. Hargraft manages a seasoned, diversified portfolio offering customized insurance solutions for industry leaders in a number of sectors, including finance, construction, manufacturing, transportation, education and hospitality. Hargraft sells insurance products to commercial clients and high net-worth individuals.

Hargraft is a national broker with clients in all provinces of Canada and operates out of its head office in Toronto.

Hargraft has been in the Fund's portfolio since April 2006.

Products and Services

Hargraft offers a variety of products and services for businesses and individuals. Some of the industries to which Hargraft supplies insurance products are manufacturing, construction, transportation, medical, education, finance and hospitality. The products supplied include errors and omissions, medical malpractice, environmental liability, fleet packages, surety products, and property insurance products.

Hargraft also supplies specialty insurance products for high net-worth individuals including business owners, executives and professional athletes. The products include life, health and income protection insurance, and property and personal liability insurance.

Hargraft is one of Canada's leading brokers in the transportation segment. In 2010, transportation customers represented 44% of the premiums written by Hargraft and 34% of its commissions. In 2010, Hargraft's business mix was 82% commercial insurance lines and 18% personal insurance.

Customers

Hargraft sells its insurance products to businesses and individuals throughout Canada. Its five largest customers accounted for 24% of revenue in 2010, and its largest customer accounted for 8% of revenue in 2010.

Industry Trends

In spite of poor underwriting results and poor investment returns, excess capital surplus in the market is perpetuating soft market conditions. Certain insurers with aggressive growth targets severely reduced pricing structures to attract new business. The economic downturn affected insurance premiums that were based upon lower underlying revenues. A slow economic recovery is anticipated for 2011 with a backdrop of continued soft market conditions due to surplus capacity.

Competition

According to the Insurance Brokers Industry Association, the Canadian insurance industry has over 25,000 property and casualty insurance brokerages. Management believes that Hargraft has differentiated itself from its competition by focusing its sales efforts on certain market segments, such as transportation, and by developing strong relationships with key customers in a concentrated geographic area, Ontario. Hargraft has further enhanced its specialized position in the industry by offering additional products within these very focused market niches.

Growth Strategy

Hargraft will look to attract outstanding individuals who can enhance the value of its insurance sales force. Hargraft currently has a seasoned client service team.

Competitive Strengths

Experienced Management and Sales Force - Hargraft maintains a competitive advantage in the insurance industry through its experienced management team and its experienced and proven sales force that are key to the success of Hargraft.

Focused Strategy - Hargraft has developed a focused strategy around certain specialized insurance products and customers. This strategy has allowed Hargraft to build its reputation in these areas and develop strong relationships with insurers and customers.

Excellent Reputation — During its 135 year history, Hargraft has developed a reputation in the insurance brokerage industry for accountability, consistency, innovation and excellence.

iv. Baird MacGregor Insurance Brokers LP ("BMI")

Business Overview

Founded in 1979, BMI is an established and respected Ontario based Canadian owned insurance brokerage offering a full range of insurance products and services. BMI's head office is situated in Toronto.

BMI serves a variety of both commercial and personal clientele. The portfolio is a mix of local and national accounts. The brokerage is a recognized specialty insurance provider to the transportation industry.

BMI employs 60 people, many of whom have tenures in excess of a decade. BMI is structured with dedicated and knowledgeable teams of insurance professionals serving each of its business segments. The business portfolio is comprised of a seasoned client portfolio in a variety of industry segments with a commercial focus.

BMI has been in the Fund's portfolio since April 2007.

Products and Services

BMI offers a full range of insurance products and services including commercial property, business interruption, liability, fleet, specialty auto, umbrella liability, crime, surety, directors' and officers' liability, errors and omissions, environmental liability, boiler and machinery, cargo, builders risk, life, group benefits and various ancillary products. In addition to its commercial product offerings, the brokerage provides a full array of personal insurance products and services including personal home, auto and umbrella for both individuals and employee groups.

BMI provides detailed risk analysis, program design and statistical data management services to its clientele. The brokerage is experienced in the design, implementation and management of alternative risk transfer programs.

BMI has successfully penetrated its niche markets by developing risk management solutions tailored to the unique needs of their customers. BMI works closely with associations, industry groups and franchise systems in their niche markets to ensure that their needs are adequately served.

The breakdown of written premium by business segment is 78% Transportation, 7% Personal Lines Life & Benefits, and 15% Commercial.

Customers

BMI's portfolio is comprised of 93% commercial clientele and the remaining 7% is Personal Lines, Life and Benefits clientele. The portfolio consists of 3,300 clients, many of which are long standing relationships.

Industry Trends

The insurance marketplace has cycled through competitive 'soft' markets where underwriting capacity is plentiful and 'hard' markets where this capacity shrinks. During soft cycles, insurers' pricing levels reduce as they compete for market share. During hard market cycles, pricing levels rise. Brokerage income is directly affected by these market cycles as the commissions earned are predicated on the premiums charged. Hard markets are typically triggered following natural disasters, increased loss frequency, severity or significant adverse development on outstanding claims case loads. Another factor is volatility in investment income, as poor results will apply pressure to underwriting results. The Canadian insurance market is in the midst of a competitive market which is expected to persist during 2011 with some hardening in certain segments. Most insurers have aggressive growth targets and there is little indication of tightening capacity. Certain industry auto results are showing signs of deteriorating underwriting performance. Some insurers are seeking rate increases in their auto book of business. Small pockets of tightening in the auto market are expected to continue to manifest during 2011, but overall market conditions are expected to remain soft with resultant reduction in broker commissions. The Rate Stability Act effective September 1, 2010 reduces no fault accident benefits and will help curtail further deterioration in the Ontario auto insurer's industry performance.

Competition

While the Canadian market place is competitive, BMI has been successful in developing long term client relationships by providing good advice, product designs that meet client needs and through dedicating knowledgeable specialists to each account. The brokerage has access to a wide range of insurers with which they have cultivated solid relationships. This enables BMI to negotiate the right coverage solution for each and every client.

BMI provides value added services including lobbying for legislative change on insurance related issues that affect their client base. The brokerage offers seminars tailored to their client needs and accurate statistical analysis and data management services that help clients manage their risk.

BMI makes an effort to understand the business environment within which their clients operate and adapts their approach to insurance solutions and risk management as the need arises.

Growth Strategy

BMI intends to cross sell additional products to its existing clientele and to continue to promote its services to prospects in their respective target markets. Some growth is anticipated as pricing levels rise on certain auto segments. BMI will explore acquiring portfolios that would integrate well with the existing business mix.

Competitive Strength

BMI's unique culture is its key strength having attracted a dedicated and loyal group of client focused employees. The coordination of service through well managed business processes has enabled BMI to seamlessly fulfill high volume client requirements and provide client specialized services. BMI is skilled at matching clients to the right products and negotiating placements with insurers that are uniquely suited to their needs. This approach has enabled BMI to develop and maintain a loyal client following.

B. Marketing

i. Gemma Communications LP ("Gemma")

Business Overview

Gemma is Canada's largest independent provider of up-selling and Customer acquisition call services. The primary business of Gemma is providing call centre services, both inbound and outbound with a focus on sales/revenue generation on behalf of their clients. As a leading provider of sales focused call center services in Canada, Gemma works with blue-chip financial institutions, telecom companies and utilities who require consistent superior sales performance balanced with the highest level of transparency, accountability, and a rigorous quality focused approach. A growing component of Gemma's business is inbound contracts whereby Gemma fields incoming calls for service from the customers of Gemma's clients. Gemma offers service in both English and French and recently began providing offshore call center services in the Philippines and now offers a lower cost offshore alternative.

Gemma has approximately 850 associates (also called agents) in offices in Toronto (580 agents) and Montreal (170 agents) and offshore (approx. 100 agents).

Gemma has been in the Fund's portfolio since March 2005.

Products and Services

Gemma provides revenue generating call centre services to its clients. These services include inbound and outbound contacts to both the consumer and business to business markets.

Outbound Revenue Generation — Approximately 42% of Gemma's business is outbound revenue generation for its clients. Gemma operates revenue-generating customer campaigns primarily for their clients in the financial services and telecommunications industries.

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

Customers

Gemma primarily serves 8 established customers, all of which provide it with regular repeat business. Gemma's largest customer represents approximately 57% of Gemma's revenue, with revenue from its seven other primary customers being relatively balanced. Gemma charges its clients an hourly rate for providing its services.

Industry Overview and Trends

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

The single biggest trend impacting the contact centre industry today is the trend to outsourcing. Several key factors underlie this trend including technological advancements that allow for encrypted data exchange and direct connectivity between the service provider and the outsourcer as well as decreasing telecommunications costs because of widespread deregulation of voice over Internet protocol (VoIP). In management's view, perhaps the most significant impetus is the overall sophistication of contact centre service providers who, like Gemma, have enhanced their operations so that they are now able to provide a virtually seamless and transparent alternative to in-house operations.

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

Competition

Gemma's competitors include large U.S. based outsource service providers that have set up operations in Canada and abroad. During recent years, many contact centre outsource providers have been establishing a presence offshore in countries such as India and the Philippines and in the

Caribbean to take advantage of lower labour costs which have created an environment with increasing pricing pressure from clients. Within Canada there are a handful of domestic service providers that offer essentially the same services as Gemma. Furthermore, in-house contact centres continue to represent an alternative to outsourcing, particularly where core-business applications such as customer care are concerned. Program scale and sophistication and more stringent adherence to regulations and conduct standards that govern contact centre activities have reduced competition from smaller operators.

ii. IC Group LP ("IC Group")

Business Overview

Established in 1989, IC Group has operating companies based in Canada and the United States. IC Group develops, markets, and manages programs in the promotional marketing industry. IC Group's primary products and services are: interactive and loyalty promotions, promotion services, promotion CRM solutions and prize insurance.

IC Group is headquartered in Winnipeg and has approximately 70 employees.

IC Group has been in the Fund's portfolio since July 2006.

Products and Services

Interactive Promotions: IC Group creates dynamic online promotion experiences that are designed to drive sales and consumer acquisition and retention. Its suite of interactive promotion products falls within the categorization of games, contests, sweepstakes and loyalty promotions. Core products include but are not limited to: sweepstakes, instant-wins, games of chance, collect-and-wins, loyalty promotions, user-generated content contests and integrated mobile contests.

Promotion Services: IC Group's services team can deliver full turn-key or a la carte services needed to execute and deliver promotions to market. Core services include: promotion strategy and design, promotion risk management consulting, interactive and technical services, creative design, sweepstakes/contest services and prize fulfillment.

Promotion CRM: IC Group's ever-evolving technology solutions are made up of a series of products and services that enable its customers to improve how they manage consumer information, measure their programs and grow their consumer-brand relationships. IC Group meets a growing demand for better customer relationship management by providing its customers with solutions such as consumer profile management, consumer insights reporting and analytics.

Promotion Insurance: IC Group is a market leader in promotional insurance. Its insurance products fall within the niche categorization called contingency insurance. Core products include: event cancellation and non-appearance insurance, contractual bonus insurance, prize insurance for contests and over-redemption insurance for coupons and rebates.

Customers

IC Group's customers are leading consumer brands, promotion agencies and insurance brokers.

Industry Trends

Businesses continued to spend on digital marketing and overall, studies show this spending will continue to increase. The study, "Marketing Budgets 2010" by Econsultancy and ExactTarget, found that 66% of responding companies said they would be increasing their digital marketing spending in 2010, and another 30% said they will keep to the same online spending levels they had in 2009. More than half of companies also stated they would be increasing their budgets for mobile marketing.

Spending on loyalty programs was forecasted to grow to $2.19 billion in 2009 from $2.18 billion in 2008, according to the VSS Communications Industry Forecast. Loyalty consultant Colloquy found that the number of loyalty programs in 2008 increased to about 1.81 billion, the latest figures available, up from 1.34 billion in 2006.

Coupons are enjoying a resurgence that began in 2009. Printable coupons rose 308% in the first half of 2009. In 2009, close to 397 billion printable coupons were distributed online, a figure that grew by nearly 25 percent in the first half of 2010. Over one-third of all Internet consumers currently use printable coupons to purchase an astounding collection of goods, from clothing and electronics to groceries and airfare. As consumers redeemed coupons in big numbers during the first half of 2010, marketers began pushing tactical levers to dampen the high redemption rates to control costs. Those levers include shorter redemption time periods and reduced face values while still increasing distribution.

While 2010 began to see an upturn in economic conditions and consumer spending, Promo Magazine's annual report reveals that spending is still projected to grow for P-O-P coupons (point of purchase), loyalty programs, sampling and games, contests and sweepstakes. Promotion continues to benefit from the move away from mass media and advertising to alternative strategies that target consumers where and when they prefer. Savvy promotion marketers are tapping in to 24/7 media platforms and technical advances that measure reach and penetration to connect with and engage consumers in unprecedented ways. They are utilizing promotional programs to gather arrays of information about consumers and analyze the data in a way that gives all stakeholders – retailers, manufacturers, agencies and brand managers – a multifaceted relationship with their target audiences.

In 2009, commercial and nonprofit markerters spent $149.3 billion on direct marketing, which accounted for 54.3% of all ad expenditures in the United States. Measured against total US sales, these advertising expenditures generated approximately $1.783 trillion in incremental sales. In 2009, direct marketing accounted for 8.3% of total US gross domestic product.

In 2010, COLLOQUY and the Direct Mail Association conducted a survey that revealed that the amount of social media budget marketers allocated to loyalty objectives increased by 293% over the past 12 months, easily surpassing allocation increases for all other social media-related marketing objectives.

Despite several years of economic struggles around the world — or perhaps because of it — the demand for online marketing services is on the rise. That's according to the 2010 SEO Industry Survey released in November 2010 by SEOmoz. The survey attracted responses from more than 10,000 online marketers in more than 90 countries, and when asked to characterize the demand for a variety of marketing services, most of the respondents said, in essence, that they're busier than ever. Marketers are seeing strong demand for SEO and social media services, in particular. Email marketing and PPC are seeing the least increase in demand, but few are reporting a decrease in demand for those services:

- 72% of respondents say the demand for SEO is up this year
- 75% say the demand for social media marketing is up
- 12% say the demand for e-mail marketing has dropped
- 10% say the demand for PPC is down

Competition

IC Group represents the unique integration of promotion, technology, insurance and promotion risk management. No single company has yet challenged IC Group in all areas of its core competencies and no other company has positioned itself as a full service promotional company that includes insurance, risk management and technology elements. Competition to date therefore has been primarily distinct in each of the IC Group service areas. (i.e. different competitors in prize insurance and different competitors in online promotion delivery).

iii. Armstrong Partnership LP ("Armstrong")

Business Overview

Armstrong is a leading North American promotional marketing company with particular expertise in the financial services, credit card marketing and animal pharmaceutical segments. Armstrong works with its clients to develop innovative marketing programs, products and services. Approximately 75% of Armstrong's revenues are generated in Canada, and 25% are generated in the United States, the United Kingdom and Australia.

Armstrong employs approximately 50 people at its offices in Toronto.

Armstrong has been in the portfolio since October 2006.

Products and Services

Armstrong specializes in interactive, in-store and direct marketing promotions. It develops promotional marketing services by working closely with clients to understand their needs and to make sure extensive value is added. Armstrong's excellent reputation and innovative product development ensures a long-standing relationship with their clients.

Armstrong's core capabilities include promotional, direct, event and interactive marketing, in addition to sponsorship consulting, strategic consulting and design work.

Customers

Armstrong is an agency of record in North America for MasterCard, TD Bank and Merck Animal Health, and is agent for TD Bank, Hills Pet Nutrition, Kraft Canada, Post Foods Canada and Weight Watchers Canada.

The customer base of Armstrong is highly concentrated, with their five largest clients representing approximately 80% of its revenues. Relationships with these customers continue to be very strong.

Industry Trends

The marketing landscape is changing which is forcing promotional marketing companies to migrate away from the traditional forms of mass marketing towards integrated promotions geared to programs that are measured by an ability to change behaviour and drive results. Promotional marketers are taking a more regional and personalized approach because these large, generic programs no longer have an impact on the consumer.

Competition

Armstrong faces competition from large marketing agencies in addition to the smaller, niche agencies that offer similar integrated solutions. However, Armstrong management believes that very few of these organizations can compete due to Armstrong's excellent relationship with its clients; its creative, dynamic and cutting-edge promotional solutions; and its long history of successful idea generation and execution.

C. Industrial Services

i. NPC Integrity Energy Services Limited Partnership ("NPC")

Business Overview

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

NPC's maintenance contracts generally have terms of up to five years and are renegotiated and often extended at the end of each term.

NPC (or its predecessor companies) has been in business since 1988. It has several office and operating locations throughout Alberta, with most of its management team located in Edmonton. NPC also has regional offices throughout Alberta and north-eastern British Columbia.

NPC has over 200 full-time employees that are working out of its various offices. The number of employees in the field varies from 1,000 to over 3,000 depending on seasonality and client demand.

NPC has been in the Fund's portfolio since October 2004.

Products and Services

NPC, through its subsidiaries provides the following product offerings through three divisions; Transportation, Industrial Services, Fabrication and Wear Technology:

Transportation

Transportation – Transportation services include pipe logistics and management, hauling and storage, compressor hauling, skid unit hauling, equipment hauling, camp moving and general transportation services to the energy industry.

Industrial Services

Production and Maintenance — These services include providing complete plant and field support, quality control, field operations and safety management systems personnel. The maintenance services business segment also performs plant turnarounds whereby a facility is shut down for a period of time for service and repair. NPC is typically involved from the start of shutdown planning to the completion of the shutdown. NPC's maintenance services include the procurement of personnel, materials and equipment required by NPC clients to execute their day-to-day maintenance services, operational requirements and turnaround activities.

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

Labour Supply – NPC supplies qualified heavy equipment operators and mechanics and general workers to the oil sands plants in Fort McMurray.

Fabrication and Wear Technology

Fabrication, Machining and Modular Assembly — This business line includes pipe spooling fabrication, skid packages and vessel dressing, structural fabrication, rebuilds, power boiler and heater fabrication.

Wear Technology – This area of service includes chromium carbide and tungsten carbide overlays and abrasion and/or corrosion resistant wear plates.

Customers

NPC's client base includes some of the largest and most recognized names in the energy industry. Three of Canada's largest integrated oil companies represent approximately 66% of NPC's revenues for the year ended December 31, 2010.

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

Industry Trends

The energy industry (and particularly the oil and gas industry) in general is highly cyclical. The financial health of exploration and production companies, and the level of activity in this sector is directly correlated with the price of oil and gas. In late 2006 gas prices began to drop off, the trend has continued and has resulted in reduced activity. There is a reduction in revenue and pressure on margins as a result of the current world economy.

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

Competition

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

ii. Quantum Murray LP **("Quantum Murray")**

Business Overview

On March 16, 2006, the Fund, through a newly created limited partnership, Murray Demolition LP ("Murray"), acquired its interest in the assets and business operations of Murray Demolition Corp., one of Canada's largest demolition contractors.

On January 3, 2007, it was announced that Murray had purchased substantially all of the assets of Quantum Environmental Group Inc. ("Quantum"), a provider of a wide range of services including site remediation, hazardous materials abatement and treatment and disposal of waste materials. Subsequent to the purchase, Murray was re-named Quantum Murray LP ("Quantum Murray").

On May 30, 2007, Quantum Murray, through two newly created subsidiary limited partnerships, acquired substantially all of the assets and business operations of Thomson, which provides a full spectrum of integrated metal and recycling services from demolition to collection, processing, management, transportation and sales.

On November 1, 2007, Quantum Murray acquired substantially all of the assets of Echelon Emergency Response and Training Inc., a provider of emergency response and training services to companies based primarily in Ontario. The combined entity is one of the largest, full-service, national decommissioning and environmental remediation firms in Canada.

Quantum Murray employs over 600 people and performs over 400 projects annually.

Products and Services

Quantum Murray provides its clients with a wide range of services, including demolition, abatement, remediation, treatment and disposal of contaminated soil, and investment recovery services. Demolition services include the dismantling of complex industrial and commercial projects requiring significant planning and engineering. Abatement services include the removal of environmentally sensitive substances such as asbestos, mold, lead and PCBs. Remediation services include the removal of contaminated soils and Quantum Murray has facilities to treat the contaminated soil. Investment recovery services include equipment and scrap metal salvage, recycling and marketing. Quantum Murray often combines these services into a single decommissioning project and acts as a single project manager which leads to better utilization of resources and better co-ordination resulting in lower costs for the client.

Customers

Quantum Murray serves many large commercial and industrial customers. Quantum Murray derives a significant portion of its business from repeat customers and its excellent track record and reputation.

Industry Trends

The demolition and metals recycling businesses experienced a significant downturn in 2009 consistent with the rest of the Canadian economy. These businesses continued to be adversely affected by the lower levels of industrial activity through most of 2010. Management expects to see a slow recovery in these businesses over the next 12-18 months as the level of industrial activity in Canada improves.

Longer term, Quantum Murray may benefit from a number of ongoing trends within North America including "de-industrialization", increasing urban density and increased spending on infrastructure and the environment.

Competition

Quantum Murray faces competition in its demolition, remediation and scrap metal marketing businesses from large competitors and smaller niche companies that offer similar services. There are many barriers to entry in competing for the larger industrial and commercial projects including size and financial stability, availability of performance bonding facilities, access to heavy and specialized equipment, project management and systems expertise, engineering and operating skill level and experience, and health and safety track record.

Growth Strategy

Quantum Murray is focused on growing organically by expanding its market presence through significant repeat customers, developing new customer relationships in Ontario and strengthening its presence in Western Canada. Quantum Murray's diversified service offering provides the company with access to a broad range of markets and customers. This in turn leads to greater opportunities for cross selling and geographic diversification. As the economy improves, Quantum Murray will also be focusing on industrial clients where the company can provide turn-key solutions to large scale, industrial decommissioning projects. Quantum Murray will also look to make smaller, add-on acquisitions to fill in its service offering in selected geographic markets.

Competitive Strengths

Management believes that Quantum Murray is well positioned longer term due in part to its market share leadership in Canada, its excellent reputation in the Canadian marketplace and its strong relationships with clients and employees, its experienced management team, significant repeat business and its diversity of services offered and geographies and industries served.

D. Other

i. Rlogistics LP ("Rlogistics")

Business Overview

Rlogistics is a retail and wholesale reseller of consumer and office products and operates 18 stores in Southern Ontario under the name "factorydirect.ca". Rlogistics operates in the liquidation market, specializing in purchasing large quantities of new, used, retail returns, as-is, refurbished, new end of line, new surplus, and new closeout inventory from major manufacturers, leasing companies, retailers, liquidators and distributors worldwide.

Rlogistics' products are generally obtained at wholesale or below wholesale prices and then sold to end consumers and dealers. As a result of their changing product mix, opportunity buying and retail industry conditions, Rlogistics main source of revenue changes periodically.

Rlogistics has been in the portfolio since May 2006.

Supplier and Product Supply Risks

Rlogistics has multiple suppliers and one of the keys to its operational success is maintaining excellent relationships with all its suppliers. The consistent supply of liquidated products at below market prices is essential to the success of Rlogistics. The loss of several of Rlogistics' suppliers or a decrease in the availability of liquidated merchandise (i.e., product purchased at attractive prices) could have a material adverse ongoing effect on Rlogistics' total product supply and consequently on the short and long-term revenues and profitability of Rlogistics. Due to the nature of the business, there is also increased risk associated with the quantity of purchases by Rlogistics that require prepayment (in advance of the receipt of goods) and the limited warranty provided by suppliers on certain merchandise.

Industry Trends

Rlogistics has been broadening its product and category selections in an attempt to limit its exposure to periodic weaknesses in the supply of certain products and/or categories.

Rlogistics is continuing to develop and enhance relationships with its suppliers.

Competition

Rlogistics competes with other discount retailers, wholesale clubs and other wholesale liquidators. Rlogistics also competes with first-to-market retailers, however, Rlogistics' marketing efforts are focused more towards cost conscious consumers. Competition within the retail market has increased significantly over the last few years resulting in lower margins in several commodity categories.

iii. Titan Supply LP ("Titan")

Business Overview

Headquartered in Edmonton, Alberta, Titan is a leading manufacturer and distributor of rigging products, rigging services and wear products to a diverse range of industrial markets, including mining, pipeline, oil and gas, transportation, construction, governmental and the forestry industry.

Over the last 40 years, Titan has built a strong infrastructure throughout Alberta providing products, services and solutions to customers and resellers located in Western Canada. With over 100 dedicated employees located in Edmonton, Red Deer, Calgary and Grande Prairies; Titan's specialty distribution business, along with its unique product offerings, enables the company to offer customers a wide range of value added services.

Titan is based in Edmonton and has 107 full time employees.

Titan has been in the portfolio since September 2006.

Products and Services

Titan's product lines fall into the following commodity groupings: Rigging Products & Services and Wear Products. Rigging products comprise a wide range of wire rope, chains, synthetic sling and fittings utilized in various applications. Wear products include ground engaging tools ("GET"), industrial rotary brushes and tire chains. Titan carries a complete range of accessories in each of these product areas.

Titan is the only supplier in Western Canada capable of providing a full range of wire rope products, customized fabrication of rigging products, expertise in industrial tire chains, rigging repairs and re-certification and the ability to service a complementary line of wear products within the same customer base. All of its products are used in harsh operating conditions and are consumable in nature.

The rigging products must meet compliance standards. This leads to value added services such as: custom fabrication, inspections, repairs and re-certification. Approximately 20% of sales are fabricated in-house.

Customers

Rigging and Wear products are both in demand by a large proportion of Titan's customers who are involved in oil and gas, pipeline, transportation, construction, forestry, mining and the oil sands.

Titan has a well-diversified customer base of approximately 1,700 active customers on a monthly basis. The top 100 customers represent 53% of sales, and the largest customer represents 5.1% of sales with the top five customers representing 12.7% of sales. The customers operate primarily in the oil & gas services business in Alberta. Titan distributes product for approximately 45 manufacturers with which it has excellent relationships.

Rigging and Wear products are particularly well suited to the industrial sector in western Canada. Product applications involve the full scope of activity in this region: transportation, construction, manufacturing, service facilities, maintenance and operations which are a balanced and stable market base.

Suppliers

Titan represents approximately 45 suppliers. Titan's customers prefer and buy brand name products. Accordingly, Titan has consciously aligned itself, and established strong relationships, with a leading brand name in each of the major product categories distributed.

Industry Overview and Trends

The Fund believes that Canada has the world's second-largest proven crude oil reserves. Most reserves are in Alberta's oil sands; approximately 173 billion barrels. Oil and gas produce one-quarter of Alberta's gross domestic product, almost 70% of the exports and 35% of Alberta government revenues.

Alberta, Canada has been the largest gas supplier to the US for six years in a row. Oil and gas produce one-quarter of Alberta's GDP, almost 70% of our exports and 35% of the Alberta governments revenues.

Alberta holds 70% of Canada's coal reserves. Nine major coal mines produce 27 - 30 million metric tonnes of marketable coal a year.

Forests cover more than 60% of Alberta's total land base, equal to 94 million acres or almost 147,000 square miles. 87% are on public lands and managed for sustainable development. Alberta's forestry industry generates $3.8 billion (or US$3.6) in revenues.

Alberta's economy for 2011 shows some opportunity for improvements. Higher energy prices and the improved royalty program has increased conventional drilling activity and renewed construction in the oil sands area, keeping Alberta's economic growth at an estimated 3.4% in 2011.

Alberta's three point program for the energy sector, focus on oil sands development and commitment to support infrastructure projects in 2011, will have a positive impact on Titan's rigging and wear products business.

Competition

Titan competes with a fragmented base of competitors. Management believes that there are no other businesses in Titan's market areas with the same product mix and geographic scope. Competitors include various equipment dealers for GET products and a number of industrial product suppliers of varying size, market focus and product capability for rigging. In wear products, specifically GET, Titan competes primarily with original equipment manufacturers, but is the largest independent distributor of GET products in the market.

Competitive Strengths

Titan's core strategy is to develop a sustainable, loyal and diverse customer base for its specialized product mix. Although the product offering is unique, Titan does not simply take orders. It understands that success with customers depends upon a clear understanding of their individual needs for these products and an ability to help them reduce application costs and meet compliance standards. Specialized product knowledge and a focus on safety and compliance set Titan apart from its competition.

Titan has superior buying power and strong supplier relationships on both domestic and import products developed over a number of years. In addition, fabrication capabilities allow Titan to operate with a very low cost base for the full range of products it provides.

None of Titan's competitors carry the full range of rigging products offered by Titan. Titan has large diameter wire rope capacities and the ability to fabricate custom orders in all rigging products. Additionally, Titan is able to source from a variety of manufacturers and has developed primary and secondary sources of supply in all product areas.

Titan is able to lever its strong market position in both rigging and wear products to generate value added sales in specialty products such as technical support for GET applications, tire chain expertise, customized synthetic and wire slings, rigging repairs, inspections and re-certification services. Titan's central warehouse capabilities and branch locations enable it to consistently and competitively service customers operating on a province-wide basis.

iii. Gusgo Transport LP **("Gusgo")**

Business Overview

Gusgo is in the marine container transportation business and commenced operations (through predecessor companies) in 1969. Gusgo has an excellent long term relationship with its key customers and endeavours to provide timely and efficient service to a limited number of large customers. Gusgo specializes in all aspects of marine containers, from transportation, loaded and empty storage, to container sales, leasing and repairs. Gusgo operates out of Vaughan, Ontario on a 65 acre property available for storage (including refrigerated storage). The Fund believes that there is land available for significant future growth on site. Gusgo is licensed in Ontario, Quebec and through the United States.

Gusgo is based in Toronto and has 22 employees.

Gusgo has been in the Fund's portfolio since October 2006.

Products and Customers

The strength of Gusgo is in providing timely service at competitive rates. Gusgo's client base includes some of the largest steamship lines and freight forwarders in the container business. Gusgo is a contracted carrier to one of Canada's largest and most recognized importers.

Suppliers

Labour is supplied by independent contractors, many of whom have been long term contractors. By utilizing independent contractors, Gusgo is able to better manage labour costs.

Gusgo has a limited number of suppliers for major expenditures such as fuel, insurance and supplies.

Industry Overview and Trends

The transportation industry can be highly cyclical with seasonal peaks depending on commodities carried. Gusgo made the strategic decision to focus on the intermodal transportation segment which tends to be less cyclical. This allows Gusgo much more operational and financial stability. The intermodal industry is growing as over 90% of worldwide goods move through the container business. Management believes that as customers continue to rely on a steady flow of imported goods, the business and customer base will grow.

Competition

There is some competition in this niche of the transportation business. Gusgo continues to strive to provide quality service at competitive prices to build on its long term relationships with its customers.

Competitive Strengths

Gusgo has been in business for many years and has an excellent relationship with its independent contractors. Gusgo's continued focus on timely service is the key to customer satisfaction. Management believes that the ability to build long term relationships with key customers in a niche market will continue to drive the business.

The Gusgo business model is designed to reduce risk and excessive capital requirements. Rather than owning all of the trucks, Gusgo hires independent drivers with their own trucks to haul containers. Gusgo offers the independent drivers a highly competitive compensation package. By providing the drivers with reliable, steady work, Gusgo has successfully avoided significant driver shortage issues and has a good reputation among drivers. Gusgo maintains repair and maintenance services on site where trucks and containers may be serviced or repaired.

4. RISK FACTORS

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

4.1 Description of Risks Related to the Fund and the Fund's Operating Partnerships

The Fund's financial results are impacted by the performance of its Operating Partnerships and various external factors influencing the environments in which they operate. While stronger performance by one of the Operating Partnerships may compensate for weaker performance by another of the Operating Partnerships, any negative effects on the financial condition or results of operations of an Operating Partnership has a negative effect on the financial condition or results of operations of the Fund.

A. The Fund and the Operating Partnerships in General

Failure to Realize Anticipated Benefits of Investments Made

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

Condition of Capital Markets

While the Fund has successfully restructured its balance sheet, the majority of cash flow, and all asset sale proceeds, will be used to pay down debt. The Fund may in this process, look to source a cheaper senior credit facility and, there can be no assurance that this financing will be available when required or available on terms that are favourable to the Fund. This has the potential to slow down the repayment of debt.

In addition, the condition of the capital markets also impacts the revenues and profits of our asset management businesses. We believe we have strong management teams operating these businesses, each with decades of experience in capital markets.

Dependence on Key Personnel

The success of the Fund and of each of its Operating Partnerships depends on their respective senior management teams and other key employees, including their ability to retain and attract skilled management and employees. The loss of the services of key personnel could have a material adverse effect on the business, financial condition, results of operations or future prospects of the Fund and its Operating Partnerships. In addition, growth plans may require additional employees, increase the demand on management and produce risks in both productivity and retention levels. The Fund and its Operating Partnerships may not be able to attract and retain additional qualified management and employees as needed in the future. There can be no assurance that the Fund will be able to effectively manage its future business plan, and any failure to do so could have a material adverse effect on the Fund's business, financial condition, results of operations and future prospects.

General Economic Factors

The Fund's business and the business of each of our Operating Partnerships is subject to changes in general economic conditions including but not limited to, recessionary or inflationary trends, equity market levels, consumer credit availability, interest rates, consumers' disposable income and spending levels, job security and unemployment, and overall consumer confidence. We believe the risk from general economic factors is reduced by having a diverse source of cash flows from businesses that perform differently at different points in the cycle.

Limited Customer Bases

Some of the Operating Partnerships derive a significant portion of their revenues from a limited customer base. If one or more of the significant customers of an Operating Partnership were to cease doing business with the Operating Partnership, or significantly reduced or delayed its purchase of services, the financial condition and results of operations of such Operating Partnership could be materially adversely affected.

Environmental Legislation

Environmental matters are subject to regulation under a variety of federal, provincial, territorial, state and municipal laws relating to health and safety and the environment. Management believes that the Operating Partnerships are in material compliance with applicable environmental legislation, however regulation is subject to change and, accordingly, it is impossible to predict the cost of compliance with new laws or the effects that such changes would have on the Operating Partnerships or their future operations.

Management believes that the risk of non-compliance with environmental regulation is greatest for the Operating Partnerships in the Industrial and Other Segments.

Dependence on the Operating Partnerships

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

Leverage and Restrictive Covenants

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

The ARCA contains restrictive covenants customary for credit facilities of this nature, including covenants that limit the discretion of management with respect to certain business matters. These covenants place restrictions on, among other things, the ability of NPY to incur additional indebtedness, to pay distributions or make certain other payments, and to make additional acquisitions. In addition, the ARCA contains a number of financial covenants that require NPY to meet certain financial ratios and financial tests. A failure to comply with the obligations in the ARCA could result in an event of default that, if not cured or waived, could permit acceleration of the relevant indebtedness. If the indebtedness under the ARCA were to be accelerated, there can be no assurance that the assets of NPY would be sufficient to repay in full that indebtedness.

Labour

The success of the Fund depends on the ability of the Operating Partnerships to maintain their respective productivity and profitability. The productivity and profitability of the Operating Partnerships may be limited by their ability to employ, train and retain the skilled personnel necessary to meet their respective requirements. None of the Operating Partnerships can be certain that they will be able to maintain the adequate skilled labour force necessary to operate efficiently and to support their growth strategies. As well, none of the Operating Partnerships can be certain that their labour expenses will not increase as a result of shortage in the supply of these skilled personnel. Labour shortages or increased labour costs could impair the ability of an Operating Partnership to maintain or grow its respective Operating Partnership.

Regulation

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

Competition

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

Potential Unknown Liabilities

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

Availability of Future Financing

The Fund's principal source of funds is cash generated from its Operating Partnerships. The Fund however may require additional equity or debt financing to meet its financing requirements. There can be no assurance that this financing will be available when required or available on commercially favourable terms or on terms that are otherwise satisfactory to the Fund, in which event the financial condition of the Fund may be materially adversely affected.

Potential Future Developments

Management of the Fund, in the ordinary course of business, regularly explores potential strategic opportunities and transactions. The public announcement of any of these or similar strategic opportunities or transactions might have a significant effect on the price of the Fund's securities. The Fund's policy is not to publicly disclose the pursuit of a potential strategic opportunity or transaction unless and until a definitive binding agreement is reached. There can be no assurance that investors who buy or sell securities of the Fund are doing so at a time when the Fund is not pursuing a particular strategic opportunity or transaction, that when announced, would have a significant effect on the price of the Fund's securities.

B. Specific Operating Partnerships

i. Morrison Williams, and Brompton

<u>Investment Performance</u>

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

<u>Asset Growth and Retention</u>

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

<u>Condition of Capital Markets</u>

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

<u>Access to Distribution Channels</u>

Brompton's ability to market its products is highly dependent on access to various distribution channels. The loss of access to any of Brompton's distribution channels could lead to a decline in assets under management and could have a material adverse effect on Brompton's business, operating results, financial condition and future prospects.

<u>Securities Regulatory Environment</u>

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

Asset Management Contracts

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

Value of Assets Under Administration/Marketable Securities

Each Asset Management Operating Partnership's fees for the services rendered to its clients are based on the value of assets under administration. Accordingly, a decrease in such value will decrease the Asset Management Operating Partnership's fees, which could have a material adverse effect on its business, financial condition and results of operations. Additionally, a decrease in the value of the marketable securities held by the Asset Management Operating Partnership's would reduce the Asset Management Operating Partnership's revenues which could have a material adverse effect on the Asset Management Operating Partnership's business, financial condition and results of operations.

Changes in Law

Changes in law, including changes in the income tax rules applying to investment funds or their investments less attractive and result in holders redeeming their securities.

Redemptions and Issuer Bids

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

Product Risk

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

ii Hargraft & BMI

Changes in the Business, Economic and Political Environment

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

Competitive Market Environment

The insurance brokerage industry is highly competitive. Hargraft and BMI compete, and will continue to compete, with both large and small companies in the market. With the hardening of market conditions in the specialty auto market, some larger clients in the in the transportation sector are migrating to captive insurance company solutions. Any new, proposed or potential legislative or industry developments could further increase competition in the market.

Regulatory Risks

Hargraft and BMI's business is subject to various regulatory requirements imposed by legislation and regulation in Canada applicable to insurance companies. Material changes in the regulatory framework could have an adverse effect on both companies. Additionally, significant tort law reform could impact the cost of litigation surrounding insurance claims. These reforms would result in insurance premiums being lowered with a corresponding reduction in commission revenue levels. To date, no meaningful efforts have been made to persuade regulators to implement tort reform except in the area of auto insurance.

iii. Marketing Segment (Gemma, Armstrong, and IC Group)

Loss of Key Clients

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

Ability to Generate Revenue from New and Existing Clients

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

(a) Gemma

Offshore Competition

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

Staffing Levels

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

(b) Armstrong

Continually Changing Marketing Industry

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

(c) *IC Group*

Changes in the Business, Economic and Political Environment

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

Competitive Market Environment

The insurance brokerage industry is highly competitive. IC Group competes, and will continue to compete, with both large and small companies in the market, some of which may have greater financial, marketing, distribution and management resources than IC Group. In addition, IC Group may not be aware of other companies that may be planning to enter the insurance market. Any new, proposed or potential legislative or industry developments could further increase competition in IC Group's markets. There can be no assurance that IC Group will be able to achieve or maintain any particular level of commissions in this competitive environment.

Regulatory Risks

IC Group's business is subject to various regulatory requirements imposed by legislation and regulation in Canada applicable to insurance companies. Material changes in the regulatory framework or the failure to comply with regulatory requirements could have an adverse effect on IC Group. Additionally, significant tort law reform could impact the cost of litigation surrounding insurance claims. These reforms would result in insurance premiums being lowered with a corresponding reduction in commission revenue levels. To date, no meaningful efforts have been made to persuade regulators to implement tort reform except in the area of auto insurance.

Currency Exchange Rate

Approximately 90% of IC Group's sales are in U.S. dollars, which exposes the business to currency fluctuations. This could impact the business positively or negatively during any time period.

Loss of Core Clients

IC Group's promotional and loyalty program business is focused around several main core clients and loss of one of these clients would expose IC Group to risk of reductions in revenues.

iv. NPC

Volatility of Industry Conditions

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

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

Seasonality

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

Customer Contracts

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

Sources, Pricing and Availability of Equipment and Equipment Parts

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

Customer Concentration

Large contracts often create a situation where a significant portion of NPC's main revenue and accounts receivables may be from a small number of customers increasing the risks of economic dependence and concentration of credit. NPC is economically dependent upon its top three clients who made up approximately 66% of its revenues for 2010.

Project Risk

A portion of NPC's revenues is derived from stand alone construction projects under a "lump sum" contracting strategy. Although these projects provide opportunities for increased revenue and profit contributions they can occasionally result in significant losses. Although "lump sum" projects do not represent a high percentage of the work NPC performs, NPC may experience periods of irregular or reduced revenues. The recording of the results of these project contracts can distort revenues and earnings on both a quarterly and an annual basis and can, in some cases, make it difficult to compare the financial results between reporting periods.

Environmental

The operations of NPC are, and will continue to be, affected in varying degrees by federal and provincial statutes and regulations regarding the protection of the environment. Changes to existing statutes or regulations could have a negative impact on development projects in the oil sands. Furthermore, under existing legislation, all capital projects in the oil sands are subject to regulatory approval. Planned capital projects that have not yet obtained regulatory approval will require such approvals in order to proceed.

No assurance can be given that future environmental approvals, laws or regulations will not adversely impact the ability of NPC's customers to develop and operate in the oil sands.

Unexpected Adjustments and Cancellations in Backlog

NPC may not be able to convert its backlog into revenue and cannot guarantee that the revenues projected in its backlog will be realized or, if realized, will result in profits. Projects may remain in its backlog for an extended period of time. NPC includes in its backlog binding and non-binding letters of intent, work orders and cost reimbursable contracts, which may be different than the items other issuers include in backlog. In addition, as many of NPC's clients have the right to terminate their contracts on short notice, project cancellations or scope adjustments may occur, from time to time, with respect to contracts reflected in its backlog and with respect to backlog evidenced by a non-binding letter of intent, the formal contract respecting same may never be finalized, resulting in such engagement being terminated. Backlog reductions can adversely affect the revenue and profit NPC actually receives from projects reflected in its backlog. Future project cancellations and scope adjustments could further reduce the dollar amount of the Company's backlog and the revenues and profits that NPC actually receives. Additionally, in the event of a project cancellation, the Company may be reimbursed for certain costs but typically has no contractual rights to the total revenue that was expected to be derived from such project.

Union Work Stoppages

20% of NPC's hourly employees, in the Golosky Subsidiaries, are subject to collective agreements to which it is a party or is otherwise subject. Any work stoppage resulting from a strike or lockout could have a material adverse effect on the Company's business, financial condition and results of operations, including increased labour costs and service disruptions. In addition, NPC's clients employ workers under collective agreements. Any work stoppage or labour disruption experienced by NPC's key clients could significantly reduce the amount of its services that they need.

Price and Availability of Alternative Fuels

Fuel conservation measures, alternative fuel requirements, increasing consumer demand for alternatives to oil and gas, and technological advances in fuel economy and energy generation devices could reduce the demand for crude oil and other liquid hydrocarbons. NPC cannot predict the impact of changing demand for oil and gas products, and any major changes may have a material adverse effect on NPC's business, financial condition, results of operations and cash flows.

v. Quantum Murray

Large Project Risk

A substantial portion of Quantum Murray's revenues are derived from large projects. Opportunities to compete for such large projects do not occur regularly and Quantum Murray's ability to successfully compete for these large opportunities and the length of time required to execute such projects is not predictable. As a result, Quantum Murray may experience fluctuations in financial results and cash flows.

Access to Bonding

Most of Quantum Murray's contracts require sufficient bonding. Although Quantum Murray believes that it should be able to secure and maintain surety capacity adequate to satisfy its current requirements, if such requirements become materially greater than anticipated or should sufficient surety capacity not be available, this could have a material adverse effect on Quantum Murray's business, financial condition, future prospects and results of operations.

Contractual Risks

A substantial portion of Quantum Murray's revenue is derived from fixed-price contracts pursuant to which a commitment is provided to the owner of the project to complete the project for a guaranteed amount. Any errors in estimating the cost or time to complete such projects may be absorbed by Quantum Murray which may have a material adverse effect on Quantum Murray's business, financial condition and results of operations.

Economic Risks

Quantum Murray's revenues and profitability are tied to the general state of the economy, such as the current economic downturn, in some geographic regions in which it operates. A fluctuation in the general state of the economy in those geographic regions in which Quantum Murray operates could have, and is having, a material adverse effect on Quantum Murray's business, financial condition, future prospects and results of operations.

Environmental and Safety Risks

Quantum Murray handles hazardous substances such as asbestos, mould, lead, PCBs and contaminated soils as part of its business. While Quantum Murray has not had any incidents, emissions or spills, there can be no guarantee that there will not be any incidents, emissions or spills in the future and that such incidents will be of a non-material nature.

Quantum Murray is subject to, and materially complies with, environmental and health and safety legislation in the jurisdictions in which it operates. Management is not aware of any pending environmental or health and safety legislation that would be likely to have a material impact on any of its operations, capital expenditure requirements or competitive position. Nevertheless, there can be no guarantee with respect to the impact of future legislation or incidents which could have a material adverse effect on Quantum Murray's operations, capital expenditure requirements or competitive position.

Labour Factors

A portion of Quantum Murray's labour force is unionized and accordingly, Quantum Murray is subject to the detrimental effects of a strike or other labour action, in addition to competitive cost factors.

Scrap Metal

Quantum Murray frequently obtains the rights to the scrap metal that can be salvaged as part of a given project pursuant to the terms of the contract and in turn sells the scrap metal to various end markets. As a result, Quantum Murray's revenues and profitability are exposed to fluctuations in the market prices for such metals and any decrease in the market price of such metals could have a material adverse effect on Quantum Murray's business, financial condition and results of operations.

vi. Rlogistics

Economic Risk

The success of Rlogistics depends in large part on the extent of consumer spending and the supply of liquidated goods. Economic conditions and the level of spending on consumer and office products are generally positively correlated. Rlogistics sells discount merchandise and relative to some of its competition that operate in the first-to-market business, generally does not fare as poorly during economic downturns providing there is a large available supply of liquidated goods. It is also important to the ongoing success of Rlogistics that it attracts and retains quality personnel in all departments (especially in purchasing) at reasonable pay rates and utility rates remain reasonable (due to the number of locations Rlogistics occupies).

vii. Titan

Economic Risks

Titan provides products to firms that operate in the natural resources industry. Natural resource prices tend to be correlated to the general state of the economy and the level of activity in natural resource industries fluctuates with the price of each respective natural resource. Since natural resource prices are correlated to the strength of the economy, Titan is exposed to general economic risks in those geographic regions in which they operate as well the general state of the economy of Canada, the United States and globally.

Volatility of Industry Conditions

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

Seasonality of Oil and Gas Industry

In Canada, the level of activity in the oilfield services industry is influenced by seasonal weather patterns. Spring break-up during the second quarter leaves many secondary roads temporarily incapable of supporting the weight of heavy equipment, which results in severe restrictions in the level of oilfield services. The duration of this period will have a direct impact on the level of Titan's sales. Spring break-up occurs earlier in the year in south-eastern Alberta than it does in northern Alberta. The timing and duration of spring break-up is dependent on weather patterns but it generally occurs in April and May. The demand for oilfield services may also be affected by the severity of the Canadian winters. The volatility in the weather and temperature can therefore create unpredictable activity and utilization rates, which can have a material adverse effect on Titan's business, financial condition, results of operations and cash flows.

viii*. Gusgo*

Economic Risk

The trucking industry in general is subject to the risk of a general economic slowdown. The demand for trucking services is traditionally positively correlated to the economy as a whole and a downturn in the economy could have a material adverse effect on the revenues and profitability of Gusgo.

Fuel Prices

The price of fuel to operate the vehicles and equipment represents a large expense for Gusgo, the price of which fluctuates considerably. A large or unexpected increase in the price of fuel could materially and adversely affect the profits of Gusgo. To date, Gusgo has managed to pass on fuel cost increases to customers, however, this may not always be the case.

Economic Dependence

As a strategic decision, Gusgo has a relatively concentrated customer base. There can be no assurance that Gusgo's customers will continue to do business with Gusgo at their current levels. The loss of one or more customers, or a significant decrease in the services required could materially adversely affect the revenues and profitability of Gusgo.

C. Structure of the Fund

Dependence on the Operating Partnerships

The Fund is a limited purpose trust that is entirely dependent on the operations and assets of the Operating Partnerships. Accordingly, payment of obligations of the Fund are dependent on the ability of the Operating Partnerships to pay distributions indirectly to the Fund. The ability of the Fund to pay distributions or make other payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the ARCA).

Potential Sales of Additional Units

The Fund may issue additional Units or securities exchangeable for or convertible into Units in the future. Such additional Units may be issued without the approval of Unitholders. The Unitholders will have no pre-emptive rights in connection with such additional issues. Additional issuance of Units will result in the dilution of the interests of Unitholders.

Unitholder Liability

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

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

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

Undiversified and Illiquid Holdings in the Trust

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

Income Tax Matters

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

Elections have been made under the Tax Act such that the transactions under which NPH acquires its interest in the Operating Partnerships may be effected on a tax-deferred basis. The adjusted cost base of any property transferred to an Operating Partnership pursuant to such agreements may be less than its fair market value, such that a gain may be realized on the future sale of the property.

Further, interest on the CT Notes held by the Fund accrues at the Fund level for income tax purposes whether or not actually paid. The interest rate on CT Notes was reset to 0% effective Mar 1, 2009. The Declaration of Trust provides that an amount equal to the taxable income of the Fund will be distributed each year to Unitholders in order to reduce the Fund's taxable income to zero. [If sufficient cash is not available, such distributions will be in the form of Units]. Unitholders will generally be required to include an amount equal to the fair market value of those Units into their taxable income, in circumstances where they do not receive a cash distribution.

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

Shot-Gun Buy-Sell Rights

Certain of the limited partnership agreements of the Operating Partnerships contain shot-gun buy-sell provisions. The purpose of the shot-gun buy-sell provisions is to provide the parties with a recognized mechanism for solving any fundamental disputes which may develop. If one of the limited partners of the applicable Operating Partnership, other than NPH, initiates a shot-gun buy-sell, the general partner of NPH will have to decide whether to buy at the offered price, in which case monies may have to be raised, either by drawing on the credit facility in the short term, or to sell at the offered price, in which case NPH will receive the proceeds of sale, and will use such proceeds to pay down debt. There is no assurance that NPH will decide to buy at the offered price or that NPH will have sufficient funds to buy at the offered price. Any decision of NPH not to buy at the offered price or its inability to buy at the offered price may have a negative impact on the Fund. Any purchase or sale by NPH pursuant to such shot-gun buy-sell provisions will require consent of the lenders under the Credit Facility. No assurance can be given that such consent will be obtained on acceptable terms or at all should NPH decide that it wishes to sell under such shot-gun buy-sell provisions.

D. Units of the Fund

Unpredictability and Volatility of Unit Price

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

Nature of Units

The Units are not "deposits" within the meaning of the Canada Deposit Insurance Corporation Act and are not insured under the provisions of that act of any other legislation. Furthermore, the Fund is not a trust company and, accordingly, is not registered under any trust and loan company legislation as it does not carry on or intend to carry on the business of a trust company. In addition, although the Fund qualifies as a "mutual fund trust" as defined in the Tax Act (as of the date hereof), the Fund is not a "mutual fund" as defined by the securities legislation.

Securities like the Units are hybrids in that they share certain attributes common to both equity securities and debt instruments. The Units do not represent debt instruments and there is no principal amount owing to Unitholders under the Units. As holders of Units, Unitholders do not have the statutory rights normally associated with ownership of shares of a corporation including, for example, the right to bring "oppression" or "derivative" actions. Each Unit represents an equal, undivided, beneficial interest in the Fund. The Fund's principal assets are CT Units and CT Notes. The price per Unit is a function of the Fund's anticipated distributable cash at any time, which is, in turn dependent on the distributable cash distributed upstream by the Operating Partnerships.

Restrictions on potential growth

The use of operating cash flow to reduce debt will make additional capital and operating expenditures somewhat dependent on increased cash flow. Lack of those funds could limit the future growth of the Operating Partnerships and their cash flow.

Limitation on Non-Resident Ownership

The Declaration of Trust imposes various restrictions on Unitholders. Non-resident (as defined in the Declaration of Trust) Unitholders are prohibited from beneficially owning more than 45% of the Units (on a non-diluted and fully diluted basis). These restrictions may limit (or inhibit the exercise of) the rights of certain Persons (as defined in the Declaration of Trust), including Non-residents, to acquire Units, to exercise their rights as Unitholders and to initiate and complete take-over bids in respect of the Units. As a result, these restrictions may limit the demand for the Units from certain Unitholders and thereby adversely affect the liquidity and market value of the Units held by the public.

Investment Eligibility

There can be no assurance that the Units will continue to be qualified investments for registered retirement savings plans, deferred profit sharing plans, registered retirement income funds and registered education savings plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified investments.

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner, which adversely affects Fund Unitholders.

Currently, a trust will not be considered to be a mutual fund trust if it is established or maintained primarily for the benefit of non-residents unless all or substantially all of its property is taxable Canadian property as defined in the Tax Act. On September 16, 2004, the Minister of Finance released draft amendments to the Tax Act. Under the draft amendments, a trust would lose its status as a mutual fund trust if the aggregate fair market value of all units issued by the trust held by one or more non-resident persons or partnerships that are not Canadian partnerships is more than 50% of the aggregate fair market value of all the units issued by the trust where more than 10% (based on fair market value) of the trust's property is taxable Canadian property or certain other types of property. If the draft amendments are enacted as proposed, and if, at any time more than 50% of the aggregate fair market value of the Units were held by non-residents and partnerships other than Canadian partnerships, the Fund may lose its mutual fund trust status. On December 6, 2004, the Department of Finance tabled a Notice of Ways and Means Motion, which did not include these proposed changes. The Department of Finance indicated that the implementation of the proposed changes would be suspended pending further consultation with interested parties.

E. Risks Relating to the Secured Debentures and the Unsecured Debentures (see section 6.4)

Prior Ranking Indebtedness

The Secured Debentures will be subordinate to certain senior secured indebtedness of the Fund (the "Senior Indebtedness"), including indebtedness under the ARCA, and the Unsecured Debentures will be subordinate to Senior Indebtedness and the Secured Debentures. As described above under 2.3 – Financing, the payment of principal and interest on the Secured Debentures and Unsecured Debentures will be subject to restricitons.

Inability to Fund Purchase of Debentures

The Fund may be required to offer to purchase all outstanding Secure Debentures upon the occurrence of a Change of Control (as such term is defined in the trust indenture governing the Secured Debentures. However, it is possible that following a Change of Control, the Fund will not have sufficient funds at that time to make the required purchase of then outstanding Secured Debentures or that restrictions contained in other indebtedness will restrict those purchases.

Redemption Prior to Maturity

The Secured Debentures and Unsecured Debentures may be redeemed in certain circumstances and, at the option of the Fund, prior to their respective maturity dates, together with any accrued and unpaid interest. Holders of Secured Debentures and Unsecured Debentures should assume that this redemption option will be exercised if the Fund is able to refinance at a lower interest rate or it is otherwise in the interest of the Fund to redeem the Secured Debentures or Unsecured Debentures.

Market Value Fluctuation

Prevailing interest rates will affect the market value of the Secured Debentures and Unsecured Debentures, as each security carries a fixed interest rate. Assuming all other factors remain unchanged, the market value of the Secured Debentures and Unsecured Debentures, which each carry a fixed interest rate, will decline as prevailing interest rates for comparable debt instruments rise, and increase as prevailing interest rates for comparable debt instruments decline.

Debenture Restructuring May Not Improve the Financial Condition of the Fund's Businesses

Management of the Fund believes that the exchange of the Old Debentures for the Secured Debentures and the Unsecured Debentures will enhance the Fund's liquidity and provide it with continued operating flexibility. However, such belief is based on certain assumptions, including, without limitation, that the Fund's consolidated sales and relationships with suppliers, minority partners, customers and competitors will not be materially adversely affected and that they will be stable or will improve following the completion of the Debenture Restructuring, that general economic conditions and the markets for the products and services of the Fund's subsidiaries will remain stable or improve, as well as the Fund's continued ability to manage costs. Should any of those assumptions prove false, the financial position of the Fund may be materially adversely affected.

Trading Market for the Secured Debentures and Unsecured Debentures

Although the Secured Debentures and the Unsecured Debentures are listed on the TSX, the Fund cannot be sure that an active trading market will develop for the Secured Debentures and the Unsecured Debentures. If no active trading market develops, holders of the Secured Debentures and the Unsecured Debentures may not be able to resell their Secured Debentures and Unsecured Debentures at their fair market value or at all. Future trading prices of the Secured Debentures and Unsecured Debentures will depend on many factors, including, among other things, prevailing interest rates, the Fund's operating results and the market for similar securities.

Certain holders of the Old Debentures may have received Secured Debentures and Unsecured Debentures in principal amounts, respectively, of less than $1,000, or an integral multiple thereof as a consequence of the principal amount of Old Debentures held by such holders. Holders of Secured Debentures or Unsecured Debentures transferring or trading Secured Debentures or Unsecured Debentures in an amount less than $1,000 or an integral multiple thereof may incur additional costs depending on the policies and procedures of CDS Clearing and Depository Services Inc. and its participants.

5. DISTRIBUTIONS

On October 8, 2008, the Fund announced that it would be suspending distributions to Unitholders after the October 15, 2008 distribution. The Fund took this defensive action in order to preserve cash in the face of unstable capital markets and the prospect that the current economic slowdown could be prolonged and widespread. The suspension of distributions by the Fund will result in the Fund being liable for income taxes on its undistributed income.

From December 31, 2008 the Fund was in default of covenants on its Senior Credit Agreement. During 2009, the Fund entered into a Forbearance Agreement with the senior lender. During the Forbearance Period the Fund is prohibited from making distribution payments to its Unitholders.

5.1 Summary of Distributions

The following table sets forth the monthly distributions per unit paid by the Fund over the past three years. **The Fund suspended its payment of monthly distributions subsequent to the payment made October 15, 2008.**

2008	
January	0.05420
February	0.05420
March	0.05420
April	0.05420
May	0.05420
June	0.05420
July	0.05420
August	0.05420
September	0.05420
October	0.05420
November	0.00000
December	0.00000
2009 and 2010	
January 2009 to December 2010	0.00000

6. CONSOLIDATED CAPITALIZATION OF THE FUND

The following table sets forth the consolidated capitalization of the Fund as at December 31, 2010.

	Authorized	Issued	As at December 31, 2010 (000's)
Term Debt	—	—	$ 86,939
Convertible Debentures	—	—	$159,829
Special Voting Units	Unlimited	—	—
Units	Unlimited	71,631,431	

6.1 Declaration of Trust

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Fund qualifies as a "unit trust" and a "mutual fund trust" for the purposes of the Tax Act, although the Fund is not a mutual fund under applicable securities laws. The following is a summary of the material attributes and characteristics of the Units and certain provisions of the Declaration of Trust which does not purport to be complete. Reference is made to the Declaration of Trust available at www.sedar.com for a complete description of the Units and the full text of its provisions.

6.2 Units and Special Voting Units

The beneficial interests in the Fund were divided into interests of two classes, described and designated as "Units" and "Special Voting Units", respectively. An unlimited number of Units and Special Voting Units are issuable pursuant to the Declaration of Trust. Each Unit is transferable and represents an equal undivided beneficial interest in any distributions from the Fund whether of net income, net realized capital gains or other amounts, and in the net assets of the Fund in the event of the termination or winding-up of the Fund. The Units are not subject to future calls or assessments, and entitle the holder thereof to one vote for each whole Unit held at all meetings of Unitholders. Except as set out under the heading "Redemption at the Option of Unitholders" below, the Units have no conversion, retraction, redemption or pre-emptive rights. As at December 31, 2009 all Special Voting Units had been exchanged for Units of the Fund.

Issued and outstanding Units may be subdivided or consolidated from time to time with the approval of a majority of Unitholders, provided that Units may also be consolidated without such approval in the event of any non-cash distribution of the Fund, as described below.

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

<u>Issuance of Units</u>

The Declaration of Trust provides that Units or rights to acquire Units may be issued at the times, to the persons, for the consideration and on the terms and conditions that the Trustees determine, including pursuant to any unitholder rights plan, or any incentive option or other compensation plan established by the Fund. Units may be issued in satisfaction of any non-cash distribution of the Fund to Unitholders on a pro rata basis. The Declaration of Trust provides that immediately after any pro rata distribution of Units to all Unitholders in satisfaction of any non-cash distribution, the number of outstanding Units will be consolidated such that each Unitholder will hold after the consolidation the same number of Units as the Unitholder held before the non-cash distribution (except where tax was required to be withheld in respect of the Unitholder's share of the distribution as described below). In this case, each certificate representing a number of Units prior to the non-cash distribution will be deemed to represent the same number of Units after the non-cash distribution and the consolidation. Where amounts so distributed represent income, non-resident Unitholders will be subject to withholding tax and the consolidation will not result in such non-resident Unitholders holding the same number of Units.

Redemption at the Option of Unitholders

Units are redeemable at any time on demand by the holders thereof upon delivery to the Fund of a duly completed and properly executed notice requesting redemption in a form approved by the Trustees specifying the number of Units to be redeemed. As the Units are issued in book entry form, a Unitholder who wishes to exercise the redemption right is required to obtain a redemption notice form from the Unitholder's investment dealer, who is required to deliver the completed redemption notice form to the Fund at its head office and to CDS. As of the close of business on the date the Units are surrendered for redemption, all rights to and under the Units tendered for redemption shall (subject to the following) be surrendered and the holder thereof shall be entitled to receive a price per Unit (the "Redemption Price") equal to the lesser of:

(a) 90% of the Market Price (as defined below) of the Units on the principal stock exchange on which the Units are listed (or, if the Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading) during the period of the last 10 trading days on such stock exchange or market ending immediately prior to the date on which the Units were tendered for redemption; and

(b) the Closing Market Price of the Units on the date on which the Units were tendered for redemption on the principal stock exchange on which Units are listed (or, if Units are not listed on any stock exchange, on the principal market on which the Units are quoted for trading).

For the purposes of determining the Redemption Price, "Market Price" will be the amount equal to the weighted average of the trading prices of the Units on the applicable market or exchange for each of the trading days on which there was a trade during the specified trading day period; provided that if there was trading on the applicable exchange or market for fewer than five of the trading days during the specified trading day period, "Market Price" will be the average of the following prices established for each of the trading days during the specified trading day period: the average of the last bid and ask prices for each trading day on which there was no trading and the weighted average trading prices of the Units for each trading day on which there was trading. For the purposes of determining the Redemption Price, "Closing Market Price" will be: (i) an amount equal to the closing price of the Units on the applicable market or exchange if there was a trade on the specified date and the applicable market or exchange provides a closing price; (ii) an amount equal to the average of the highest and lowest prices of Units on the applicable market or exchange if there was trading on the specified date and the applicable market or exchange provides only the highest and lowest trading prices of Units traded on a particular day; or (iii) the average of the last bid and ask prices on the applicable market or exchange if there was no trading on the specified date.

The aggregate Redemption Price payable by the Fund in respect of any Units surrendered for redemption during any calendar month will be satisfied by way of a cash payment by the Fund no later than the last day of the calendar month following the calendar month in which the Units were tendered for redemption, provided that the entitlement of the Unitholders to receive cash upon the redemption of their Units is subject to the limitations that:

(a) the total amount payable in cash by the Fund in respect of such Units and all other Units tendered for redemption in the same calendar month may not exceed $50,000 (the "Monthly Limit"), provided that the Trustees may, in their sole discretion, waive such limitation in respect of all Units tendered for redemption in any calendar month;

(b) at the time such Units are tendered for redemption, the outstanding Units must be listed for trading on a stock exchange or traded or quoted on another market that, in the sole discretion of the Trustees, provides a representative fair market value price for the Units; and

(c) the normal trading of Units must not be suspended or halted on any stock exchange on which the Units are listed (or, if not listed on a stock exchange, on any market on which the, Units are quoted for trading) on the date that the Units are tendered for redemption or for more than five trading days during the ten trading day period prior to the date on which the Units are tendered for redemption.

If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the Monthly Limit, then the Redemption Price for each Unit tendered for redemption will, subject to any applicable regulatory approvals, be paid and satisfied by way of a distribution in specie of the assets of the Fund. If a Unitholder is not entitled to receive cash upon the redemption of Units as a result of the other specified limitations, then each redeeming Unitholder will be entitled to receive a price per Unit (the "In Specie Redemption Price") equal to the fair market value thereof as determined by the Trustees, which may be satisfied by way of a distribution in specie of the assets of the Fund. In each such case, a proportionate amount of the CT Units and Series 1 Notes held by the Fund having an aggregate value equal to the Redemption Price (or, as applicable, the In Specie Redemption Price) will be redeemed in consideration of the issuance to the Fund of Series 2 Notes and Series 3 Notes, respectively. The Series 2 Notes and Series 3 Notes will then be distributed to the redeeming Unitholder in full satisfaction of the Redemption Price (or, as applicable, the In Specie Redemption Price). Series 2 Notes and Series 3 Notes will be issued only in integral multiples of $100. Where the principal amount of Series 2 Notes or Series 3 Notes to be received by a Unitholder includes a multiple of less than $100, that number will be rounded to the next lowest integral multiple of $100. The Fund will be entitled to all interest paid on the CT Notes and distributions paid on the CT Units on or before the date of the distribution in specie. Where the Fund makes a distribution in specie of securities on the redemption of Units, the Fund currently intends to allocate to the redeeming Unitholder any capital gain or income realized by the Fund as a result of the redemption of the CT Units and Series 1 Notes and the distribution of securities to the Unitholder on the redemption of such Units.

Despite the foregoing, in the event the Fund has granted security on any of its assets (including, if applicable, CT Units and CT Notes) then, in the event of in specie distributions, such assets may be distributed directly or indirectly (including through another entity) in such manner as is considered appropriate by the Trustee so as to preserve such security interest while giving redeeming Unitholders directly or indirectly, the pro rata interests to which they are entitled.

Repurchase of Units

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

Limitation on Non-Resident Ownership

In order for the Fund to maintain its status as a ''mutual fund trust" under the Tax Act, the Fund must not be established or maintained primarily for the benefit of non-residents of Canada within the meaning of the Tax Act (referred to herein as "Non-Resident Holders"). Accordingly, the Declaration of Trust provides that at no time may Non-Resident Holders be the beneficial owners of more than 45% of the Units then outstanding. This 45% limitation is applied with respect to the issued and outstanding Units of the Fund on both a non-diluted basis and a fully diluted basis. The Trustees may require declarations as to the jurisdictions in which beneficial owners of Units are resident. If the Trustees become aware that the beneficial owners of at least 40% of the Units then outstanding are, or may be, Non-Resident Holders, or that such a situation is imminent, the Trustees will make a public announcement thereof and thereafter the Trustees will not accept a subscription for Units from or issue or register a transfer of such Units to a person unless the person provides a declaration that he or she is not a Non-Resident Holder. If, notwithstanding the foregoing, the Trustees determine that 45% or more of the Units are held by Non-Resident Holders, the Trustees may send or cause the sending of a notice to Non-Resident Holders chosen (to the extent possible) in inverse order to the order of acquisition or registration or in such other manner as the Trustees may consider equitable and practicable, requiring them to sell their Units or a portion thereof within a specified period of not less than 60 days. If the persons receiving such notice have not sold the specified number of Units or provided the Trustees with satisfactory evidence that they are not Non-Resident Holders, the Trustees may, on behalf of such persons, sell such Units and, in the interim, shall suspend the voting and distribution rights, if any, attached to such Units. Upon such sale, the affected holders shall cease to be holders of the Units so sold and their rights shall be limited to receiving the net proceeds of such sale.

Book-Entry Only System

Registration of interests in and transfers of the Units are made only through a book-based system administered by CDS. Units must be purchased, transferred and surrendered for redemption through a participant in the CDS depository service (a "CDS Participant"). All rights of Unitholders must be exercised through, and all payments or other property to which the Unitholder is entitled will be made or delivered by, CDS or the CDS Participant through which the Unitholder holds the Units. Upon a purchase of any Units, the Unitholder will receive only a customer confirmation from the registered dealer which is a CDS Participant and from or through which the Units are purchased.

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

The Fund has the option to terminate registration of the Units through the CDS book-entry only system, in which case certificates for the Units in fully registered form would be issued to beneficial owners of those Units or their nominees.

6.3 Exchange Agreement

Exchange Rights

Under the Exchange Agreement, the Fund granted to holders of A2 LP Units the right to require the Fund at any time to indirectly exchange each A2 LP Unit for Units of the Fund on a one-for-one basis, subject to customary anti-dilution protection and provided that the exchange will not jeopardize the Fund's status as a "mutual fund trust" under the Tax Act. The exchange rights granted by the Fund are referred to herein as the "Exchange Rights". By December 31, 2009, all A2 LP Units had been exchanged for Units of the Fund.

6.4 Debentures

At a meeting on March 18, 2011, holders of the Old Debentures, passed a resolution approving certain amendments to the existing trust indenture and Old Debentures authorizing a debt restructuring transaction pursuant to which the terms of the Old Debentures and related indenture were amended to provide for the exchange of the Old Debentures for newly created Secured Debentures and Unsecured Debentures of the Fund. See 2.3 – Financing for a description of the Secured Debentures and the Unsecured Debentures.

7. MARKET FOR SECURITIES

7.1 Newport Partners Income Fund Units

The Units are listed for trading on the TSX under the symbol “NPF.UN”.

Trading Price and Volume

The following table sets out the high and low trading prices, closing prices and trading volumes of the Units for the period from January 1, 2010 to December 31, 2010.

Month	Price Range		Monthly Volume
	High	Low	
January	$0.45	$0.33	1,512,252
February	$0.41	$0.30	8,300,488
March	$0.38	$0.26	842,389
April	$0.33	$0.28	377,903
May	$0.30	$0.21	382,375
June	$0.30	$0.21	801,297
July	$0.34	$0.20	370,700
August	$0.23	$0.18	604,900
September	$0.22	$0.16	472,436
October	$0.21	$0.17	444,009
November	$0.26	$0.17	1,153,187
December	$0.38	$0.25	2,642,683

Normal Course Issuer Bid

On January 20, 2009, the Fund announced that it had received approval from the TSX to purchase for cancellation, through the facilities of the TSX, up to 2,327,194 Units. The normal course issuer bid came into effect on January 23, 2009 and terminated on January 22, 2010. The Fund did not buy back and cancel any Units under this normal course issuer bid.

Incentive Option Plan

The Unitholders of the Fund approved an Incentive Option Plan (the "IOP") on November 30, 2009. Pursuant to the IOP 7,100,590 Units of the Fund have been listed and reserved for issuance upon the exercise of the stock options granted. On January 13, 2010 and December 14, 2010, 7,000,000 and 50,000 options respectively were granted to employees and directors at an exercise price of $0.403 per Unit with options vesting in 2010 through to 2013.

Management Incentive Plan

On December 14, 2010, the Board of Trustees approved, subject to Unitholder ratification at the Conversion Meeting, a new Management Incentive Plan, or the MIP. The purpose of the MIP is to recognize certain members of Management for their efforts in achieving the proposed Debt Restructuring, to incent participants in the MIP to grow and develop Newport’s business and to further align interests of such participants with the long term interests of Newport investors.
The aggregate number of Units issuable pursuant to options granted to MIP participants is 7,150,000, which number is equal to approximately 10% of the number of Units outstanding as at December 14, 2010 calculated on a non-diluted basis. No further options are issuable under the MIP and options issued under the MIP that are exercised, that expire or that are otherwise terminated will not become available for issue again under the MIP.

On March 25, 2011 the Unitholders of the Fund approved the MIP.

7.2 Newport Partners Income Fund Debentures

As at December 31, 2010, the Old Debentures were outstanding, and listed for trading on the TSX. The Series 2005 Debentures were issued in December 2005, trade under the symbol "NPF.DB" and began trading on April 13, 2006. The Series 2007 Debentures were issued in July 2007, trade under the symbol "NPF.DB.A" and began trading on July 12, 2007.

Trading Price and Volume

The following table sets out the high and low trading prices, closing prices and trading volumes of the Series 2005 Debentures for the period from January 1, 2010 to December 31, 2010.

Month	Price Range		Monthly
	High	Low	Volume
January	$0.600	$0.410	2,179
February	$0.640	$0.590	8,003
March	$0.630	$0.565	3,416
April	$0.750	$0.630	3,659
May	$0.700	$0.640	4,744
June	$0.670	$0.635	997
July	$0.630	$0.550	1,674
August	$0.650	$0.550	483
September	$0.650	$0.570	502
October	$0.650	$0.540	1,280
November	$0.650	$0.520	1,293
December	$0.740	$0.640	1,430

The following table sets out the high and low trading prices, closing prices and trading volumes of the Series 2007 Debentures for the period from January 1, 2010 to December 31, 2010.

Month	Price Range		Monthly
	High	Low	Volume
January	$0.600	$0.420	7,673
February	$0.650	$0.588	3,535
March	$0.630	$0.565	1,821
April	$0.710	$0.630	10,773
May	$0.700	$0.638	4,227
June	$0.662	$0.625	1,895
July	$0.630	$0.580	773
August	$0.650	$0.580	660
September	$0.601	$0.550	1,098
October	$0.590	$0.540	1,080
November	$0.600	$0.500	848
December	$0.750	$0.650	1,070

8. TRUSTEES AND OFFICERS

8.1 Trustees

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

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

Name and Municipality of Residence	**Position with the Fund**	**Date First Became a Trustee**	**Principal Occupation**
John K. Bell Cambridge, Ontario	Trustee	August 8, 2005	Chairman and Chief Executive Officer, The Onbelay Investment Corporation
K. Michael Edwards Toronto, Ontario	Trustee	August 8, 2005	Chairman and Chief Executive Officer, FieldWorker Products Limited
Richard W. Ivey Toronto, Ontario	Trustee	August 8, 2005	Chairman, Ivest Properties Limited
Gerry Smith Orillia, Ontario	Trustee	August 8, 2005	President, Huronia Investments Inc.
David A. Williams Toronto, Ontario	Trustee	August 8, 2005	President, Roxborough Holdings Limited

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

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 Corporation, Strongco Income Fund and the Royal Canadian Mint. Mr. Bell is past Chair of Cambridge Memorial Hospital, Waterloo Regional Police and the Waterloo Region Prosperity Council. 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 Fundserve, 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. Richard W. Ivey is Chairman of Ivest Properties Ltd., a real estate development and management company, and immediate past Chairman of the Canadian Institute for Advanced Research. Mr. Ivey currently serves on the Boards of Newport Partners Income Fund, Canada Colors and Chemicals Ltd., University Health Network, MaRS Discovery District, the Toronto Community Foundation, the Ivey Foundation and Pearson College of the Pacific Foundation. He also serves on the Advisory Boards of Social Capital Partners and the Richard Ivey School of Business. He was appointed a Member of the Order of Canada in February 2006.

Mr. Ivey practiced law at Torys until 1982. He has served in a variety of executive roles with companies in the packaging, logistics and real estate industries for the past 25 years.

Gerry Smith. Mr. Smith is owner and President of Huronia Investments Inc., a private investment holding company. He is also an owner and an 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 an 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. and RoaDor Industries Ltd. Mr. Williams is a director of Bishop's University Foundation and is involved with a number of community related projects. Mr. Williams holds a Bachelors degree in Business from Bishop's University, and an M.B.A. from Queen's University.

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

As at February 28, 2011, the Trustees of the Fund as a group beneficially owned, or controlled or directed, directly or indirectly, 1,398,139 Units, representing approximately 2.43% of the fully diluted outstanding Units.

8.2 Committees

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

The Compensation and Corporate Governance Committee is composed of David A. Williams (Chairman), and the remaining Trustees, each of whom is independent, within the meaning of multilateral instrument 52-110 - *Audit Committees*. Each member of the Compensation and Corporate Governance Committee will serve only at the pleasure of the board of directors of GP Trustee and, in any event, only so long as he or she shall be an independent director. The Compensation and Corporate Governance Committee has the responsibility to review and monitor the corporate governance practices and senior officer compensation of the Fund. While corporate governance and compensation ultimately remains the responsibility of the board of trustees, the Committee shall review and monitor the corporate governance practices and compensation of GP Trustee and NPY. The Compensation and Corporate Governance Committee will primarily fulfill its responsibilities by carrying out the activities outlined in its charter. The Compensation and Corporate Governance Committee is given full access to management and records, and as necessary to carry out these responsibilities.

8.3 Trustees and Directors of Related Entities

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

The general partner of NPY is GP Trust, an unincorporated open-ended trust established under the laws of the Province of Ontario. The sole trustee of the GP Trust is GP Trustee, a corporation incorporated under the laws of the Province of Ontario and a wholly-owned subsidiary of the Commercial Trust.

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

Aubrey W. Baillie. Mr. Baillie is executive chairman of Newport Partners Income Fund and one of the founders of Newport Partners, with over 35 years experience in the investment industry. He retired in 1999 as deputy chairman and chief operating officer of Nesbitt Burns Inc., having joined a predecessor firm in 1977. Mr Baillie is a director of Brompton Corp. and CNSX Markets Inc. He is the chair of the Board of the Juvenile Diabetes Research Foundation, Canada, and the Appleby College Foundation. Mr. Baillie is a past chair of the Board of Trustees of United Way of Greater Toronto. Mr. Baillie holds a degree in business administration from the University of Western Ontario, and is a chartered accountant.

Douglas C. Brown. Mr. Brown is one of the founders of NP LP with more than 20 years experience advising individuals and families on wealth management. Mr. Brown was called to the Law Society of Upper Canada in 1985 and began practicing law at the firm Fasken & Calvin (now Fasken Martineau DuMoulin LLP). In 1994, he left his law practice to join Merchant Private Trust Company where he was managing director from 1996 to 1998. In 1998, Mr. Brown was appointed President of Merchant Private Trust Company and in 1999 the firm, re-named Connor Clark Private Trust, was acquired by Royal Bank of Canada and renamed RBC Private Counsel, where Mr. Brown was appointed Vice-Chairman. Mr. Brown sits on the board of directors of various private companies and charitable foundations. Mr. Brown received an Honours Bachelor of Arts from 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 NP LP with 20 years experience in the financial industry. Prior to joining Newport Partners, 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 NP LP's Investment Committee. Mr. Kinney is the treasurer and 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.

David T. Lloyd. Mr. Lloyd is one of the founders of NP LP and has over 25 years of wealth management advisory experience. Prior to forming NP LP, 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 has written articles that have been published in a variety of financial journals, including the Canadian Institute and the Insight Conference on Investment Strategy, and he has appeared on various business television programs. Mr. Lloyd has a Bachelor of Arts (Economics) 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 TSX-listed 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 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 CEO of the Year by Birch Hill Capital Partners.

8.4 Officers of GP Trustee

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

Name and Municipality of Residence	Position with GP Trustee
Aubrey W. Baillie Toronto, Ontario	Executive Chairman
Dean T. MacDonald St. John's, Newfoundland	President and Chief Executive Officer
Paul C. Hatcher St. John's, Newfoundland	Chief Operating Officer
Keith Halbert Toronto, Ontario	Chief Financial Officer
Charles P. Hutchings St. John's, Newfoundland	Vice President
Adrian T. Montgomery Toronto, Ontario	Vice President
Kelly A. Baird Toronto, Ontario	Corporate Secretary
Sandra Knifton Toronto, Ontario	Director of Finance
Aleksandra Doerffer Toronto, Ontario	Corporate Counsel

8.5 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions

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

Aubrey Baillie became a director of The NRG Group Inc. ("NGR") in March 2000. NRG was suspended from trading on the TSX for failure to meet the minimum market capitalization listing requirements. NRG was subject to cease trade orders issued by the Ontario, British Columbia, Alberta and Manitoba Securities Commissions for failure to file its audited financial statements for the year ended December 31, 2002 and for the three month period ended March 31, 2003. The financial statements were subsequently filed on SEDAR on August 7, 2003 and August 18, 2003, respectively, and the cease trade orders were revoked. On July 23, 2003, 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.

9. Legal Proceedings

A statement of claim has been filed in the court of Queens Bench Alberta alleging breach of contract and negligence. NPH signed a letter of intent with a third party to acquire several businesses. The transaction was not completed. The claim is for $630 relating to third party costs relating to the transaction and $38,600 in damages. A statement of defence has been filed. Management is of the opinion that this claim is without merit.

A statement of claim has been filed by a former employee of the Fund alleging breach of contract, wrongful dismissal, defamation, and intentional interference with economic relations. The claim is for an amount of $6,500. Management feels the claim is without merit, and will vigorously defend itself.

A statement of claim has been filed by a purchaser of the assets of a Subsidiary of the Fund in connection with the calculation of income as related to a promissory note forming part of a transaction. The claim is being defended and management feels the claim is without merit.

10. Interest of Management and Others in Material Transactions

The following table summarizes management and trustee holdings as at February 28, 2011.

	Newport Partners Income Fund	Total Issued and Outstanding	Percentage Owned
Management	1,749,863	71,951,476	2.43%
Trustees	1,398,139	71,951,476	1.94%

Employee loans made to employees of the Fund and its subsidiaries were outstanding in the amount of $1.9 million (2009 – $3.5 million). In accordance with the terms and conditions of the loans, the loans are interest bearing and used to fund the purchase of units of the Fund or to refinance such purchases and are secured by a pledge of the units.

11. Transfer Agent and Registrar

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

12. Material Contracts

In connection with the initial public offering of the Fund, the Fund entered into a number of material contracts, which are referred to in the Fund's prospectus dated July 28, 2005 under the heading "Material Contracts". A copy of the prospectus of the Fund and the material contracts described therein are available at www.sedar.com.

The Fund has entered into the following additional material contracts during its most recently completed financial year:

(a) Second Amendment to Forbearance Agreement dated February 18, 2010;

(b) Third Amendment to Forbearance Agreement dated July 12, 2010;

(c) Unit and Share Purchase Agreement between Newport Partners Holdings LP and Comwest Enterprise Corp. relating to the sale of Peerless Garments LP dated August 19, 2010;

(d) Fourth Amendment to Forbearance Agreement dated October 4, 2010;

(e) Support Agreement between Marret Asset Management and Newport Partners Income Fund dated November 30, 2010;

(f) Support Agreement between K2 & Associates Investment Management and Newport Partners Income Fund dated November 30, 2010;

(g) Unit and Share Purchase Agreement between Bear Rock Limited Partnership, Smart Energy Services Ltd. and Newport Partners Holdings LP dated December 10, 2010;

(h) Amended and Restated Credit Agreement dated December 20, 2010;

(i) Unit Share Purchase Agreement between Newport Partners Holdings LP, Newport Partners GP Inc., Merchant Capital Inc. and Newport Securities LP dated December 22, 2010;

(j) Unit Purchase Agreement between Oil Sands Energy Holdings Inc. and NPC Integrity Energy Services Limited Partnership dated February 4, 2011;

(k) Debenture Exchange Agreement dated March 23, 2011;

(l) Secured Trust Indenture between Newport Partners Income Fund and BNY Trust Company of Canada dated March 23,2011;

(m) Unsecured Trust Indenture between Newport Partners Income Fund and Computershare Trust of Company of Canada dated March 23, 2011; and

(n) Second Amended and Restated Credit Agreement dated March 23, 2011.

Copies of these documents are available on SEDAR at www.sedar.com.

13. Interest of Experts

The Fund's independent external auditors are Ernst & Young LLP, 222 Bay Street, P.O. Box 251, Toronto, Ontario M5K 1J7. Ernst & Young LLP has audited the consolidated financial statements of the Fund for the year ended December 31, 2010, and has issued an audit report to the Fund with respect to such financial statements.

Ernst & Young LLP is independent of the Fund in accordance with the requirements of the Ontario Institute of Chartered Accountants.

14. Additional Information

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

Additional information is provided in the Fund's financial statements and Management's Discussion & Analysis for the financial year ended December 31, 2010.

Appendix A

AUDIT COMMITTEE INFORMATION

1. Audit Committee Charter

See Schedule 1 attached hereto.

2. Composition of the Audit Committee

The Audit Committee of the Fund is currently comprised of all of the trustees of the Fund and John Bell is the current Chairman, all of whom are independent and financially literate within the meaning of National Instrument 52-110— *Audit Committees*.

3. Relevant Education and Experience

Mr. Bell, who is the Chair of the Audit Committee, is Chairman and CEO of Onbelay Investment Corporation, a private equity company. He is also Chairman of BSM Wireless Inc., a director of Strongco Corporation, a director of Royal Canadian Mint, and Chairman of Cambridge Memorial Hospital. Mr. Bell is a chartered accountant and holds a degree in Business Administration from the University of Western Ontario.

Mr. Williams is President of Roxborough Holdings Limited, an investment company. He is also a director of Western Copper Corporation, Atlantis Systems Corp., Resin Systems Inc. and RoaDor Industries Ltd. Prior to this, he held senior management positions with Beutel Goodman Company, one of Canada's largest institutional money managers. Mr. Williams holds a bachelor's degree in Business from Bishop's University and an M.B.A. from Queen's University.

Mr. Edwards is the Chairman and Chief Executive Officer of FieldWorker Products Limited, a mobile data solutions company. He is also a director of the Mount Pleasant Group, Fundserve, Energy Split Corp. Inc. and Energy Split Corp II Inc. Mr. Edwards holds a Bachelor of Commerce degree from the University of Alberta.

Mr. Ivey is chairman of Ivest Properties Limited, a real estate development and management company. He also serves as a member of the board of directors of Canada Colors and Chemicals Limited and holds the positions of chairman of the Canadian Institute for Advanced Research, secretary and treasurer of the Ivey Foundation and is a member of various other advisory boards. Mr. Ivey holds a degree in Business Administration from the University of Western Ontario and a Law degree from the University of Toronto.

Mr. Smith is owner and president of Huronia Investments Inc., a private investment holding company and is also an owner and an executive with Point To Point Communications Limited and Sitecom Services limited, both companies involved in telecommunications. Mr. Smith holds a Bachelor of Commerce degree and an M.B.A. from McMaster University and is a Chartered Accountant.

4. External Auditor Service Fees

<u>Audit Fees</u>

Ernst & Young LLP, the Fund's external auditor, auditor of NPY, and auditor of certain operating partnerships, charged $1,625,700 for audit services and review procedures relating to the quarterly reports of the Fund in 2010. In 2009, Ernst & Young LLP charged $1,575,215 for audit related services.

Other auditors charged the operating partnerships $79,500 for 2010 ($170,000 for 2009).

<u>Audit-Related Fees</u>

Ernst & Young LLP, the Fund's external auditor, charged the Fund and NPH $243,775 for audit related services in the 2010 year. The audit-related services provided related to financing, IFRS and divestiture assistance. In 2009, Ernst & Young charged $65,200 for audit related services.

Other auditors charged the Fund and NPY $53,700 for 2010 ($6,000 for 2009).

Tax Fees

Ernst & Young LLP, the Fund's external auditor, the auditor of NPY, and the auditor of certain Operating Partnerships, charged the Fund $15,800 for tax services in the 2010 fiscal period. In 2009, Ernst & Young charged $nil for services which included advice with respect to compliance reporting.

Other auditors charged $98,400 for tax services in the 2010 fiscal period relating to tax compliance reporting ($102,600 in 2009).

Schedule I

AUDIT COMMITTEE CHARTER

Purpose

The primary function of the Audit Committee is to assist the Board of Trustees ("Board") in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to unitholders and others, the systems of internal controls that management and the Board have established, and the Fund's and its subsidiaries' audit and financial reporting process.

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

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

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

Composition and Qualification

The Audit Committee will be comprised of all of the trustees, each of whom will be an independent trustee, as contemplated by the Guidelines published by the Ontario Securities Commission.

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

All members of the Committee shall be financially literate and thus be able to read and understand a set of financial statements that have a level of complexity of accounting that is comparable to that of the Fund's financial statements. At least 1 member of the Committee will have accounting or related financial expertise. This could include past employment experience in finance or accounting, requisite professional certification in accounting, or any other comparable experience or background which results in the individual's financial sophistication, including been or having been a chief executive officer, chief financial officer or other senior officer of an entity with financial oversight responsibilities.

Responsibilities and Duties

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

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

- the audited financial statements of the Fund and the management discussion and analysis contained therein;
- all financial information in any annual reports, prospectuses and other offering memoranda of the Fund;
- interim and year end financial statements of the Fund required by regulatory authorities;
- press releases relating to interim and year end financial results of the Fund;
- recommendations of the auditors for strengthening internal controls to ensure that processes are in place to mitigate or eliminate risks associated with financial reporting and cash management for the Fund as well as the response of management to these recommendations;
- ensure adequate procedures are in place for the review of the Fund's public disclosure of financial information extracted or derived from the Fund's financial statements, other than the disclosure referred to above, and periodically assess the adequacy of these procedures.

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

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

Meetings

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

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

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

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

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

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

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

Appendix B

GLOSSARY OF TERMS

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

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

"**AIF**" means the Annual Information Form of the Fund dated March 30, 2010 in respect of the Fund's financial year ended December 31, 2009;

"**Amended and Restated Credit Agreement**" means the secured credit agreement dates as of December 20, 2010 entered into amongst the Borrower, Marret as lender, DB Newport LLC, and the other parties thereto;

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

"**Asset Management Operating Partnership"** means collectively NP LP, Morrison Williams and Brompton;

"**B3 LP Units**" means the Class B LP Units of NPY designated as Series 3;

"**Boards**" means the Board of Trustees and the GP Board of Directors;

"**BMI**" means Baird MacGregor Insurance Brokers LP, a limited partnership formed under the laws of the Province of Ontario;

"**Brompton**" means Brompton Corp., a corporation incorporated under the laws of the Province of Ontario;

"**Brompton Funds**" means the public and private investment funds currently managed by Brompton;

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

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

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

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

"**CRA**" means Canada Revenue Agency;

"**CT Declaration of Trust**" means the declaration of trust of Commercial Trust dated June 21, 2005, as amended and restated on August 8, 2005 and as further amended on March 21, 2007, as the same may be amended, supplemented or amended and restated from time to time;

"**CT Trustee**" means Newport Partners Trustee Inc., a corporation incorporated under the laws of the Province of Ontario;

"**CT Notes**" means the Notes designated as Series 1 and issued to the Fund in accordance with the Note Indenture;

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

"**Declaration of Trust**" means the declaration of trust dated May 13, 2005, as amended and restated on June 22, 2005 and August 8, 2005, and as further amended on March 21, 2007, as the same may be amended, supplemented or amended and restated from time to time;

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

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

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

“**Exchangeable Securities**” means any securities that are exchangeable, directly or indirectly, for Units;

“**Old Debentures**” means collectively the Series 2005 Debentures and the Series 2007 Debentures;

“**Existing Trust Indenture**” means the Trust Indenture dated December 12, 2005;

“**EZEE**” means EZEE ATM LP, a limited partnership formed under the laws of the Province of Ontario;

“**First Supplemental Indenture**” means the first supplemental indenture to the Trust Indenture, dated July 12, 2007 pursuant to which the Series 2007 Debentures were issued;

“**Fund**” means Newport Partners Income Fund, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario;

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

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

“**GP Trust**” means NPY GP Trust, an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario, the general partner of NPY and NPH;

“**GP Trustee**” means Newport Partners GP Inc., a corporation incorporated under the laws of the Province of Ontario;

“**Gusgo**” means Gusgo Transport LP, a limited partnership formed under the laws of the Province of Ontario;

“**Hargraft**” means Hargraft Schofield LP, a limited partnership formed under the laws of the Province of Ontario;

“**IC Group**” means IC Group LP, a limited partnership formed under the laws of the Province of Ontario;

“**Limited Partnership Agreement**” or “**LP Agreement**” means the Second Amended and Restated Limited Partnership Agreement dated August 8, 2005 in respect of NPY, as the same may be amended, supplemented or amended and restated from time to time;

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

“**Management**” means management of Newport;

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

“**Newport Partners**” means business carried on through NP LP and its subsidiaries.

“**Newport Partners Principals**” means, collectively, the people who manage NPY;

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

“**Non-Resident Holders**” means a non-resident within the meaning of the Tax Act;

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

“**Note Trustee**” means CIBC Mellon Trust Company;

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

“**NFC**” means Newport Finance Corp., a corporation established under the laws of the Province of Alberta;

“**NPC**” means NPC Integrity Energy Services Limited Partnership, a limited partnership formed under the laws of the Province of Alberta. NPC is licensed to carry on business as “Golosky Energy Services”;

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

“**NP Trustee**” means Newport Partners Trustee Inc., a corporation established under the laws of the Province of Ontario;

“**NPY**” means Newport Private Yield LP;

“**Operating Expenses**” means, in the case of determining the allocation of income and the distribution of cash of Morrison Williams, the expenses of Morrison Williams (other than the commissions deducted from gross revenues);

“**Operating Level Subordination End Date**” means the end of the quarter in respect of which aggregate cumulative distributions to NPH exceed 2 times the yearly priority allocation allotted to NPH (4 times in the case of Gusgo), as adjusted for future acquisitions and changes in capital structure;

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

“**Quantum Murray**” means Quantum Murray LP, a limited partnership formed under the laws of the Province of Ontario;

“**Redemption Price**” means the price per Unit a Unitholder is entitled to receive on redemption;

“**Rlogistics**” means RLogistics LP, a limited partnership formed under the laws of the Province of Ontario;

“**Original Senior Credit Agreement**” means the secured credit agreement entered into on December 7, 2006 with an affiliate of Fortress Credit Corp.;

“**Series 2005 Debentures**” means the $85,000,000 aggregate principal amount of subordinated unsecured convertible debentures due December 31, 2010 issued pursuant to the Trust Indenture;

“**Series 2007 Debentures**” means the $79,966,000 aggregate principal amount of subordinated unsecured convertible debentures due December 31, 2012 issued pursuant to the First Supplemental Indenture;

“**SIFT Rules**” the amendments to the Tax Act enacted on June 22, 2007 that modify the federal income tax treatment of certain publicly traded trusts and partnerships that are specified investment flow-through trusts or partnerships, and as further described in “*Risks - Proposed Changes to the Income Tax Rules Applicable to Publicly Traded Trusts and Partnerships*”

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

“**Tax Act**” means the *Income Tax Act* (Canada);

“**Titan**” means Titan Supply LP, a limited partnership formed under the laws of the Province of Alberta;

“**TSX**” means the Toronto Stock Exchange;

“**Unitholders**” means collectively the holders of Units and Special Voting Units; and

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