

# Tuckamore Capital Management Inc.



**ANNUAL INFORMATION FORM**  
(for the year ended December 31, 2012)

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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 Company 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 Company and the Operating Partnerships. Without limitation, information regarding the future operating results and economic performance of the Company 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 Company 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, 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 Company 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 Company 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 Company 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-Standard measures**

The terms “EBITDA” and “Adjusted EBITDA” and “non-cash interest expense” (collectively the “Non-GAAP Measures”) are financial measures used in this AIF that are not standard measures under International Financial Reporting Standards (“IFRS”). The Company’s method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, the Company’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 IFRS, before depreciation and amortization, interest expense and income tax expense. EBITDA is used by management and the Directors 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 Company’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 Company’s ability to generate cash available for debt service, working capital, capital expenditures, income taxes and distributions. The Company 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, restructuring costs, gain on re-measurement of investments, gain / loss on debt extinguishment / de-recognition, fair value adjustments on stock based compensation expense and the impairment of long-term investments. The Company has used Adjusted EBITDA as the basis for the analysis of its past operating financial performance. Adjusted EBITDA is used by the Company and management believes it is a useful supplemental measure from which to determine the Company’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.

Investors are cautioned that the Non-GAAP Measures are not alternatives to measures under IFRS 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 shares. These Non-GAAP Measures should only be used in conjunction with the financial statements included in the AIF and the Company’s annual audited financial statements available on SEDAR at [www.sedar.com](http://www.sedar.com) or at [www.tuckamore.ca](http://www.tuckamore.ca)

## 1. CORPORATE STRUCTURE

### 1.1 Name, Address and Incorporation

Tuckamore Capital Management Inc. (“the Company”) was previously an unincorporated open-ended trust operating under the name of Newport Partners Income Fund (“the Fund”), 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**”). At a special meeting of Unitholders of the Fund 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 resulted in the reorganization of the Fund’s income trust structure into a corporation named “Newport Inc.”, and the unitholders of the Fund became shareholders of the new corporation on April 1, 2011. On June 29, 2011 at the Annual and Special Meeting of the shareholders of Newport Inc., the shareholders passed a resolution to change the name of the corporation from Newport Inc. to Tuckamore Capital Management Inc. (“the Company”). The head office and registered office of the Company is located at 469 King Street West, 4th Floor, Toronto, Ontario M5V 1K4.

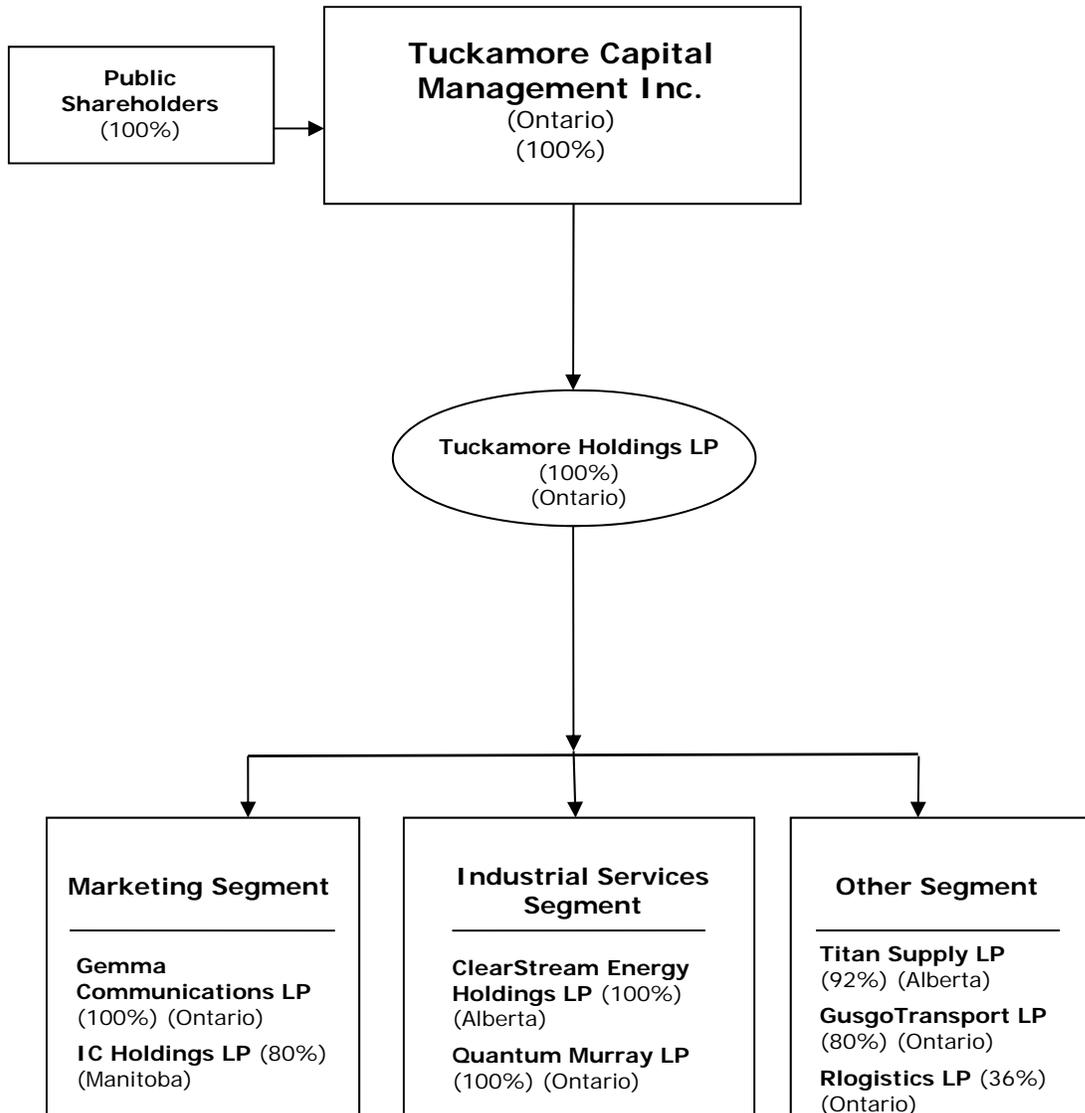
References to the Fund throughout this AIF relate to the Company prior to April 1, 2011.

### 1.2 Intercorporate Relationships

The Company holds all of the outstanding units (the “**TH Units**”) of Tuckamore Holdings LP (previously named Newport Holdings LP “NPH” and 100% of the shares of Tuckamore GP Inc. (“**GP Trustee**”) which is the sole trustee of Tuckamore GP Trust (“**GP Trust**”), the general partner of TH. TH holds interests ranging from 100% to 36% in the Operating Partnerships.

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

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



Each of the Company, Tuckamore Holdings (“TH”) and the Operating Partnerships, other than ClearStream and Titan, have been established under the laws of the Province of Ontario.

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

## **2. GENERAL DEVELOPMENT OF THE BUSINESS**

### **2.1 History**

TH owns direct investments in private businesses. From August 2005 until June 2011, TH was directly owned by Newport Private Yield LP (“NPY”), which was wound up on June 29, 2011.

NPY was formed on February 27, 2004 and prior to the initial public offering (“**IPO**”) of the Fund on August 8, 2005, raised over \$100 million from 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 were formed, numerous investments have been made directly by the Operating Partnerships (see “2.4 – Significant Acquisitions” for information of 2011 acquisitions) and a number of investments have been sold. (See “2.5 – Significant Dispositions” for information on 2012 dispositions.)

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 became effective April 1, 2011. On June 29, 2011 at the Annual and Special Meeting of the shareholders of Newport Inc., the shareholders passed a resolution authorizing and approving the amendment of the corporation’s articles to change the name of the Company to “Tuckamore Capital Management Inc.”.

As of December 31, 2012, the Company had ownership interests in seven Operating Partnerships operating in three reportable segments: marketing, industrial services, and other. The Company formed these partnerships by acquiring an ownership interest in the entrepreneur’s business with the entrepreneur typically retaining an equity interest.

The Company has over the last four years sold its interest in several Operating Partnerships. It is possible that there will be further sales of investments in 2013 and in future years.

Management continues to look to create value through the improvement of the operations of its assets and, in some cases, may look to realize value through the sale of certain of its assets.

The following table identifies the seven Operating Partnerships, the business of each Operating Partnership, the Company's ownership interest, and the date of the Company's initial investment. The table is current as of the date of this AIF.

<b>Operating Partner by Segment</b>	<b>Business</b>	<b>Ownership Interest</b>	<b>Date of Initial Investment</b>
<b>Marketing</b>			
Gemma	An outsourced contact centre operator providing outbound revenue generation and inbound customer care services	100%	March 2005
IC Group	Provider of on-line promotional and loyalty programs and select insurance products	80%	July 2006
<b>Industrial Services</b>			
ClearStream	Provider of oil and gas maintenance, construction and wear technology services to both the conventional oil and gas industry and the oilsands	100%	October 2004
Quantum Murray	National provider of demolition, remediation and scrap metal services	100%	March 2006
<b>Other</b>			
Titan	Manufacturer and distributor of rigging products and services, and ground engaging tools to the oil and gas, and construction sectors	92%	September 2006
Gusgo	Transportation and storage services provider	80%	October 2006
Rlogistics	Re-seller of closeout, discount and refurbished consumer electronic and household goods in Ontario	36%	May 2006

The operations of the Company's Operating Partnership's are discussed in further detail beginning on page 12 of this AIF along with the risks associated with these businesses beginning on page 25 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 the Company for the years ended December 31, 2012 and 2011.

## SUMMARY FINANCIAL TABLE

(\$000's)

	For Year Ended December 31,		
	2012	2011	2010
Revenues	\$ 757,407	\$ 627,612	\$ 441,788
Cost of revenues	(611,194)	(489,805)	(346,643)
Gross profit	146,213	137,807	95,145
Selling, general and administrative expenses	(107,790)	(96,210)	(76,283)
Amortization expense	(10,826)	(15,710)	(10,828)
Depreciation expense	(15,177)	(12,493)	(10,310)
Income from equity investments	-	252	590
Interest expense, net	(32,827)	(33,056)	(33,467)
Gain on re-measurement of investment	-	7,281	83,757
Gain on bargain purchase	-	709	-
(Loss) gain on extinguishment / de-recognition of debt	(1,534)	37,451	-
Restructuring costs	(861)	-	-
Fair value adjustment on stock based compensation expense	-	(883)	220
Transaction costs	-	(2,638)	(321)
Write-down of long-term investments	-	(6,081)	-
Write-down of goodwill and intangible assets	(9,268)	-	(8,218)
Income tax expense - current	(775)	(23)	(400)
Income tax recovery (expense)- deferred	5,320	(2,768)	8,410
Income (loss) from continuing operations	\$ (27,525)	\$ 13,638	\$ 48,295
Add:			
Amortization	10,826	15,710	10,828
Depreciation	15,177	12,493	10,310
Interest expense, net	32,827	33,056	33,467
Income tax expense - current	775	23	400
Income tax (recovery) expense - deferred	(5,320)	2,768	(8,410)
EBITDA	\$ 26,760	\$ 77,688	\$ 94,890
Gain on re-measurement of investment	-	(7,281)	(83,757)
Loss (gain) on extinguishment / de-recognition of debt	1,534	(37,451)	-
Gain on bargain purchase	-	(709)	-
Fair value adjustment on stock based compensation expense	-	883	(220)
Restructuring costs	861	-	-
Write-down of long-term investments	-	6,081	-
Write-down of goodwill and intangible assets	9,268	-	8,218
Adjusted EBITDA	\$ 38,423	\$ 39,211	\$ 19,131

	For Year Ended December 31		
	2012	2011	2010
Total assets	\$ 428,133	\$ 456,035	\$ 432,638
Senior credit facility	89,300	95,705	86,939
Secured debentures	152,860	146,314	-
Unsecured debentures	18,781	14,215	-
Convertible debentures	-	-	159,829
Unitholders' Equity	-	-	43,515
Shareholders' equity	53,251	77,638	-

## 2.3 Financing

### SENIOR FACILITY HISTORY

The Company, through Newport Finance Corp. ("NFC"), a subsidiary of the Company, had a Senior Credit Agreement (the "Senior Credit Agreement") with a syndicate of lenders (the "Lenders").

### FORBEARANCE AGREEMENT

On July 21, 2009 the Company announced that a forbearance agreement (the "Forbearance Agreement") had been entered into with the Lenders.

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. 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:

(\$000's)	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. ("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 secured debentures of the Fund (the "Secured Debentures") and unsecured debentures of the Fund (the "Unsecured Debentures").

On December 20, 2010 the Fund announced the successful assignment of the Senior Credit Agreement (the "Amended and Restated Senior Credit Agreement", "ARCA") and Forbearance Agreement (as amended) to Marret, for itself and on behalf of various funds under management (collectively, the "Marret Lenders").

### SECOND AMENDED & RESTATED SENIOR CREDIT AGREEMENT

On March 23, 2011, Tuckamore, through NFC, entered into a Second Amended Restated Credit Agreement with the Marret Lenders, at which time the Amended and Restated Forbearance Agreement was cancelled.

As at December 31, 2011 senior debt was \$96,955 before deferred financing charges of \$1,250. There was no excess cash flow payable to the senior lender at December 31, 2011.

On January 24, 2012 the sale of Waydex Services LP closed for net proceeds of \$2,400 which was used to repay senior indebtedness.

On June 29, 2012 the sale of Armstrong Partnership LP closed for cash proceeds of \$3,186 which was used to repay senior indebtedness.

### THIRD AMENDED AND RESTATED CREDIT AGREEMENT

On March 9, 2012 Tuckamore completed an assignment (the "Assignment") to Bank of Montreal ("BMO") of its senior credit facility from Marret. In connection with the Assignment, BMO received an assignment of all of the rights and obligations of the Marret Lenders under the Senior Credit Facility. Tuckamore also entered into a third amended and restated credit agreement, providing improved borrowing terms to the Tuckamore group of companies (the "Amended Senior Credit Facility") and appointing BMO as agent.

For accounting purposes, the assignment of the Senior Credit facility to BMO was a de-recognition of debt. A loss on de-recognition of \$1,534 was recorded representing transaction costs and the write-off of deferred financing costs related to the de-recognized credit facility.

On November 13, 2012 Tuckamore reached an agreement to amend the financial covenants related to the Amended Senior Credit facility. The amended covenants include the interest coverage ratio, priority senior debt ratio and the minimum EBITDA ("Earnings Before Interest, Taxes, Depreciation & Amortization") amount. The amended covenants will be in effect for three quarters commencing the quarter ending September 30, 2012. After these three quarters, the covenants will revert back to the requirements prior to the November 13, 2012 amendment. As part of the amendment, the interest rate on the Amended Senior Credit Facility was adjusted to prime plus 1.625%. This rate can be reduced when certain leverage ratios are achieved. The total cost of the amendment is 0.125% or \$113 and this amount was expensed in the fourth quarter of 2012. Without the amendment, Tuckamore would have been in default on certain covenants at September 30, 2012, resulting in the senior credit facility and debentures being due on demand.

At December 31, 2012 Tuckamore was in compliance with its debt covenants. There is a risk that the Company may not meet certain debt covenants in the future and without an amendment from its senior lenders, the senior credit facility and debentures would be due on demand and classified as current.

Tuckamore is obligated to repay a portion of the senior credit facility prior to the maturity date of the senior credit facility based on proceeds from specified dispositions, proceeds from the issuance of equity instruments or based on the excess operating cash flows as defined.

Advances outstanding under the Amended Senior Credit Facility as at December 31, 2012 totalled \$90,755 with \$60,000 of this amount as a revolving facility and the balance as a term facility. The full amount of the revolving facility was drawn as at December 31, 2012.

Senior credit facility at December 31, 2010	\$ 86,939
Repayments	(36,973)
Advances	46,989
Senior credit facility at December 31, 2011	\$ 96,955
Repayments	(6,200)
Senior credit facility at December 31, 2012	\$ 90,755
Deferred financing costs at December 31, 2011	(1,250)
Additional deferred financing costs incurred on the old facility	(403)
Deferred costs written off on de-recognition of debt	1,534
Deferred financing costs incurred on new senior credit facility	(1,961)
Amortization of deferred financing costs	625
Deferred financing costs at December 31, 2012	\$ (1,455)
Net balance of senior credit facility at December 31, 2012	\$ 89,300

## **SECURED DEBENTURES AND UNSECURED 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 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 Company 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 Company 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 BMO Lenders under the ARCA. The Secured Debentures began trading on the TSX on the Effective Date under the symbol "NPF.DB.B", and now trade under the symbol "TX.DB.B".

The aggregate principal amount of the Unsecured Debentures was \$26,552 and the maturity date is March 24, 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 Company shall satisfy its obligations to repay, on maturity, the aggregate principal amount of the Unsecured Debentures not otherwise previously redeemed by delivering to the holders of such Unsecured Debentures shares of the Company. The number of securities so issuable shall be limited to 10% of the (subject to certain adjustments) common shares outstanding on the Unsecured Debenture Maturity Date, on a fully-diluted basis. The Company 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 Company 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", and now trade under the symbol "TX.DB.C".

For accounting purposes, the exchange of the Old Debentures was 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 were initially recorded at their estimated fair value. All costs incurred in connection with the issuance of the Secured Debentures and the Unsecured Debentures were expensed as a reduction of the gain on extinguishment. The Secured Debentures and Unsecured Debentures are being accreted up to their principal amount over the period to the respective maturity dates using the effective interest method.

### **2.4 Significant Acquisitions**

No acquisitions were made in 2012.

### **2.5 Significant Dispositions**

On June 29, 2012 Tuckamore sold its 80% interest in Armstrong Partnership LP for gross proceeds of \$5,366 realizing an accounting gain of approximately \$3,186.

In December 2011, ClearStream elected to sell its 40% interest in Waydex to the majority partner. The transaction closed on January 24, 2012 for gross proceeds of \$2,500 resulting in a nominal accounting loss. Net proceeds were used to repay senior indebtedness in the amount \$2,400.

## **2.6 Strategy**

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

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

## **3. DESCRIPTION OF THE BUSINESS**

The Company has ownership interests in seven Operating Partnerships. These partnerships operate in three reportable segments: (1) marketing; (2) industrial services; and (3) 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. Marketing**

##### ***i. Gemma Communications LP ("Gemma")***

###### Business Overview

Since its inception in 1999, Gemma has become Canada's foremost customer service centric and sales oriented outsourced call centre service provider. Gemma's core strength lies within its three pillars: Revenue Optimization, Customer Experience (Quality, First Call Resolution, etc.) and Compliance. We have successfully brought enhanced revenue generating call centre applications and capacity to a multitude of clients. We enhance existing sales results as well as re-engineer traditional customer care cost centres and turn them into profit centres.

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 sales calls from the customers of Gemma's clients. Gemma offers service in both English and French and also provides offshore call center services in the Philippines as a lower cost alternative.

Gemma has approximately 825 associates (also called agents) in offices in Toronto (625 agents) and Montreal (150 agents) and offshore (approximately 50 agents).

Gemma has been in the Company'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 32% 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 continues to represent 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 43% 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 80 employees.

IC Group has been in the Company'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

Over the past several years, interactive media has continued to gain legitimacy in the marketing mix. As more consumers spend more time online, businesses continue to shift budgets and grow their interactive marketing teams. Forrester Research forecasts that U.S. interactive marketing spending will reach \$76.6 billion by 2016. The largest areas of demand we have seen has continued to be in social media and mobile marketing with mobile showing the steepest growth curves.

According to world internet stats, there are close to 2.4 billion active internet users in the world today. By comparison, social media's self-reported usage statistics breaks out as follows:

- Facebook: Over 1 billion active users
- Google+: Over 343 million active users
- Twitter: Over 200 million active users and over 500 million registrants
- LinkedIn: Over 200 million total users

Wireless penetration is also a driving force in the minds of marketers. According to the CTIA Wireless Association there are more wireless subscriptions (321.7 million) than there are people in the US and its territories (315 million). In addition, the CTIA identified that a growing 35.8% of the US population is now mobile only. As more and more consumers move to mobile, we are seeing an increased demand for mobile capabilities.

Extending the social and mobile experience is no longer an option. With the growth of social media, content marketing has become a hot topic. Content marketing aims to provide informational and educational information free of charge to consumers. With consumers now easily able to control what they see online, content marketing strategies allow brands to increase that trust factor by positioning themselves as experts. With tablets and smartphones projected to outsell desktops and laptops in 2013, responsive design has continued to gain momentum in the market. Responsive design is a website design that detects the type of device a person is browsing with and readjusts the page to fit that device.

As the consumer demand for these services increase, IC Group continues to grow our capabilities to meet our shifting client demand. We have placed more effort to align our marketing, product innovation and operational processes to meet these growing social media and mobile client needs so that we can continue to provide a full interactive offering.

### 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).

## **B. Industrial Services**

### ***i. ClearStream ("CS")***

#### Business Overview

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

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

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

CS has over 350 full-time employees that are working out of its various offices. The number of employees in the field varies from 1,500 to over 3,000 depending on seasonality and client demand.

CS has been in the Company's portfolio since October 2004.

#### Products and Services

CS, through its subsidiaries provides the following product offerings through three divisions; Industrial Services, Fabrication and Wear Technology, and Transportation and Logistics.

### **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. CS is typically involved from the start of shutdown planning to the completion of the shutdown. CS's maintenance services include the provision of personnel, materials and

equipment required by CS clients to execute their day-to-day maintenance services, operational requirements and turnaround activities.

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

Labour Supply – CS 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, module assembly and rebuilds..

Wear Technology – This area of service increases life expectancy of steel pipe and plate. Services includes chromium carbide, tungsten carbide and proprietary overlays resulting in abrasion and corrosion resistant wear pipes and plates that are primarily used in the Oilsands.

### **Transportation and Logistics**

Transportation and Logistics - This service includes pipe logistics and management, hauling and storage, on site hauling, equipment hauling, camp moving and general transportation services to the energy industry.

#### Customers

CS'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 54.5% of CS's revenues for the year ended December 31, 2012.

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

#### Industry Trends

The energy industry (and particularly the oil and gas industry) is prone to cyclical fluctuations. 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.

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 cyclicity. CS made the strategic decision to focus on these less cyclical service areas in an effort to achieve operational and financial stability.

#### Competition

CS's principal competitors are Flint Energy Services Ltd., Ledcor Group of Companies, Triton Projects Inc., Strike Energy, Quinn Contracting, Site Energy,, Jacobs , Reppsco Services Ltd., and Tartan Canada. CS management believes that its focus on core values around relationships, people, excellence and smart decisions, along with existing long term relationships CS 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, Murray purchased substantially all of the assets of Quantum Environmental Group Inc. (“Quantum”), a provider 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, acquired substantially all of the assets and business operations of Thomson Metals & Disposal, which provides a full spectrum of integrated metal recycling services from demolition to collection, processing, management, transportation and sales, as well as industrial and commercial waste collection and disposal.

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. As a result of these acquisitions, Quantum Murray is one of the largest, full-service, national decommissioning and environmental remediation firms in Canada.

On September 30, 2011, Tuckamore acquired the minority interests in Quantum Murray and now owns 100% of the business.

Quantum Murray employs over 700 people and performs over 400 projects annually.

### Products and Services

Quantum Murray provides its clients with a wide range of services, including demolition and investment recovery services, abatement, remediation, treatment and disposal of contaminated soil, emergency response and waste management services. Demolition services include the dismantling of complex industrial and commercial projects requiring significant planning and engineering. Investment recovery services include equipment and scrap metal salvage, recycling and marketing. Abatement services include the removal of environmentally sensitive substances such as asbestos, mold, lead and PCBs. Remediation services include the removal of contaminated soils. Quantum Murray also has bio-remediation facilities to treat the contaminated soil. Emergency response includes providing first response services and training programs to deal primarily with industrial and municipal oil and chemical spills. Waste management services include the collection and disposal of industrial and commercial waste. Quantum Murray often combines a number of 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 a variety of customers from small developers and contractors to large commercial and industrial customers and government contracting groups. The company has an excellent track record and reputation for quality service.

### Industry Trends

Longer term, Quantum Murray may benefit from a number of ongoing trends within North America that drive demand for its services, including “de-industrialization”, increasing urban density and increased spending on infrastructure and the environment. Government initiatives to clean up large contaminated sites such as decommissioned mines will benefit Quantum Murray.

### 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. The positive outlook for business has increased competition from new start-ups and US entrants. 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 and expanding its market presence through focused account management to build repeat business with existing customers and grow national accounts; developing new customer relationships; 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. 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 and vertical markets.

### Competitive Strengths

Management believes that Quantum Murray is well positioned for the 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, significant repeat business and its diversity of services offered and geographies and industries served. The integrated services offered allows Quantum Murray to reduce costs in projects that require multiple divisions. Some divisions can feed new business to other divisions. There are few competitors that offer the national content that Quantum Murray does. This is important in the petrochemical, mining and transportation industry.

## **C. Other**

### ***i. Rlogistics LP ("Rlogistics")***

#### Business Overview

Rlogistics is a retail and wholesale reseller of consumer and office products and operates 20 stores in 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 Company's 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.

### ***ii. 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 120 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 has been in the Company's 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 1700 active customers on a monthly basis. The top 100 customers represent 53% of sales, and the largest customer represents 3% of sales with the top five customers representing 7.9% of sales. The customers operate primarily in the oil & gas services business in Alberta.

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 Company believes that Canada has the world's third-largest petroleum reserves behind Saudi Arabia and Venezuela. Most reserves are in Alberta's oil sands; approximately 174 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 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 generated \$4 billion in revenues and \$2.3 billion in exports for 2010.

Alberta's economy is expected to ease somewhat in 2013 but will remain near the top of the Canadian leader board with expected Real GDP growth of 2.7%. High energy prices will mean conventional drilling activity will remain strong as well as the continued investment in the oil sands area will help keep the economy strong. A large risk to this growth is the lack of progress on new pipeline capacity to carry Alberta crude to markets in Asia and the US.

## 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 to loaded and empty storage. Gusgo operates out of Vaughan, Ontario on a 15 acre property available for storage (including refrigerated storage). The Company believes that there is land available for significant future growth on site. Gusgo is licensed in Ontario, Quebec and throughout the United States.

Gusgo is based in Toronto and has 20 employees.

Gusgo has been in the Company'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 chassis may be serviced or repaired.

## **4. RISK FACTORS**

An investment in Shares of the Company involves a number of risks. In addition to the other information contained in this AIF and the Company'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 Company's results of operations, business prospects or financial condition.

### **4.1 Description of Risks Related to the Company and the Company's Operating Partnerships**

The Company'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 Company.

#### **A. The Company and the Operating Partnerships in General**

##### Leverage and Restrictive Covenants

The degree to which the Company is leveraged could have important consequences to share holders, including the following: (i) the ability to obtain additional financing for working capital, capital expenditures or acquisitions; (ii) a material portion of 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; (iii) the Company may be more vulnerable to economic downturns and be limited in its ability to withstand competitive pressures. The 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 to incur additional indebtedness, to make certain payments, and to make additional acquisitions. In addition, the ARCA contains a number of financial covenants that require the Company 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 senior credit facility and debentures. If the indebtedness under the ARCA were to be accelerated, there can be no assurance that the assets would be sufficient to repay in full that indebtedness. At December 31, 2012 Tuckamore was in compliance with its debt covenants. There is a risk that the Company may not meet certain debt covenants in the future and without an amendment from its senior lenders, the senior credit facility and debentures would be due on demand and classified as current.

##### Failure to Realize Anticipated Benefits of Investments Made

The Company 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 Company or an Operating Partnership's ability to achieve the anticipated benefits of future acquisitions.

### Condition of Capital Markets

While the Company has successfully restructured its balance sheet, the majority of cash flow, and all asset sale proceeds, will be used to pay down debt.

### Dependence on Key Personnel

The success of the Company 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 Company 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 Company 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 Company will be able to effectively manage its future business plan, and any failure to do so could have a material adverse effect on the Company's business, financial condition, results of operations and future prospects.

### General Economic Factors

The Company's business and the business of each of our Operating Partnerships are 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 reduce or delay 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 impact of environmental regulation is greatest for the Operating Partnerships in the Industrial and Other Segments.

### Dependence on the Operating Partnerships

The Company is a holding company that is entirely dependent on the operations and assets of the Operating Partnerships. The ability of the Company to make payments or advances is subject to applicable laws and contractual restrictions contained in the instruments governing any indebtedness (including the Credit Facility). The Company will not be making payments of dividends for the foreseeable future.

### Labour

The success of the Company 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 Company 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 Company'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 Company 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 Company 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.

#### 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 Company.

#### Availability of Future Financing

The Company's principal source of funds is cash generated from its Operating Partnerships. The Company 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 Company, in which event the financial condition of the Company may be materially adversely affected.

#### Potential Future Developments

Management of the Company, 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 Company's securities. The Company'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 Company are doing so at a time when the Company is not pursuing a particular strategic opportunity or transaction, that when announced, would have a significant effect on the price of the Company's securities.

## **B. Specific Operating Partnerships**

### ***i. Marketing Segment (Gemma 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) 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.

### ***ii. ClearStream***

#### Volatility of Industry Conditions

Conditions in the energy industry are influenced by numerous factors over which CS 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 CS'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 CS'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, CS 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 CS's business, financial condition, results of operations and cash flows.

### Customer Contracts

The business operations of CS 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 CS are service quality and availability, reliability and performance of equipment used to perform its services, technical knowledge and experience, reputation for safety performance and competitive pricing. Although Clearstream's key customer relationships are measured in decades, there can be no assurance that CS'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 CS's business, financial condition, results of operations and cash flows.

### Sources, Pricing and Availability of Equipment and Equipment Parts

CS sources its equipment and equipment parts from a variety of suppliers. Should any suppliers of CS 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 CS's business, financial condition, results of operations and cash flows.

### Customer Concentration

Large contracts often create a situation where a significant portion of CS's main revenue and accounts receivables may be from a small number of customers increasing the risks of economic dependence and concentration of credit. CS is economically dependent upon its top three clients who made up approximately 54.5% of its revenues for 2012.

### Project Risk

A portion of CS'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 CS performs, CS 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 CS 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 CS's customers to develop and operate in the oil sands.

### Unexpected Adjustments and Cancellations in Backlog

CS 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. This is a fundamental condition of the energy services industry. Projects may remain in its backlog for an extended period of time. CS 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 CS'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 CS 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 CS 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

27% of CS's hourly employees, workers in both ClearWater Fabrication and ClearWater Energy Service, 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, CS's clients employ workers under collective agreements. Any work stoppage or labour disruption experienced by CS'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. CS cannot predict the impact of changing demand for oil and gas products, and any major changes may have a material adverse effect on CS's business, financial condition, results of operations and cash flows.

### ***iii. Quantum Murray***

#### Large Project Risk

A 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. Cash flow challenges in large projects occur due to delay between cost expenditure and revenues and typical holdbacks of 10 %.

#### 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 and level of government funding in the 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 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 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. The seasonality of its work creates a challenge in keeping trained staff for some of its more complex work. The ability to bid and deliver projects in Alberta is affected by the challenge to hire qualified staff in a tight labour market.

#### Scrap Metal

Quantum Murray's metal business purchases scrap metal from several different sources and its demolition business. It 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. Demolition project profits are affected by the ability to predict the quantity of the salvageable material and the ultimate value of the material during the course of a project.

### ***iv. 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).

### ***v. 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.

## ***vi. 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. Corporate Structure**

### Dependence on the Operating Partnerships

The Company is a holding company that is entirely dependent on the operations and assets of the Operating Partnerships. Accordingly, obligations of the Company are dependent on the ability of the Operating Partnerships to pay distributions indirectly to the Company. The ability of the Company to make 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 Shares

The Company may issue additional shares or securities exchangeable for or convertible into shares in the future. Such additional shares may be issued without the approval of shareholders. The

shareholders will have no pre-emptive rights in connection with such additional issues. Additional issuance of shares will result in the dilution of the interests of shareholders. Income Tax Matters

Although the Company, TH and 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 are 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 are 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, the allocation of taxable income to the Company, 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 TH 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.

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 TH, initiates a shot-gun buy-sell, the general partner of TH 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 TH will receive the proceeds of sale, and will use such proceeds to pay down debt. There is no assurance that TH will decide to buy at the offered price or that TH will have sufficient funds to buy at the offered price. Any decision of TH not to buy at the offered price or its inability to buy at the offered price may have a negative impact on the Company. Any purchase or sale by TH 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 TH decide that it wishes to sell under such shot-gun buy-sell provisions.

### **D. Shares of the Company**

#### Unpredictability and Volatility of Share Price

A publicly traded holding company will not necessarily trade at values determined by reference to the underlying value of its business. The prices at which the shares will trade cannot be predicted. The market price of the Shares could be subject to significant fluctuations in response to variations in quarterly operating results and other factors. 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 Shares.

#### 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.

### **E. Risks Relating to the Secured Debentures and the Unsecured Debentures**

#### Prior Ranking Indebtedness

The Secured Debentures will be subordinate to certain senior secured indebtedness of the Company (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 restrictions.

#### Inability to Fund Purchase of Debentures

The Company may be required to offer to purchase all outstanding Secured 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 Company 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 Company, 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 Company is able to refinance at a lower interest rate or it is otherwise in the interest of the Company 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 Company's Businesses

Management of the Company believes that the exchange of the Old Debentures for the Secured Debentures and the Unsecured Debentures has enhanced the Company's liquidity and provide it with continued operating flexibility. However, such belief is based on certain assumptions, including, without limitation, that the Company'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 and that general economic conditions and the markets for the products and services of the Company's subsidiaries will remain stable or improve, as well as the Company's continued ability to manage costs. Should any of those assumptions prove false, the financial position of the Company 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 Company 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 Company's operating results and the market for similar securities.

## 5. DIVIDENDS

### 5.1 Dividends

The Company has not paid any cash dividends to date on the Shares. Further, the Company intends to retain its earnings and does not expect to pay any cash dividends on its Shares in the near future. The actual timing, payment and amount of any dividends will be determined by the Board from time to time based upon, among other things, cash flow, results of operations and financial condition, the need for funds to finance ongoing operations and such other business considerations as the Board may consider relevant.

On October 8, 2008, the Fund announced that it would be suspending distributions to Unitholders after the distribution to Unitholders completed on October 15, 2008. The Company has not declared distributions/dividends on Units/Shares since that date.

## 6. CONSOLIDATED CAPITALIZATION OF THE COMPANY

The following table sets forth the consolidated capitalization of the Company as at December 31, 2012.

	<u>Authorized</u>	<u>Issued</u>	<u>As at December 31, 2012</u> (000's)
Senior Credit Facility .....	—	—	\$ 90,755
Secured Debentures .....	—	—	\$ 152,860
Unsecured Debentures .....	—	—	\$ 18,781
Common Shares .....	Unlimited	71,631,431	

### 6.1 Shares

The authorized share capital of the Company consists of: (i) an unlimited number of Shares and (ii) preferred shares issuable in series to be limited in number of an amount equal to not more than one half of the limited and outstanding Shares at the time of issuance such preferred share (the "Preferred Shares"). As of March 28, 2013, there were 71,631,431 Shares issued and outstanding and there were no Preferred Shares issued and outstanding.

#### Common Shares

Each Share entitles the holder thereof to one vote at all meetings of shareholders other than meetings at which only the holders of another class or series of shares are entitled to vote. Each Share entitles the holder thereof to receive any dividends declared by the Board and the remaining property of the Company upon dissolution subject to the rights of securities of the Company having priority over the Shares.

#### Preferred Shares

The Preferred Shares are issuable in series and each class of Preferred Shares has such rights, restrictions, conditions and limitations as the Board may from time to time determine. The holders of Preferred Shares are entitled, in priority to holders of Shares, to be paid rateably with holders of each other series of Preferred Shares the amount of accumulated dividends, if any, specified to be payable preferentially to the holders of such series and upon liquidation, dissolution or winding up of the Company, to be paid rateably with holders of each other series of Preferred Shares the amount, if any, specified as being payable to holders of such series. Unless required by law, the holders of Preferred Shares are not entitled to receive any notice of or attend any meeting of shareholders of the company and shall not be entitled to vote at any such meeting.

The foregoing summary does not purport to be complete and is subject to, and is qualified in its entirety by, reference to the terms of the Company's articles of arrangement, which are available on [www.sedar.com](http://www.sedar.com).

For information on the Secured Debentures and the Unsecured Debenture, see heading entitled "*Secured Debentures and Unsecured Debentures*" in this AIF.

## 6.2 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 Company. See 2.3 – Financing for a description of the Secured Debentures and the Unsecured Debentures.

## 7. MARKET FOR SECURITIES

### 7.1 Tuckamore Capital Management Inc. Common Shares

The Common Shares are listed for trading on the TSX under the symbol "TX".

#### Trading Price and Volume

The following table sets out the high and low trading prices, and trading volumes of the Shares for the period from January 1, 2012 to December 31, 2012.

<b>Symbol</b>	<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
<b>TX</b>	Jan-12	\$0.350	\$0.280	327,900
<b>TX</b>	Feb-12	\$0.415	\$0.370	368,900
<b>TX</b>	Mar-12	\$0.600	\$0.570	710,200
<b>TX</b>	Apr-12	\$0.500	\$0.430	405,000
<b>TX</b>	May-12	\$0.440	\$0.375	278,700
<b>TX</b>	Jun-12	\$0.395	\$0.350	1,149,900
<b>TX</b>	Jul-12	\$0.360	\$0.320	280,500
<b>TX</b>	Aug-12	\$0.345	\$0.330	373,800
<b>TX</b>	Sep-12	\$0.305	\$0.285	396,400
<b>TX</b>	Oct-12	\$0.300	\$0.285	277,500
<b>TX</b>	Nov-12	\$0.210	\$0.200	915,400
<b>TX</b>	Dec-12	\$0.270	\$0.260	308,900

#### Incentive Option Plan

The Shareholders of the Company approved an Incentive Option Plan (the "IOP") on November 30, 2009. Pursuant to the IOP 7,100,590 shares of the Company have been listed and reserved for issuance upon the exercise of the stock options granted. On January 13, 2010 and March 25, 2011, 7,000,000 and 50,000 options respectively were granted to employees and directors at an exercise price of \$0.403 and \$0.358 respectively per share with options vesting in 2010 through to 2013. Grants under the IOP now relate to the shares of the Company.

### Management Incentive Plan

On March 25, 2011, the Shareholders of the Company approved a new Management Incentive Plan, or the MIP. The purpose of the MIP was 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 Tuckamore's business and to further align interests of such participants with the long term interests of Tuckamore investors.

The aggregate number of shares issuable pursuant to options granted to MIP participants is 7,150,000, which number is equal to approximately 10% of the number of shares outstanding as at December 14, 2011 calculated on a non-diluted basis. The exercise price is \$0.358 with options vesting in 2012 and 2013. 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.

The grants under the MIP now relate to the shares of the Company.

### **7.2 Tuckamore Capital Management Inc. Debentures**

As at January 1, 2011, 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. Both of the series continued to trade until March 31, 2011 after which time they have traded under the symbol NP.DB.B following the exchange for the Secured Debentures. From June 29, 2011 the secured debentures have traded under the symbol TX.DB.B

## Trading Price and Volume

### Secured Debentures

The following table sets out the high and low trading prices and trading volumes of the secured and unsecured debentures for the period from January 1, 2012 to December 31, 2012.

<b>Symbol</b>	<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
<b>TX.DB.B</b>	Jan-12	\$74.00	\$72.00	216,000
<b>TX.DB.B</b>	Feb-12	\$75.00	\$72.71	6,274,000
<b>TX.DB.B</b>	Mar-12	\$84.95	\$73.00	5,696,000
<b>TX.DB.B</b>	Apr-12	\$79.50	\$77.25	337,000
<b>TX.DB.B</b>	May-12	\$78.00	\$73.50	661,000
<b>TX.DB.B</b>	June-12	\$75.00	\$73.00	537,000
<b>TX.DB.B</b>	July-12	\$75.00	\$73.25	279,500
<b>TX.DB.B</b>	Aug-12	\$74.90	\$69.00	4,375,000
<b>TX.DB.B</b>	Sept-12	\$73.00	\$71.00	1,215,000
<b>TX.DB.B</b>	Oct-12	\$70.00	\$70.00	686,000
<b>TX.DB.B</b>	Nov-12	\$64.99	\$62.41	3,186,000
<b>TX.DB.B</b>	Dec-12	\$69.99	\$62.40	3,825,000

### Unsecured Debentures

On March 23, 2011 unpaid accrued interest on the Old Debentures was exchanged for Unsecured Debentures which began trading on the TSX under the symbol NPF.DB.C. The trading symbols were subsequently changed in April and July to NP.DB.C and TX.DB.C respectively.

<b>Symbol</b>	<b>Date</b>	<b>High</b>	<b>Low</b>	<b>Volume</b>
<b>TX.DB.C</b>	Jan-12	\$49.00	\$42.05	59,203
<b>TX.DB.C</b>	Feb-12	\$47.00	\$45.00	1,067,464
<b>TX.DB.C</b>	Mar-12	\$59.95	\$54.25	1,099,657
<b>TX.DB.C</b>	Apr-12	\$60.00	\$56.50	730,561
<b>TX.DB.C</b>	May-12	\$54.00	\$50.00	209,499
<b>TX.DB.C</b>	June-12	\$50.00	\$47.00	119,467
<b>TX.DB.C</b>	July-12	\$51.00	\$49.00	54,752
<b>TX.DB.C</b>	Aug-12	\$47.00	\$47.00	44,691
<b>TX.DB.C</b>	Sept-12	\$46.50	\$46.50	127,797
<b>TX.DB.C</b>	Oct-12	\$41.25	\$41.00	64,812
<b>TX.DB.C</b>	Nov-12	\$29.00	\$24.25	135,478
<b>TX.DB.C</b>	Dec-12	\$26.00	\$23.50	130,360

## 8. DIRECTORS AND OFFICERS

### 8.1 Directors

The Directors supervise the activities and manage the affairs of the Company. The Directors of the Company are Francesco Aquilini, Douglas C. Brown, Mark A. Kinney, Philip B. Lind, , Dean T. MacDonald and The Right Honourable M. Brian Mulroney. The Company's directors are elected annually and hold office until the close of the next annual meeting of shareholders of the Company or until their successors are elected or appointed.

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

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>	<b>Date First Became a Director<sup>1</sup></b>	<b>Principal Occupation</b>
Francesco Aquilini Vancouver, British Columbia	Director <sup>3,4</sup>	June 27, 2012	Managing Partner, Aquilini Investment Group
Douglas C. Brown Toronto, Ontario	Director <sup>3,4</sup>	August 8, 2005	President & Managing Director, Newport Private Wealth Inc. <sup>2</sup>
Mark A. Kinney Toronto, Ontario	Director <sup>3,4</sup>	August 8, 2005	Chief Investment Officer & Managing Director, Newport Private Wealth Inc. <sup>2</sup>
Philip B. Lind Toronto, Ontario	Director <sup>3,4</sup>	June 29, 2011	Vice Chairman, Rogers Communications Inc.
Dean T. MacDonald Toronto, Ontario	Director <sup>3,4</sup>	December 1, 2008	President & CEO, Tuckamore Capital Management Inc.
The Right Honourable M. Brian Mulroney Montreal, Quebec	Director <sup>3,4</sup>	November 13, 2011	Senior Partner, Norton Rose OR LLP

The following is a brief profile of each Director of the Company:

*Francesco Aquilini.* Mr. Aquilini is the Managing Director of the Vancouver-based Aquilini Investment Group, a family-owned and operated firm that was started by his father, Luigi, some 50 years ago. The company owns and manages a diversified real estate portfolio that includes commercial properties, office buildings, hotels, golf courses, and cranberry farms, as well as the development and sale of multi-family residences and condominiums. In addition, the Aquilini Investment Group is the owner of the NHL's Vancouver Canucks and Rogers Arena, with Mr. Aquilini acting as the team's NHL Governor. A business administration graduate of Simon Fraser University, Mr. Aquilini received his MBA from the University of California, and over the past 25 years, he has worked in each of the Group's operations, providing him with broad national business experience. Committed to a number of

<sup>1</sup> Includes the continuous period during which such person served as a trustee of the Fund, or as a director of Newport Partners GP Inc., prior to the Fund's conversion into a corporation

<sup>2</sup> Newport Private Wealth Inc. was a former subsidiary of the Company until December 2010.

<sup>3</sup> All of the directors of the Board are invited to attend meetings of the Audit Committee, but only the directors who are "independent" within the meaning of NI 52-110 are eligible to vote on matters pertaining to the Audit Committee.

<sup>4</sup> All of the directors of the Board are invited to meetings of the Compensation and Corporate Governance Committee

unique community endeavors, Mr. Aquilini was the chair and primary sponsor of the Italian Gardens at Vancouver's Hastings Park. In addition, the Aquilini Investment Group was instrumental in the creation of a 100 hectare nature conservancy named for the company in British Columbia's Fraser Valley. Mr. Aquilini is also an active corporate and community fundraiser for the Canucks for Kids Fund, the signature charity of the Vancouver Canucks.

*Douglas C. Brown.* Mr. Brown is a founding partner and President of Newport Private Wealth. His focus is on providing individuals and families with investment and wealth management services. He serves on Newport Private Wealth's Board of Directors and its' Investment Committee. Prior to starting Newport Private Wealth in 2001, Mr. Brown had a successful career in wealth management and law. As a partner with one of Canada's premier law firms, Fasken Martineau, Mr. Brown began his career in 1985 specializing in developing, organizing, managing and administering the private planning and estate affairs of Canada's wealthy families. In 1994, Mr. Brown accepted an offer to join and help build a young start-up wealth management firm that came to be known as Connor Clark Private Trust. From start-up to success, Connor Clark Private Trust enjoyed considerable growth, establishing offices in Toronto, Kitchener, London, Vancouver, Barbados and the Channel Islands. As President, Mr. Brown presided over its growth and successful sale to the Royal Bank of Canada in 1999. Renamed RBC Private Counsel, Mr. Brown was appointed and acted as Vice-Chairman of the new entity until his departure in 2001 to found Newport Private Wealth. Mr. Brown also sits on the boards of various companies and charitable foundations.

*Mark A. Kinney.* Mr. Kinney is a founding partner and Managing Director of Newport Private Wealth with more than 20 years of experience in the investment industry. Mr. Kinney is the Chair of Newport's Investment Committee which is responsible for managing the firm's investment strategy and execution. He works directly with individuals and families to provide investment and wealth management services. Prior to starting Newport Private Wealth in 2001, Mr. Kinney was a Vice President at RBC Private Trust. From 1992 to 1999, he was a Principal with Merchant Private Trust Company and Connor Clark Private Trust which was acquired by the Royal Bank of Canada in 1999. He started his career in the investment industry as an account executive at Canada Trust in 1989. Mr. Kinney is active in a number of community and charitable organizations including a Director of the Yellow Bus Foundation.

*Philip B. Lind.* Mr. Lind is Vice Chairman of Rogers Communications. Mr. Lind has been with Rogers for 44 years, and worked closely with company founder, President and Chief Executive Officer, E. S. "Ted" Rogers to build the company. Over the years, Mr. Lind's primary focus has been on strategic regulatory and programming and on expanding the scope of the company. Mr. Lind joined Rogers Communications Inc. (RCI) in 1969 when the company owned two radio stations and had a mere 15,000 cable subscribers. Today, the company has grown to become Canada's largest cable operator with 2.5 million subscribers and 8 million cellular customers. It also owns and operates television and radio stations, cable channels, a chain of video rental stores and is the largest magazine publisher in Canada. Rogers also owns the Toronto Blue Jays and the Rogers Centre Sports Complex in Toronto. As RCI has grown over the past quarter century, so have Mr. Lind's corporate responsibilities. In 1999 Mr. Lind was honoured as a Cable Pioneer - the first Canadian to be appointed. In 2002, Mr. Lind was named to the Order of Canada -- Canada's highest civilian honour for lifetime achievement awarded to citizens who have made significant contribution to Canadian life and culture. Also in 2002, Mr. Lind received a Doctor of Laws degree, *honoris causa* from the University of British Columbia, for his substantial contribution to the diversity of our culture and his generous support of liberal arts education through broadcasting and technology. Mr. Lind was also inducted into the U.S. Cable Hall of Fame in May 2012, only the third Canadian to be so honoured. Mr. Lind serves on the following boards: Rogers Communications Inc.; Brookfield Asset Management Inc., Council for the Business and the Arts, Art Gallery of Ontario, Friends of Vancouver Art Gallery Board, the Atlantic Salmon Federation, Central Canadian Public Television Association, Power Plant Contemporary Museum, and the Cable Centre.

*Dean T. MacDonald.* Mr. MacDonald has had 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.

*The Right Honourable M. Brian Mulroney.* Mr. Mulroney joined the law firm Norton Rose (formerly Ogilvy Renault) in Montréal upon graduating from law school and practised law until 1976. He went on to serve as President of the Iron Ore Company of Canada before entering politics, becoming Leader of the Progressive Conservative Party of Canada in 1983 and Leader of the Official Opposition in the House of Commons, to which he was first elected in 1983 and re-elected in 1984 and 1988. In September 1984, Mr. Mulroney led the Progressive Conservative party to the largest victory in Canadian history, becoming Canada's eighteenth Prime Minister. He was re-elected with a majority government four years later, thus becoming the first Canadian Prime Minister in 35 years to win successive majority governments and the first Conservative Prime Minister to do so in 100 years. He resigned in June 1993, having served almost 9 years as Prime Minister. His government introduced bold new initiatives such as the Canada-US Free Trade Agreement, the North American Free Trade Agreement (NAFTA) and the Canada-US Acid Rain Treaty. Prime Minister Mulroney's government also introduced a series of privatizations, a low inflation policy, historic tax reform, extensive deregulation and expenditure reduction policies that continue to be the basis of Canada's impressive economic performance today. Prime Minister Mulroney also served as Co-Chairman of the United Nations Summit on Children and his government played leading roles in the campaign against apartheid in South Africa, the creation of Le Sommet de la Francophonie and the Gulf War. Mr. Mulroney rejoined the law firm Norton Rose (formerly Ogilvy Renault) as a Senior Partner in 1993.

### Officers of the Company

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

<b>Name and Municipality of Residence</b>	<b>Position with the Company</b>
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

As at March 22, 2013, the Directors and Officers of the Company as a group beneficially owned, or controlled or directed, directly or indirectly, 18,598,812 Common Shares and options, representing approximately 21.7% of the fully diluted outstanding Common Shares.

The following table summarizes management and director fully diluted holdings as at March 22, 2013

	<b>Tuckamore Capital Management Inc.</b>	<b>Total Issued and Outstanding</b>	<b>Percentage Owned</b>
Management	14,591,225	85,831,431	17.0%
Directors, excluding management	4,007,587	85,831,431	4.7%

## 8.2 Committees

### AUDIT COMMITTEE CHARTER

#### Purpose and Authority

The primary function of the audit committee of the Corporation (the "**Audit Committee**") is to assist the board of directors of the Corporation (the "**Board**") in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to shareholders and others, the systems of internal controls that management and the Board have established, and the Corporation'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 Corporation and its shareholders.

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

The Audit Committee has the authority to engage independent counsel and other advisors as it determines necessary to carry out its duties as outlined in this Charter, and to set the compensation for any such advisors so employed by 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.

#### Composition and Qualification

The Audit Committee will be comprised of three (3) or more directors of the Board, all of whom will be an independent director, in conformity with the laws, regulations and listing requirements to which the Corporation is subject.

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 director. 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 Audit 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 Corporation's financial statements. At least one (1) member of the Audit 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 serving as or having served as 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) review and recommend to the Board for approval:
  - the Corporation's financial statements Annual Information Form, Management's Discussion & Analysis reports, news releases and any earnings guidance and all public disclosure documents containing audited or unaudited financial information before release;
  - recommendations of the external auditor(s) 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 Corporation as well as the response of management to these recommendations;
  - ensure adequate procedures are in place for the review of the Corporation's public disclosure of financial information extracted or derived from the Corporation'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 Corporation, including variances in forecasted financial information from actual results which may have been included in any public documents of the Corporation;
- (c) meet periodically with the external auditor(s) and at least once a year meet in confidence with the external auditor(s) 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 auditor(s);
- (d) make recommendations to the Board as to the reappointment or appointment of the external auditor(s) and the nomination and remuneration of the external auditor(s) on an annual basis;
- (e) if a change in external auditor(s) is proposed, the Audit Committee will inquire as to the reasons for the change, including the response of the incumbent external auditor(s) and inquire as to the qualifications of the newly proposed external auditor(s) before making its recommendation to the Board;
- (f) (i) review the audit plans of the external auditor(s) and report to the Board any significant reservations the Audit Committee may have or the external auditor(s) have expressed with respect to such arrangements or scope; and (ii) review with the external auditor(s) 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;
- (g) (i) review management programs and policies regarding the adequacy of internal controls over the accounting and financial reporting systems within the Corporation; (ii) meet with appropriate officers of the Corporation to discuss the effectiveness of the internal control and information security procedures established for the Corporation; and (iii) receive reports relating to the control environment in connection with the trading activities of the Corporation;
- (h) receive reports relating to compliance by the Corporation with the legal and regulatory obligations applicable to it;
- (i) (i) review management plans regarding any changes in accounting practices or policies and the financial impact thereof; and (ii) review any major areas of management judgement and estimates that have significant effect upon the financial statements of the Corporation;
- (j) review with management, the external auditor(s) 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 Corporation, and the

manner in which these matters have been disclosed in the financial statements of the Corporation;

- (k) review and pre-approve any non-audit related services provided by the external auditor(s) of the Corporation and the fees related thereto. Review and confirm the independence of the external auditor(s) by obtaining statements from such external auditor(s) on relationships between the external auditor(s) and the Corporation, including non-audit services, and discussing the relationships with the external auditor(s) ;
- (l) review the basis and amount of the external auditor's fees in light of the number and nature of reports issued by the external auditor(s) , the quality of the internal controls, the size, complexity and financial condition of the Corporation and the extent of support provided to the external auditor(s) and to review all other non-audit fees of the external auditor(s) and other accounting firms;
- (m) report annually to the shareholders, describing the Audit Committee's composition, responsibilities and how they were discharged, and any other information required;
- (n) perform other activities related to this charter as requested by the Board;
- (o) establish procedures for (i) the receipt, retention and treatment of complaints received by the Corporation regarding accounting, internal accounting controls, or auditing matters; and (ii) the confidential, anonymous submission by employees of the Corporation of concerns regarding questionable accounting or auditing matters, including a violation of the Corporation's Code of Business Ethics;
- (p) review and assess the adequacy of the Audit Committee Charter annually, requesting Board approval for proposed changes;
- (q) review and approve the Corporation's hiring policies regarding partners, employees and former partners and employees of the present and former external auditor(s);
- (r) confirm to the Board annually that all responsibilities outlined in this Charter have been carried out; and
- (s) evaluate the Audit Committee's and individual members' performance on a regular basis.

### **Meetings**

A quorum for the transaction of business of the Audit Committee shall consist of two members of the Audit Committee.

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 Audit 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 Corporation shall, upon request of the Chairman of the Audit Committee, any member of the Audit Committee, the external auditor(s) , the Chief Executive Officer or Chief Financial Officer of the Corporation, 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 Audit 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 Audit 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 Corporation and the external auditor(s) of the Corporation as it may see fit, from time to time, to attend meetings of the Audit Committee.

### **8.3 Corporate Cease Trade Orders, Bankruptcies, Penalties or Sanctions**

Mr. Mulroney was director of Quebecor World Inc. from 1999 to 2010, a company which during the past ten years has made a proposal under legislation relating to bankruptcy or insolvency or instituted an arrangement with creditors while Mr. Mulroney was acting as a director for such company. On January 21, 2008, Quebecor World Inc. and substantially all of its U.S. operating subsidiaries filed a voluntary petition for creditor protection under the Canadian Companies' Creditors Arrangement Act and Chapter 11 of the U.S. Bankruptcy Code.

### **8.4 Conflict of Interest**

To the best of the Company's knowledge, there are no known existing or potential conflicts of interest between the Company or any of its subsidiaries and any director, except that certain directors and officers of the Company serve as directors and officers of other public companies and therefore it is possible that a conflict may arise between their duties as a director and their duties as a director or officer of such other companies. See "*Interest of Management and Others in Material Transactions*".

## **9. Legal Proceedings**

To the knowledge of the Company, there are no legal proceedings material to the Company to which the Company is a party, or was a party to in 2012, or that any of its properties is or was the subject matter of in 2012, nor are there any such proceedings known to the Company to be contemplated.

## **10. Interest of Management and Others in Material Transactions**

Employee loans made to employees and former employees of the Company and its subsidiaries were outstanding in the amount of \$1.3 million (2011 – \$1.6 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 Company or to refinance such purchases and are secured by a pledge of the units.

## **11. Transfer Agent and Registrar**

Canadian Stock Transfer Company Inc., 320 Bay Street, 3<sup>rd</sup> floor, Toronto, On, M5H 4A6 is the Company's transfer agent.

BNY Trust Company of Canada, 320 Bay Street, 11<sup>th</sup> Floor, Toronto, Ontario, M5H 4A6 is the registrar and debenture trustee of the Secured Debentures.

Computershare Trust Company of Canada, 100 University Avenue, 9<sup>th</sup> Floor, Toronto, Ontario, M5J 2Y1 is the registrar and debenture trustee of the Unsecured Debentures.

## **12. Material Contracts**

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

- (a) Third Amended and Restated Credit Agreement dated March 9, 2012 (see "*Third Amended and Restated Credit Agreement*" for more information);

Copies of these documents are available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **13. Interest of Experts**

The Company'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 Company for the year ended December 31, 2012, and has issued an audit report to the Company with respect to such financial statements.

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

## **14. Additional Information**

Additional information relating to the Company may be found on SEDAR at [www.sedar.com](http://www.sedar.com). Information, including directors' and officers' remuneration and indebtedness and principal holders of the Company's securities is contained in the Company's information circular prepared in connection with the Company's Annual and Special Meeting of Shareholders.

Additional information is provided in the Company's financial statements and Management's Discussion & Analysis for the financial year ended December 31, 2012.

**Appendix A**  
**AUDIT COMMITTEE INFORMATION**

**1. Audit Committee Charter**

See Section 8.2.

**2. Composition of the Audit Committee**

All of the directors of the Board attend the Audit Committee and only the directors who are independent within the meaning of National Instrument 52-110— *Audit Committees* are eligible to vote on matters pertaining to the Audit Committee.

Each member of the Audit Committee possesses an understanding of the accounting principles used by the Company to prepare its financial statements, has the ability to assess the general application of such accounting principles in connection with the accounting for estimates, accruals and provisions; has experience analyzing or evaluating financial statements that are generally comparable to the breadth and complexity of the Company's, and have an understanding of the Company's internal controls and procedures for financial reporting.

**3. External Auditor Service Fees**

Audit Fees

Ernst & Young LLP, the Company's external auditor, and auditor of certain operating partnerships, charged \$ 1,036,300 for audit services related to fiscal 2012. In 2011, Ernst & Young LLP charged \$1,539,850 for audit related services.

Audit-Related Fees

Ernst & Young LLP, the Company's external auditor, charged the Company and TH \$875,000 for audit related services in the 2011 year. The audit-related services provided related the conversion to IFRS. There were no such fees in 2012.

Tax Fees

Ernst & Young LLP, the Company's external auditor, and the auditor of certain Operating Partnerships, charged the Company \$45,700 for tax services in 2012. In 2011, Ernst & Young charged \$28,300 for services which included advice with respect to compliance reporting.

**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:*

**"AIF"** means the Annual Information Form of the Company dated March 30, 2013 in respect of the Company's financial year ended December 31, 2012;

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

**"ARCA"** second amended and restated senior credit agreement;

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

**"Board"** means the 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;

**"ClearStream"** means ClearStream Energy Holdings, a limited partnership formed under the laws of the Province of Alberta, formerly known as NPC Integrity Energy Services Limited Partnership. ClearStream is licensed to carry on business as "Golosky Energy Services"

**"Company"** means Tuckamore Capital Management Inc.

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

**"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;

**"Old Debentures"** means collectively the Series 2005 Debentures and the Series 2007 Debentures;

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

**"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;

**"IFRS"** means at any time, International Financial Reporting Standards;

**"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;

**"Management"** means management of Tuckamore Capital Management Inc.;

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

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

**"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"** see **"ClearStream"**;

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

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

**"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;

**"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;

**"Shares"** means the common shares in the capital of the Company;

**"Shareholders"** means the shareholders of the Company who hold Shares;

**"Tax Act"** means the *Income Tax Act* (Canada);

**"TH"** means Tuckamore Holdings LP, a limited partnership established under the laws of the Province of Ontario and formerly known as Newport Holdings LP;

**"TFC"** means Tuckamore Finance Corp, a corporation established under the laws of the Province of Ontario;

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

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

**"Tuckamore"** means Tuckamore Capital Management Inc., incorporated under the laws of the Province of Ontario;

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

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