

## **Newport Partners Income Fund enters into Forbearance Agreement**

**Toronto – July 21, 2009** – Newport Partners Income Fund ("NPF" or the "Fund") (TSX:NPF.UN) announced today that a forbearance agreement (the "Forbearance Agreement") has been entered into with the syndicate of lenders (the "Lenders") under the senior secured credit agreement (the "Senior Credit Agreement") entered into with various of the Fund's subsidiaries.

As previously announced, certain events of default are continuing under the Senior Credit Agreement and the Fund has been in negotiations to obtain the agreement of the Lenders to forbear from exercising their default-related rights and remedies under the Senior Credit Agreement. The aggregate principal outstanding under the Senior Credit Agreement is approximately \$242 million, comprised of a \$210 million term loan and \$32 million drawn on a revolving credit facility, and is owing by Newport Finance Corp. (the "Borrower"), a subsidiary of the Fund, to the Lenders.

Under the terms of the Forbearance Agreement, the Lenders have agreed not to enforce their rights under the Senior Credit Agreement for a period of up to 365 days, which period may be reduced upon the occurrence of certain new defaults (the "Forbearance Period"). The Lenders have also agreed that no default interest will accrue or be payable during the Forbearance Period and will agree to waive certain prepayment fees which would otherwise continue to apply.

The Borrower has agreed to repay the Lenders in full by the end of the Forbearance Period, by realizing minimum net proceeds on disposals of assets by certain agreed-upon dates and from the proceeds of re-financings of the investee businesses of the Fund. In order to provide sufficient working capital during this period, Newport Partners Holdings LP, a subsidiary of the Fund, has arranged for a \$20 million subordinated financing facility from an affiliated entity, \$5 million of which will be advanced today in accordance with the Forbearance Agreement.

The Fund is in default of its obligations under Subordinated Unsecured Convertible Debentures (the "Debentures" – TSX:NPF.DB and NPF.DB.A). The aggregate principal amount of the Debentures is approximately \$164.5 million. As previously announced, the Fund is contractually prohibited from paying interest on the Debentures while the events of default continue under the Senior Credit Agreement and as such the Fund did not make an interest payment of approximately \$6.0 million on the Debentures which was due on June 30, 2009. As well, the Forbearance Agreement restricts the Fund from making payments on the Debentures during the Forbearance Period, except with the consent of the Lenders. The Lenders have consented to amendments or restructuring of the Debentures subject to certain conditions, including that such amendments or restructuring not be reasonably expected to adversely affect the Lenders' interest. It is the intent of management to explore amendments or restructuring of the Debentures.

The Forbearance Agreement will be available on SEDAR at [www.sedar.com](http://www.sedar.com).

## **About Newport Partners Income Fund**

Newport Partners Income Fund is an unincorporated, open-ended trust created to hold, through its investment in Newport Partners Commercial Trust, interests in Newport Private Yield LP, a limited partnership established under the laws of the Province of Ontario. NPF began trading on the TSX on August 8, 2005 under the symbol NPF.UN.

Newport Partners Income Fund is a publicly-traded diversified fund that invests in successful Canadian private businesses run by proven entrepreneurs at reasonable prices. The Fund currently has \$552 million invested in 17 companies representing a diverse cross-section of the Canadian economy.

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