

A copy of this preliminary short form prospectus has been filed with the securities regulatory authorities in each of the provinces of Canada but has not yet become final for the purpose of the sale of securities. Information contained in this preliminary short form prospectus may not be complete and may have to be amended. The securities may not be sold until a receipt for the short form prospectus is obtained from the securities regulatory authorities.

No securities regulatory authority has expressed an opinion about these securities and it is an offence to claim otherwise. This preliminary short form prospectus constitutes a public offering of these securities only in those jurisdictions where they may be lawfully offered for sale and therein only by persons permitted to sell such securities. The securities being offered under this preliminary short form prospectus have not been and will not be registered under the United States Securities Act of 1933, as amended (the "1933 Act"), or any state securities laws, and will not be offered or sold within the United States to or for the account or benefit of United States persons. See "Plan of Distribution".

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Secretary of the issuer at 469 King Street West, 4th Floor, Toronto, Ontario, M5V 1K4 (telephone (416) 867-7555), and are also available electronically at www.sedar.com. For the purpose of the Province of Québec, this simplified prospectus contains information to be completed by consulting the permanent information record. A copy of the permanent information record may be obtained without charge from the secretary of the issuer at the above mentioned address and telephone number and is also available electronically at www.sedar.com.

PRELIMINARY SHORT FORM PROSPECTUS

New Issue

June 25, 2007



Series 2007 7.00% Convertible Unsecured Subordinated Debentures

\$75,000,000

This short form prospectus qualifies the distribution (the "Offering") of \$75,000,000 aggregate principal amount of Series 2007 7.00% convertible unsecured subordinated debentures (the "Debentures") of Newport Partners Income Fund (the "Fund") due December 31, 2012 (the "Maturity Date") at a price of \$1,000 per Debenture. The Debentures bear interest at an annual rate of 7.00% payable semi-annually in arrears on June 30 and December 31 in each year commencing December 31, 2007. The Debentures are redeemable by the Fund after December 31, 2010 and on or prior to December 31, 2011 at a price equal to their principal amount plus accrued and unpaid interest, provided that the Current Market Price (as defined herein) of the trust units (the "Units") of the Fund on the date on which the notice of redemption is given is at least 125% of the Conversion Price (as defined herein). The Debentures are redeemable by the Fund after December 31, 2011 and on or prior to the Maturity Date at a price equal to their principal amount plus accrued and unpaid interest. On redemption or on the Maturity Date, the Debentures may, at the option of the Fund, be repaid in cash or Units. See "Description of the Debentures — Payment upon Redemption or Maturity". The Debentures are unsecured obligations of the Fund and are subordinate in right of payment to all of the Fund's existing and future senior indebtedness. In addition, the Debentures will effectively rank junior to the Fund's subsidiaries' liabilities. See "Description of Debentures — Subordination" and "Risk Factors — Risks Relating to the Debentures — Prior Ranking Indebtedness".

Debenture Conversion Privilege

Each Debenture will be convertible into Units of the Fund at the option of the holder at any time prior to the close of business on the earlier of the Maturity Date and the business day immediately preceding the date fixed by the Fund for redemption of the Debentures, at a conversion price of \$6.90 per Unit (the "Conversion Price"), being a conversion ratio of approximately 144.9275 Units for each \$1,000 principal amount of Debentures. The Conversion Price is subject to adjustment upon the occurrence of certain events. Holders converting their Debentures will receive accrued and unpaid interest thereon to, but not including, the conversion date. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding and including June 30 and December 31 in each year, commencing December 31, 2007 as the registers of the Debenture Trustee will be closed during such periods. A holder of Debentures will not be entitled to deferred tax treatment on the conversion, redemption or repayment at maturity of the Debentures. See "Certain Canadian Federal Income Tax Matters".

(continued on next page)

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PRICE: \$1,000 PER DEBENTURE

	<u>Price to the Public⁽¹⁾</u>	<u>Underwriters' Fee</u>	<u>Net Proceeds to the Fund⁽²⁾⁽³⁾</u>
Per Debenture	\$1,000	\$40	\$960
Total Offering	\$75,000,000	\$3,000,000	\$72,000,000

- (1) The price of the Debentures has been determined by negotiation between the Fund and the Underwriters.
- (2) Before deducting certain expenses of this Offering, estimated at \$ • which, together with the Underwriters' Fee, will be paid from the proceeds of the Offering. See "Plan of Distribution" and "Use of Proceeds".
- (3) The Fund has also granted to the Underwriters an option exercisable in whole or in part at any time or from time to time until 30 days after the Closing Date (the "Over-Allotment Option"), to purchase additional Debentures on the same terms as set out above to cover over-allotments, if any. The number of Debentures to be purchased pursuant to the Over-Allotment Option shall not exceed 15% of the total offering of Debentures. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Net Proceeds to the Fund (before deducting expenses of the Offering) will be \$86,250,000, \$3,450,000 and \$82,800,000, respectively. This prospectus also qualifies for distribution the grant of the Over-Allotment Option and the distribution of the Debentures issuable pursuant to the exercise of the Over-Allotment Option. See "Plan of Distribution".

The head office and registered office of the Fund is 469 King Street West, 4th Floor, Toronto, Ontario, M5V 1K4. The outstanding Units of the Fund are listed for trading on the Toronto Stock Exchange (the "TSX") under the symbol NPF.UN. On June 18, 2007, the last trading day prior to the determination of the terms of this Offering, the closing price of a Unit on the TSX was \$5.89. **There is currently no market through which the Debentures may be sold and purchasers may not be able to resell the Debentures. This may affect the pricing of the Debentures in the secondary market, the transparency and availability of trading prices, the liquidity of the Debentures, and the extent of issuer regulation. See "Risk Factors".** The Fund has applied to list the Debentures distributed pursuant to this Offering, and the Units issuable on conversion, redemption or maturity of the Debentures on the TSX. Listing is subject to the Fund fulfilling all the listing requirements of the TSX. It is anticipated that the Offering will close on or about July 12, 2007 (the "Closing Date").

RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Dundee Securities Corporation, Scotia Capital Inc., GMP Securities L.P., HSBC Securities (Canada) Inc., Raymond James Ltd. and Westwind Partners Inc. (collectively, the "Underwriters"), as principals, conditionally offer the Debentures offered for sale by this short form prospectus, subject to prior sale, if, as and when issued by the Fund and accepted by the Underwriters in accordance with the conditions contained in the Underwriting Agreement referred to under "Plan of Distribution" and subject to approval of certain legal matters on behalf of the Fund by Stikeman Elliott LLP, and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP. In connection with this Offering the Underwriters may effect transactions that stabilize or maintain the market price of the Units and the Debentures at levels other than those which otherwise might prevail on the open market. See "Plan of Distribution".

Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice. A book-entry only certificate representing the aggregate principal amount of the Debentures will be issued in registered form to CDS Clearing & Depository Services Inc. ("CDS") or its nominee as registered global securities and will be deposited with CDS on the date of the closing of this Offering. The closing is expected to occur on or about July 12, 2007, or such later date as the Fund and the Underwriters agree, but in any event no later than August 10, 2007. Book-entry only certificates representing the Units issuable on the conversion, redemption or repayment of the Debentures will be issued in registered form to CDS or its nominee as registered global securities and will be deposited with CDS on the date of issue of the Units. Holders of Debentures and/or Units will not be entitled to receive physical certificates representing their ownership except in certain limited circumstances. See "Description of Debentures — Book-Entry System" and "Plan of Distribution".

The Fund's earnings coverage ratio including discontinued operations is less than one-to-one and the Fund's earnings coverage ratio from continuing operations is greater than one-to-one. See "Earnings Coverage Ratios".

On June 22, 2007, Bill C-52 an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007 ("Bill C-52") received Royal Assent. Bill C-52 included legislative provisions previously released on December 21, 2006, which apply a tax on certain income earned by a "specified investment flow-through" trust, as well as taxing the taxable distributions received by investors from such entities as taxable dividends (the "SIFT Rules"). The SIFT Rules do not apply to an income trust, such as the Fund, the units of which were publicly listed as of October 31, 2006, until the 2011 taxation year of the trust, subject to acceleration in certain circumstances where the "normal growth" of the trust is exceeded, as discussed further herein. See "Certain Canadian Federal Income Tax Matters" and "Risk Factors — Tax-Related Risks — Income Tax Matters".

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GLOSSARY OF TERMS

“**affiliate**” or “**associate**” when used to indicate a relationship with a person or company, has the same meaning as set forth in the *Securities Act* (Ontario).

“**Beneficial Owner**” means a person who holds a beneficial interest in the Debentures.

“**Bill C-52**” means an Act to implement certain provisions of the budget tabled in Parliament on March 19, 2007, which received Royal Assent on June 22, 2007.

“**business day**” means any day other than a Saturday, Sunday or statutory holiday in the City of Toronto, Ontario.

“**CDS**” means CDS Clearing and Depository Services Inc. and its successors.

“**CDS Participant**” means a broker, dealer, bank, other financial institution or other person who participates directly in the book-entry registration and book-based securities transfer system administered by CDS for the Debentures.

“**Change of Control**” means the acquisition by any person, or group of persons acting jointly or in concert, of voting control or direction over 66⅔% or more of the votes attaching, collectively, to (i) outstanding Units; and (ii) any securities that are exchangeable, directly or indirectly, for Units; but shall not include any capital reorganization of the Fund or a consolidation, amalgamation, arrangement or merger of the Fund with or into any other person, or a sale, conveyance or lease of the properties and assets of the Fund as an entirety or substantially as an entirety to any other person, or a liquidation, dissolution or winding-up or other similar transaction of the Fund, if the holders of the Units immediately prior to the effective time of such event or transaction, hold directly or indirectly more than 33⅓% of the equity interests of the continuing, successor or purchaser entity, as the case may be, immediately after the effective time of such event or transaction.

“**Closing Date**” means the closing of the Offering, and shall be July 12, 2007, or such other date as the Fund and the Underwriters may agree.

“**Commercial Trust**” means Newport Partners Commercial Trust, an unincorporated, limited purpose trust established under the laws of the Province of Ontario pursuant to the Trust Declaration of Trust.

“**Conversion Price**” means the price at which each Unit will be issued upon conversion of the Debentures, at the holder’s option, into fully-paid Units which is \$6.90 per Unit, subject to adjustment upon the occurrence of certain events.

“**CT Notes**” means the notes issued from time to time in accordance with the Note Indenture.

“**CT Units**” means the trust units of the Commercial Trust, each such unit representing an equal undivided beneficial interest in the Commercial Trust.

“**Current Market Price**” means, for any date, the volume-weighted average trading price of the Units on the TSX (or if the Units are not listed on the TSX, on such other stock exchange on which the Units are listed as selected by the Fund and approved by the Debenture Trustee, or if the Units are not listed on any stock exchange, on the over-the-counter market) for the 20 consecutive trading days ending five trading days prior to the applicable date.

“**Debentures**” means the Series 2007 7.00% convertible unsecured subordinated debentures of the Fund to be issued pursuant to the Indenture and the First Supplement, of which up to \$86,250,000 aggregate principal amount may be issued if the Over-Allotment Option is exercised in full.

“**Debentureholder**” means a registered holder from time to time of Debentures.

“**Debenture Trustee**” means CIBC Mellon Trust Company.

“**Declaration of Trust**” means the declaration of trust of the Fund 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.

“**Existing Trusts**” means certain trusts and partnerships that were publicly listed as of October 31, 2006.

“First Supplement” means the first supplemental indenture to the Indenture to be entered into between the Fund and the Debenture Trustee.

“Fund” means Newport Partners Income Fund, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust.

“Guidelines” means the guidelines released by the Minister of Finance (Canada) on December 15, 2006 with respect to the “normal growth” of Existing Trusts and referred to in Bill C-52.

“Holdings LP” means Newport Partners Holdings LP, a limited partnership formed under the laws of the Province of Ontario.

“Indenture” means the trust indenture providing for the issuance of debentures entered into between the Fund and the Debenture Trustee dated December 12, 2005.

“Maturity Date” means the date on which the Debentures will mature, being December 31, 2012.

“Newport Entrepreneurs” means, collectively, the individuals who comprise the Newport network of partners and entrepreneurs.

“Newport Principals” means, collectively, the people who manage NPY LP.

“Non-Resident” means a non-resident of Canada within the meaning of the Tax Act.

“Note Indenture” means the trust indenture providing for the issuance of the CT Notes dated August 8, 2005 between the Commercial Trust and CIBC Mellon Trust Company, as trustee, as the same may be amended, supplemented or restated from time to time.

“NPI” means NPI Holdings Ltd. (formerly Newport Partners Inc.), a corporation incorporated under the laws of Ontario.

“NPY LP” means Newport Private Yield LP, a limited partnership formed under the laws of the Province of Ontario.

“Offering” means the offering of \$75,000,000, or \$86,250,000 if the Over-Allotment Option is exercised in full, aggregate principal amount of Debentures.

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

“Over-Allotment Option” means the option granted to the Underwriters to purchase up to an additional \$11,250,000 aggregate principal amount of Debentures on the same terms as the Offering, exercisable in whole or in part at any time or from time to time until 30 days after the Closing Date.

“person” means any individual, partnership, limited partnership, association, body corporate, trust, joint venture, trustee, executor, administrator, legal representative, government, regulatory authority or other entity.

“Plans” means trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (except, in the case of the Debentures, a trust governed by a deferred profit sharing plan to which the Fund has made a contribution), each as defined in the Tax Act.

“Senior Indebtedness” of any person means, without duplication:

- (a) indebtedness for borrowed money of such person;
- (b) purchase money obligations of such person;
- (c) other indebtedness of such person which is evidenced by a note, bond, debenture or similar instrument;
- (d) all obligations of such person under any financing lease;
- (e) all obligations of such person under any agreement, whether or not in writing, relating to any transaction that is a rate swap, basis swap, forward rate transaction, commodity swap, commodity

option, equity or equity index swap or option, note or bill option, interest rate option, forward foreign exchange transaction, cap, collar or floor transaction, currency swap, cross-currency rate swap, swaption, currency option or any other, similar transaction (including any option to enter into any of the foregoing) or any combination of the foregoing, and, unless the context otherwise clearly requires, any master agreement relating to or governing any or all of the foregoing, and in each case, the amount of such obligations included in indebtedness shall be limited to the amount that would be included in the financial statements of such person as determined in accordance with generally accepted accounting principles;

- (f) every reimbursement obligation of such person with respect to letters of credit, bankers' acceptances or similar facilities issued for the account of such person; and
- (g) all obligations of the type referred to in paragraphs (a) to (f) of another person the payment of which such person has guaranteed or is responsible or liable for, directly or indirectly, as obligor, guarantor or otherwise or has agreed to ensure that such other person has sufficient funds therefor;

other than indebtedness evidenced by the Debentures and all other existing and future debentures or other instruments of the Fund which, by the terms of the instrument creating or evidencing the indebtedness, are expressed to be *pari passu* with, or subordinate in right of payment to, the Debentures and for the greater certainty, excludes trade payables and other current liabilities incurred in the ordinary course of business.

“**SIFT**” means a “SIFT trust” or a specified investment flow-through trust, as defined in the Tax Act.

“**SIFT Rules**” means, collectively, the “Tax Fairness Plan” released by the Minister of Finance (Canada) on October 31, 2006, the Guidelines and Bill C-52.

“**Special Voting Unit**” means a special voting unit of the Fund issued to the holders of securities exchangeable into Units, and which entitles the holder to one vote at any meeting of Unitholders.

“**subsidiary**” means, in relation to the Fund, any entity, including corporations, trusts, partnerships and limited partnerships, which are controlled, directly or indirectly, by the Fund.

“**Tax Act**” means the *Income Tax Act* (Canada) and the regulations thereunder, as amended.

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

“**Trustees**” means the trustees from time to time of the Fund.

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

“**Underwriters**” means RBC Dominion Securities Inc., TD Securities Inc., BMO Nesbitt Burns Inc., CIBC World Markets Inc., Dundee Securities Corporation, Scotia Capital Inc., GMP Securities L.P., HSBC Securities (Canada) Inc., Raymond James Ltd. and Westwind Partners Inc.

“**Underwriting Agreement**” means the agreement between the Fund and the Underwriters pursuant to which the Underwriters have agreed to purchase, and the Fund has agreed to sell, the Debentures.

“**Unit**” means a unit of the Fund, each such unit representing an equal undivided beneficial interest in the Fund.

“**Unitholders**” means the registered holders from time to time of the Units.

ELIGIBILITY FOR INVESTMENT

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and Davies Ward Phillips & Vineberg LLP, counsel to the Underwriters, provided that, as of the date of this short form prospectus (i) the Fund is a “mutual fund trust” for the purposes of the Tax Act or the Units are listed on a prescribed stock exchange (which currently includes the TSX) and, (ii) in the case of the Debentures, the Units or Debentures are listed on a prescribed stock exchange, the Debentures and the Units issuable on the conversion, redemption or repayment of the Debentures, if issued on the date hereof, will be qualified investments under the Tax Act for trusts governed by registered retirement savings plans, registered retirement income funds, registered education savings plans and deferred profit sharing plans (except, in the case of the Debentures, a trust governed by a deferred profit sharing plan to which the Fund has made a contribution), each as defined in the Tax Act (collectively, the “Plans”).

DOCUMENTS INCORPORATED BY REFERENCE

The following documents listed below and filed with the securities commissions or similar regulatory authorities in each of the provinces of Canada are specifically incorporated by reference into and form an integral part of this short form prospectus:

- (a) the annual information form of the Fund dated March 29, 2007 (the “AIF”);
- (b) the Management Information Circular of the Fund dated March 29, 2007 prepared in connection with the annual meeting of unitholders of the Fund held on May 8, 2007;
- (c) the audited consolidated balance sheet of the Fund as at December 31, 2006 and 2005 and the consolidated statement of operations, unitholder’s equity and changes in financial position for the year ended December 31, 2006 and results of its operations, unitholders’ equity and changes in financial position for the period August 8, 2005 (date of commencement of operations) to December 31, 2005 and the consolidated balance sheet of NPY LP as at December 31, 2006 and 2005 and the consolidated statements of operations, changes in partners’ equity and changes in financial position for the years then ended, together with the reports of the auditors thereon and the accompanying management’s discussion and analysis of financial condition and results of operations (“MD&A”);
- (d) the unaudited consolidated interim balance sheet of the Fund as at March 31, 2007 and the unaudited consolidated statement of income, changes in financial position and unitholders’ equity of the Fund for the three months ended March 31, 2007 and 2006, and the accompanying management’s discussion and analysis of financial condition and results of operations;
- (e) the business acquisition report of the Fund dated May 30, 2006 in respect of the acquisition of Murray Demolition LP;
- (f) the business acquisition report of the Fund dated August 30, 2006 in respect of the acquisition of Peerless Garments LP; and
- (g) the business acquisition report of the Fund dated October 27, 2006 in respect of the acquisition of Titan Supply LP.

Information has been incorporated by reference in this short form prospectus from documents filed with securities commissions or similar authorities in Canada. Copies of the documents incorporated herein by reference may be obtained on request without charge from the Corporate Secretary of the Fund at 469 King Street West, 4th Floor, Toronto, Ontario, M5V 1K4 (telephone (416) 867-7555). These documents are also available through the Internet on the Canadian System for Electronic Document Analysis and Retrieval (SEDAR) which can be accessed at www.sedar.com.

Any material change report (excluding confidential reports), comparative interim financial statements (unaudited), comparative annual financial statements and the auditors’ report thereon, management’s discussion and analysis of operating results and financial position in respect of the periods covered by such interim or annual financial statements, annual information form and information circular (other than those portions not required to be incorporated by reference) filed by the Fund with a securities commission or any

similar authority in Canada after the date of this short form prospectus and prior to the termination of the distribution of Debentures under this Offering shall be deemed to be incorporated by reference into this short form prospectus.

Any statement contained in a document incorporated or deemed to be incorporated by reference herein shall be deemed to be modified or superseded, for purposes of this short form prospectus, to the extent that a statement contained herein or in any other subsequently filed document that also is or is deemed to be incorporated by reference herein modifies, replaces or supersedes such statement. Any statement so modified or superseded shall not be deemed, except as so modified or superseded, to constitute a part of this short form prospectus. The modifying or superseding statement need not state that it has modified or superseded a prior statement or include any other information set forth in the document that it modifies or supersedes. The making of a modifying or superseding statement shall not be deemed an admission for any purposes that the modified or superseded statement, when made, constituted a misrepresentation, an untrue statement of a material fact or an omission to state a material fact that is required to be stated or that is necessary to make a statement not misleading in light of the circumstances in which it was made.

Neither the Fund nor the Underwriters have provided, or otherwise authorized any other person to provide, investors with information other than as contained or incorporated by reference in this short form prospectus. If an investor is provided with different or inconsistent information, he or she should not rely on it.

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

FORWARD LOOKING STATEMENTS

This short form prospectus, together with the documents incorporated herein by reference, contain certain forward-looking statements. These statements relate to future events or future performance and reflect management’s expectations and assumptions regarding the growth, results of operations, performance and business prospects and opportunities of Newport and the Operating Partnerships. Such forward-looking statements reflect management’s current beliefs and are based on information currently available to management of Newport and the Operating Partnerships. In some cases, forward-looking statements can be identified by terminology such as “may”, “will”, “should”, “expect”, “plan”, “anticipate”, “believe”, “estimate”, “predict”, “potential”, “continue” or the negative of these terms or other similar expressions concerning matters that are not historical facts. In particular, statements regarding the future operating results and economic performance of Newport and the Operating Partnerships are forward-looking statements. A number of factors, including risks and uncertainties, could cause actual events or results to differ materially from the events and results discussed in the forward-looking statements. In evaluating these statements, investors should specifically consider various factors, including the risks set forth under “Risk Factors” herein and in the AIF, which may cause actual events or results to differ materially from any forward-looking statement. Although the forward-looking statements contained in the short form prospectus are based on what management of Newport and the Operating Partnerships consider to be reasonable assumptions based on information currently available to them, there can be no assurance that actual events or results will be consistent with these forward-looking statements, and management’s assumptions may prove to be incorrect. These forward-looking statements are made as of the date of this short form prospectus, and none of Newport, the Trustees of the Fund or the Operating Partnerships assumes any obligation to update or revise them to reflect new events or circumstances.

NON-GAAP MEASURES

The terms “EBITDA”, “EBIT”, “distributable cash”, “invested capital” and “overall yield” (collectively the “Non-GAAP Measures”) are financial measures used in this short form prospectus that are not standard measures under Canadian generally accepted accounting principles (“GAAP”). Newport’s method of calculating Non-GAAP Measures may differ from the methods used by other issuers. Therefore, Newport’s Non-GAAP Measures, as presented in this short form prospectus, may not be comparable to similar measures presented by other issuers.

EBITDA refers to net earnings determined in accordance with GAAP, before depreciation and amortization, net of gain or loss on disposal of capital assets, interest expense and income tax expense. Management believes that EBITDA is a useful supplemental measure of performance and is the primary basis on which management assesses financial performance and cash available for debt service, working capital, capital expenditures, income taxes and distributions.

EBIT refers to net income before interest and income taxes and is being used to present the Fund’s earnings coverage ratios in accordance with the applicable form requirements.

Distributable cash is not a standard measure under GAAP and is generally used by Canadian income funds as an indicator of financial performance. The method of calculating distributable cash may differ from similar computations as reported by other similar entities and, accordingly, may not be comparable to distributable cash as reported by such entities. Newport’s method of calculating distributable cash is disclosed in the Summary Financial Table included in the MD&A. Management believes that distributable cash is a useful supplemental measure that provides investors with information on distributable cash.

Invested capital refers to the cost to acquire the equity interest in the Operating Partnership and excludes transaction costs and any working capital provided to the Operating Partnership. Management believes that invested capital is a useful supplemental measure that provides investors with useful information about the capital that the Fund deploys for each Operating Partnership which can subsequently be used to determine the performance of each Operating Partnership.

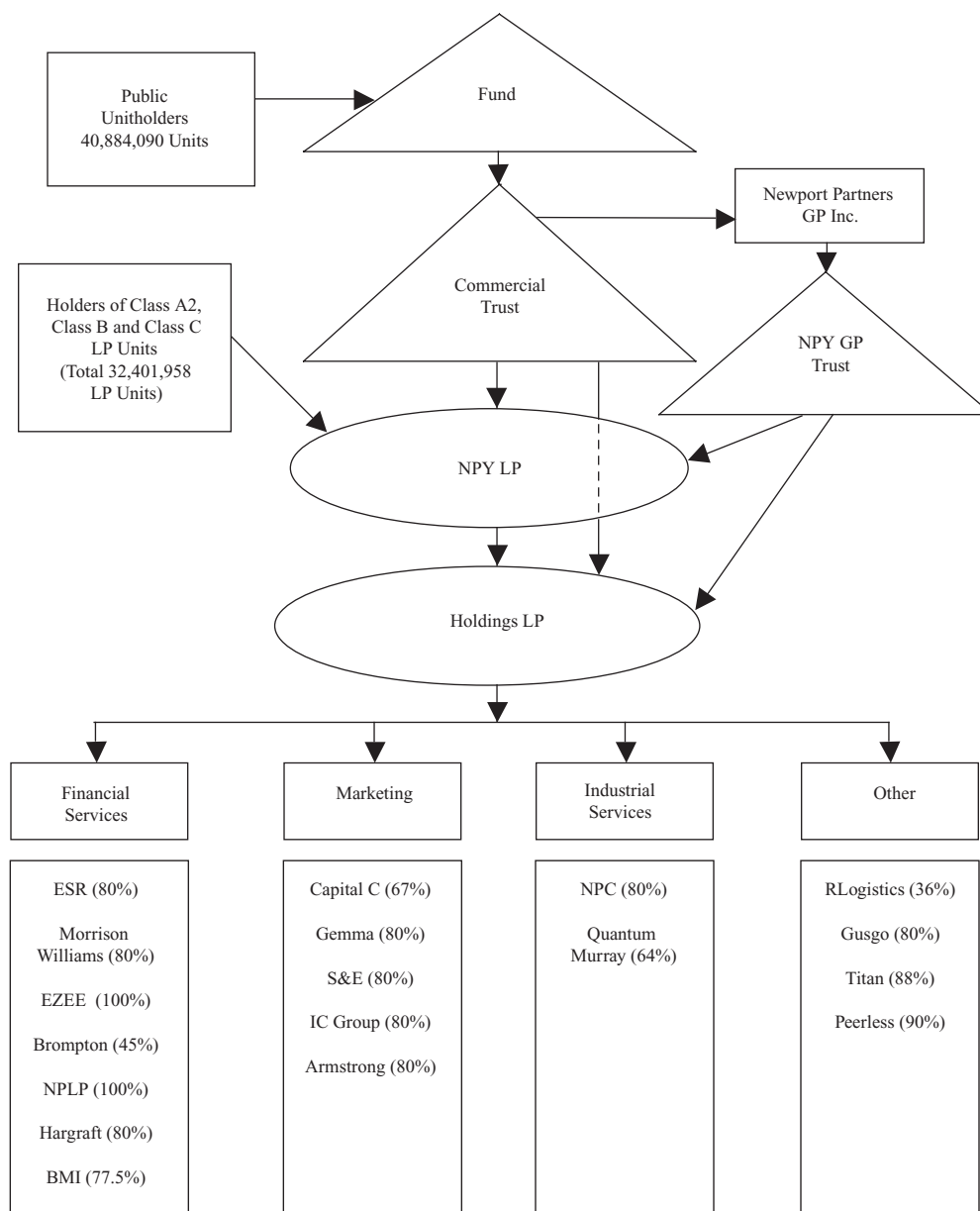
Overall yield refers to the Fund’s cash on cash return from the Operating Partnership based on distributable cash paid to the Fund as a percentage of the invested capital. Management believes that overall yield is a useful supplemental measure for investors to assess the quality of the investments in the Fund’s portfolio and Fund management’s ability to invest at reasonable prices.

Investors are cautioned that the Non-GAAP Measures are not alternatives to measures under GAAP and should not, on their own, be construed as an indicator of performance or cash flows, a measure of liquidity or as a measure of actual return on the Units. These Non-GAAP Measures should only be used in conjunction with the financial statements included or incorporated by reference in this short form prospectus.

ORGANIZATION AND STRUCTURE OF NEWPORT PARTNERS INCOME FUND

The Fund is an unincorporated open-ended limited purpose trust established under the laws of the Province of Ontario pursuant to the Declaration of Trust. The Fund was created to acquire and indirectly hold an interest in NPY LP. NPY LP was established to acquire, invest in, transfer, dispose of and otherwise deal with investments in debt and/or equity securities and/or assets of partnerships, corporations, trusts and other persons, including but not limited to private businesses, and to make such other investments as the sole trustee of the general partner of NPY LP, Newport Partners GP Inc., may determine. The Fund indirectly holds approximately 56% of NPY LP. The registered office of the Fund is located at 469 King Street West, 4th Floor, Toronto, Ontario, M5V 1K4.

The simplified structure of Newport is as follows:



The Fund holds all of the outstanding CT Units and CT Notes of the Commercial Trust and indirectly holds all of the Class A1 limited partnership units of NPY LP (representing approximately 56% of the outstanding limited partnership units of NPY LP), all of the shares of Newport Partners GP Inc., which is the sole trustee of

the general partner of NPY LP, and all of the Class B limited partnership units of Holdings LP. All of the Class A limited partnership units of Holdings LP are held by NPY LP. NPY LP indirectly holds interests ranging from 36% to 100% in 18 Operating Partnerships. NPY LP has outstanding 40,884,090 Class A1 limited partnership units, all of which are owned indirectly by the Fund, and 27,374,924 Class A2 limited partnership units, 2,699,434 Class B limited partnership units and 2,327,600 Class C limited partnership units. Subject to certain limitations, the Class A2 limited partnership units, the Class B limited partnership units and the Class C limited partnership units are exchangeable, directly or indirectly, for Units of the Fund on a one-for-one basis and such holders hold an equivalent number of special voting units of the Fund (the "Special Voting Units"), which are cancelled upon the exchange of such limited partnership units for Units of the Fund. The Special Voting Units were issued to provide voting rights to holders of Class A2 limited partnership units, Class B limited partnership units and Class C limited partnership units.

As at June 22, 2007, there were 40,884,090 Units of the Fund and 32,401,958 Special Voting Units of the Fund issued and outstanding.

DESCRIPTION OF BUSINESS

In December 2000, several of the principals of Newport established NPI to provide personal and corporate wealth management services and advice to a client base focused on entrepreneurs. In late 2002, NPI concluded that the investment returns of NPI's clients could be enhanced by partnering with private companies and therefore decided to create Newport. As a result, NPI approached its personal and corporate clients, many of whom were entrepreneurs, to assess their interest in this partnering approach. As a result of this interest, NPY LP was formed on February 27, 2004 and the Fund completed an initial public offering on August 8, 2005.

Newport is an asset manager with a specific focus on making investments in private businesses led by successful entrepreneurs, a significant segment of the Canadian economy. Newport provides capital allocation and investment monitoring, while the entrepreneurs are responsible for day to day management of the underlying Operating Partnerships.

Newport has ownership interests in 18 Operating Partnerships that operate in four diverse business segments: financial services, marketing, industrial services and other. Newport forms these partnerships by investing in the entrepreneur's business with the entrepreneur typically retaining a significant equity interest.

Newport's Core Business

Newport was established to provide investors with a simple way to access private equity through ownership of a professionally-managed portfolio of successful Canadian private businesses that offers income, growth, liquidity and diversification.

Newport's core business is investment management. Its investment philosophy is to make long-term equity investments in established, profitable, well-managed private businesses across Canada. These businesses distribute their profits to the Fund which in turn pays monthly distributions to Unitholders. By investing in the Fund, Unitholders participate in the growth potential of these businesses while earning a steady stream of income.

Newport is an asset manager and with each investment it makes, it targets to receive annual distributable cash from its Operating Partnerships equating to 16% to 20% of invested capital. As asset managers, Newport knows that in any given year there will be positive and negative variances. Newport's diversification strategy helps to smooth out the variances to achieve a satisfactory overall yield. From time to time, Newport will make the decision to sell an investment if it believes that such an action will enhance the overall yield and growth potential of the Fund.

Business Strategy

To accomplish its vision, Newport's business strategy is focused on:

- Generating a steady flow of potential investment opportunities through Newport's large, national network of contacts and relationships with successful entrepreneurs. This is a proprietary advantage

Newport has cultivated over a history of providing personal and corporate wealth management services to this marketplace.

- Offering a unique combination of benefits for successful entrepreneurs who own and operate private businesses: access to growth capital, strategic support, operational autonomy, liquidity and diversity of personal wealth. For many entrepreneurs, this value proposition is just as, or more, important than the valuation of the business. This is a point of differentiation from other prospective private equity buyers. As a result, Newport generally does not compete for investments and believes that this allows them to invest at attractive valuations.

Newport's investment strategy is based on:

- Investing in well established businesses with leading or niche positions in their respective industries, long histories of profitability, executable growth plans and management teams that are known to Newport.
- Investing a significant equity interest (typically 50-80%) and allowing management to retain an interest in the business. This helps to ensure management's interests are aligned with Newport's as investors.
- Providing capital allocation and strategic advice to support the growth and performance of the businesses Newport holds. This is Newport's core strength, while day-to-day operations are the core competency of the management teams. Newport believes this strategy gives each party the platform and incentive to do what they do best.
- Investing for income. Newport seeks to invest in businesses that have the capacity to distribute their cash flows to Unitholders and grow organically without requiring significant re-investment of capital. A key element of this strategy is to invest at reasonable valuations. With each investment Newport makes, it targets to receive cash flow from its share of the annual distributable cash of the business, equating to 16-20 percent of invested capital. Newport believes this income-oriented approach to private equity reduces risk — as investors effectively 'get paid while they wait' for the business to grow and its underlying value to appreciate.
- Investing for growth. As the underlying businesses grow organically and through acquisitions, using capital available from the Fund, distributable cash to investors is increased and the underlying value of the portfolio can be expected to appreciate.
- Managing risk through diversification and prudent use of leverage and maintaining a strong balance sheet.

Newport's financial strategy is based on:

- Ensuring the Fund has access to diverse and cost-effective sources of capital with which to finance its operations and the growth of its investment program.
- Minimizing the corporate costs of the Fund.

Growth Strategy

Newport has a three-pronged growth strategy:

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

The following is a description of the business of each Operating Partnership organized by business segment.

Financial Services

Elliott Special Risks LP (“ESR”)

ESR is a specialty managing general agent (“MGA”) and is one of Canada’s leading independent underwriters of commercial liability insurance. ESR and its predecessor companies have been in business since 1966. MGAs represent a hybrid form of insurance broker because insurers permit MGAs to make underwriting decisions on such insurers’ behalf and determine the risk of underwriting a particular policy. In essence, MGAs represent an extension of the insurer’s underwriting function. Nevertheless, ESR does not assume any liability for claims, expenses or payments if an insured incurs a loss, that liability remains the responsibility of the insurer that underwrites the policy. ESR has a 50% interest in All Sport Insurance Marketing Ltd. (“All Sport”), a Vancouver-based MGA, specializing in sport and recreation risk.

ESR operates as a registered insurance broker with its revenues primarily derived from commissions earned from placing clients’ insurance coverage with insurance and reinsurance companies. In addition, ESR earns profit commission revenues from insurers based on the actual claims or loss experience of insurance written with each insurer. ESR is registered as an insurance broker and is qualified to carry on business in every province and territory of Canada where MGAs are required to be licensed.

ESR primarily underwrites commercial general liability insurance on behalf of insurers. ESR focuses on insurance coverage in the umbrella and excess liability area, which currently represents approximately 50% of ESR’s revenues. ESR also underwrites “hard-to-place” general liability, environmental, errors and omissions, property and inland marine insurance. ESR believes it is the leading independent market in Canada for many of its product lines.

Insurers in Canada generally distribute their policies to individuals and corporations through independent insurance brokers and insurance agents. Some insurers also distribute specific policy types directly. While insurance agents represent or are employed by one insurer, independent insurance brokers represent a number of insurers and are able to offer their clients insurance policies from a variety of insurers. ESR produces and underwrites insurance business on behalf of insurers for distribution through approximately 2,200 independent insurance brokers and insurance agents across Canada.

Morrison Williams LP (“Morrison Williams”)

Morrison Williams is an institutional money manager with over \$4.64 billion of funds under management. Founded in 1992, Morrison Williams invests primarily on behalf of pension funds and mutual funds. It also invests on behalf of institutional clients and a number of high net-worth individuals. Morrison Williams’ investment philosophy has generated results for its clients that Morrison Williams believes have exceeded its clients’ benchmarks over the short-, medium- and long-term.

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

Morrison Williams’ primary clients are pension funds and mutual funds. It also manages assets for institutional clients and a relatively small group of high net-worth individuals. Morrison Williams’ largest client accounts for approximately 36% of assets under management and its eight largest clients make up approximately 64% of assets under management, as at December 31, 2006. Morrison Williams has enjoyed long-standing relationships with its eight largest clients.

EZEE ATM LP (“EZEE”)

EZEE is a full-service provider of automated teller machines (“ATM”) and a full range of ATM management services, from ATM deployment and maintenance to transaction processing, reporting and settlement. Since its inception in 2000, EZEE’s ATM business has grown organically and through acquisitions. EZEE’s management believes it operates the second largest network of non-financial institution ATMs in

Canada. Management believes that non-financial ATMs represent approximately 60% of the 51,000 ATMs in the Canadian market for ATMs and that EZEE has approximately 13% of the non-financial ATM market share. EZEE operates approximately 3,800 ATMs with considerable geographic diversification. EZEE has ATMs located in every province in Canada with approximately 37% of EZEE's ATMs located in Quebec and approximately 34% located in Ontario.

While not all independent ATM service providers offer full customer service, EZEE believes that it provides the industry's most complete customer service package. EZEE earns revenue from both transaction fees paid by users of its ATMs (which include interchange fees and surcharge revenues) and also on the sale of ATMs to its customers. EZEE typically signs renewable five-year agreements with its customers for their ATM transaction processing and maintenance services.

EZEE contracts with retailers including convenience stores, restaurants, bars, supermarkets and gas stations to place ATMs on their premises. Locations in busy areas with potential for high turnover of end-users are targeted. Contracts with customers typically have an initial term of five years. EZEE has one customer which represents approximately 14% of EZEE's gross revenue and 7% of EZEE's net revenue per annum.

Newport Partners LP ("NPLP")

NPLP is an independent wealth management company providing investment counselling and sophisticated financial planning, management and solutions to its personal and corporate clients, with a focus on understanding and serving the needs of entrepreneurs. Since its inception in 2000, NPLP has grown its assets under management to approximately \$1.15 billion. NPLP draws on the experience of the Newport Principals who together have over 350 years' experience in investment management, corporate finance and operations.

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

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

Brompton Funds LP ("Brompton")

Brompton is a leading Canadian manager of public and private investment funds and currently manages 20 public funds (collectively, the "Brompton Funds") with total assets of \$3.5 billion and net assets of \$2.9 billion under management as at December 31, 2006. The Brompton Funds' principal investments are marketable securities. Units of all public Brompton Funds trade on the TSX. To enhance distributions, the majority of the Brompton Funds use leverage which accounts for the difference between gross and net assets. Brompton earns management fees that are based primarily on the amount of net assets it has under management.

Brompton manages the Brompton Funds and generally receives a fee based on the net assets under management. Of the 20 public funds managed by Brompton, thirteen focus on investing in income trusts, four focus on investing in equity securities and three focus on investing primarily in investment grade debt instruments. For eight of the Brompton Funds, Brompton has engaged an external portfolio manager to manage the fund's investment portfolio. Two of the Brompton Funds' portfolios are managed by an affiliate of Manulife Financial Corporation, two of the Brompton Funds' portfolios are managed by Flaherty & Crumrine Incorporated of Pasadena, California and four funds are managed by Highstreet Asset Management Inc. For these eight actively managed funds, Brompton provides all other fund management and administration services. The remaining twelve Brompton Funds have adopted a low cost passive investment strategy whereby eleven of

them invest in a defined portfolio of publicly traded income trusts and one of them invests in a defined portfolio of debt instruments securities on an equally weighted basis. Brompton periodically rebalances these funds in accordance with their investment strategies. Eleven of the Brompton Funds have indefinite terms and nine of the Brompton Funds have fixed terms which range from May 2011 to November 2026. Of the \$2.9 billion in net assets under management as of December 31 2006, 59% had indefinite terms.

Hargraft Schofield LP (“Hargraft”)

Founded in 1874, Hargraft is a leading participant in the Canadian insurance industry and was one of the first brokerages established in Ontario. Hargraft manages close to \$85 million of premium and customized insurance solutions for industry leaders in a number of sectors. Hargraft is a national broker with clients in all provinces of Canada.

Hargraft offers a variety of products and services for businesses and individuals. Some of the industries to which Hargraft supplies insurance products are manufacturing, construction, transportation, medical, education, finance and hospitality. The products supplied include errors and omissions, medical malpractice, environmental liability, fleet packages, surety products, and property insurance products. In addition to these insurance products, Hargraft offers medical benefits coverage and life products such as life insurance to assist companies in attracting and retaining their work forces.

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

In 2006, transportation customers represented 55% of the premiums written by Hargraft and 60% of its commissions. In 2006, Hargraft’s business mix was 90% commercial insurance lines, 6% life insurance and benefits, and 4% personal insurance. Hargraft sells its insurance and benefits products to businesses and individuals throughout Canada. Hargraft has approximately 1,500 customers. Its five largest customers accounted for 20% of revenue in 2006, and its largest customer accounted for 9% of revenue in 2006.

Baird MacGregor Insurance Brokers LP (“BMI”)

BMI, established in 1979, is a leading broker of insurance to the transportation and logistic industries in Ontario. In 2006, BMI wrote approximately \$65 million of premiums and customized insurance solutions. BMI has a focus in transportation, auto rentals, taxi & limousine and trucking and is a full service operation with products in other commercial and personal lines and life and benefits servicing clients nationwide.

In 2006, transportation customers represented 84% of the premiums written by BMI and 85% of its commissions. In 2006, BMI’s business mix was 97% commercial insurance lines, 1% life insurance and benefits, and 2% personal insurance. BMI sells its insurance and benefits products to businesses and individuals throughout Canada. BMI has approximately 4,000 customers. Its five largest customers accounted for 34% of revenue in 2006, and its largest customer accounted for 20% of revenue in 2006.

Marketing

Capital C Communications LP (“Capital C”)

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

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

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

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

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

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

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

Capital C has approximately 40 clients, many of which are large multi-national companies. Capital C’s largest customer accounted for approximately 26% of sales in 2006 and its top five customers accounted for approximately 60% of sales in 2006. Capital C has enjoyed at least a five-year business relationship with four of its top five customers.

Gemma Communications LP (“Gemma”)

Gemma is a Canadian outsourced contact centre operator. The primary business of Gemma is providing outbound telephone revenue-generating campaigns targeted at individuals who are customers of Gemma’s clients. Gemma’s clients are companies in the financial services and telecommunications industries. A growing component of Gemma’s business is inbound contracts whereby Gemma’s agents field incoming calls for service from the customers of Gemma’s clients. Gemma has approximately 1,150 associates (also called agents) in offices in Toronto (800 agents) and Montreal (350 agents).

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

Sports and Entertainment Limited Partnership (“S&E”)

S&E provides a consultancy service focused on corporate marketing in the sports and entertainment sectors. S&E creates, negotiates, manages and measures sports and entertainment sponsorships for some of Canada’s largest corporations.

S&E has expertise in strategic partnering and packaging comprehensive marketing programs for its clients. S&E’s services include sponsorship strategy development; sponsorship assessment, evaluation, analysis; rights negotiation and sponsorship agreements; sponsorship agreement administration; and non-traditional media strategy, planning and buying.

Its experienced in-house team performs all design, production activities, and television production.

IC Group LP (“IC Group”)

Established in 1989, IC Group has operating companies based in Canada and the United States. IC Group develops, markets, and manages programs in the sales promotion industry. IC Group has three products and services: internet technology platform (branded IC Modus®), prize insurance, and promotional risk management.

On-Line Technology Platform — IC Modus® is a web-based technology platform that integrates incentive programs with a variety of web infrastructures including websites, mobile devices, extranets, customer relationship management and e-commerce applications. IC Group has invested heavily in this product line over the past three years and won contracts with major brands.

Promotion Insurance — The product on which IC Group was founded is promotion insurance. IC Group is a broker in this niche area. Examples of the types of risk that IC Group underwrites are hole-in-one insurance and event cancellation insurance. Promotions insurance is the most developed line of business of IC Group.

Promotional Risk Management — IC Group consultants analyze, identify, communicate and manage the risks for traditional and online games, contests, sweepstakes, consumer offers and other unique promotions. They counsel clients through critical phases of planning and execution to prevent unnecessary and costly risks.

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

Armstrong Partnership LP (“Armstrong”)

Armstrong is a leading North American promotional marketing company with particular expertise in the financial services, credit card marketing and animal pharmaceutical segments. Armstrong works with its clients to develop innovative marketing programs, products and services. Approximately 50% of Armstrong’s revenues are generated in Canada, and 50% are generated in the United States, Sweden, Switzerland, Poland, United Kingdom and Puerto Rico.

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

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

The customer base of Armstrong is highly concentrated, with their five largest clients representing approximately 87% of its revenues. However, management believes that relationships with these customers are strong.

Industrial Services

NPC Integrity Energy Services Limited Partnership (“NPC”)

NPC is a fully integrated provider of midstream production services to the energy industry in western Canada. NPC provides construction, maintenance and operation services primarily to the oil and gas industry and also to the pulp and paper and timber industries. A majority of NPC’s revenues are from maintenance and operations of existing oil and gas facilities as opposed to construction. As a result, NPC is less dependent on the oil cycle. NPC’s maintenance contracts generally have terms of two years and are renegotiated and often extended at the end of each two-year term. NPC (or its predecessor companies) has been in business since 1988. It has several office and warehouse locations throughout Alberta, with most of its management team located in its Cochrane, Edson, Brooks and Peace River, Alberta offices. NPC also has regional offices throughout Alberta and northeastern British Columbia.

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

Production and Maintenance — These services include providing complete plant and field support, quality control, field operations and safety management systems personnel. The maintenance services business

segment also performs plant turnarounds whereby a facility is shut down for a period of time for service and repair. NPC is typically involved from the start of shutdown planning to the completion of the shutdown.

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

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

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

NPC's client base includes some of the largest and most recognized names in the oil and gas industry. One of Canada's largest integrated oil companies represents approximately 15% of its revenues. Notwithstanding that NPC operates in a dynamic marketplace that is constantly changing because of mergers and acquisitions activity within the oil and gas industry, NPC has been successful in fostering long-standing relationships with its clients.

Quantum Murray LP ("Quantum Murray")

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

Quantum Murray provides its clients with a wide range of services, including demolition, abatement and remediation, treatment and disposal of contaminated soil, and investment recovery services. Demolition services include the dismantling of complex industrial and commercial projects requiring significant planning and engineering. Abatement services include the removal of environmentally sensitive substances such as asbestos, mold, lead and PCBs. Remediation services include the removal of contaminated soils and Quantum Murray has facilities to treat the contaminated soil. Quantum Murray often combine 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.

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

Other

RLogistics LP ("RLogistics")

RLogistics is a retail and wholesale reseller of consumer and office products (including but not limited to computers and electronics) and operates 10 stores in Southern Ontario under the name "Factory Direct". 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 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 (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.

Peerless Garments LP (“Peerless”)

Peerless, based in Winnipeg, Manitoba, is a leading Canadian manufacturer of protective harsh weather outerwear for military personnel. Founded in 1940 as a supplier of basic parkas, Peerless has evolved over the years to specialize in the production of highly technical protective garments designed to provide water-resistance, wind proofing and warmth. Peerless’ line of military operational clothing aims to reduce detection through camouflage and concealment while ensuring that soldiers are kept warm, dry and comfortable when exposed to extreme weather conditions.

The primary business of Peerless is manufacturing highly technical protective garments for the Canadian Forces (Army, Military and Air Force). Peerless also manufactures other technical and harsh weather garments for customers in other industries, primarily in Canada, including the oil & gas industry. The Canadian Forces goods are distributed directly to Canadian government agencies by Peerless or authorized subcontractors. Non-Canadian Forces garments are distributed to wholesalers, retailers and/or distributors.

The Canadian Forces business represented 80% of Peerless’ revenue in 2006. The remaining 20% of revenue was from sales to other Canadian government agencies, retailers, and other smaller customers including customers in the oil & gas industry.

Titan Supply LP (“Titan”)

Titan is a distributor and manufacturer of heavy industry equipment such as wire rope, rigging/traction products, ground engaging tools and wear products. Titan has a unique and diverse product base. Approximately 75% of its business is purely distribution and 25% is manufactured inhouse. Titan began operations 37 years ago and operates primarily in Alberta.

Titan’s product lines fall into the following commodity groupings: ground engaging tools and wear products (25% of sales) and wire rope and rigging/traction and tire chains (75% of sales).

Management believes that Titan is the only supplier in the industry capable of providing a full range of wire rope products, the customized fabrication of rigging and synthetic slings, expertise in tire chains, and the ability to service a complementary demand within the customer base for ground engaging tools. All of its products are used in harsh operating conditions and are consumable in nature. Titan carries a complete range of accessories in each of these product areas.

Titan has a well-diversified customer base of approximately 3,700 active customers. The top 100 customers represent 35% of sales, and the largest customer represents 3.2% of sales with the top five customers representing 9.5% of sales. The customers operate primarily in the oil & gas services business in Alberta. Titan distributes products for approximately 65 manufacturers with which it has excellent relationships.

Gusgo Transport LP (“Gusgo”)

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

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.

RECENT DEVELOPMENTS

On March 27, 2007, Newport announced a definitive agreement to sell all of the assets of Redmond Group of Companies (“RGC”) for a total net price of \$34 million resulting in estimated total net proceeds to the Fund of approximately \$29 million. The transaction closed on April 30, 2007. The agreement contains a holdback of \$4 million which is subject to release in accordance with a purchase price adjustment clause. RGC’s equity investment in RLogistics was not part of the sale.

On April 17, 2007, Newport invested \$18.2 million for a 77.5% interest in the business of Toronto-based BMI, a full service insurance broker specializing in the transportation and logistics industries. Philomena Comerford, president of BMI, controls the remaining 22.5% interest.

On May 9, 2007, NPC invested \$4.7 million for an 80% interest in the business of Grand Prairie-based Nor-Tech Systems Ltd., an industrial and commercial electrical and instrumentation contractor in the energy, petrochemical, forestry, pulp and paper, water and waste management, and power sectors in Alberta and British Columbia. Pursuant to the transaction, the management shareholders of Nor-Tech Systems Ltd. retained a 20% interest in the business.

On May 30, 2007, Newport announced that it had agreed to provide funding for NPC’s acquisition of an 80% interest in the privately-owned Golosky Group of Companies (“Golosky”) for approximately \$60 million, of which \$12 million will be used to replace Golosky’s existing debt. The management shareholders of Golosky will control the remaining 20% interest. Golosky is a diversified group of well-established companies with operations in Fort McMurray and Edmonton that provide products and services to a broad range of customers in the oil sands, oil & gas, pulp & paper and construction industries in northern Alberta. The transaction, which is subject to the settlement of definitive documentation, regulatory approval and other customary conditions, is expected to close in the third quarter of 2007.

On May 30, 2007, Quantum Murray invested \$21.5 million for a 100% interest in the business of Burlington-based Thomson Metals and Disposal (“Thomson”), a provider of integrated metal and recycling services. Pursuant to the transaction, Gary Thomson, President of Thomson, in addition to the cash proceeds, received a 2.9% interest in Quantum Murray and will continue to lead the management of Thomson. As a result of the transaction, Newport’s ownership in Quantum Murray increased to 64.3%.

On May 31, 2007, Holdings LP completed its obligations entered into at the time of its initial investment in Hargraft by acquiring a further 5% for approximately \$1,800,000 and thereby increased its interest in Hargraft to 80%.

DESCRIPTION OF THE DEBENTURES

The Offering consists of \$75,000,000, or \$86,250,000 if the Over-Allotment Option is exercised in full, aggregate principal amount of Debentures at a price of \$1,000 per Debenture. The following is a summary of the material attributes and characteristics of the Debentures. This summary does not purport to be complete and is subject to, and qualified in its entirety by, reference to the terms of the First Supplement and the Indenture (as discussed below).

General

The Debentures will be issued pursuant to the Indenture, as supplemented by the First Supplement. The aggregate principal amount of Debentures authorized for issue under the First Supplement will be limited to \$86,250,000. The aggregate principal amount of debentures authorized for issue under the Indenture is unlimited.

The Debentures will be dated as of the Closing Date and will be issuable only in denominations of \$1,000 and integral multiples thereof. The Debentures will be due on December 31, 2012.

Except as described below, the Debentures will bear interest from and including the date of issue at 7.00% per annum, payable semi-annually in arrears on June 30 and December 31 of each year, commencing on December 31, 2007. Regardless of the date of issue, the first interest payment will include interest accrued from the Closing Date up to, but excluding, December 31, 2007. Payment of interest to a Non-Resident Beneficial Owner of Debentures may be subject to Canadian withholding tax.

The principal amount of the Debentures will be payable in lawful money of Canada or, at the option of the Fund and subject to applicable regulatory approval, in Units. See “Redemption and Purchase” and “Payment upon Redemption or Maturity”. The interest on the Debentures will be payable by the Fund in lawful money of Canada.

The Debentures will be direct obligations of the Fund and will not be secured by any mortgage, pledge, hypothec or other charge and will be subordinated to all of the Fund’s existing and future senior indebtedness. See “Subordination”. The Indenture does not, and the First Supplement will not, restrict the Fund from incurring additional indebtedness for borrowed money or from mortgaging, pledging or charging its properties to secure any indebtedness.

Conversion Privilege

The Debentures will be convertible at the holder’s option into fully paid and non-assessable Units at any time before the close of business on the earlier of the Maturity Date and the business day immediately preceding the date fixed for redemption at the Conversion Price, which, subject to adjustment as summarized below, is a ratio of approximately 144.9275 Units per \$1,000 principal amount of Debentures. Holders converting their Debentures will receive accrued and unpaid interest thereon up to, but excluding, the date of conversion. Notwithstanding the foregoing, no Debentures may be converted during the five business days preceding and including June 30 and December 31 of each year, commencing December 31, 2007, as the registers of the Debenture Trustee will be closed during such periods. No fractional Units will be issued on any conversion but, in lieu thereof, the Fund shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Subject to the provisions thereof, the Indenture provides for the adjustment of the Conversion Price in certain events including:

- (a) the subdivision or consolidation of the outstanding Units;
- (b) the issuance of Units (or securities convertible into or exchangeable for Units) to all or substantially all holders of Units by way of distribution other than the issuance of Units (or securities convertible into or exchangeable for Units) to holders of Units who have elected to receive distributions in securities of the Fund in lieu of receiving cash distributions paid in the ordinary course on the securities of the Fund;
- (c) the issuance of options, rights or warrants to all or substantially all holders of Units entitling them to acquire Units (or securities convertible into or exchangeable for Units) for a period of not more than 45 days after the applicable record date, at a price per Unit (or in the case of securities, convertible into or exchangeable for Units, at a conversion price or exchange price per Unit) which is less than 95% of the then Current Market Price of the Units as at the applicable record date; and
- (d) the distribution to all or substantially all holders of Units of any securities or assets (other than those referred to in (a), (b) or (c), cash distributions in the ordinary course and equivalent distributions in securities paid in lieu of cash distributions in the ordinary course).

There will be no adjustment of the Conversion Price in respect of any event described in (b), (c) or (d) above if the holders of the Debentures are allowed to participate as though they had converted their Debentures prior to the applicable record date or effective date. The Fund will not be required to make adjustments in the Conversion Price unless the cumulative effect of such adjustments would change the Conversion Price by at least 1%.

In the case of a reclassification or a capital reorganization (other than a change resulting from consolidation or subdivision) of the Units or in the case of any consolidation, amalgamation, arrangement or merger of the Fund with or into any other person, or in the case of a sale, conveyance or lease of the properties and assets of the Fund as, or substantially as, an entirety to any other person, or a liquidation, dissolution, winding-up of the Fund or other similar transaction, the terms of the conversion privilege shall be adjusted so that each holder of a Debenture shall, after such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, lease, liquidation, dissolution, winding-up or other similar transaction, be entitled to receive the number of Units such holder would be entitled to receive if on the effective date thereof, it had been

the holder of the number of Units into which the Debenture was convertible immediately prior to the effective date of such reclassification, capital reorganization, consolidation, amalgamation, arrangement, merger, sale, conveyance, lease, liquidation, dissolution, winding-up or other similar transaction. No consent of the holders of the Debentures will be required in connection with any of the events described in this paragraph and the holders of the Debentures will have no voting or other approval rights with respect to any such event.

Redemption and Purchase

The Debentures shall not be redeemable on or before December 31, 2010. After December 31, 2010 and on or prior to December 31, 2011, the Debentures may be redeemed in whole or in part from time to time at the option of the Fund on not more than 60 days' and not less than 30 days' prior notice at a price equal to their principal amount (the "Redemption Price") plus accrued and unpaid interest thereon up to but excluding the redemption date, provided that the Current Market Price of the Units on the date on which notice of redemption is given is not less than 125% of the Conversion Price. After December 31, 2011 and on or prior to their Maturity Date, the Debentures may be redeemed in whole or in part from time to time at the option of the Fund on not more than 60 days' and not less than 30 days' prior notice at a price equal to their principal amount plus accrued and unpaid interest up to but not including the redemption date.

In the case of redemption of less than all of the Debentures, the Debentures to be redeemed will be selected by the Debenture Trustee on a *pro rata* basis or in such other manner as the Debenture Trustee deems equitable.

The Fund will have the right to purchase Debentures in the market, by tender, or by private contract at any price; provided, however, that if an Event of Default (as defined below) has occurred and is continuing, the Fund will not have the right to purchase the Debentures by private contract.

Payment upon Redemption or Maturity

On redemption or at maturity, the Fund will repay the indebtedness represented by the Debentures by paying to the Debenture Trustee in lawful money of Canada an amount equal to the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, together with accrued and unpaid interest thereon up to but excluding the redemption date or Maturity Date. The Fund may, at its option, on not more than 60 days' and not less than 30 days' prior notice, subject to applicable regulatory approval and provided no Event of Default (as defined below) has occurred and is continuing, elect to satisfy its obligation to pay the Redemption Price of the Debentures which are to be redeemed or the principal amount of the Debentures which are due on maturity, as the case may be, by issuing freely tradeable Units to the holders of the Debentures. Any accrued and unpaid interest thereon will be paid in cash. The number of Units to be issued will be determined by dividing the aggregate Redemption Price of the outstanding Debentures which are to be redeemed or the principal amount of the outstanding Debentures which have matured, as the case may be, by 95% of the Current Market Price on the date fixed for redemption or the Maturity Date, as the case may be. No fractional Units will be issued on redemption or maturity but in lieu thereof the Fund shall satisfy fractional interests by a cash payment equal to the Current Market Price of any fractional interest.

Cancellation

The Fund may purchase Debentures for cancellation in the market or by tender or private contract at any time subject to regulatory requirements.

Subordination

The payment of the principal of, and interest on, the Debentures is subordinated in right of payment, as set forth in the Indenture, to the prior payment in full of all Senior Indebtedness of the Fund. Subject to statutory or preferred exceptions or as may be specified by the terms of any particular securities, each debenture of the same series of debentures issued under the Indenture or under indentures supplemental to the Indenture will rank *pari passu* with each other debenture, and with all other present and future subordinated and unsecured indebtedness of the Fund except for sinking fund provisions (if any) applicable to different series of debentures

or similar types of obligations of the Fund. The Debentures will also effectively rank junior to the Fund's subsidiaries' liabilities.

The Debentures, the 7.50% Convertible Unsecured Subordinated Debentures of the Fund due 2010 and each other series of debentures issued under the Indenture or under indentures supplemental to the Indenture will rank *pari passu* with each other (regardless of their actual date or terms of issue) except for sinking fund provisions (if any) applicable to different series of debentures.

The Indenture provides that in the event of any voluntary or involuntary dissolution, winding-up or liquidation, or any bankruptcy, insolvency, receivership, credit enforcement or realization or other similar proceedings relating to the Fund or any of its property (whether voluntary or involuntary, partial or complete) or any other marshalling of the assets and liabilities of the Fund, any reorganization or any sale, distribution or other transfer of all or substantially all of the assets of the Fund, then those holders of Senior Indebtedness will receive payment in full before the holders of Debentures will be entitled to receive any payment or distribution of any kind or character, whether in cash, property or securities, which may be payable or deliverable in any such event in respect of any of the Debentures or any unpaid interest accrued thereon. The Indenture also provides that the Fund will not make any payment, and the holders of the Debentures will not be entitled to demand, accelerate, institute proceedings for the collection of, or receive any payment or benefit (including without any limitation by set-off, combination of accounts or realization of security or otherwise in any manner whatsoever) on account of indebtedness represented by the Debentures (a) in a manner inconsistent with the terms (as they exist on the date of issue) of the Debentures or unless all of the Senior Indebtedness has been repaid in full, (b) at any time when an event of default has occurred under the Senior Indebtedness and is continuing and the notice of such event of default has been given by or on behalf of the holders of Senior Indebtedness to the Fund, unless the Senior Indebtedness in default has been repaid in full or such event of default shall have been cured or waived in writing in accordance with the provisions of such Senior Indebtedness, or (c) if the making of the payment on account of the indebtedness represented in the Debentures would create, by the giving of notice or the lapse of time, an event of default under any of the Senior Indebtedness unless the Senior Indebtedness that would be in default has been repaid in full or the making of any such payment or taking of such action would no longer create, including by lapse of time or giving of notice, an event of default under any Senior Indebtedness.

The Debentures will also be effectively subordinate to claims of all creditors of the Fund's subsidiaries except to the extent the Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

Priority Over Fund Distributions

The Declaration of Trust provides that certain expenses of the Fund must be deducted in calculating the amount to be distributed to the Unitholders. Accordingly, the funds required to satisfy the interest payable on the Debentures, as well as the amount payable upon redemption or maturity of the Debentures or upon an Event of Default (as defined below), will be deducted and withheld from the amounts that would otherwise be payable as distributions to Unitholders.

Change of Control

Upon the occurrence of a Change of Control by any person or group of persons acting jointly or in concert, each holder of Debentures may require the Fund to purchase, on the date which is 30 days following the giving of notice of the Change of Control as set out below (the "Put Date"), the whole or any part of such holder's Debentures at a price equal to 101% of the principal amount thereof (the "Put Price") payable in cash or freely tradable Units, plus accrued and unpaid interest up to, but excluding, the Put Date. The First Supplement will contain notification provisions requiring the Fund to promptly give written notice to the Debenture Trustee of the occurrence of a Change of Control. The Debenture Trustee will thereafter be required to give to the holders of Debentures notice of the Change of Control, the repayment right of the holders of Debentures and the right of the Fund to redeem untendered Debentures under certain circumstances. To exercise the right to require the Fund to purchase its Debentures, a holder of Debentures must deliver to the Debenture Trustee, not less than five business days prior the Put Date, written notice of the holder's exercise of such right, together with the Debentures with respect to which the right is being exercised, duly endorsed for transfer.

If 90% or more in aggregate principal amount of the Debentures outstanding on the date of the giving of notice of the Change of Control have been tendered for purchase on the Put Date, the Fund will have the right to redeem all the remaining Debentures on such date at the Put Price, together with accrued and unpaid interest to such date. Notice of such redemption must be given by the Fund to the Debenture Trustee prior to the Put Date, and as soon as possible thereafter, by the Debenture Trustee to the holders of the Debentures not tendered for purchase.

Events of Default

The Indenture provides that an event of default (“Event of Default”) in respect of the Debentures will occur if any one or more of the following described events has occurred and is continuing with respect of the Debentures: (i) failure for 15 days to pay interest on the Debentures when due and payable; (ii) failure to pay principal or premium, if any, when due on the Debentures, whether at maturity, upon redemption, by declaration or otherwise; (iii) certain events of bankruptcy, insolvency or reorganization of the Fund under bankruptcy or insolvency laws; or (iv) default in the observance or performance of any material covenant or condition in the Indenture and continuance of such default for a period of 30 days after notice in writing has been given by the Debenture Trustee or by holders of not less than 25% of the outstanding principal amount of Debentures to the Fund specifying such default and requiring the Fund to rectify the same. If an Event of Default has occurred and is continuing, the Debenture Trustee may, in its discretion, and shall, upon request of holders of not less than 25% in principal amount of Debentures, declare the principal of, premium, if any, and interest on all outstanding Debentures to be immediately due and payable. In certain cases, the holders of a majority of the principal amount of the Debentures may, on behalf of the holders of all Debentures, waive any Event of Default and/or cancel any such declaration upon such terms and conditions as such holders shall prescribe.

Interest Payment Option

The Fund may elect, from time to time, to satisfy its obligation to pay all or any part of the interest on the Debentures (the “Interest Obligation”), on the date it is payable under the First Supplement (an “Interest Payment Date”), by delivering to the Debenture Trustee sufficient Units to satisfy all or any part, as the case may be, of the Interest Obligation in accordance with the First Supplement (the “Unit Interest Payment Election”). The First Supplement will provide that, upon such election, the Debenture Trustee shall have the power to: (a) accept delivery from the Fund of Units, (b) accept bids with respect to, and consummate sales of, such Units, each as the Fund shall direct in its absolute discretion, (c) sell Units in the open market on a recognized stock exchange, and (d) perform any other action necessarily incidental thereto.

The First Supplement will set forth the procedures to be followed by the Fund and the Debenture Trustee in order to effect the Unit Interest Payment Election. Neither the Trust’s making of the Unit Interest Payment Election nor the consummation of sales of Units will (a) result in the holders of the Debentures not being entitled to receive on the applicable Interest Payment Date cash in an aggregate amount equal to the interest payable on such Interest Payment Date, or (b) entitle such holders to receive any Units in satisfaction of the Interest Obligation.

Offers for Debentures

The Indenture contains provisions to the effect that if an offer is made for the Debentures which is a take-over bid for Debentures within the meaning of the *Securities Act* (Ontario) and not less than 90% of the Debentures (other than Debentures held at the date of the take-over bid by or on behalf of the offeror or associates or affiliates of the offeror) are taken up and paid for by the offeror, the offeror will be entitled to acquire the Debentures held by the holders of Debentures who did not accept the offer on the terms offered by the offeror; provided that holders of Debentures will have the right to elect to be paid the fair value of their Debentures by providing notice to the offeror and following the other procedures set forth in the Indenture.

Modification

The rights of the holders of the Debentures as well as holders of any other series of debentures (collectively, the “holders of debentures”) that may be issued under the Indenture or indentures supplemental to the

Indenture may be modified in accordance with the terms of the Indenture. For that purpose, among others, the Indenture contains certain provisions which (subject to certain exceptions) will make binding on all holders of debentures resolutions passed at meetings of the holders of debentures by votes cast thereat by holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the debentures present at the meeting or represented by proxy, or rendered by instruments in writing signed by the holders of not less than 66 $\frac{2}{3}$ % of the principal amount of the debentures. In certain cases, the modification will, instead or in addition, require assent by the holders of the required percentage of debentures of each particularly affected series.

Limitation on Non-Resident Ownership

At no time may Non-Residents be the beneficial owners of more than 45% of the Units (on either a basic or fully-diluted basis), including any Units which are issued upon conversion, redemption or repayments of the Debentures. The Debenture Trustee may, upon receipt of a written direction of the Fund, require declarations as to the jurisdictions in which beneficial owners of Debentures are resident. If the Fund becomes aware as a result of requiring such declarations as to beneficial ownership, that the beneficial owners of 40% or more of the Units then outstanding, on a fully diluted basis, are, or may be, Non-Residents or that such a situation is imminent, it shall make a public announcement thereof and shall notify the Debenture Trustee in writing and the Debenture Trustee shall not accept a subscription from or issue or register a transfer of Debentures to a person unless the person provides a declaration that the person is not a Non-Resident. If, notwithstanding the foregoing, the Fund determines that 45% or more of the Units are held by Non-Residents, the Fund shall send a notice to Non-Resident holders of Debentures, chosen in inverse order to the order of acquisition or registration of the Debentures or in such manner as the Fund may consider equitable and practicable, requiring them to sell their Debentures or a portion thereof within a specified period of not less than 60 days. If the holders receiving such notice have not sold the specified number of Debentures or provided the Fund with satisfactory evidence that they are not Non-Residents within such period, the Fund will on behalf of such holder sell such Debentures, and, in the interim, shall suspend the rights attached to such Debentures. Upon such sale the affected holders shall cease to be holders of Debentures, and their rights shall be limited to receiving the net proceeds of sale upon surrender of such Debentures. The Trustees have similar obligations in respect of the Units which are outlined in the Declaration of Trust, although the Declaration of Trust does not contemplate mandatory sales of Units where the limitation on non-resident ownership of Units, on a fully-diluted basis, is or may be exceeded, due in whole or in part to ownership by Non-Residents of securities other than Trust, such as the Debentures.

Book Entry System

The Debentures will be issued in “book-entry only” form and must be purchased or transferred through a CDS Participant. The Debentures will be evidenced by a global book-entry only certificate, which will be delivered on the Closing Date to CDS and registered in the name of its nominee. Registration of interests in and transfers of the Debentures will be made only through the system for clearing, depository and entitlement services maintained by CDS.

Except as described below, a purchaser acquiring an interest in the Debentures will not be entitled to a certificate or other instrument from the Debenture Trustee or CDS evidencing that purchaser’s interest therein, and such purchaser will not be shown on the records maintained by CDS, except through a CDS Participant. Such purchaser will receive a confirmation of purchase from the Underwriter or other registered dealer from whom Debentures are purchased.

Neither the Fund nor the Underwriters will assume any liability for: (a) any aspect of the records relating to the securities entitlements of the purchasers in the Debentures held by CDS or the payments relating thereto; (b) maintaining, supervising or reviewing any records relating to the Debentures; or (c) any advice or representation made by or with respect to CDS and contained in this short form prospectus and relating to the rules governing CDS or any action to be taken by CDS or at the direction of the CDS Participants. The holding and transfer of interests in book-entry only securities, including distribution of entitlements relating to such securities, are done through the clearing, depository and entitlement services of CDS. Entitlements paid to CDS on account of such securities are credited by CDS to the relevant accounts of CDS Participants and then by such CDS Participants to the accounts of their underlying entitlement holders. As a result, CDS Participants must

look solely to CDS and Beneficial Owners must look solely to CDS Participants for the payment of the principal, interest and other amounts owing on the Debentures paid by or on behalf of the Fund to CDS.

As indirect holders of Debentures, Beneficial Owners should be aware that they (subject to the situations described below) will hold securities entitlements through a CDS Participant representing their interest in the Debentures and (a) will not have Debentures registered in their name; (b) will not have physical certificates representing their interest in the Debentures; (c) will not be able to sell the Debentures to institutions required by law to hold physical certificates for securities they own; and (d) may be unable to pledge Debentures as security.

The Debentures will be issued to Beneficial Owners in fully registered and certificate form (the “Debenture Certificates”) only if: (a) required to do so by applicable law; (b) the book-entry only system ceases to exist; (c) the Fund or CDS advises the Debenture Trustee that CDS is no longer willing or able to properly discharge its responsibilities as depositary with respect to the Debentures and the Fund is unable to locate a qualified successor; (d) the Fund, at its option, decides that the Debentures will no longer be held in the book-entry only system through CDS; or (e) after the occurrence of an Event of Default (as described under “— Events of Default”), CDS Participants acting on behalf of Beneficial Owners representing, in the aggregate, more than 25% of the aggregate principal amount of the Debentures then outstanding advise CDS in writing that the continued holding of the Debentures in a book-entry only system through CDS is no longer in their best interest provided the Debenture Trustee has not waived the Event of Default in accordance with the terms of the Indenture.

Upon the occurrence of any of the events described in the immediately preceding paragraph, the Debenture Trustee must notify CDS, for and on behalf of CDS Participants and Beneficial Owners, of the availability of Debenture Certificates. Upon surrender by CDS of the single certificate representing the Debentures and receipt of instructions from CDS of the entitlement holders in whose name the Debentures are to be registered, the Debenture Trustee will deliver the Debentures in the form of Debenture Certificates and thereafter the Fund will recognize the holders of such Debenture Certificates as holders of Debentures under the Indenture and the First Supplement.

Interest on the Debentures will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, interest will be paid by cheque and sent by prepaid mail to the registered holder or by such other means as may become customary for the payment of interest. Payment of principal, including payment in the form of Units if applicable, and the interest due, at maturity or on a redemption date, will be paid directly to CDS while the book-entry only system is in effect. If Debenture Certificates are issued, payment of principal, including payment in the form of Units if applicable, and interest due, at maturity or on a redemption date, will be paid upon surrender thereof at any office of the Debenture Trustee or as otherwise specified in the Indenture.

DESCRIPTION OF UNITS

Units and Special Voting Units

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

The Special Voting Units are not entitled to any interest or share in the Fund, in any distribution from the Fund whether of net income, net realized capital gains or other amounts, or in the net assets of the Fund in the event of the termination or winding-up of the Fund. Special Voting Units may be issued in series and are only issued to the holders of Class A2 limited partnership units of NPY LP, Class B limited partnership units of NPY LP and Class C limited partnership units of NPY LP and, if the Trustees so determine, other exchangeable securities, in each case, for the purpose of providing voting rights with respect to the Fund to the holders of such securities. Special Voting Units are not transferable separately from the Class A2 limited partnership units of NPY LP, Class B limited partnership units of NPY LP and Class C limited partnership units of NPY LP or other exchangeable securities to which they relate. Each Special Voting Unit entitles the holder thereof to that number of votes at any meeting of Unitholders equal to the number of Units that may be obtained upon the exchange (direct or indirect) of the Class A2 limited partnership units of NPY LP, Class B limited partnership units of NPY LP and Class C limited partnership units of NPY LP or other exchangeable securities to which the Special Voting Unit is related.

The foregoing is a summary of certain provisions of the Declaration of Trust and is qualified in its entirety by reference to the full text of the Declaration of Trust which is filed on SEDAR and may be viewed at www.sedar.com.

CONSOLIDATED CAPITALIZATION

After giving effect to the Offering, the total consolidated capitalization of the Fund will increase by \$75,000,000 (or by \$86,250,000 if the Over-Allotment Option is exercised in full).

EARNINGS COVERAGE RATIOS

The ratios set forth below have been prepared in accordance with Canadian disclosure requirements, have been prepared using financial information prepared in accordance with Canadian GAAP and assume the completion of the Offering. The pro forma earnings assume that there are no additional earnings derived from the net proceeds of the sale of the Debentures. Management considers the cash flow ratio calculated from continuing operations before non-controlling interest to be the measure that best reflects the substance of the Fund’s overall ability to meet its interest obligations. The Fund uses its revolving credit facility primarily to fund its equity interests in new Operating Partnerships and, as such, the Fund has determined that the most appropriate manner in which to present earnings coverage is to not differentiate interest expenses between its long term debt and its revolving credit facility.

The earnings used to derive the ratios are as follows:

	EBIT ⁽¹⁾		Cash Flow ⁽²⁾	
	12 months ended December 31, 2006	12 Months ended March 31, 2007	12 months ended December 31, 2006	12 Months ended March 31, 2007
	(in thousands of dollars)			
<i>After non-controlling interest</i>				
Including Discontinued Operations . .	(11,672)	(13,979)	25,261	27,245
<i>Before non-controlling interest</i>				
Continuing Operations	31,200	22,395	68,133	63,619

	EBIT ⁽¹⁾ — pro forma		Cash Flow ⁽²⁾ — pro forma	
After non-controlling interest				
Including Discontinued Operations . .	(7,204)	(9,511)	29,729	31,713
Before non-controlling interest				
Continuing Operations	35,668	26,863	72,601	68,087

(1) EBIT is equal to net income before interest and income taxes.

(2) Cash Flow is equal to net income before interest, income taxes, depreciation, amortization and loss on dilution of ownership interest.

For the year ended December 31, 2006 and for the twelve month period ended March 31, 2007 the earnings coverage and cash flow coverage ratios are as follows:

	Earnings Coverage Ratio ⁽¹⁾		Cash Flow Coverage Ratio ⁽²⁾	
	Year ended December 31, 2006	12 months ended March 31, 2007	Year ended December 31, 2006	12 months ended March 31, 2007
After non-controlling interest — including discontinued operations				
Actual	— ⁽³⁾	— ⁽⁴⁾	2.18	1.73
Pro-forma	— ⁽³⁾	— ⁽⁴⁾	1.85	1.56
Before non-controlling interest — continuing operations				
Actual	2.97	1.53	6.49	4.34
Pro-forma	2.38	1.40	4.85	3.56

(1) Earnings coverage is equal to EBIT divided by interest expense.

(2) Cash flow coverage ratio is equal to cash flow divided by interest expense.

(3) The ratio is less than 1 to 1. The amount of EBIT required to bring the ratio to 1 to 1 is \$23,249.

(4) The ratio is less than 1 to 1. The amount of EBIT required to bring the ratio to 1 to 1 is \$29,717.

The Fund's interest requirements, before giving effect to the issuance of the Debentures after non-controlling interest including discontinued operations amounted to \$11,577,521 and before non-controlling interest from continuing operations amounted to \$10,493,521 for the year ended December 31, 2006. For the twelve months ended March 31, 2007 on the same basis the amounts were \$15,738,707 and \$14,668,707.

The Fund's pro forma interest requirements, after giving effect to the issuance of the Debentures after non-controlling interest and including discontinued operations would amount to \$16,045,521 and before non-controlling interest from continuing operations would amount to \$14,961,521 for the year ended December 31, 2006. For the twelve months ended March 31, 2007 on the same basis the amounts were \$20,206,707 and \$19,136,707.

The earnings coverage ratio including discontinued operations on both an actual and pro forma basis are less than 1 to 1. This is caused by the negative impact relating to the write-down of the carrying value of RGC to its estimated net sales proceeds. RGC was divested of on April 30, 2007. The earnings coverage from continuing operations is greater than 1 to 1.

PRICE RANGE AND TRADING VOLUME OF UNITS

The Units of the Fund are listed and posted for trading on the TSX under the symbol “NPF.UN”. The following table sets forth the reported high and low prices and trading volume for the Units on the TSX for the periods indicated.

	<u>High</u>	<u>Low</u>	<u>Volume</u>
2006			
June	\$9.10	\$8.55	1,113,987
July	\$9.15	\$8.75	1,849,907
August	\$9.10	\$6.82	3,203,261
September	\$7.80	\$6.95	1,242,458
October	\$7.65	\$6.76	2,641,931
November	\$6.22	\$5.55	6,693,118
December	\$6.00	\$5.46	3,532,969
2007			
January	\$6.50	\$5.71	4,162,945
February	\$6.90	\$6.40	3,127,004
March	\$6.40	\$6.05	1,346,034
April	\$5.99	\$5.75	1,856,749
May	\$6.20	\$5.70	1,761,142
June (1 to 22)	\$6.05	\$5.85	652,782

DISTRIBUTION POLICY

The Fund’s distribution policy is reviewed by the Fund’s Trustees. The current level of distributions is at an annualized rate of \$1.00 per Unit.

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

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

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

The level of distributions paid to Unitholders is set by the Trustees of the Fund on an ongoing basis after considering the financial and strategic situation of the Fund including cash flow, capital requirements, revenue levels, debt capacity and the negative covenants included in the Fund’s credit facility agreement. One such covenant stipulates that by December 2007, the ratio of distributions paid and distributable cash calculated on a last-twelve month basis shall not exceed 110%. As reported in the MD&A and the Fund’s 2006 Annual Report, the Fund’s distributions paid exceed its distributable cash as defined in the agreement. Progress is being made on closing the gap, however, distributions paid currently exceed distributable cash as so defined and the Fund is using its revolving credit facility to fund the shortfall. Management is in discussions with its lenders to amend the definition of distributable cash in the Fund’s credit facility agreement to more appropriately reflect the

contribution of investments made by the Fund during the year. If the Fund's credit facility agreement is not amended, and the ratio of distributions paid and distributable cash exceeds 110% as currently defined in the agreement, the Fund may be obliged to reduce the distributions paid to Unitholders prior to December 2007 to ensure compliance with the Fund's credit facility agreement.

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

	<u>Per Unit</u>
2005	
August	\$0.06082
September	\$0.07708
October	\$0.07708
November	\$0.07917
December	\$0.07917
2006	
January	\$0.07917
February	\$0.07917
March	\$0.07917
April	\$0.08333
May	\$0.08333
June	\$0.08333
July	\$0.08333
August	\$0.08333
September	\$0.08333
October	\$0.08333
November	\$0.08333
December	\$0.08333
2007	
January	\$0.08333
February	\$0.08333
March	\$0.08333
April	\$0.08333
May	\$0.08333

USE OF PROCEEDS

The estimated net proceeds to the Fund from the sale of the Units will be approximately \$72,000,000 (determined after deducting the Underwriters' fee and before the estimated expenses of this Offering, estimated at \$ ●) or \$82,800,000 if the Over-Allotment Option is exercised in full. The Fund intends to use the net proceeds to indirectly capitalize Holdings LP which will use approximately \$60 million to fund NPC's purchase of an 80% interest in Golosky and the balance of the proceeds will be used to repay indebtedness incurred under the Fund's credit facility, to increase its capacity to fund additional investments that provide diversification and growth for the Fund's portfolio and for general purposes.

PLAN OF DISTRIBUTION

Pursuant to an underwriting agreement dated June 25, 2007 ("Underwriting Agreement") between the Fund and the Underwriters, the Fund has agreed to issue and sell, and the Underwriters have agreed to purchase, on July 12, 2007 or on such other date as may be agreed, subject to compliance with all necessary legal requirements and to the terms and conditions contained in the Underwriting Agreement, \$75,000,000 principal amount of Debentures at a price of \$1,000 per Debenture payable in cash to the Fund against delivery.

The price of the Debentures offered hereby was established by negotiation between the Fund and the Underwriters. On June 18, 2007, the last trading day prior to the determination of the terms of this Offering, the closing price of a Unit on the TSX was \$5.89. The Fund has agreed to pay the Underwriters a fee of \$3,000,000 for the services provided by the Underwriters in distributing such Debentures to the public. The obligations of the Underwriters under the Underwriting Agreement are several and each Underwriter may terminate its obligations at its discretion based upon the occurrence of certain stated events. The Underwriters are, however, severally obligated to take-up and pay for all of the Debentures that they have obliged themselves to purchase if any Debentures are purchased under the Underwriting Agreement. Subscriptions for Debentures will be received subject to rejection or allotment in whole or in part and the right is reserved to close the subscription books at any time without notice.

The Fund has also granted to the Underwriters an option exercisable in whole or in part at any time until 30 days after the Closing Date to purchase additional Debentures at a price of \$1,000 per additional Debenture to cover over-allotments, if any. The number of Debentures to be purchased pursuant to the Over-Allotment Option shall not exceed 15% of the total offering of Debentures. If the Over-Allotment Option is exercised in full, the total Price to the Public, Underwriters' Fee and Proceeds to the Fund (before deducting expenses of the Offering) will be \$86,250,000, \$3,450,000 and \$82,800,000 respectively. This prospectus also qualifies for distribution the grant of the Over-Allotment Option and the distribution of the Debentures issuable pursuant to the exercise of the Over-Allotment Option.

Pursuant to policy statements of the relevant securities commissions, the Underwriters may not, throughout the period of distribution, bid for or purchase any Units or Debentures. The policy statements allow certain exceptions to the foregoing prohibitions. The Underwriters may only avail themselves of such exceptions on the condition that the bid or purchase not be engaged in for the purpose of creating actual or apparent active trading in, or raising the price of, the Units or Debentures. These exceptions include a bid or purchase permitted under the by-laws and rules of the TSX relating to market stabilization and passive market making activities and a bid or purchase made for and on behalf of a customer where the order was not solicited during the period of distribution. Pursuant to the first mentioned exception, in connection with this Offering the Underwriters may over-allot or effect transactions which stabilize or maintain the market price of the Units or Debentures at levels other than those which otherwise might prevail on the open market. Such transactions, if commenced, may be discontinued at any time.

The Fund has applied to list the Debentures distributed pursuant to this Offering, and the Units issuable on conversion, redemption or maturity of the Debentures on the TSX. Listing is subject to the Fund fulfilling all the listing requirements of the TSX.

The Debentures and the Units have not been and will not be registered under the *United States' Securities Act of 1933*, as amended (the "1933 Act"), and may not be offered or sold in the United States. The Underwriters have agreed that they will not offer or sell these securities within the United States. Until 40 days after the commencement of the offering of Debentures pursuant to this short form prospectus, an offer or sale of the Debentures within the United States by any dealer (whether or not participating in this Offering) may violate the registration requirements of the 1933 Act if such offer or sale is made otherwise than in accordance with an exemption from registration under the 1933 Act.

The Fund has agreed in the Underwriting Agreement that it will not, at any time prior to 90 days after the Closing Date, without the prior written consent of RBC Dominion Securities Inc. on behalf of the Underwriters, such consent not to be unreasonably withheld or delayed (i) offer, pledge, sell, contract to sell, grant any option or contract to purchase or otherwise transfer, lend or dispose of directly or indirectly, Units or any securities convertible into or exercisable or exchangeable for Units, or (ii) enter into any swap or other arrangement that transfers, in whole or in part, any of the economic consequences of ownership of Units or such other securities (in each case other than in connection with any future investments by the Fund or an affiliate of the Fund or in connection with the conversion or exchange of any securities of the Fund or an affiliate of the Fund outstanding on June 19, 2007 that are convertible into or exchangeable for Units), whether any such transaction described in clause (i) or (ii) of this section is to be settled by delivery of Units or such other securities, in cash or otherwise.

CERTAIN CANADIAN FEDERAL INCOME TAX MATTERS

In the opinion of Stikeman Elliott LLP, counsel to the Fund, and Davies Ward Phillips & Vineberg LLP, counsel to the Underwriters, the following is, as of the date hereof, a summary of the principal Canadian federal income tax considerations generally applicable under the Tax Act to a subscriber who acquires Debentures pursuant to this prospectus and who, for purposes of the Tax Act, is resident in Canada, deals at arm's length and is not affiliated with the Fund and holds the Debentures and Units issued on the conversion, redemption or repayment of Debentures as capital property. Generally, Debentures and Units will be considered to be capital property to a holder provided that the holder does not hold the Debentures and Units in the course of carrying on a business and has not acquired them in one or more transactions considered to be an adventure in the nature of trade. Certain holders who might not otherwise be considered to hold their Debentures and Units as capital property may, in certain circumstances, be entitled to have them treated as capital property by making the irrevocable election permitted by subsection 39(4) of the Tax Act. Holders interested in making this election should consult their own tax advisors, having regard to their own particular circumstances.

This summary is not applicable to a holder of Debentures that is a "financial institution" (as defined in the Tax Act for purposes of the mark-to-market rules) or a "specified financial institution", or a holder of Debentures, an interest in which is a tax shelter investment (all as defined in the Tax Act). Any such holders should consult their own tax advisors with respect to an investment in the Debentures.

This summary is based upon the provisions of the Tax Act in force at the date hereof and counsel's understanding of the current published administrative policies and assessing practices of the Canada Revenue Agency (the "CRA") and takes into account all specific proposals to amend the Tax Act, which have been publicly announced by or on behalf of the Minister of Finance (Canada) ("Finance") prior to the date hereof (the "Proposed Amendments"), and certificates of the Fund as to certain factual matters. This summary assumes that the Proposed Amendments will be enacted in their current form. However, there can be no assurance that the Proposed Amendments will be implemented in their current form or at all. This summary does not otherwise take into account or anticipate any changes in law, whether by legislative, governmental or judicial decision or action, or changes in the administrative policies or assessment practices of the CRA, and does not take into account provincial, territorial or foreign tax legislation or considerations, which may differ significantly from those discussed in this prospectus.

This summary is not exhaustive of all possible Canadian federal tax considerations applicable to an investment in Debentures. Moreover, the income and other tax consequences of acquiring, holding or disposing of Debentures and Units will vary depending on the holder's particular circumstances, including the province or provinces in which the holder resides or carries on business. Accordingly, this summary is of a general nature only and is not intended to be legal or tax advice to any prospective purchaser of Debentures or any holder of Debentures or Units. Prospective holders should consult their own tax advisors for advice with respect to the tax consequences of an investment in Debentures and Units based on their particular circumstances.

This summary does not address any Canadian federal income tax considerations applicable to Non-Residents, and Non-Residents should consult their own tax advisors regarding the tax consequences of acquiring and holding Debentures and Units issued upon the conversion, redemption or repayment of Debentures. All payments to Non-Residents of interest on or upon exchange or redemption or at maturity of the Debentures (including amounts deemed to be interest for purposes of the Tax Act), or in respect of distributions payable on the Units, whether in cash or Units, will be net of any applicable withholding taxes.

Status of the Fund

Mutual Fund Trust

This summary is based on the assumption that the Fund qualifies as a "mutual fund trust" as defined in the Tax Act, has elected to be deemed to be a "mutual fund trust" from the date it was established and thereafter continuously qualifies as a mutual fund trust at all relevant times. If the Fund were not to qualify as a mutual fund trust, the federal income tax considerations described below would, in some respects, be materially different.

In order for the Fund to qualify as a mutual fund trust, it must satisfy certain requirements including requirements relating to the distribution of its Units and a requirement that it not be established or maintained primarily for the benefit of Non-Residents. This summary assumes that these requirements have been satisfied and will continue to be satisfied. If proposed amendments to the Tax Act released by Finance on September 16, 2004 are enacted, as proposed, the Fund may cease to qualify as a “mutual fund trust” if, at any time after 2004, the fair market value of Units held by Non-Residents or partnerships that are not “Canadian partnerships” for the purposes of the Tax Act is more than 50% of the fair market value of all the outstanding Units. A partnership will be a “Canadian partnership” at a particular time only if all of its members are residents of Canada at that time. The Notice of Ways and Means Motion tabled by Finance on December 6, 2004 did not include these proposed amendments. On the same date, the government announced that further discussions with the private sector would take place. The issue of ownership of units of mutual fund trusts by Non-Residents and partnerships other than Canadian partnerships was not addressed in the most recent Federal Budgets or Bill C-52.

SIFT Rules

On October 31, 2006, Finance announced a “Tax Fairness Plan” which, in part, proposed changes to the manner in which certain flow-through entities and the distributions from such entities are taxed. Bill C-52 which received Royal Assent on June 22, 2007 contained legislation implementing these proposals. No assurance can be given that Canadian federal income tax law respecting income trusts and other flow-through entities will not be further changed in a manner which adversely affects the Fund and its Unitholders.

The SIFT Rules apply a tax on certain income earned by a SIFT, as well as taxing the taxable distributions received by investors from such entities as taxable dividends. The Fund constitutes a SIFT and, as a result, the Fund and its Unitholders will be subject to the SIFT Rules.

Generally, there will be a four year transition period for an Existing Trust, such as the Fund, and the SIFT Rules will not apply until 2011. However, the SIFT Rules also indicate that there are circumstances under which an Existing Trust may lose its transitional relief, including where the “normal growth” of an Existing Trust is exceeded. On December 15, 2006, Finance issued the Guidelines, which established objective tests with respect to how much Existing Trusts are permitted to grow without jeopardizing their transitional relief. The Guidelines indicate that no change will be recommended to the 2011 date in respect of any SIFT whose equity capital grows as a result of issuances of new equity (which includes units, debt that is convertible into units (such as the Debentures), and potentially other substitutes for such equity), before 2011, by an annual amount that does not exceed the greater of \$50 million and an objective “safe harbour” amount based on a percentage of the SIFT’s market capitalization as of the end of trading on October 31, 2006 (measured in terms of the value of a SIFT’s issued and outstanding publicly-traded units, not including debt, options or other interests that were convertible into units of the SIFT). For the period from November 1, 2006 to the end of 2007, the Guidelines provide that a SIFT’s safe harbour will be 40% of the October 31, 2006 benchmark. For each of the 2008, 2009 and 2010 calendar years, the Guidelines provide that a SIFT’s safe harbour will be 20% of the October 31, 2006 benchmark. Management has advised counsel that the Fund’s market capitalization, determined in accordance with the Guidelines, was approximately \$282 million as at October 31, 2006. Management has further advised counsel that the Offering should not cause, by itself, the Fund to be subject to the SIFT Rules prior to its 2011 taxation year. It is therefore assumed, for the purposes of this summary, that the Fund will not be subject to the SIFT Rules until January 1, 2011. However, under the SIFT Rules, in the event that the Fund issues additional Units or convertible debentures (or other equity substitutes) on or before 2011, the Fund may become subject to the SIFT Rules prior to 2011. No assurance can be provided that the SIFT Rules will not apply to the Fund prior to 2011.

The remainder of this summary is subject to the SIFT Rules as discussed above.

Taxation of Debentureholders

Interest on Debentures

A holder of Debentures that is a corporation, partnership, unit trust or any trust of which a corporation or partnership is a beneficiary will be required to include in computing its income for a taxation year all interest on

the Debentures that accrues or is deemed to accrue to the holder to the end of the particular taxation year or that has become receivable by or is received by the holder before the end of that taxation year, except to the extent that such interest was included in computing the holder's income for a preceding taxation year.

Any other holder will be required to include in computing income for a taxation year all interest on the Debentures that is received or receivable by the holder in that taxation year (depending upon the method regularly followed by the holder in computing income), except to the extent that the interest was included in the holder's income for a preceding taxation year. A 1% premium paid by the Fund to a holder of Debentures on a Put Date as a result of a Change of Control will generally be deemed to be interest received at that time by the holder if such premium is paid by the Fund because of the repayment by it of the Debentures before maturity and to the extent that such premium can reasonably be considered to relate to and does not exceed the value on the Put Date of the interest that would have been paid or payable by the Fund on the Debentures for taxation years of the Fund after the Put Date.

A holder of Debentures that is a "Canadian controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its investment income for the year, which generally includes interest income.

Exercise of Conversion Privilege

A holder of a Debenture who exchanges a Debenture for Units pursuant to the conversion privilege will be considered to have disposed of the Debenture at that time for proceeds of disposition equal to the aggregate of the fair market value of the Units so acquired at the time of the exchange and the amount of any cash received in lieu of fractional Units. Upon disposition, any interest paid to a holder, or interest that has accrued on the Debenture to the date of disposition and which would otherwise be payable after that date, must be included in computing the income of the holder, except to the extent that it was included in computing the income of the holder for that or a previous taxation year. A holder will generally realize a capital gain (or capital loss) equal to the amount by which the holder's proceeds of disposition are greater (or less) than the adjusted cost base to the holder of the Debenture and any reasonable costs of disposition. See the discussion of "Taxation of Unitholders — Capital Gains and Capital Losses" below.

The cost to the holder of the Units so acquired will be equal to their fair market value at the time of the exchange and must be averaged with the adjusted cost base of all other Units held by the holder as capital property for the purpose of calculating the adjusted cost base of such Units to the holder.

Redemption or Repayment of Debentures

If the Fund redeems a Debenture prior to the Maturity Date or repays a Debenture upon the Maturity Date and the holder does not exercise the conversion privilege prior to such redemption or repayment, the holder will be considered to dispose of the Debenture at that time for proceeds of disposition equal to the amount received by the holder (other than the amount received as interest) on such redemption or repayment. If the holder receives Units on redemption or repayment, the holder will be considered to receive proceeds of disposition equal to the fair market value at the time of the redemption or repayment of the Units so received and the amount of any cash received in lieu of fractional Units. Upon disposition, any interest paid to a holder, or interest that has accrued on the Debenture to the date of disposition and which would otherwise be payable after that date, must be included in computing the income of the holder, except to the extent that it was included in computing the income of the holder for that or a previous taxation year. A holder will generally realize a capital gain (or capital loss) equal to the amount by which the holder's proceeds of disposition are greater (or less) than the aggregate of the adjusted cost base to the holder of the Debenture and any reasonable costs of disposition. See the discussion of "Taxation of Unitholders — Capital Gains and Capital Losses" below.

The cost to any holder of the Units so received will be equal to such fair market value and must be averaged with the adjusted cost base of all other Units held as capital property for the purpose of calculating the adjusted cost base of such Units.

Other Dispositions of Debentures

A disposition or deemed disposition by a holder of a Debenture (other than on a conversion, redemption or repayment) will generally result in the holder realizing a capital gain (or capital loss) equal to the amount by which the proceeds of disposition (adjusted as described below) are greater (or less) than the aggregate of the holder's adjusted cost base thereof and any reasonable costs of disposition. See the discussion of "Taxation of Unitholders — Capital Gains and Capital Losses" below.

Upon such a disposition or deemed disposition of a Debenture, interest accrued thereon to the date of disposition and not yet due will be included in computing the holder's income, except to the extent such amount was otherwise included in the holder's income, and will be excluded in computing the holder's proceeds of disposition of the Debentures.

Taxation of the Fund

In general, the Fund is treated as an individual for tax purposes and is taxable on its income determined under the Tax Act in each taxation year (which will be the calendar year) from sources inside and outside Canada. Such income will include the taxable portion of the Fund's net realized capital gains, such portion of the income of Commercial Trust as was paid or became payable (whether in cash or additional CT Units) to the Fund in such taxation year as a beneficiary of the Commercial Trust, and all interest (including interest on the CT Notes) that accrues to the Fund to the end of such taxation year, or becomes receivable or is received by the Fund before the end of such taxation year, except to the extent that such interest was included in computing the Fund's income for a preceding taxation year. The Fund will not be required to include in income for a taxation year any amount distributed to it as a return of capital on the CT Units to the extent that such amount does not exceed the Fund's adjusted cost base of the CT Units immediately prior to such distribution.

In computing its income, the Fund will generally be entitled to deduct reasonable expenses incurred for the purpose of earning such income. The Fund will also be entitled to deduct costs incurred by it in connection with the issuance of Debentures on a five-year, straight-line basis, subject to proration for short taxation years. Under the Declaration of Trust, an amount equal to all of the income of the Fund for each taxation year, together with the non-taxable portion of any net capital gains realized by the Fund in such taxation year (but excluding any income or capital gains realized by the Fund in connection with a distribution *in specie* of its assets on a redemption of Units which income or capital gains are designated to the redeeming Unitholder, and excluding capital gains in respect of which the Fund is entitled to a Capital Gains Refund (as defined below)), will be payable to Unitholders in such taxation year by way of cash distributions, subject to the exceptions described below. To the extent cash used to fund redemptions of Units in a taxation year exceeds the income treated as being paid in such taxation year to redeeming Unitholders, and to the extent the Commercial Trust pays income to the Fund in the taxation year in the form of additional CT Units, the Fund may be required to distribute all or a portion of its income for such taxation year to Unitholders in the form of additional Units.

The Fund may deduct in computing its income for a taxation year such amount of the Fund's income as became paid or payable (whether in cash or additional Units) to the Unitholders in such taxation year. An amount will be considered to be payable to a Unitholder in a taxation year if it is paid to the Unitholder in the taxation year by the Fund or if the Unitholder is entitled in that taxation year to enforce payment of the amount. Losses incurred by the Fund can not be allocated to Unitholders, but may be carried forward for deduction by the Fund in future taxation years in accordance with the Tax Act.

An *in specie* distribution by the Fund of assets to a Unitholder upon a redemption of Units will be treated as a disposition of such assets by the Fund for proceeds equal to their fair market value. The Fund will realize a capital gain (or capital loss) to the extent that such proceeds exceed (or are less than) the aggregate of the Fund's adjusted cost base of such assets and any reasonable costs of disposition.

The Fund will be entitled for each taxation year to reduce (or receive a refund in respect of) its liability, if any, for tax on its net realized taxable capital gains by an amount determined under the Tax Act based on the redemption of Units during the year (the "Capital Gains Refund"). In certain circumstances, the Capital Gains Refund, in a particular taxation year, may not completely offset the Fund's tax liability for such taxation year arising as a result of the distribution of assets of the Fund on the redemption of Units. The Declaration of Trust

provides that any capital gain or income of the Fund attributable to an *in specie* distribution of assets of the Fund on a redemption of Units may be treated as being paid to redeeming Unitholders and the taxable portion of such capital gain designated as a taxable capital gain of the redeeming Unitholder with the result that the taxable portion of such gain and such income generally should be taxable to the redeeming Unitholder and deductible by the Fund in computing its income for the taxation year.

Counsel has been advised that the Fund intends to make sufficient distributions in each year of its net income for tax purposes and net realized capital gains so that the Fund, prior to the application of the SIFT Rules to the Fund, will generally not be liable in that year for income tax under Part I of the Tax Act. However, counsel can provide no opinion in this regard.

Once the Fund becomes subject to the SIFT Rules (which is anticipated to be, subject to any “undue expansion”, deferred until January 1, 2011), the Fund will no longer be able to deduct any part of the amounts payable to Unitholders in respect of: (i) income from businesses it carries on in Canada or from its non-portfolio properties (exceeding any losses for the taxation year from businesses or non-portfolio properties), and (ii) taxable capital gains from its dispositions of non-portfolio properties (exceeding its allowable capital losses from the disposition of such properties). A deduction is permitted for dividends received by a SIFT where the dividends could have been deducted if the SIFT were a corporation. “Non-portfolio properties” include: (i) Canadian real and resource properties if the total fair market value of such properties is greater than 50% of the equity value of the SIFT itself, (ii) a property that the SIFT (or a non-arm’s length person or partnership) uses in the course of carrying on a business in Canada, and (iii) investments in a subject entity that have a fair market value greater than 10% of the subject entity’s equity value or a subject entity where the SIFT holds securities of it or its affiliates that have a total fair market value greater than 50% of the equity value of the SIFT. A subject entity includes corporations resident in Canada, trusts resident in Canada, and Canadian resident partnerships. The investments by the Fund in its material subsidiaries will likely be investments in subject entities for this purpose. Income which a SIFT is unable to deduct will be taxed in the SIFT at rates of tax similar to the combined federal and provincial corporate tax rate. The SIFT Rules do not change the tax treatment of distributions that are paid as returns of capital.

Taxation of the Commercial Trust

In general, like the Fund, the Commercial Trust is treated as an individual for tax purposes and is taxable on its income determined under the Tax Act from sources inside and outside Canada in each taxation year (which will be the calendar year) on its taxable income for the year, including the taxable portion of its net realized capital gains and its allocated share of the NPY LP’s income.

Pursuant to the Commercial Trust’s declaration of trust, an amount equal to all of the income of the Commercial Trust for each taxation year, together with the non-taxable portion of any net capital gains realized by the Commercial Trust in such taxation year, will be payable in the year to holders of CT Units. Losses incurred by the Commercial Trust or allocated to the Commercial Trust by NPY LP cannot be allocated to holders of CT Units, but may be carried forward for deduction by the Commercial Trust in future years in accordance with the Tax Act.

Counsel has been advised that the Commercial Trust intends to make sufficient distributions in each taxation year of its net income for tax purposes and net realized capital gains so that the Commercial Trust will generally not be liable in such taxation year for any material amount of tax under Part I of the Tax Act.

Taxation of NPY LP

A partnership is not subject to tax under the Tax Act. However, each partnership computes its income or loss for its fiscal year as if it were a separate person resident in Canada and each partner is then required to include, in computing its income under the Tax Act, its allocated share of the income or loss of the partnership for each fiscal year of the partnership ending in, or at the end of, the partner’s taxation year. Any income so allocated must be included in computing the partner’s income for purposes of the Tax Act, regardless of whether the partner has received any cash distributions from the partnership.

For this purpose, the income or loss of NPY LP will generally be the income or loss allocated to it by Holdings LP, less any amounts deductible by NPY LP in computing income including interest on borrowed funds used for the purpose of earning income, administrative and other expenses. The income or loss of the Holdings LP will generally be the income or loss allocated to it by the Operating Partnerships, less any amounts deductible by Holdings LP in computing income.

Where the aggregate of all amounts distributed to the Commercial Trust during a fiscal year of NPY LP exceeds the Commercial Trust's adjusted cost base of its limited partnership units at the end of such fiscal year, the Commercial Trust will be deemed to have realized a capital gain equal to such excess amount, and the adjusted cost base of its limited partnership units will be increased by the amount of such deemed capital gain, notwithstanding that the aggregate amount distributed during such fiscal year may not exceed the Commercial Trust's allocated share of NPY LP's income for such fiscal year.

If NPY LP incurs losses for tax purposes, the ability of the Commercial Trust to deduct such losses will be subject to the "at-risk" rules in the Tax Act. To the extent that the loss allocated by NPY LP to the Commercial Trust for a fiscal period exceeds the Commercial Trust's "at-risk amount" in respect of NPY LP at the end of such fiscal period, the loss is considered to be a "limited partnership loss" and, except as described below, cannot be deducted by the Commercial Trust in computing its income for Canadian tax purposes. A limited partnership loss may be carried forward indefinitely for deduction by the Commercial Trust in computing its income for a taxation year to the extent that, at the end of NPY LP's last fiscal period ending in such taxation year, the Commercial Trust has an "at-risk amount" in respect of NPY LP.

The Commercial Trust's at-risk amount in respect of NPY LP is calculated in accordance with the detailed rules contained in the Tax Act. In very general terms, the Commercial Trust's at-risk amount in respect of NPY LP at the end of a particular fiscal period of NPY LP will be its aggregate adjusted cost base of its limited partnership units at the end of such fiscal period (excluding any unpaid purchase price payable for the limited partnership units), plus any undistributed income allocated by NPY LP to the Commercial Trust for the year, less all amounts owing by the Commercial Trust (or a person or partnership with whom Commercial Trust does not deal at arm's length) to NPY LP (or to a person or partnership with whom NPY LP does not deal at arm's length) and less any amount or benefit (with certain specified exceptions) that the Commercial Trust (or a person with whom the Commercial Trust does not deal at arm's length) is entitled to receive or obtain where the amount or benefit is intended to protect the Commercial Trust from any loss that may be sustained by virtue of being a partner of NPY LP or holding or disposing of any interest in NPY LP.

Taxation of Unitholders

Income From Units

Subject to the SIFT Rules, a Unitholder is generally required to include in computing income for a taxation year such portion of the income of the Fund, including any net realized taxable capital gains, determined for purposes of the Tax Act, that is paid or payable to the Unitholder in such taxation year, whether such amount is paid in cash or additional Units.

Once the Fund becomes subject to the SIFT Rules (which is anticipated to be, subject to the Fund exceeding any "normal growth", deferred until January 1, 2011), taxable distributions from the Fund received by holders and paid from the Fund's after tax income would generally be deemed to be received as a taxable dividend from a taxable Canadian corporation. Such dividend will be subject to the gross-up and dividend tax credit provisions in respect of Unitholders that are individuals. Also, such dividend will be an "eligible dividend" and should therefore benefit from the enhanced gross-up and dividend tax credit rules in the Tax Act. Provided that the Fund and the Commercial Trust make the appropriate designations, such portion of the Fund's net realized taxable capital gains and taxable dividends, if any, received or deemed received by the Fund on shares of taxable Canadian corporations in a taxation year of the Fund, as is paid or payable to a Unitholder in such taxation year will effectively retain their character and be treated as such in the hands of the Unitholder for the purposes of the Tax Act. Accordingly, amounts designated as taxable dividends from taxable Canadian corporations will generally be subject to the gross-up and dividend tax credit rules in respect of Unitholders who are individuals, the refundable tax under Part IV of the Tax Act in respect of Unitholders that are "private corporations" or "subject corporations" (as defined in the Tax Act), and the deduction in computing taxable

income for dividends paid on shares of taxable Canadian corporations in respect of Unitholders that are taxable Canadian corporations. In certain circumstances, an additional refundable 6 $\frac{2}{3}$ % tax may be payable by a Unitholder that is a Canadian-controlled private corporation (as defined in the Tax Act) in respect of income (other than taxable dividends from taxable Canadian corporations) payable to it by the Fund.

The non-taxable portion of net realized capital gains that are paid or payable to a Unitholder in a taxation year will not be included in computing the Unitholder's income for such year. Any other amount in excess of a Unitholder's share of the Fund's net income for a taxation year that is paid or becomes payable to the Unitholder in such year (other than as proceeds of disposition of Units or any part thereof) will not generally be included in computing the Unitholder's income for the year but will reduce the adjusted cost base of Units to the Unitholder. To the extent that the adjusted cost base of a Unit would otherwise be less than zero, the negative amount will be deemed to be a capital gain realized by the Unitholder from the disposition of the Unit and the Unitholder's adjusted cost base will be increased by the amount of such deemed capital gain. The taxation of capital gains is described below under "— Capital Gains and Capital Losses".

Disposition of Units

Upon the disposition or deemed disposition by a Unitholder of a Unit, whether on redemption or otherwise, the Unitholder will generally realize a capital gain (or a capital loss) equal to the amount by which the proceeds of disposition (excluding any amount payable by the Fund which represents an amount that must otherwise be included in the Unitholder's income or that is the non-taxable portion of net realized capital gains of the Fund paid or payable to the Unitholder) exceed (or are less than) the aggregate of the Unitholder's adjusted cost base of the Unit and any reasonable costs of disposition.

The adjusted cost base of a Unit to a Unitholder will include all amounts paid or payable by the Unitholder for the Unit, subject to certain adjustments. Units issued to a Unitholder in lieu of a cash distribution will have a cost equal to their fair market value at the time they are issued. For the purpose of determining the adjusted cost base to a Unitholder of each Unit, the cost of newly acquired Units will be averaged with the adjusted cost base of all other Units owned by the Unitholder as capital property immediately before such acquisition.

Where Units are redeemed and any assets of the Fund are distributed *in specie* to the redeeming Unitholder, the proceeds of disposition to such Unitholder of the Units will be equal to the fair market value of the assets so distributed (less the amount of any capital gain or income realized by the Fund as a result of the redemption of those Units which has been designated and made payable by the Fund to the Unitholder).

Capital Gains and Capital Losses

One-half of any capital gain realized by a holder on a disposition or deemed disposition of Debentures or Units and the amount of any net taxable capital gains designated by the Fund in respect of a Unitholder will be included in the holder's income as a taxable capital gain in the taxation year in which the disposition occurs or in respect of which a net taxable capital gains designation is made by the Fund. One-half of any capital loss realized by a holder on a disposition or deemed disposition of Debentures or Units may generally be deducted only from taxable capital gains of the holder in the year of disposition, in the three preceding taxation years or in any subsequent taxation year in accordance with the provisions of the Tax Act.

A holder that is a "Canadian-controlled private corporation" (as defined in the Tax Act) may be liable to pay an additional refundable tax of 6 $\frac{2}{3}$ % on its investment income for the year, which will include an amount in respect of taxable capital gains.

Where a Unitholder that is a corporation or a trust (other than a mutual fund trust) disposes of a Unit, the Unitholder's capital loss from the disposition will generally be reduced by the amount of dividends previously designated by the Fund to the Unitholder except to the extent that a loss on a previous disposition of a Unit has been reduced by those dividends. Analogous rules apply where a corporation or trust (other than a mutual fund trust) is a member of a partnership that disposes of Units.

Alternative Minimum Tax

In general terms, net income of the Fund paid or payable to a Unitholder who is an individual or a trust that is designated as taxable dividends or as net taxable capital gains and capital gains realized on the disposition of Units may increase the Unitholder's liability for alternative minimum tax.

Unitholders are advised to consult their own tax advisors prior to exercising their redemption rights in respect of Units.

RISK FACTORS

Investors should carefully consider the risk factors listed in the AIF incorporated by reference herein as well as the risks set out in this short form prospectus before investing in the Debentures.

Risks Relating to the Offering

Market for Securities

There is currently no market through which the Debentures may be sold and purchasers of Debentures may not be able to resell Debentures purchased under this short form prospectus. There can be no assurance that an active trading market will develop for the Debentures after the Offering or, if developed, that such market will be sustained. To the extent that an active trading market for the Debentures does not develop, the liquidity and trading prices for the Debentures may be adversely affected.

Risks Relating to the Debentures

Prior Ranking Indebtedness

The Debentures will be subordinate to all Senior Indebtedness. The payment of the principal premium (if any) and interest on the Debentures will be subordinated to Senior Indebtedness of the Fund. The Debentures will also be effectively subordinate to claims of creditors of the Fund's subsidiaries except to the extent the Fund is a creditor of such subsidiaries ranking at least *pari passu* with such other creditors.

Inability to Fund Purchase of Debentures

The Fund may be required to offer to purchase all outstanding Debentures upon the occurrence of a Change of Control. However, it is possible that following a Change of Control, the Fund will not have sufficient funds at that time to make the required purchase of outstanding Debentures or that restrictions contained in other indebtedness will restrict those purchases. See "Description of Debentures — Change of Control".

Absence of Covenant Protection

The Indenture does not, and the First Supplement will not, restrict the Fund or any of its subsidiaries from incurring additional indebtedness or from mortgaging, pledging or charging its assets to secure any indebtedness. The Indenture does not, and the First Supplement will not, contain any provisions specifically intended to protect holders of the Debentures in the event of a future leveraged transaction involving the Fund or any of its subsidiaries.

Redemption Prior to Maturity

The Debentures may be redeemed, at the option of the Fund, after December 2010 and prior to the Maturity Date at any time and from time to time, at the redemption prices set forth in this short form prospectus, together with any accrued and unpaid interest. Holders of Debentures should assume that this redemption option will be exercised if the Fund is able to refinance at a lower interest rate or it is otherwise in the interest of the Fund to redeem the Debentures.

Conversion Following Certain Transactions

In the case of certain transactions, each Debenture will become convertible into securities, cash or property receivable by a holder of Units in the kind and amount of securities, cash or property into which the Debenture was convertible immediately prior to the transaction. This change could substantially lessen or eliminate the value of the conversion privilege associated with the Debentures in the future. See “Description of Debentures — Conversion Privilege”.

Market Value Fluctuation

Prevailing interest rates will affect the market value of the Debentures, as they carry a fixed interest rate. Assuming all other factors remain unchanged, the market value of the Debentures, which 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.

Dilutive Effects on Holders of Units

The Fund may issue Units on the conversion, redemption or repayment of the Debentures. Accordingly, holders of Units may suffer dilution.

Earnings Coverage Ratios

See “Earnings Coverage Ratios” which is relevant to an assessment of the risk that the Fund will be unable to pay interest or principal on the Debentures when due.

Tax-Related Risks

Income Tax Matters

There can be no assurance that Canadian federal income tax laws and administrative policies respecting the treatment of mutual fund trusts will not be changed in a manner which adversely affects the holders of Debentures or Units. If the Fund ceases to qualify as a “mutual fund trust” under the Tax Act, the income tax considerations described under the heading “Certain Canadian Federal Income Tax Matters” would be materially and adversely different in certain respects.

The SIFT Rules, which are discussed in more detail under the heading “Certain Canadian Federal Income Tax Matters”, generally operate to apply a tax at the trust level on distributions of certain income at rates of tax comparable to the combined federal and provincial corporate tax rate and to treat such distributions to Unitholders in a manner similar to dividends from a taxable Canadian corporation.

Generally, the application of the SIFT Rules will be delayed to the 2011 taxation year with respect to Existing Trusts, such as the Fund. However, the SIFT Rules also provide that there are circumstances under which an Existing Trust may lose its transitional relief, including where the “normal growth” of the Existing Trust is exceeded. On December 15, 2006, Finance issued the Guidelines which established objective tests with respect to how much an income trust is permitted to grow without jeopardizing its transitional relief. See “Certain Canadian Income Tax Matters — Status of the Fund — SIFT Rules”. Based on certain representations from Management, the Offering of Debentures pursuant to this prospectus should not cause, by itself, the Fund to be subject to the SIFT Rules prior to its 2011 taxation year. However, no assurance can be provided that the SIFT Rules will not apply to the Fund prior to 2011.

The SIFT Rules may have an adverse impact on the Fund, its Unitholders and the value of the Debentures and Units and on the ability of the Fund to undertake financings and acquisitions, and, at such time as the rules apply to the Fund, the distributable cash of the Fund may be materially reduced. The effect of the recently enacted SIFT Rules on the market for Debentures and Units is uncertain.

Investment Eligibility

There can be no assurance that the Debentures and Units issuable on conversion, redemption or repayment of Debentures will continue to be qualified investments for Plans under the Tax Act. The Tax Act imposes penalties for the acquisition or holding of non-qualified or ineligible investments.

LEGAL MATTERS

Certain legal matters relating to this offering will be passed upon on behalf of the Fund by Stikeman Elliott LLP, and on behalf of the Underwriters by Davies Ward Phillips & Vineberg LLP. At the date hereof, partners and associates of each of Stikeman Elliott LLP and Davies Ward Phillips & Vineberg LLP own beneficially, directly or indirectly, less than one per cent of any securities of the Fund.

AUDITORS, TRANSFER AGENT AND REGISTRAR

KPMG LLP, Toronto, Ontario, are the auditors of the Fund. The transfer agent and registrar for the Units is CIBC Mellon Trust Company in Toronto.

PURCHASERS' STATUTORY RIGHTS

Securities legislation in certain provinces of Canada provides purchasers with the right to withdraw from an agreement to purchase securities. This right may be exercised within two business days after receipt or deemed receipt of a prospectus and any amendment. In several of the provinces, applicable securities legislation further provides a purchaser with remedies for rescission or, in some jurisdictions, damages if the prospectus and any amendment contains a misrepresentation or is not delivered to the purchaser, provided that the remedies for rescission or damages are exercised by the purchaser within the time limit prescribed by the securities legislation of the purchaser's province or territory. The purchaser should refer to any applicable provisions of the securities legislation of the purchaser's province or territory for the particulars of these rights or consult with a legal advisor.

AUDITORS' CONSENT

We have read the preliminary short form prospectus of Newport Partners Income Fund (the "Fund") dated June 25, 2007 relating to the sale and issue of Series 2007 7.00% convertible unsecured subordinated debentures of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to use through the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the Unitholders of the Fund on the audited consolidated balance sheets of the Fund as at December 31, 2006 and 2005 and the consolidated statement of operations, unitholders' equity and changes in financial position for the year ended December 31, 2006 and the results of its operations, unitholders' equity and changes in financial position for the period August 8, 2005 (date of commencement of operations) to December 31, 2005. Our report is dated March 27, 2007.

We also consent to use through the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the Directors of NPY GP Trust on the audited consolidated balance sheets of Newport Private Yield LP as at December 31, 2006 and 2005 and the consolidated statement of operations, changes in partners' equity and changes in financial position for the years then ended. Our report is dated March 27, 2007.

Toronto, Canada
June 25, 2007

(Signed) KPMG LLP
Chartered Accountants, Licensed Public Accountants

AUDITORS' CONSENT

We have read the preliminary short form prospectus of Newport Partners Income Fund (the "Fund") dated June 25, 2007 relating to the sale and issue of Series 2007 7.00% convertible unsecured subordinated debentures of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to use through the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the directors of Murray Demolition Inc. on the divisional balance sheets of Murray Demolition (a division of Murray Demolition Corp.) as at August 31, 2005 and 2004 and the statements of divisional income, divisional equity and divisional cash flows for each of the years in the two year period ended August 31, 2005. Our report is dated November 9, 2005, except as to notes 1, 10 and 11 which are at April 16, 2006.

Toronto, Canada
June 25, 2007

(Signed) KOSTER, SPINKS & KOSTER LLP
Chartered Accountants, Licensed Public Accountants

AUDITORS' CONSENT

We have read the preliminary short form prospectus of Newport Partners Income Fund (the "Fund") dated June 25, 2007 relating to the sale and issue of Series 2007 7.00% convertible unsecured subordinated debentures of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to use through the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the shareholders of Peerless Garments Ltd. on the balance sheets of Peerless Garments Ltd. as at June 19, 2006, October 31, 2005 and December 31, 2004 and the statements of earnings, retained earnings and cash flows for the two hundred thirty one days ended June 19, 2006, the ten months ended October 31, 2005 and the year ended December 31, 2004. Our report is dated July 14, 2006.

Winnipeg, Canada
June 25, 2007

(Signed) GRANT THORNTON LLP
Chartered Accountants

AUDITORS' CONSENT

We have read the preliminary short form prospectus of Newport Partners Income Fund (the "Fund") dated June 25, 2007 relating to the sale and issue of Series 2007 7.00% convertible unsecured subordinated debentures of the Fund. We have complied with Canadian generally accepted standards for an auditors' involvement with offering documents.

We consent to use through the incorporation by reference in the above-mentioned preliminary short form prospectus of our report to the shareholders of Titan Supply Inc. on the amended balance sheets of Titan Supply Inc. as at December 31, 2005 and 2004 and the amended statements of earnings and deficit and cash flow for the years then ended. Our report is dated February 17, 2006, except as to notes 2 and 18 which are as of October 10, 2006.

Edmonton, Canada
June 25, 2007

(Signed) DELOITTE & TOUCHE LLP
Chartered Accountants

CERTIFICATE OF NEWPORT PARTNERS INCOME FUND

Dated: June 25, 2007

This short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of each of the provinces of Canada. For the purpose of the Province of Québec, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record, contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

NEWPORT PARTNERS INCOME FUND
by its attorney, Newport Partners GP Inc.

(Signed) PETER WALLACE
President and Chief Executive Officer

(Signed) KELLY BAIRD
Chief Financial Officer

On behalf of the Board of Trustees

(Signed) K. MICHAEL EDWARDS
Trustee

(Signed) GERRY SMITH
Trustee

CERTIFICATE OF THE UNDERWRITERS

Dated: June 25, 2007

To the best of our knowledge, information and belief, this short form prospectus, together with the documents incorporated herein by reference, constitutes full, true and plain disclosure of all material facts relating to the securities offered by this prospectus as required by the securities legislation of all of the provinces of Canada. For the purpose of the Province of Québec, to our knowledge, this simplified prospectus, together with documents incorporated herein by reference and as supplemented by the permanent information record contains no misrepresentation that is likely to affect the value or the market price of the securities to be distributed.

RBC DOMINION SECURITIES INC.

TD SECURITIES INC.

(Signed) RIADH ZINE

(Signed) JONATHAN BROER

BMO NESBITT
BURNS INC.

CIBC WORLD
MARKETS INC.

DUNDEE SECURITIES
CORPORATION

SCOTIA
CAPITAL INC.

(Signed) TOM LITTLE

(Signed) DONALD A.
FOX

(Signed) ONORIO
LUCCHESI

(Signed) MARY
ROBERTSON

GMP
SECURITIES L.P.

HSBC SECURITIES
(CANADA) INC.

RAYMOND
JAMES LTD.

WESTWIND
PARTNERS INC.

(Signed) ANDREW G.
KIGUEL

(Signed) JEFFREY
ALLSOP

(Signed) JOHN D.
GRANT

(Signed) GEORGE
FOWLIE

