



ANNUAL INFORMATION FORM

For the year ended December 31, 2011

MARCH 26, 2012

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GLOSSARY

Unless the context indicates otherwise, all references to the “**Corporation**” or “**Chesswood**” refer to Chesswood Group Limited, and all references to “**we**”, “**our**” and “**us**” refers to Chesswood Group Limited and its consolidated subsidiaries.

“**Administrator**” means Chesswood GP Limited, a subsidiary of the Fund that served as administrator of the affairs of the Fund prior to the Conversion.

“**Arrangement**” means the arrangement involving the Fund, the Corporation and certain other entities that was carried out pursuant to the OBCA, effective January 1, 2011.

“**Arrangement Agreement**” means the arrangement agreement dated as of March 25, 2010 among the Fund, the Holding Trust, the Corporation, the Administrator, and U.S. Acquisitionco providing for the Conversion.

“**Case Funding**” means Case Funding Inc., a corporation incorporated under the laws of Delaware.

“**Class A Acquisitionco Shares**” mean the Class A common shares of U.S. Acquisitionco.

“**Class B Acquisitionco Shares**” mean the Class B common shares of U.S. Acquisitionco.

“**Class C Acquisitionco Shares**” means the Class C common shares of U.S. Acquisitionco.

“**Common Shares**” means common shares in the capital of the Corporation.

“**Conversion**” means the Arrangement as set out in the plan of arrangement attached as a schedule to the Arrangement Agreement, pursuant to which the Fund converted from an income fund structure to the Corporation, and Units were exchanged for Common Shares on a one-for-one basis.

“**Corporation Entities**” means, collectively, the Corporation and each of its direct and indirect Subsidiaries.

“**Directors**” means the directors of the Corporation.

“**General Partner**” means Chesswood General Partner Trust, an unincorporated limited purpose trust established under the laws of the Province of Ontario, and which is the general partner of the Holding LP.

“**GP Beneficiary Co**” means Chesswood GP Beneficiary Limited, a corporation incorporated under the laws of the Province of Ontario, and which is the sole beneficiary of the General Partner.

“**Holdco**” means Chesswood Holdings Ltd., a corporation incorporated under the laws of the Province of Ontario.

“**Holding LP**” means Chesswood Holding LP, a limited partnership established under the laws of the Province of Manitoba.

“**Holding Trust**” means Chesswood Holding Trust, an unincorporated, open-ended limited purpose trust established under the laws of the Province of Ontario (now dissolved).

“**Lease-Win**” means Lease-Win Limited, a corporation amalgamated under the laws of the Province of Ontario.

“**OBCA**” means the *Business Corporations Act* (Ontario), R.S.O. 1990, c. B16, as amended including the regulations promulgated thereunder.

“Operating Companies” means Pawnee, Lease-Win, Sherway LP and Case Funding.

“Pawnee” means Pawnee Leasing Corporation, a corporation incorporated under the laws of the State of Colorado.

“Pawnee Plan of Arrangement” means the plan of arrangement under Section 182 of the OBCA which involved, among other things, the indirect exchange of outstanding cars4U Ltd. shares for Units.

“Pawnee Vendors” means Samuel L. Leeper, Robert J. Day and Monfort Family Limited Partnership I, the shareholders of Pawnee at the time of its indirect acquisition by the Fund.

“Quick Cash” means Quick Cash Inc., a corporation incorporated under the laws of Delaware.

“Special Voting Shares” means the shares of the Corporation issued in connection with the Conversion to represent voting rights in the Corporation that accompany securities convertible into or exchangeable for Common Shares, including the Class B Acquisitionco Shares and the Class C Acquisitionco Shares.

“Subordinated Acquisitionco Debt” means the US\$33.5 million subordinated note issued by U.S. Acquisitionco to the Holding LP, which note was converted into equity in December 2009.

“Subsidiary” means, with respect to an entity, an entity that is directly or indirectly controlled by such entity.

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

“Trustees” means the trustees of the Fund.

“TSX” means the Toronto Stock Exchange.

“Units” means the trust units of the Fund (other than the special voting units of the Fund issued to represent voting rights in the Fund that accompanied securities convertible into or exchangeable for Units), each representing an equal undivided beneficial interest in the Fund.

“Unitholders” means the holders of Units.

“U.S. Acquisitionco” means Chesswood US Acquisition Co Limited, a corporation incorporated under the laws of the State of Delaware.

CHESSWOOD GROUP LIMITED
ANNUAL INFORMATION FORM

STRUCTURE

Chesswood Group Limited (the “**Corporation**”) is governed by the OBCA pursuant to articles of arrangement dated January 1, 2011. The Corporation is a reporting issuer and its Common Shares are publicly traded on the TSX under the stock symbol “CHW”. The principal and head office of the Corporation is located at 4077 Chesswood Drive, Toronto, Ontario, M3J 2R8.

The predecessor to the Corporation, Chesswood Income Fund (the “**Fund**”) was an unincorporated open-ended, limited purpose trust established under the laws of the Province of Ontario pursuant to a declaration of trust made on February 16, 2006, as amended and restated on May 2, 2006 in connection with the Fund’s initial public offering. The Fund was created to invest in the financial services industry in Canada and the United States through the acquisition of cars4U Ltd. pursuant to the Pawnee Plan of Arrangement and the indirect acquisition of Pawnee. The registered and head office of Pawnee is located at 700 Centre Avenue, Fort Collins, Colorado 80526.

On January 1, 2011, the Fund completed the Conversion involving, among others, the Fund and the Corporation. As a result of the completion of the Conversion and related transactions, the Corporation now owns, directly and indirectly, the Subsidiaries that own and operate the businesses that were held and operated by the Fund and its Subsidiaries prior to the Conversion. Following the completion of the Conversion, on January 1, 2011, each of the Fund and the Holding Trust were wound up and dissolved. See “Development of Business – The Conversion of the Fund into the Corporation”.

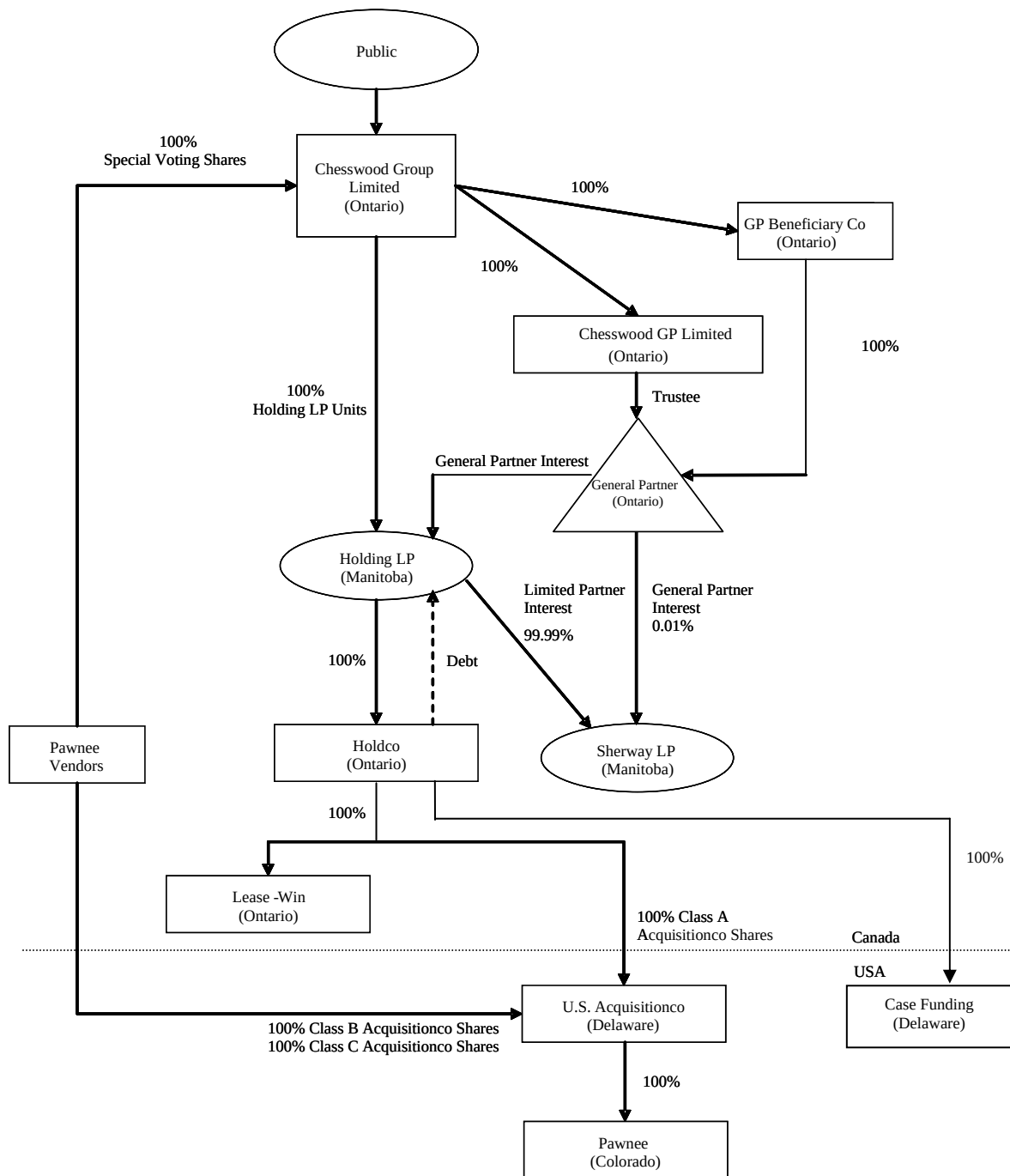
On June 10, 2011, the Corporation purchased all of the outstanding shares of Case Funding, a Delaware corporation providing litigation financing expertise and financial resources to plaintiffs and attorneys throughout the United States.

The financial year end of the Corporation is December 31.

Intercorporate Relationships

The following diagram sets out the current structure of the Corporation and its Subsidiaries, and their respective jurisdictions of incorporation or organization.

STRUCTURE OF THE CORPORATION



As reflected above, each of the Corporation Entities (other than the Corporation itself) is wholly-owned by its direct parent except U.S. Acquisitionco (the Class A Acquisitionco Shares are indirectly owned by the Corporation and the Class B Acquisitionco Shares and Class C Acquisitionco Shares are owned by the Pawnee Vendors and are exchangeable for Common Shares). In addition, with the exception of U.S. Acquisitionco for which special arrangements have been made to provide for dividends on the Class B Acquisitionco Shares and Class C Acquisitionco

Shares which provide economic equivalency to any dividends declared on the Common Shares, each of the Corporation Entities has adopted distribution policies which are intended to result in all of their respective distributable cash amounts being distributed through to the Corporation.

Accordingly, this annual information form includes detailed descriptions of (i) the Corporation's capital structure and the rights of our Shareholders (please see "Description of the Corporation") and (ii) the capital structure of U.S. Acquisitionco and the rights of its shareholders (please see "Description of U.S. Acquisitionco"), but does not include descriptions of the capital structures or the attributes of the outstanding securities of the remaining Corporation Entities.

DEVELOPMENT OF BUSINESS

History and Significant Acquisitions

The predecessor to the Corporation, the Fund, initiated operations on May 10, 2006 upon the conversion of cars4U Ltd. to an income trust, and the completion of an initial public offering for \$57,781,930, the proceeds of which were used for the acquisition of the shares of Pawnee.

On May 10, 2006, under the Pawnee Plan of Arrangement, the Fund directly acquired all of the assets and undertaking of cars4U Ltd. and its subsidiaries by the issuance of 1,240,230 Units in exchange for the outstanding shares of cars4U Ltd. The Fund filed a prospectus dated May 2, 2006 for its initial public offering, which closed on May 10, 2006, for the sale to the public of 5,778,193 Units at a price of \$10 per unit for net proceeds of approximately \$51,055,000, after deducting expenses of the offering and related transactions and underwriters' fees totaling \$8.0 million. cars4U Ltd. used approximately \$1.2 million of its own funds to cover expenses of the initial public offering.

The Fund indirectly acquired Pawnee through U.S. Acquisitionco for a combined total of US\$43.4 million in cash and US\$13.3 million through the issue of approximately 1.3 million Class B Acquisitionco Shares (which became exchangeable, for no additional consideration, on a one-for-one basis for Units as of November 8, 2008) and approximately 204,000 Class C Acquisitionco Shares (which have the same exchange rights as the Class B Acquisitionco Shares and were exchangeable at any time); and provided US\$1.0 million to Pawnee for working capital and US\$1.5 million to Pawnee as reimbursement of the repurchase price of outstanding stock appreciation rights at Pawnee. The Fund filed a Business Acquisition Report (on Form 51-102F4) in respect of these acquisitions.

The Conversion of the Fund into the Corporation

Subsequent to the Minister of Finance's October 31, 2006 announcement of the Federal government's plan to change the tax treatment of income trusts (the "**SIFT Rules**"), which result in a tax being applied at the trust level on distributions of certain income from publicly traded mutual fund trusts at rates of tax comparable to the combined federal and provincial corporate tax and to treat such distributions as dividends to unitholders, the Trustees and the board and management of the Administrator began assessing the Fund's available options to ensure an efficient capital structure and the Fund's continued ability to meet its strategic objectives and to enhance value for its Unitholders. As a result of this ongoing assessment, the Trustees and the board and management of the Administrator started examining particular options for conversion into a corporate structure, which would minimize the negative impact of the SIFT Rules and enhance value for Unitholders.

On March 25, 2010, the Arrangement Agreement was entered into. On May 13, 2010, the Conversion was duly approved at a special meeting of Unitholders, and on May 27, 2010, the Ontario Superior Court (Commercial List) granted the final order approving the Conversion. The Conversion was completed on January 1, 2011. Complete details of the terms of the Conversion, including a copy of the Arrangement Agreement, were set out in the Fund's information circular dated March 31, 2010, which is filed under the Corporation's profile on SEDAR (www.sedar.com).

Following the closing of the Conversion, on January 1, 2011, each of the Fund and the Holding Trust, a subsidiary of the Fund, were dissolved in accordance with their respective declarations of trust in order to further simplify the corporate structure of the Corporation. See "Structure of the Corporation" for the current corporate structure of Chesswood.

Acquisition of Case Funding

On June 10, 2011, the Corporation acquired the shares of Case Funding, a newly incorporated and organized corporation which acquired the tangible and intangible assets required to carry on the going forward business of Quick Cash, a provider of litigation financing to plaintiffs and attorneys throughout the United States.

The purchase price was U.S.\$1.0 million, of which U.S.\$950,000 was satisfied through the issuance to the vendors of 116,438 Common Shares based on the average market trading price, volume adjusted for the 10 days prior to execution of the purchase agreement, of \$7.94 and U.S.\$50,000 in cash. The agreement also provides for the future conditional acquisition of Quick Cash, based on its net cash position following certain wind-down milestones being met, for a maximum purchase price of U.S.\$1.8 million, to be satisfied through the issuance to the vendors of Common Shares at the same issue price used for the purchase of Case Funding.

The entire management team of Quick Cash joined Case Funding and is combining its litigation finance experience with the Corporation's specialty finance expertise and financial resources to build a growth-oriented litigation finance business. The Corporation has committed to providing at least U.S.\$6 million in capital to Case Funding, from its existing cash resources.

The litigation finance market is a large underserved market that has been growing rapidly over the last decade. Case Funding provides litigators with loans based on a percentage of the value of their contingent fees and provides litigation funding for plaintiffs based on Case Funding's views of the strength of their lawsuits. Quick Cash has been in the litigation finance business since 2003. Case Funding did not acquire Quick Cash's existing portfolio of advances.

Management of the Corporation believes that Case Funding provides the Corporation with the ability to expand its specialty finance business by generating superior risk adjusted returns, through an existing infrastructure with market position, and in so doing provides opportunities for significant long-term growth.

BUSINESS DESCRIPTION

Equipment Leasing in the United States

Through its interest in Pawnee, the Corporation is involved in the business of micro and small-ticket equipment leasing to small businesses in the start-up and "B" credit market in the lower 48 states of the United States. Through its interest in Sherway LP, the Corporation is involved in selling, servicing and leasing Acura automobiles, in the Province of Ontario. Through its interest in Lease-Win, the Corporation has a portfolio of automobile leases.

Industry Overview

Market Information

The equipment leasing market is commonly divided into four segments that are differentiated by the cost or the ticket price of the equipment: micro-ticket (less than US\$25,000), small-ticket (US\$25,000 to US\$250,000), mid-ticket (US\$250,000 to US\$5,000,000) and large-ticket (over US\$5,000,000). The micro and small-ticket portions of the market are further segmented into ranges based on the creditworthiness of the lessee. "A" credit refers to lessees whose credit worthiness commands lease rates at or near the prime lending rate in the market, whereas "D" credit requires highly restrictive lease terms, higher lease rates, security deposits and generally more stringent terms and conditions.

Also active in the micro and small-ticket segment of the equipment leasing market are lessees that are start-up businesses, whose creditworthiness does not fall into traditional credit categories because of their lack of business credit history. Pawnee defines "start-up" businesses to be those businesses with less than two years of operating history. Pawnee's determination of whether to provide a lease to a "start-up" includes the requirement that the owner(s) and/or guarantors generally demonstrate an "A" rated personal credit history, and that they guarantee the obligations under the lease. The lack of business operating history prevents these businesses from obtaining credit at prime rates. When deciding to advance credit to a start-up business, Pawnee does not categorize the business in a specific letter grade of credit quality, but views "start-ups" as a separate credit category altogether.

“B” credit businesses are those that have two or more years of operating history and have some unique aspect to their overall credit profile such that they are not afforded an “A” rated credit source or that the business owner(s) do not have an “A” rated personal credit history.

Pawnee and its competitors in the micro and small-ticket segment serve lessees that are almost entirely small businesses. Small businesses are an integral part of the U.S. economy and are often defined by the U.S. Small Business Administration Office of Advocacy as firms having fewer than 500 employees.

There are a variety of equipment financing sources available to small businesses in the United States, including leasing companies; national, regional and local finance companies; captive finance and leasing companies affiliated with major equipment manufacturers; home equity loans; credit cards; and financial services companies, including commercial banks, thrifts and credit unions.

Traditionally, depository institutions such as commercial banks and thrift institutions, as well as commercial finance, leasing, brokerage and insurance companies, have served the financing needs of small businesses. Small businesses with lengthy operating and credit histories often have access to numerous traditional credit sources to finance equipment acquisitions, from revolving credit lines to corporate credit cards to lease financing from banks, commercial finance companies and captive finance companies. However, tightened lending standards and consolidation in the banking and commercial finance industries have narrowed the range of alternatives available to many small businesses for financing the acquisition of business-essential equipment. In addition, many banks and other traditional financing sources are unable or unwilling to create the systems and business processes that are essential to effectively serve the credit needs of small businesses. As a result, small businesses have become more reliant on lease financing to acquire needed equipment.

There are other large leasing companies who have competed with Pawnee in the past but do not operate exclusively or primarily in Pawnee’s market segment. The recent turmoil in the U.S. financial services industry resulted in the withdrawal of many of Pawnee’s more recent competitors, in late 2008.

As the U.S. economy continues to recover slowly, fewer new businesses are being started and many existing businesses are hesitant to acquire new equipment and thus require less funding. Pawnee has, as a result, experienced weaker demand for its core leasing product in 2010 and 2011.

Lease Origination

The leasing industry originates business primarily through the following four channels: (i) equipment vendors; (ii) direct financing by lessee; (iii) equipment distributors and/or manufacturers; and (iv) third party brokers.

Start-up and “B” credit quality lessees in need of equipment lease financing rely to a significant extent on independent lease brokers to arrange available financing options and to assist in obtaining financing to purchase equipment. Independent lease brokers are a significant origination source for new leases in the start-up and “B” credit small-ticket business-essential leasing market, and are Pawnee’s only source of originations.

Sherway LP and Lease-Win, Vehicle Sales and Leasing in Canada

Sherway LP is a limited partnership formed under the laws of the Province of Manitoba on May 4, 2006, and is engaged in the vehicle sales, servicing and leasing industry in Canada. Lease-Win is a corporation amalgamated under the laws of the Province of Ontario on September 1, 2005 (the amalgamating company of the same name was incorporated under the laws of Ontario in 1971), and holds a portfolio of vehicle leases.

Vehicle Sales

Most major automobile manufacturers distribute their new vehicles through a network of dealerships. In addition to new car sales, dealerships generally operate approved service centres and sell after-market manufacturer branded parts and used vehicles of various brands.

Vehicle Leasing

As of September 1, 2008 Lease-Win ceased originating new leases other than extensions with existing customers and leases on behalf of one originator, until the contract with that one originator terminated in February 2009.

Business of Pawnee

Overview

Pawnee is a corporation incorporated under the laws of the State of Colorado in 1982, and is engaged in the micro and small-ticket equipment leasing industry in the United States.

Pawnee was founded in 1982 to finance purchases of computers at franchised computer stores and soon thereafter developed into a specialized commercial finance company that competes in the start-up and “B” credit segments of the micro and small-ticket equipment leasing market. Pawnee’s start-up business lessees are small businesses with less than two years of business credit history whose owner(s) and/or guarantors generally demonstrate an “A” rated personal credit history. This lack of operating history prevents such businesses from obtaining credit at prime rates. “B” credit businesses are those that have two or more years operating history and have some unique aspect to their overall credit profile such that they are not afforded an “A” rating, such as the equipment or industry not being of a type normally funded by an “A” rated credit source or that the business owner(s) do not have an “A” rated personal credit history. Pawnee, which originates equipment leases in over 70 equipment categories, is a full-service process driven business which manages all aspects of lease origination, underwriting, credit approval, servicing and collection.

In late 2008 Pawnee added another product to their suite of existing B products, in a limited and controlled roll out. This new product – lower risk based – allowed Pawnee to leverage their current origination channel and lease administration resources to gain experience and a foothold in a market significantly larger than their core market. Pawnee believes that this new product provides them with another avenue for profitable and incremental growth. During 2009 Pawnee was able to reach its targets for this program and move past the roll out stage. In 2010, Pawnee began offering this additional “B” product, referred to as “B+”, to all of its brokers. At December 31, 2011, approximately 47% of Pawnee’s lease receivables consisted of the “B+” product. Pawnee expects its “B+” product to continue to grow.

Pawnee’s business model is different from certain other leasing, consumer sub-prime mortgage and finance companies in a number of important respects, including the following:

- unlike sub-prime mortgage companies, Pawnee does not provide funding to the residential consumer, and funds only “business essential” commercial equipment,
- Pawnee does not sell its receivables portfolio, but rather retains its leases for their full term,
- Pawnee’s revenues are derived directly from its leases and are not derived from (and therefore, and more importantly, Pawnee’s revenues are not dependent upon) fees from the sale of its portfolio of leases, and
- not only is there significant geographic diversification (within the United States) within Pawnee’s portfolio of leases, there is also significant diversification in terms of the business equipment funded and the industries in which Pawnee’s lessees operate.

Pawnee’s revenues and funding are not dependent upon continuously finding third party buyers for its lease portfolio (where demand is driven by factors such as prevailing interest rates and the quality of other available portfolios and other available investments), rather Pawnee has its continuing lending facility, as described below under “Funding”. Pawnee has reduced its exposure (compared to such other companies) to the impact of movements in shorter-term interest rates and changing and/or difficult financial markets.

Through a network of over 550 independent brokers operating throughout the lower 48 states of the United States, Pawnee finances equipment leases where generally (i) the equipment is fundamental to the core operations of the

lessee's business; (ii) the cost of the equipment does not exceed US\$50,000; (iii) a personal guarantee of at least the major shareholder/owner is obtained; and (iv) all scheduled lease payments are required to be paid by direct debit out of the lessee's account. Pawnee does not lease consumer goods.

Pawnee's segment of the micro and small-ticket leasing market has historically been and continues to be more sensitive to monthly lease payment dollar amounts than to the effective rates. As a result, Pawnee's revenue as a percentage of its net investment in leases (net of security deposits) has consistently exceeded 30%.

As at December 31, 2011, Pawnee had 8,258 leases under administration with remaining scheduled lease payments of approximately US\$130.6 million. Pawnee derives substantially all of its revenues from the leases it finances, holds and services which consist primarily of lease payments, fee income from late charges and other service and lease related fees. For the year ended December 31, 2011, approximately 86% of Pawnee's total revenues were from scheduled lease payments and approximately 14% were from late charges and other fees paid by lessees.

Pawnee has a diversified portfolio which helps Pawnee manage and mitigate risk. As at December 31, 2011, no one state in the U.S. represented more than 10.3% of the number of Pawnee's total active leases, with the exception of California that represented 12.2%. Pawnee currently finances leases in over 70 equipment categories, with the top five categories by volume being restaurant equipment, auto repair equipment, titled trucks and trailers, beauty salon equipment, and computer equipment. As at December 31, 2011, the average original equipment cost of leases in Pawnee's portfolio was approximately US\$15,720 with an average lease term at origination of approximately 40 months. Original equipment cost of leases in Pawnee's portfolio generally ranges from US\$1,000 to US\$50,000.

Pawnee originates its leases primarily through a network of over 550 independent brokers. Pawnee's target of start-up and "B" credit small business customers depend to a significant extent on independent brokers to assist them in obtaining financing for equipment purchases. Consequently, Pawnee's lease origination efforts rely on its network of independent brokers to originate its equipment leases. Pawnee has developed and continually enhances specific origination programs that enable it to maintain strong relationships with its existing independent brokers, as well as to establish new relationships with other brokers.

Pawnee has developed customized systems and processes that have positioned it to capitalize on the growing market opportunity for micro and small-ticket equipment leases for start-up and "B" credit small businesses. Pawnee's scalable, integrated infrastructure allows it to better serve its segment of the micro and small-ticket leasing market and administer a growing lease portfolio. Pawnee's customized technology systems, coupled with its business processes, enable it to efficiently originate, underwrite, service and collect on its portfolios of micro and small-ticket leases. In particular:

- its experienced management and staff team emphasizes a personal, responsive and hands on business approach with its independent brokers and lessees;
- its credit analysis system, including its proprietary credit matrix, enable its seasoned credit underwriting team to promptly assess whether an application meets its credit criteria;
- its lease accounting and servicing systems allow it to monitor the performance of its lease portfolio, and based on this monitoring, continually refine its credit criteria; and its collections management system supports its systematic collection practices.

In addition, Pawnee's integrated technology infrastructure enables it to leverage its origination underwriting, servicing and collections platforms to serve a growing number of lease transactions with minimal capital expenditure required.

Business Strengths

The following strengths have allowed Pawnee to operate its business effectively and compete in its market segment:

Disciplined and Proprietary Processes for Underwriting, Servicing and Collection

Pawnee maintains disciplined operating processes in underwriting, servicing and collecting on its equipment leases. Based on its extensive experience and historical performance data, Pawnee uses its proprietary credit analysis matrix in conjunction with a detailed subjective review by its credit staff to make disciplined credit decisions. Pawnee periodically refines its credit matrix to effectively evaluate credit risk and maintain a strict set of underwriting guidelines. In addition to its credit scoring, Pawnee's seasoned underwriting staff performs thorough reviews of all lease applications.

The ability to efficiently service and collect on leases is critical in achieving attractive profit margins and stable cash flows. Management of Pawnee recognizes that its ultimate success is primarily based on the ability to collect, and as such, Pawnee identifies itself as a collection firm and a great deal of emphasis is placed on the employment and retention of experienced collection personnel. Over one-third of Pawnee's personnel dedicate their activities to the collections process. Pawnee's collections department is structured to systematically and quickly resolve delinquent leases, mitigate losses and collect post-default recovery dollars. A key component of Pawnee's collections process is the unique fact that all lease payments must be made through direct debit. The direct debit process serves as an early warning system for troubled accounts.

Attractive Margins

Pawnee's segment of the micro and small-ticket leasing market has historically been and continues to be more sensitive to monthly lease payment dollar amounts than to the effective rates. As a result, Pawnee's revenue as a percentage of its net investment in leases has consistently exceeded 30%.

Diversified Portfolio

Pawnee has a portfolio diversified by equipment cost, geography, equipment category, industry, number of lessees and origination sources. Management believes all of these factors help Pawnee effectively manage and mitigate credit risk. At December 31, 2011:

- no state represented more than 10.3% of the number of Pawnee's total active leases, with the exception of California which represented 12.2%;
- it financed over 70 equipment categories, with its five largest categories by volume, being restaurant equipment, auto repair equipment, titled trucks and trailers, beauty salon equipment, and computer equipment which, combined, accounted for approximately 54.4% of the number of active leases;
- its lessees operated in over 85 different industry segments, with no industry concentration accounting for more than 14.8% of its number of active leases;
- no lessee accounted for more than 0.01% of its total lease portfolio; and
- its largest source of lease originations accounted for originations of only 18.9% of its leases in the fiscal year ended December 31, 2011, and its ten largest origination sources accounted for less than 40.4% of its originated leases.

Scalable Business Model

Pawnee has developed a scalable business model capable of handling greater volumes than its current business, supporting expansion in its current market segment as well as potential expansion into other segments of the micro and small-ticket leasing market with minimal capital expenditures required. Management believes there are opportunities within Pawnee's current market segment to continue to grow Pawnee's business in a stable manner with minimal capital investment. Pawnee's existing infrastructure can be leveraged to accommodate greater volumes of lease originations as well as new equipment categories, credit profiles and industries, with little or minimal additional overhead expenses.

Pawnee has established relationships with approximately 550 independent brokers covering the lower 48 states in the United States, and it continues to develop new relationships with quality brokers throughout the United States. Unlike some of its competitors, Pawnee does not have a direct sales force and only pays independent brokers on a completed transaction basis. Therefore, management believes that Pawnee's broker network gives it cost-effective access to its target market.

Reduced Exposure to Interest Rate Fluctuations

Unlike certain other equipment leasing and finance companies, Pawnee does not sell any of its lease receivable portfolio. All receivables originated by Pawnee are retained for their full term. This limits, to a certain extent, Pawnee's exposure to the impact of interest rate movements on financial instrument markets. Pawnee is not dependent on finding buyers for its lease portfolio in changing and/or difficult financial markets.

Pawnee borrows from its banks through a floating rate facility while the leases all have fixed interest rates. Pawnee mitigates this mismatch of floating funding and fixed rate leases through the purchase of interest hedging contracts. Pawnee has entered into fixed rate interest hedges representing approximately 73.9% of the outstanding amount under the credit facility. Pawnee's credit facility covenants require that a minimum of 50% of the outstanding amount under the credit facility be hedged at all times.

Other characteristics of the lease portfolio provide certain protection against interest rate movements, including substantial yields attributable to the risk profile of lessees, rapid turnover of the portfolio, the strong level of internally generated cash flow and margins which are maintained by Pawnee's ability to adjust lease rates on new leases to reflect the prevailing market interest rates at a given time.

Experienced Management Team

Pawnee's five member senior management team have combined experience of more than 106 years of relevant financial services experience, including 39 years of service with Pawnee. Prior to joining Pawnee, many of its key members of management were responsible for accounting, finance, sales and marketing, and underwriting and collection operation functions at leading financial services organizations.

Revenue

Pawnee derives substantially all of its revenues from (i) lease and loan payments from leases and loans it underwrites, holds and services, and (ii) fee income from late charges, and (iii) other service and lease related fees. For the fiscal year ended December 31, 2011, approximately 86% of Pawnee's total revenues were from scheduled lease and loan payments and approximately 14% were from late charges and service and other fees paid by lessees. Revenues derived from lease payments accrue over the life of a lease, while initial direct costs such as fees paid to brokers for lease originations are paid at lease inception and such expenses are required to be amortized over the life of the lease, and offset against revenues for financial statement purposes. Pawnee's lease agreement provides for the collection of certain fees during the lease origination process and throughout the term of the lease. These fees include termination fees, late charges, administration fees, and an insurance surcharge.

Pawnee prices its leases and loans based on the following factors: (i) the applicant's time in business; (ii) the initial dollar amount of the lease; (iii) the term of the lease; (iv) the amount of the security deposit; and (v) credit worthiness of the guarantors.

Lease Portfolio Overview

As of December 31, 2011, Pawnee had 8,258 equipment leases in a well diversified portfolio with remaining scheduled lease payments of approximately US\$130.6 million over the next five years. Pawnee's leases are non-cancellable and provide that the scheduled lease payments due during a lease term are sufficient to recover the cost of the equipment to Pawnee, not including the residual value of the equipment, plus a return on the amount of Pawnee's investment in the lease. Pawnee underwrites equipment leases where generally (i) the equipment is fundamental to the core operations of the lessee's business; (ii) the cost of the equipment does not exceed

US\$50,000; (iii) a personal guarantee of at least the major shareholder/owner is obtained; and (iv) all scheduled lease payments are required to be paid by direct debit out of the lessee's account. Pawnee's lease terms generally range from 22 to 60 months. As of December 31, 2011, the average original term of the leases in its portfolio was approximately 40 months, while the average remaining term was 22.6 months.

Types of Leases

Pawnee currently offers fair market value leases which is a lease type that provides the lessee with the option of purchasing the equipment on the lease's expiration date at the then fair market value of the leased equipment. Pawnee does offer nominal purchase option leases from time to time. As at December 31, 2011, nominal purchase option leases accounted for approximately 2.61% (by number) and 4.37% (by dollar value) of Pawnee's portfolio.

Terms

Pawnee's standard lease generally requires that lessees: (i) provide a personal guarantee from an owner of the business; (ii) remit by direct debit all scheduled payments due under the lease, regardless of the performance of the equipment; (iii) operate the equipment in the manner for which it was designed and for commercial or business purposes only; (iv) maintain and service the equipment; (v) insure the equipment for the full insurable value and, where appropriate having regard to the nature of the equipment, for potential liability for injury to third parties; (vi) indemnify and hold Pawnee harmless for any liability resulting from the leased equipment; (vii) pay directly or reimburse Pawnee for all sales, use, property and other taxes associated with the equipment; and (viii) provide security deposits (not advance payments) which are held for the full term of the lease and then returned or applied to the purchase option of the equipment at the lessee's request, unless the lessee has previously defaulted (in which case the deposit is applied against the lease receivable). Historically, a very high percentage of customers' deposits are applied to the purchase option of the leased equipment at the end of the lease term.

In addition, Pawnee's standard lease generally provides that in the event of a default, Pawnee can, at its discretion, require payment of the entire balance due under the lease and repossess the equipment for subsequent sale, refinancing or other disposal, subject to any limitations imposed by law.

Pawnee's leases require that its lessees pay or reimburse Pawnee for sales taxes along with any penalties or interest that may be due. Pawnee determines at the outset of each lease the amount of sales tax that will be due. Pawnee collects sales taxes on each lease payment and remits it to the relevant state monthly or as required by law based on the assumption that a lease is a true lease. Pawnee or the equipment vendor remit taxes at the time of a transaction when the equipment is to be financed as a loan or equipment finance agreement, rather than a lease. If a lease is determined to be a non-true lease, and the state recalculates the amount of tax due at the beginning of the lease and assesses penalties and interest, the lease terms would require that the lessee pay these additions, Pawnee would be required to collect such amounts from the lessee, possibly by legal action.

Pawnee's current form of lease provides for various fees and other charges to be paid by the lessee, in most cases due to the lessee's failure to comply with the terms of the lease. If payable, these fees are due in addition to scheduled lease payments. Fees include late fees (for late payment of rent or other amounts), an administrative fee (for documentation and initiation of the lease), termination fees (for the return of the leased property if it is not purchased by the lessee at the expiration of the lease term), tax-filing fees (Pawnee files all property tax returns and charges a fee) and an insurance surcharge (payable if the lessee fails to provide evidence of insurance, thus increasing Pawnee's potential risk).

Pawnee's standard documentation also includes a cover letter delivered to the lessee with the execution documents warning of the potential for the insurance surcharge and reminding the lessee of its responsibilities. Pawnee also provides a letter for the lessee to deliver to its insurers describing the insurance requirements and notifies the lessee in writing if the insurance has not been provided or is about to expire before charging the insurance surcharge. Pawnee has never faced any legal challenge alleging that its disclosure of fees to lessees was inadequate and has never had its ability to collect fees legally challenged.

If insurance is not obtained by the Lessee in accordance with the terms of the Lease, Pawnee's insurance surcharge is 1% of the equipment cost per month. This charge yields a low figure compared to the value of the leased property in the early years of the lease but may result in a high dollar recovery as compared to the value of the property if the lessee continues to pay the surcharge (instead of providing insurance coverage) through the end of the lease term.

Business Process

The business process for Pawnee's equipment leases involves origination, application review and credit scoring, funding, servicing and collections. Pawnee's disciplined approach and processes are fundamental to management of credit risk and maintaining profit margins and cash flows. Pawnee's customized technology systems, coupled with its business processes, enable it to efficiently originate, underwrite, service and collect on the types of micro and small-ticket leases it targets.

Origination

All of Pawnee's leases are originated through its network of approximately 550 independent brokers located throughout the lower 48 states of the U.S. Historically, Pawnee has achieved its strong growth rates by concentrating its personnel and resources on delivering consistent, predictable and timely services to an established network of brokers that transact lease business in a variety of equipment categories and industries. Brokers refer equipment lease transactions to Pawnee while working with the potential lessee to complete the appropriate lease application and subsequent lease documents required by Pawnee. Pawnee pays these independent brokers their commissions in respect of a lease upon the funding of such lease. In the event a lessee defaults on a lease payment within the first 3 payments after origination, Pawnee is entitled to a refund of any commissions paid to the broker in relation to such lease.

Pawnee has developed and maintains strong relationships with its independent brokers and its top 20 brokers (by dollar amount funded) have been originating leases for Pawnee for an average of approximately 11.3 years. Management of Pawnee attributes the long standing business relationships with many of its brokers to the procedures it has established which enables Pawnee to process and close quickly, consistently and efficiently each lease application that it receives and approves. Management believes that its lease application processing ability has been a significant factor in contributing to repeat transactions with its existing brokers and to the continued growth of its independent broker base.

Pawnee's largest broker (by dollar amount funded) accounted for originations of 13.6% of its leases in the fiscal year ended December 31, 2011. The ten largest and twenty largest brokers (by dollar amount funded) accounted for less than 33.31% and 45.11% of originations, respectively, in such fiscal year.

Pawnee is an active member in the three national small-ticket leasing associations in the United States which service independent brokers. Pawnee is a member of the following industry trade associations:

- National Association of Equipment Leasing Brokers (NAELB) – an association of approximately 600 member firms whose primary mission is oriented to serve the independent leasing broker/lessor.
- National Equipment Finance Association – an association of approximately 175 member firms offering networking opportunities among a national network of brokers, lessors and funding sources.

Pawnee maintains and expands its broker relationships in these trade associations through an internal relationship management staff who make personal site visits at brokers' offices. Relationship development is also conducted by telephone from the Fort Collins office and through regular communication by facsimile, e-mail and quarterly newsletter mailings. The typical broker conducts business with a number of different funding sources. Pawnee enters into a non-exclusive non-agency agreement with each broker who is approved by it to operate under one of its broker and lessor programs. To qualify to do business with Pawnee, a broker generally must have: (i) been in business a minimum of one year or have relevant experience within the leasing, finance or banking industry; and (ii) acceptable credit at the owner level, with no prior bankruptcies, no current or past history of slow payments, no outstanding tax liens or judgments, and at least five years of data in the credit bureau, with a minimum of seven reported credit lines.

Through its website, Pawnee provides brokers with information on its current policies and procedures, training and lease products. This includes web cast audio training by Pawnee staff and prominent leasing industry sales trainers. Pawnee also publishes highly detailed broker guidelines and pricing schedules on a regular basis to keep brokers current with changes in policies and procedures.

In order to effectively establish and manage its broker relationships, Pawnee has instituted two primary broker programs:

- *Standard Program.* Brokers submit fully investigated lease transactions to Pawnee for review and validation, and operate under Pawnee's standard program. Under this program, the broker is responsible for the validation of the lessee, vendor and equipment, and for completion of the lease documentation. Pawnee is also listed as the named lessor.
- *Assignment Program.* This program is substantially similar to Pawnee's standard program, except that the broker is listed as the named lessor on the lease documents. At the time of funding, the broker assigns all of its rights under the lease to Pawnee, including all rights to receive lease and other payments and all rights to the equipment leased.

All of Pawnee's leases are originated under these programs and all leases assigned to Pawnee must use Pawnee's standard form lease documents. In addition, Pawnee is solely responsible for approving credit and purchasing the leased equipment under both programs. Pawnee provides all approved brokers access to secure areas of its web-site for video and audio training on specific aspects of Pawnee products or in the leasing industry in general. Pawnee's initiatives with independent brokers are managed by broker relationship managers. These representatives are responsible for all aspects of the broker relationships within their assigned geographic region, including locating new and qualified lease origination sources, performing initial and ongoing training and managing existing contacts.

Pawnee uses the following main processes to regularly review the performance of its brokers to ensure critical aspects of Pawnee's relationships are maintained at acceptable levels:

- *Periodic Reviews.* Relationship managers perform monthly reviews of brokers to, among other things, evaluate performance measures with each relationship. For example, relationship managers target reviews especially for those brokers that do not meet specified performance measures, such as delinquency, charge-offs, or efficiency in application processing (approval, decline and funding ratios to submitted applications).
- *Training.* Relationship managers conduct telephone training sessions on an ongoing basis for all brokers. The training includes programs on Pawnee's credit policies, lease documentation procedures and general information, such as marketing and sales programs and protocols.
- *On-Site Visits.* Relationship managers periodically visit the offices of brokers to review performance, conduct on-site training and investigate future business opportunities.

Applications and Credit Scoring

Risk Management

A key aspect of Pawnee's business is managing potential risks in order to limit defaults to the greatest extent possible. Pawnee has developed a number of risk management tools and processes which it continually monitors and improves to match changes in its market and to the equipment leasing industry. The fundamental risk management processes and tools which Pawnee has developed by leveraging its experience in the micro and small-ticket equipment leasing market have primarily focused on application approval, credit scoring process, delivery and acceptance processes and a professional and proactive approach to monitoring and remedying defaults.

Credit Matrix System

Brokers submit lease applications to Pawnee through e-mail or by facsimile. All applications are captured in its information management system to enable Pawnee to track and monitor all aspects of business flow. Pawnee has developed a customized and proprietary credit matrix based on, among other things, historical information regarding its lease application and portfolio data gathered since 1982. Pawnee utilizes the credit matrix as an important tool in analyzing the credit risk of a particular lease application and uses its historical performance data to continually refine the credit matrix. Pawnee's current credit matrix uses a number of individually weighted credit characteristics to create a proprietary score. The characteristics include, among others, such things as an applicant's: (i) payment history; (ii) tenure of home ownership; (iii) number of credit inquiries; (iv) revolving debt availability; (v) time in business; (vi) credit score from a second reporting agency; (vii) number of years in the credit bureau; (viii) experience in the line of business; (ix) personal guarantors; and (x) type and quality of equipment.

Ongoing Enhancement of Credit Underwriting

Pawnee continually leverages its experience in its segment of the micro and small-ticket leasing market to refine its credit matrix and improve its credit underwriting policies. Pawnee regularly monitors performance of its leases and continually adjusts its credit underwriting criteria. In consultation with Colorado State University statistical staff, Pawnee has continued to refine the predictive measures used in its customized credit matrix. Pawnee's management believes a periodically refined, more predictive credit matrix system gives its credit underwriting staff a higher probability of approving lease applications that appropriately meet its credit underwriting criteria.

Application Review Process

Information from a lease application is initially routed through Pawnee's information management systems, which retrieves an applicant's credit data from a credit reporting service. Every application is then reviewed and scored through Pawnee's proprietary credit matrix. The credit staff reviews subjective aspects of the application as well as accessing various business credit and other resources to compile a credit decision. Credit decisions are arrived at generally within four hours of receiving the application submission. Each of Pawnee's credit underwriters is given approval authority specified primarily by lease amount and applications are assigned accordingly.

If an application falls below a provisional minimum score on Pawnee's credit matrix, the application is generally rejected and a notice of decline is generated and sent to the originating broker. However, a credit underwriter may continue to track a rejected application which scores slightly below the provisional minimum credit score if the underwriter believes that with additional lease guarantors or other credit enhancements such as additional collateral or increased security deposits, the credit score may reach an acceptable level. In this event, the originating broker is notified of the potential for lease approval on appropriate resubmission.

A credit underwriter may also reject an application meeting the provisional minimum score based on other information gathered from Pawnee's information management systems not evaluated in the credit matrix. In such a case, Pawnee may request additional information that may allow for future lease approval based on appropriate resubmission.

Accurate information is critical in determining many of the factors used to assess a lease application. Pawnee uses many third-party sources, for information gathering and verification such as Internet sites of secretaries of state,

Dun & Bradstreet, Paynet, Business Credit USA and others. As part of their review, credit underwriters verify the lessee, vendor and equipment involved in the lease transaction, as well as confirm that submitted credit application information is representative and accurate. If the credit underwriter finds fraudulent information in a lease application, a note is made in Pawnee's information management systems and any future lease submissions involving that business or its principals will be declined, and action against the referring broker may be taken.

Funding

Credit Facility

Pawnee has a US\$55 million credit facility, which can, subject to certain conditions, be extended to US\$85 million pursuant to a credit agreement (the "**Pawnee Credit Agreement**") with JP Morgan Chase Bank, N.A. ("**JP Morgan**"), as administrative agent, issuing bank and swing-line lender entered into on September 24, 2010. The Pawnee Credit Agreement provides for revolving loans, swing-line loans, and the issuance of letters of credit. The obligations under the Pawnee Credit Agreement are secured by first ranking security in favour of JP Morgan over all of the assets of Pawnee. Pawnee's ability to access funding at competitive rates through various economic cycles, together with its cash flows, enables it to maintain the liquidity necessary to manage its business. At December 31, 2011, Pawnee had used approximately US\$40.6 million of its availability under its borrowing formula. The Pawnee Credit Agreement provides for a term to September 24, 2013.

Pawnee enters into interest rate swaps to mitigate against interest rate fluctuations and with the intention of stabilizing cash flows. In addition, Pawnee is required to hedge at least 50% of its outstanding balance under the Pawnee Credit Agreement. Pawnee has entered into fixed rate interest hedges representing approximately 73.9% of the outstanding amount under the credit facility.

Loans under the Pawnee Credit Agreement are priced based either on the current Bank Prime Rate, or the LIBOR, plus applicable spreads. Pawnee has the option as to which pricing alternative to use, and in some cases may use both options, for different portions of the outstanding loan balance.

The borrowing base for the loan, which cannot exceed the commitment of the loan, is calculated as either a percentage of gross lease receivables meeting certain eligibility criteria, a percentage of the net present value of gross lease receivables meeting certain eligibility criteria, or a percentage of the equipment cost of equipment meeting certain eligibility criteria. At December 31, 2011, Pawnee could have drawn down the entire amount of availability under the Pawnee Credit Agreement, based on the borrowing base calculations.

The Pawnee Credit Agreement contains customary representations, warranties, covenants, conditions to funding and events of default. In particular, the Pawnee Credit Agreement contains restrictive covenants with respect to certain business matters, including among others, restriction on capital expenditures in excess of US\$350,000 in any rolling twelve-month period.

The Pawnee Credit Agreement permits the shareholders of U.S. Acquisitionco (being Holdco as to all Class A Acquisitionco Shares and the Pawnee Vendors as to all Class B Acquisitionco Shares and Class C Acquisitionco Shares) to receive payments from U.S. Acquisitionco (which wholly-owns Pawnee) of 90% to 95% (dependent upon the level of leverage at month-end) of the consolidated net income of U.S. Acquisitionco and Pawnee, calculated from the immediately preceding month. The Pawnee Credit Agreement defined "change of control" to include, among others, if the Corporation ceases to be the beneficial owner, directly or indirectly, of all the voting securities of Pawnee (other than those held by the Pawnee Vendors). Upon the occurrence of a change of control, JP Morgan will have the ability to exercise certain rights including accelerating the maturity of all amounts outstanding under the facility.

Lease Funding

Pawnee's funding coordinators are responsible for ensuring the requisite lease documentation is in place to fund the lease and record the lease receivable. The funding coordinators confirm that the terms shown on the signed documents conform with the terms approved by the credit department. Funding personnel complete a detailed checklist of steps prior to funding any lease. Legible copies of driver's licenses of all guarantors are required on all leases and are

closely reviewed to match against the lease agreement and lease guaranty signatures; deviations in signatures are promptly rejected and may cause a cancellation of the lease or require notary signatures. All leases over US\$15,000 (US\$ 35,000 for “B+” leases) require a third party site inspection. This site inspection is arranged by Pawnee and is a mechanism to further validate the business enterprise as well as view the asset to be leased. Deviations discovered during this inspection phase are promptly acted on including cancellation of the pending transaction. The final step in the funding process for all leases is a confirmatory telephone call, termed a verbal delivery and acceptance contact, to verify and approve essential information regarding the lease transaction. If the call is completed in a satisfactory manner, and the vendor of the equipment is an acceptable vendor to Pawnee, the transaction is authorized for funding. The lease is funded and appropriate financing statements are filed in accordance with the provisions of the *Uniform Commercial Code* for leases greater than US\$15,000 in equipment cost.

Recording and Auditing

After a lease is funded, Pawnee’s contract processing department performs quality control, including auditing the file for data integrity prior to recording the lease. Within one day of funding, Pawnee’s contract processing department generally has each lease file audited and recorded. Within one day of funding, Pawnee generally has completed the remainder of the leasing process, including document distribution, duplication and scanning of key documents to the company’s internal LAN for use by all customer service, credit, and collection personnel.

On a monthly basis, Pawnee reviews all leases that experience payment difficulty in the first 90 days after booking to ensure compliance with all terms and conditions of its credit and documentation policy, to identify possible errors in the entire application submittal, credit review, funding and booking process and to determine what changes, if any, in the process are needed. Changes are made as soon as possible following the identification of any appropriate changes. This monthly review is also used to uncover any negative trends in equipment types, geographic location, specific industries or brokers.

Servicing

Pawnee services all of the leases in its portfolio. Lease servicing involves a variety of functions, including: entering the lease into Pawnee’s accounting and billing system, collecting scheduled lease payments through direct debit, timely depositing all other fees and charges if received other than by direct debit, reconciling lease accounts, collecting and remitting sales, use and property taxes, managing compliance with insurance requirements, providing customer service to lessees, communicating with brokers and lessors, providing brokers and lessors with titling services for titled equipment and reporting to lenders.

Collections

Management of Pawnee recognizes that its ultimate success is primarily based on the ability to collect, and as such Pawnee identifies itself as a collection and leasing firm. Accordingly, emphasis is placed on the employment and retention of experienced collection personnel. Pawnee provides substantial bonus potential for collection personnel and consequently, the collection employees are among the highest paid staff in the company. Over one-third of Pawnee’s personnel dedicate their activities to the collections and default remediation process. The collections department is structured to systematically and quickly resolve delinquent leases, mitigate losses and collect post-default recovery dollars. A key component of Pawnee’s collections process is the fact that a condition of all Pawnee leases is that all lease payments must be made through direct debit. Management believes this is unique in the segment it operates in. The direct debit process serves as an early warning system for troubled accounts. Use of direct debit allows Pawnee to manage the precise day of payment collection vs. traditional check collection means used by many other leasing companies. Direct debit permits immediate feedback on individual accounts so Pawnee’s collection staff can rapidly act on delinquent accounts.

Pawnee has divided its collections department into groups enabling it to direct a troubled lease to an appropriately trained collection specialist immediately upon the recognition of a problem regardless of its aging. Pawnee also uses a settlement culture rather than a litigation approach, which coupled with the aforementioned direct debit, permits Pawnee to resolve many troubled accounts before other creditors are aware of any difficulties. To expedite and facilitate collections, Pawnee’s collections department is organized into two groups: 30-Day Collections and Advanced Collections.

Pawnee's collections activities begin when a lease initially becomes delinquent. An account is recognized as past due if for any reason the direct debit payment is not successfully received on the required due date – the account is immediately considered delinquent. Delinquent leases are assigned to a 30-Day Collection team member through Pawnee's information management software and are systematically reassigned to other groups should the leases reach later stages of delinquency. Leases remain in an assigned 30-day collector's pool until the required payments are made, the lease becomes 31 days past due, or the collector recognizes that the problem is something more significant than a past due payment and the lease is referred to the appropriate negotiation, repossession/remarketing, bankruptcy or legal specialist. A very high percentage of leases that go initially past due are remedied and become current once again. As a result, accounts are not considered impaired just because they have gone initially past due.

Collectors use the telephone as the primary collections tool, making payment request calls to the lessee and to guarantors. In some cases, when collection proves difficult, collectors use third parties to attempt to make personal contact with a lessee or other parties as well as to inspect equipment, provide pictures of the leased equipment and complete equipment condition reports. Collectors input their notes directly into Pawnee's information management systems, enabling management to monitor the status of problem accounts.

If a lease remains past due after 31 days and has not already been assigned to Pawnee's Advanced Collections team it will be automatically assigned to an Advanced Collections negotiation specialist to further evaluate and initiate collection actions. The Advanced Collection team's objective is to minimize Pawnee's loss through a combination of collecting payments, writing forbearances, repossessing and selling leased equipment, initiating lawsuits and, most importantly, negotiating settlements. After 154 days of delinquency, or earlier if the Advanced Collection team determines the account is uncollectible, the lease is charged off.

After an account is charged off, it may continue to be handled internally when collection prospects for recovery through a personal guarantor are considered good. If not, it is normally assigned to an independent collection agency for additional collection efforts. At this stage in the collections process, the primary sources of recovery are payments on restructured accounts, settlements with guarantors, occasional equipment sales, litigation (used infrequently) and bankruptcy court distributions.

Throughout the collections process, Pawnee's repossession/remarketing specialists perform a wide variety of functions, including acting on repossession requests from any collector, managing third-party vendors that perform repossession activities; and working with remarketers to establish and approve the selling price on all repossessed equipment.

Information Technology and Management

Pawnee's marketing personnel use its customized information management systems as a part of the origination platform as well as for monitoring and servicing activities, increasing customer base, improving operating efficiencies, reducing costs and improving overall service. Important components of Pawnee's business technology and management systems include:

- complete data records on all brokers/lessors including minute detail on all applications submitted, approved and funded including real time status information on all applications; and
- detailed reporting on daily, monthly and annual business activity by individual broker and by individual marketing territory.

Pawnee provides brokers with information on the performance of leases they originated. Brokers receive information on application submission results, lessee payment performance, past due payment status and general lease portfolio information. With this up-to-date information, Pawnee's brokers can participate in collections activities and target timely paying lessees for additional leasing opportunities.

A critical element of Pawnee's business operations is its ability to collect and integrate detailed information on its origination sources and lessees at all stages of a financing transaction and to effectively manage that information so that it can be used across all aspects of its business. Pawnee uses imaging technology that enables its employees to

retrieve at their desktops all lease documents and instantly fax or email copies to the origination source or customer, improving its operating efficiencies and service levels.

Employees

At December 31, 2011, Pawnee employed 40 full-time equivalent employees: two in sales and marketing, 13 in credit/funding operations, 18 in collections, six in accounting, finance and in technology and systems and one in executive and administration. In addition, Pawnee employed one part-time employee in collections. None of Pawnee's employees are covered by a collective bargaining agreement and Pawnee has never experienced any work stoppages. Management believes that its relations with its employees are excellent.

Facilities

Pawnee's headquarters are located in Fort Collins, Colorado, where it leases 10,800 square feet of office space under a lease that expires in 2016 with an option for an additional five-year term.

Competition

There are a variety of equipment financing sources available to small businesses in the United States, including leasing companies; national, regional and local finance companies; captive finance and leasing companies affiliated with major equipment manufacturers; home equity loans; credit cards; and financial services companies, including commercial banks, thrifts and credit unions.

The availability of lease financing for micro and small-ticket equipment acquisitions by small businesses with limited operating or credit histories or with prior credit difficulties also has been constrained by the obstacles inherent in efficiently originating and servicing equipment leases of relatively small size and the complexities of assessing and managing the start-up or non "A" credit rating of the lessees which characterize this segment of the micro and small-ticket leasing market. Because Pawnee focuses on a specific, highly fragmented segment of the small business credit market consisting generally of small businesses with limited operating or business credit history, or less traditional credit history, its competition comes primarily from independent leasing companies, home equity loans and credit cards.

Business of Sherway LP

The Corporation's Acura Sherway dealership sells new Acura brand vehicles and related automobile services and products, and also sells used vehicles of various brands. The Acura Sherway dealership was transferred to Sherway LP under the Pawnee Plan of Arrangement.

According to market research reports made public by DesRosiers Automotive Consultants Inc., new sales in Canada of light vehicles totalled 1,585,519 for 2011. Of the total light vehicles sold in Canada in 2011, 686,717 were built by Asian manufacturers which made up 43.3% of all new light vehicles sales in Canada.

The Acura Sherway dealership is located at 2000 The Queensway, in Toronto, Canada, immediately adjacent to Sherway Gardens shopping centre, a 972,000 square foot mall with major national department stores as anchor tenants. The 22,000 square foot premises on which the dealership is located are leased. The lease assumed at the time the dealership was acquired was for a term of five years concluding in May 2002 and included three option terms of five years each. The second renewal right was exercised, which extends the lease to June 30, 2012. Sherway LP and the landlord have agreed to terms for an additional five-year option term through 2017.

Acura Framework Agreement

Dealerships operate pursuant to a dealer agreement between the manufacturer and the dealership. The dealer agreement in respect of Acura Sherway is effective November 30, 1999 and had an initial term of three years with automatic renewal for successive terms of five years, subject to at least 180 days' prior notice of non-renewal. The dealer agreement is now in the second five year automatic renewal term.

In connection with the acquisition of Acura Sherway, cars4U, Sherway Fine Cars Limited and the three principal shareholders of cars4U entered into a framework agreement (the “**Acura Framework Agreement**”) with Acura, a division of Honda Canada, Inc. Under the terms of the Acura Framework Agreement, a group of shareholders acceptable to Honda Canada, Inc. (the “**Approved Group**”) must own (separate ownership being acceptable for such purposes) or exercise voting control in respect of matters related to compliance with the terms of the Acura Framework Agreement (“**Acura Matters**”), such that they would be in a position to exercise an effective controlling voting right on Acura Matters. The Acura Framework Agreement reflected Honda Canada, Inc.’s emphasis on appropriate criteria for the individuals who will be responsible for the operations, and for making operational and other related decisions, for Acura dealerships, and cars4U’s commitment to uphold such ideals.

The completion of the Pawnee Plan of Arrangement, the Fund’s initial public offering and the acquisition of Pawnee resulted in the Acura Sherway dealership being owned by Sherway LP and changes in the composition of the Trustees (as compared with cars4U Ltd.’s board of directors) and a significantly larger Unitholder base (as compared with cars4U Ltd.’s shareholder base) under which the aggregate holdings of Units by the Approved Group was less than the minimum percentage contemplated in the Acura Framework Agreement. Accordingly, upon completion of the Pawnee Plan of Arrangement, the Acura Framework Agreement was amended and restated to provide that a majority of the board of directors of the general partner of Sherway LP are required to be comprised of members of the Approved Group, and the capital of Sherway LP must provide for a class of securities entitling one or more members of the Approved Group to exclusive voting rights in respect of Acura Matters.

On November 10, 2010, the Acura Framework Agreement was further amended and restated to reflect Honda Canada, Inc.’s consent for the completion of the Conversion and the elimination of certain intermediate holding entities as a result of the Conversion.

Employees

As of December 31, 2011, Acura Sherway had a total of 50 employees consisting of 43 full-time and seven part-time employees. None of Acura Sherway’s employees are governed by a collective bargaining agreement, and Acura Sherway has never experienced any work stoppages. Management believes that relations with employees are excellent.

Business of Lease-Win

Founded in 1971, Lease-Win leased predominantly new vehicles of all makes to individual and corporate clients (lessees). As of September 1, 2008, Lease-Win ceased originating new leases other than extensions with existing customers and a very small volume of leases on behalf of one originator, until the contract with that one originator terminated in February 2009. Virtually all of Lease-Win’s leases are open-ended leases, which limits Lease-Win’s exposure to losses where the fair market value of a leased vehicle is less than its residual value at the end of the lease term.

Lease-Win carries on its business from rented premises located at 4077 Chesswood Drive in Toronto, Ontario.

Lease Portfolio

Lease-Win had approximately 236 leases under administration with remaining scheduled lease payments of approximately \$3.6 million as of December 31, 2011. Passenger cars and vans (including sport utility vehicles) comprised a significant majority of Lease-Win’s portfolio of leases under administration as at such date.

Generally, there are two different types of automobile leases available to consumers, open-end leases and closed-end leases. Open-end leases require the lessee to guarantee the residual value of the vehicle (a stated dollar amount which generally represents the leasing company’s estimate of the value of the vehicle upon the maturity). A typical open-end lease gives the lessee the right to purchase the vehicle upon maturity for the residual value. Any equity which exists at the time of maturity (i.e., if the market value of the vehicle exceeds the residual value) belongs to the lessee and, similarly, if the market value of the vehicle at maturity is less than the residual value, the lessee is responsible for some or all of the shortfall. Effective July 30, 2005, new consumer protection laws in the Province of Ontario limit the extent of exposure of the lessee if, at the end of the lease, the market value of the vehicle is less than the residual

value. However, leases originated prior to July 31, 2005 are not subject to the new regulations nor are leases to commercial customers. More than 99% of Lease-Win's portfolio is comprised of open-end leases.

Lease-Win has used securitization as its preferred method of funding its leasing activities since July 1997. As at December 31, 2011, approximately 23.3% of Lease-Win's leases were securitized. Lease-Win has always securitized its leases solely with CFI Trust, which purchased Lease-Win's leases with the proceeds raised from the issuance of asset-backed securities. CFI Trust purchased its leases from Lease-Win on a non-recourse basis. The sale of leases to CFI Trust were all true sales and, accordingly, CFI Trust assumed all risks related to the leases it purchased, including delinquencies and defaults. CFI Trust is administered by CFI Leasing Limited, a wholly-owned subsidiary of Corpfinance International Limited. Leases not securitized with CFI Trust are either self-financed or financed through Lease-Win's credit facility.

Lease-Win filed a financing statement against all vehicles in its leasing portfolio to ensure its security in the vehicles ranks in priority in the event of any claim by any other creditor against any of its lessees or by a trustee in bankruptcy of any of its lessees. As Lease-Win continues its wind down, it is accumulating significant cash balances, a large portion of which will be used to satisfy its tax obligations over the next two years. At December 31, 2011, \$534,000 (2010 - \$1.5 million) of the Corporation's consolidated cash balance represented funds on hand at Lease-Win.

Employees

As of December 31, 2011 Lease-Win had a total of two full time employees and two part-time employees. None of Lease-Win's employees are governed by a collective bargaining agreement, and Lease-Win has never experienced any work stoppages. Management believes that Lease-Win's relationship with its employees is excellent.

The Litigation Funding Market – Overview

Litigation funding provides an alternative source of funding in situations where a person has a strong legal claim and where that person, or the person's law firm, is in need of financial resources to pursue the claim. Conventional lenders such as banks and commercial lenders generally avoid this market due to its relative complexity and lack of robust balance sheets (in the case of law firms), leaving both plaintiffs and law firms without the required funds to pursue potentially high probability, high dollar value cases.

In the United States, litigation funding improves fairness in the legal process by permitting a person lacking the required funds to pursue a claim against a "deep-pocketed" defendant. Litigation funding provides an alternative funding option for plaintiffs who are in financial need (due to inability to work, medical issues or otherwise), while their case is being litigated.

Many plaintiffs are unable to afford fee-based attorneys and are forced to seek out contingency attorneys who are willing to represent them on a percentage-of-win basis. Contingency based attorneys typically only pursue cases they feel have merit and can generate significant fees. Because of the delays in the litigation process, however, plaintiffs and their law firms still have a strong need for funds to see them through until the full settlement of their cases.

Before litigation funding, plaintiffs suffered a distinct disadvantage as they often have to wait years for their cases to be resolved. This delay caused many plaintiffs to prematurely settle potentially valuable claims at a substantial discount to their true value.

While litigation funding markets in the U.K. and Australia are reasonably mature, litigation funding is a young industry in the U.S., and is highly fragmented.

There are significant variations amongst funders in the structure of loans and advances, especially to law firms, and in the fees and rates that are charged to plaintiffs and law firms. The attorney/law firm funding business is growing in the United States, as numerous but poorly capitalized litigation funding companies have emerged. In the United States, it is estimated that 10,000 plaintiff funding applications per month are presented to leading litigation funding companies.

Internationally there are several firms engaged exclusively in litigation financing that are publicly listed in foreign markets. These listed firms are primarily centered on corporate litigation with a focus on insolvency or commercial litigation.

Macro data exists for the U.S. litigation market, and the numbers are significant. Total litigation on an annual basis is a huge number. According to a Towers Perrin report, 2009 Update on U.S. Tort Cost Trends, total tort costs in 2008 were approximately \$255 billion, with personal tort costs accounting for 36.9% and commercial tort costs accounting for the remainder. Total tort costs include amounts paid to third parties as judgment awards or settlements, defense and administrative costs. The same report predicts that total tort costs will have increased by approximately 3.0% in 2009 and 4.0% and 6.0% in 2010 and 2011, respectively.

In most states throughout the United States, it is illegal for lawyers to share contingency fees with non-lawyers, thereby prohibiting non-lawyers from becoming equity investors in law firms. To add to the difficulties presented to lawyers when financing their practices, banks in the United States do not generally lend to professional service businesses that do not have significant balance sheets. This situation leads to a fragmented, capital-hungry industry where no one law firm owns a significant percentage of the market for any type of tort claim in their primary state of practice.

Lawyers in the United States are limited in the way they can leverage their businesses. Larger, fee-based law firms doing corporate and defense work have long been able to obtain bank financing by pledging their receivables. However, subrogation and other contingency fee-based law firms have limited ability to access working capital financing from traditional banks. These firms are often forced to refer their cases out to larger trial firms and accept relatively small referral fees for their origination services because of their limited capital.

Business of Case Funding

Attorney Fundings

Like all specialty finance businesses, Case Funding's attorney loans are structured and administered with a focus on risk management, developed over time, with the benefit of experience.

In order to mitigate the potential for loss, an attorney loan made by Case Funding will always be in an amount significantly less than the contingency fees that Case Funding expects, after its own independent evaluation, the attorney is likely to earn from the basket of existing cases against which the advance is made. Case Funding's advance rate is a maximum of 15% of the expected total fees. Only cases already in progress are eligible for inclusion in a basket.

Repayment of Case Funding's attorney loans is required by contract to be made on a priority basis, meaning that attorney fees resulting from settlements of cases from the basket are generally required to be used first to repay the loan, further reducing the potential for loan losses. In cases where Case Funding deems the law firm to be creditworthy, revolving arrangements can be negotiated where such law firms pay on each recovery from an identified case and Case Funding re-advances funds against new cases in an amount that fits within its risk and "loan-to-value" guidelines. This generates additional income opportunities from known clients.

In the case of attorney advances, such terms generally include: guarantees of the law firm, guarantees of the partners (often joint and several), registered liens against all of the firm's cases, a direction that requires the trust accounts to repay Case Funding upon receipt of proceeds and that all proceeds are to be held in escrow when received; generous effective annual rates of interest (25% - 40%) of which a portion is paid monthly or quarterly, and the balance is paid upon payout or partial payout; underwriting and origination fees; an acknowledgement that the borrowers have accepted a direction for payout; requirement to report on an ongoing basis the status of cases in the basket; provision of the firms' monthly bank statements; notice provisions for all settled cases including copies of all remittance cheques; and assignment of attorney life insurance (on larger advances).

Attorney applications/loans are solicited through direct contact with attorneys that represent plaintiffs that have applied to, or have been funded by, Case Funding, through online advertising, by referrals from satisfied attorneys,

through repeat business, through website search optimization and through various state and regional trial lawyer conferences. In addition, Case Funding uses its established network of brokers to originate attorney business.

Case Funding primarily uses in-house lawyers to evaluate new applications for loans and advances. Case Funding's lawyers review the case files of cases being offered by the attorneys, and arrive at their own assessment of expected fees for the entire basket. These lawyers also perform ongoing administration as it relates to the assessment of changes to any significant cases in each basket, including a formal review every quarter.

Case Funding's staff along with at least one of its in-house counsel, visits the office of all attorneys requesting a loan in excess of \$50,000 as a key part of the due diligence, in assessing an application. While the visit includes the examination of case files, it also includes an assessment of the firm itself, including confirming that information regarding the firm matches up with an onsite visit, such as staffing, number of partners, etc. The standing and license of each partner is verified with the state's bar association.

Attorney advances generally have a longer term than plaintiff advances. Approximately 70% of attorney advances made by limited partnerships administered by Quick Cash prior to the purchase of Case Funding by the Corporation had been repaid by the end of the second year after origination, whereas almost 85% of plaintiff advances had been repaid in this same time period.

Because advances often function as lines of credit for the attorneys, where amounts are repaid and then advanced again, against additional (and collateralized) cases, cash flow with respect to principal repayment is "lumpy" and the term is generally longer.

Plaintiff Funding

Plaintiff advances are made on the probability of success and potential claim size, not the plaintiff's credit score. The standard for this industry is that advances are made on a non-recourse, at-risk basis where the funder forfeits its entire advance and any related fees if the plaintiff is not successful in the lawsuit.

In the United States, such "at risk" advances are not characterized as loans because there is no promise to repay in the event the plaintiff does not succeed in his or her lawsuit, and therefore in many states these advances are not subject to state usury laws. Inherent to the underwriting process is the approval for funding of cases that have a high probability of success, to be achieved either in pre-trial settlement or as a result of a judgment by a court.

Commercial banks in the United States have traditionally been unwilling to advance funding to plaintiffs or lawyers based on a contingent recovery, and lawyers are generally prohibited under state law from providing financial assistance to their clients. While the United States landscape is open to the use of plaintiff litigation funding, the key issues of acceptability include rights of access to justice, lending and usury laws, legal ethics, champerty and maintenance restrictions, public policy, and perception issues.

Plaintiff fundings generally have shorter terms than attorney fundings and are advanced in smaller amounts and can therefore provide Case Funding with "smoother" cash flow and a diversification of risk. In addition, it will not be unusual to make plaintiff advances, subject to Case Funding's normal underwriting policies, in response to the requests of attorneys that are often clients of Case Funding.

Plaintiff funding opportunities are initiated by leveraging Case Funding's broker network, through online advertising and internet search optimization, via attorney referrals of their own clients and by word of mouth.

Medical Liens

Case Funding has started funding medical liens, as they are very similar to plaintiff advances. There is tremendous demand for financing medical procedures and/or purchasing medical liens relating to plaintiff cases where the plaintiff has little or no insurance, but has a valid case that Case Funding would otherwise be willing to advance against (after undergoing the same underwriting process as performed on a plaintiff advance).

Medical lien financing can be broken down into two main categories: early-stage procedures such as MRIs and later-stage procedures such as arthroscopy. Liens can commonly be purchased at 25-35% of the face amount of the debt and range in size from \$400 for an MRI to \$15,000+ for a medical procedure. In this type of transaction Case Funding essentially “steps into the shoes” of the medical provider by purchasing their medical lien (at a generous discount to the face value). In return, Case Funding receives a lien on the case proceeds which is acknowledged by the plaintiff’s attorney via a “Letter of Protection”. Because no interest is charged, Case Funding’s margin is the difference between the price Case Funding pays and the amount Case Funding ultimately collects. Medical liens are generally purchased later in the life cycle of the case and they would therefore have shorter durations than the average of plaintiff advances. The small ticket nature of medical liens is an attractive way to diversify the portfolio with another high-yielding product.

In addition, the medical lien business will enable Case Funding to capitalize on the void within the closely-wound networks of attorneys and medical providers trying to service their plaintiffs/patients but lacking funds to do so.

Medical liens are recourse obligations of the patient.

Medical lien financing opportunities are developed through the direct solicitation of medical facilities, through Case Funding’s broker network, through online marketing and search engine optimization and through a strategic alliance with a well-established, highly successful medical lien finance company.

Competition

The plaintiff advance business has the lowest barriers to entry and therefore is the most competitive of the three lines of business that Case Funding pursues. Case Funding has a strong position in the attorney loan segment of the market in which it operates – smaller loans to success based contingency law firms.

This market is very fragmented and has very few competitors today. There are a variety of firms that provide multi-million dollar loans to law firms that litigate large commercial lawsuits that often take years to resolve. Case Funding is not involved in that segment of legal finance.

Management believes that its position in the earlier-stage market of smaller loans to contingency based law firms offers it an opportunity to develop a strong competitive foothold in a large market that offers generous risk-adjusted returns.

Employees

As of December 31, 2011, Case Funding employed approximately seven full-time employees.

RISK FACTORS

Risks Related to the Businesses of the Operating Companies

Dependence on Key Personnel

The Operating Companies depend to a large extent upon the abilities and continued efforts of their key operating and sales (leasing) personnel and senior management teams. If any of these persons becomes unavailable to continue in such capacity, or if the Operating Companies are unable to attract and retain other qualified employees, it could have a material adverse impact on the respective businesses financial conditions and results of operations of the Operating Companies.

The Corporation is similarly dependent upon its senior management team.

As described in the Corporation’s management discussion and analysis included in its 2011 Annual Report, management noted certain weaknesses in the internal controls over financial reporting, many of which related to the lack of segregation of duties. Management is seeking to address these weaknesses.

Relationships with Brokers and Other Origination Sources

Pawnee has formed relationships with hundreds of origination sources, comprised primarily of lease brokerage firms. Pawnee relies on these relationships to generate lease applications and originations. In fiscal 2011, Pawnee's top 20 lease brokerage firms (by dollar volume) originated approximately 45.1% of the dollar amount of leases funded by Pawnee, and the top lease brokerage firms (by dollar volume) originated approximately 33.3% of the dollar amount of leases funded by Pawnee. Pawnee's business is significantly dependent on developing new origination sources and maintaining existing relationships with independent lease brokerage firms and other origination sources, especially with the senior management of the brokerage firms brokers who are originating higher volumes of leases. The departure of several equipment lease funding companies, and the reduced capital expenditures at many businesses, resulting from recent turmoil in the U.S. financial services industry and the U.S. economy generally, may result in certain brokers and other origination sources closing, downsizing or changing their strategic focus. The failure to maintain effective relationships with its brokers and other origination sources or decisions by them to refer leasing transactions to, or to sign contracts with, other financing sources could impede Pawnee's ability to generate lease transactions, which could have a material adverse impact on the business, financial condition and results of operations and on the amount of cash available for distribution to our Shareholders.

Similarly, Case Funding's business model depends to a large extent on referral relationships.

Risk of Future Legal Proceedings

The Operating Companies are threatened from time to time with, or are named as defendants in, or may become subject to, various legal proceedings, fines or penalties in the ordinary course of conducting their respective businesses. A significant judgment or the imposition of a significant fine or penalty on an Operating Company (or on a company engaged in a similar business, to the extent the Operating Company operates in a similar manner) could have a material adverse impact on the respective business, financial condition and results of operation of the Operating Company and on the amount of cash available for dividends to Shareholders. By way of example, any successful challenge to a fee, charge, or procedure authorized by a lease form (including an insurance charge), or to a violation by an Operating Company (or a company engaged in a similar business) of any applicable federal, state or provincial law, would be likely to require a change in business practices of the Operating Company that is the subject of such challenge. This could include discontinuing the practice of demanding any payments that are deemed vulnerable to similar challenges with the Operating Companies suffering a loss of previously anticipated revenue as a result. There could also be a significant financial obligation by reason of a settlement or judgment involving the Operating Company, as well as risks pertinent to its loan facilities including acceleration and/or loss of funding availability. Publicity regarding involvement in matters of this type, especially if there is an adverse settlement or finding in the litigation, could result in adverse consequences to an Operating Company's reputation that could, among other things, impair its ability to attract further business. The continuing expansion of class action litigation in U.S. and Canadian court actions has the effect of increasing the scale of potential judgements. Defending such a class action or other major litigation could be costly, divert management's attention and resources and have a material adverse impact on the respective businesses, financial condition and results of operation of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

Interest Rate Fluctuations

The Operating Companies (and, in particular, Pawnee and Lease-Win) are exposed to fluctuations in interest rates under their borrowings. Increases in interest rates (to the extent not mitigated by interest hedging arrangements) may have a material adverse impact on the respective businesses, financial condition and results of operation of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

Pawnee and Lease-Win's leases are written at fixed interest rates and terms. Pawnee and Lease-Win generally finance their activities using both fixed rate funds and floating rate funds. To the extent Pawnee and Lease-Win finance fixed rate leases with floating rate funds, they are exposed to fluctuations in interest rates such that an increase in interest rates could narrow or eliminate the margin between the yield on a lease and the effective interest rate paid by the lessor to finance the lease. If this margin is too narrow or is eliminated it would have a material adverse impact on the respective businesses, financial condition and results of operation of the Operating Companies and on the amount of cash available for dividends to our Shareholders. While Pawnee enters into interest rate swaps to mitigate rate fluctuation risk,

there can be no assurances that these arrangements will be sufficient to fully protect Pawnee against interest rate risks, or that Pawnee will be able to maintain such arrangements on a continuing basis.

Portfolio Delinquencies; Inability to Underwrite Lease Applications

Pawnee's receivables consist primarily of lease receivables originated under leasing programs designed to serve smaller, often owner-operated businesses that have limited access to traditional financing. There is a high degree of risk associated with leasing to such parties. The typical lessee in Pawnee's portfolio is a start-up business that has not established business credit or a more established business that has experienced some business or personal credit difficulty at some time in its history. As a result, such leases entail a relatively higher risk and may be expected to experience higher levels of delinquencies and loss levels. Pawnee cannot guarantee that the delinquency and loss levels of its receivables will correspond to the historical levels Pawnee has experienced on its portfolio and there is a risk that delinquencies and losses could increase significantly.

In addition, since defaulted leases and certain delinquent leases can not be used as collateral under its variable rate financing facilities, higher than anticipated lease defaults and delinquencies could adversely affect Pawnee's liquidity by reducing the amount of funding available to it under these financing arrangements. Furthermore, increased rates of delinquencies or loss levels could result in adverse changes to the terms of future financing arrangements, including increased interest rates payable to lenders and the imposition of more burdensome covenants and increased credit enhancement requirements.

Deterioration in Economic or Business Conditions; Impact of Significant Events and Circumstances

The Operating Companies' operating results may be negatively impacted by various economic factors and business conditions, including the level of economic activity in the markets in which they operate. To the extent that economic activity or business conditions deteriorate, delinquencies and credit losses may increase. Delinquencies and credit losses generally increase during economic slowdowns or recessions. As Pawnee extends credit primarily to small businesses, many of Pawnee's customers may be particularly susceptible to economic slowdowns or recessions such as that currently being experienced in the United States, and may be unable to make scheduled lease payments during these periods. Unfavourable economic conditions may also make it more difficult for Pawnee to maintain new lease origination volumes and the credit quality of new leases at levels previously attained. Unfavourable economic conditions could also increase funding costs or operating cost structures, limit access to credit facilities, securitizations and other capital markets or result in a decision by lenders not to extend further credit. Sherway LP, as the operator of a premium brand, new car dealership, could also be negatively affected by deteriorating economic conditions which result in reduced new car sales. Any of these events would have a material adverse impact on the respective businesses, financial condition and results of operations of Pawnee and on the amount of cash available for dividends to our Shareholders.

In addition, the leasing industry generally may be affected by changes in accounting treatment for leases, and negative publicity with respect to, among other things, fraud or deceptive practices by certain participants in the industry. Greater governmental scrutiny is also a risk, especially as to the tax treatment of certain transaction structures or other aspects of these transactions that, if changed, could result in additional tax, fee or other revenue to that governmental authority. Any of these factors may make leasing less attractive or diminish the profitability of the existing financing alternatives offered by the Operating Companies.

In addition to being impacted by factors or conditions in the United States, political, economic or other significant events or circumstances outside of North America (whether political unrest which impacts upon the prices of oil and other commodities or otherwise) can ultimately significantly impact upon North American economic conditions which, in turn, could result in the adverse implications described in the first paragraph under this heading. Similarly, natural disasters in any relevant place in the world may directly (through impact on supplies of goods or equipment to our businesses) or indirectly impact upon our operations or results.

Losses from Leases

Losses from leases in excess of Pawnee's or Lease-Win's expectations would have a material adverse impact on our businesses, financial condition and results of operations, and on the amount of cash available for dividends to our Shareholders.

Changes in economic conditions, the risk characteristics and composition of the portfolio, bankruptcy laws, and other factors could impact Pawnee's actual and projected net credit losses and the related allowance for credit losses. Should there be a significant change in the above noted factors, then Pawnee and Lease-Win may have to set aside additional reserves which could have a material adverse impact on their respective business, financial condition and results of operations and on the amount of cash available for dividends to our Shareholders.

Determining the appropriate level of the allowance is an inherently uncertain process and therefore the determination of this allowance may prove to be inadequate to cover losses in connection with a portfolio of leases. Factors that could lead to the inadequacy of an allowance for credit losses may include the inability to appropriately underwrite credit risk of new lease originations, effectively manage collections, or anticipate adverse changes in the economy or discrete events adversely affecting specific leasing customers, industries or geographic areas.

Adverse Events or Legal Determinations in Areas with High Geographic Concentrations of Leases

If judicial or other governmental rulings or actions or interpretations of laws adverse to the leasing business in general or to business practices engaged in by Pawnee, or adverse economic conditions or the occurrence of other significant events such as natural disasters and terrorist attacks, were to occur in a geographic region with a high concentration of leases or equipment leased from Pawnee, there could be a material adverse impact on the business, financial condition and results of operation of Pawnee and the amount of cash available for dividends to our Shareholders. As of December 31, 2011, lessees with respect to equipment located in California accounted for approximately 12.2% of Pawnee's leases by number. No other state accounts for more than 10.3% of Pawnee's leases by number.

External Financing

The Operating Companies depend and will continue to depend on the availability of credit (and, for Lease-Win, securitization financing) from external financing sources to continue to finance new leases, refinance existing leases and satisfy their other working capital needs. The Operating Companies may be unable to obtain additional financing on acceptable terms or at all. If any or all of their funding sources become unavailable on acceptable terms or at all, or if any of their credit (or, for Lease-Win, securitization) facilities are not renewed or re-negotiated upon expiration of their terms, the Operating Companies may not have access to the financing necessary to conduct their respective businesses, which would limit their ability to finance their operations and could have a material adverse impact on the respective businesses, financial condition and results of operations of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

Although Pawnee's, Sherway's and Lease-Win's relationships with their lenders are excellent, the current challenges facing financial institutions has resulted in an increased risk that such lenders may elect not to renew these credit facilities for reasons which may be unrelated to Pawnee, Sherway or Lease-Win.

Although the Corporation is providing Case Funding with funds for its initial financing, the long-term success of Case Funding will require that Case Funding obtain external financing on acceptable terms.

"Characterization" Risks

If an applicable court or regulatory authority were to make an adverse finding, or take an adverse action on the basis that one of Pawnee's form of lease is not a true lease for commercial law, tax law, or other legal purposes, the following adverse consequences could result with respect to leases entered into in such form:

- The lessee, rather than Pawnee as lessor, would be considered to be the owner of the leased property (with Pawnee having only a security interest in the leased property), and Pawnee would not have the special rights of a lessor in a bankruptcy proceeding or otherwise that generally entitle a lessor to more speedy remedies and higher recoveries than exist for a mere secured party;
- If Pawnee did not file a financing statement describing the leased property, naming the lessee as a debtor/lessee with respect to the leased property, and otherwise complying with the *Uniform Commercial Code* (which Pawnee does not do for leases with an equipment value of less than US\$15,000; US\$35,000 for “B+” leases) Pawnee would not be recognized as having a security interest in the leased property in the context of a bankruptcy of the lessee or otherwise, and could therefore be precluded from recovering significant amounts on its claim, since unsecured creditors often recover much less than their total claims;
- Such non-true lease could be subject to limitations on finance charges and other fees determined to constitute “interest” under a relevant state’s usury laws, with excess “interest” (and, depending on the state, possibly the entire lease payment) being deemed uncollectible;
- Pawnee could be determined to owe additional federal income tax (and related penalties) as a result of the different inclusions and deductions applicable to income tax payments owed by lessors with respect to true and non-true leases; and
- Pawnee could be determined to owe additional state sales or similar taxes (and related penalties) as a result of timing differences with respect to the payment of sales taxes on true leases versus non-true leases.

Case Funding’s non-recourse plaintiff advances may be re-characterized as loans or determined to be improper fee-splitting, which would adversely affect the collectability of the advances.

Defenses to Enforcement of a Significant Number of Leases

Certain defenses and recovery impediments are more common in micro and small-ticket equipment finance transactions than with respect to equipment finance providers in other segments of the equipment finance industry. Management believes that certain of these risks are sufficiently addressed in Pawnee’s existing lease documentation and related business practices. However, there are other risks that Pawnee has not addressed for various reasons, including that certain of these risks are not susceptible to being addressed either at all, or without incurring cost inefficiencies or taking other measures deemed unacceptable by Pawnee’s management based on a risk-reward assessment. Pawnee has never experienced any material occurrence of these risks nor have these risks historically had a material adverse impact on Pawnee. However, there is no assurance that these risks will not have a material adverse impact on Pawnee’s business, financial condition and results of operations in the future.

If, due to changes in law or adverse judicial or administrative determinations, lease provisions or business practices affecting a material portion of Pawnee’s leases were determined to be unenforceable, illegal, or impracticable, there could be a material adverse effect on the business, financial condition, and results of operations of Pawnee and on the amount of cash available for dividends to our Shareholders. In this regard, successful challenges (a) to enforceability of (i) the leases in general, (ii) finance charges or other portions of lease payments on categories of leases such as non-true leases, or (iii) charges representing significant portions of Pawnee’s revenue, such as insurance surcharges or late fees and termination payments, or (b) to specific collection or other business practices of Pawnee, would be of more concern than challenges to less material portions of the leases or of Pawnee’s business.

Origination, Funding and Administration of Transactions

Pawnee’s origination, funding and transaction administration practices could result in certain vulnerabilities in its enforcement rights. For example, certain of Pawnee’s leases are assignments of transactions already documented by its lease brokers. Acquiring leases by this “indirect” process subjects Pawnee to various risks, including risks that might arise by reason of the broker’s insolvency, administrative inadequacies or fraudulent practices, as well as any third party

claims against the broker or its rights with respect to the assigned lease. Any of these broker related risks can impair Pawnee's rights with respect to recovering the rents and/or leased property under its leases. Pawnee has not been involved in any claims or litigation in relation to such risks and Pawnee does not conduct lien searches in the name of, require lien releases from, or file financing statements against, the lease broker.

If the lessee or broker is the party to whom the vendor of the leased equipment has agreed to sell the leased property at the time of its delivery, then, under applicable commercial law, the lessee or broker, as applicable, may be deemed to have acquired title to the leased property prior to Pawnee's having funded the transaction. It has not been Pawnee's practice to ensure that the title to the leased property has not already passed or to obtain assurances that it is acquiring good title to that property free of liens and other third party claims. The manner in which Pawnee purchases the leased equipment is typical in this market segment, especially with respect to similarly situated equipment financing providers. Pawnee has not yet faced any meaningful challenge or adverse consequence from this practice, but there can be no assurance that such a challenge or consequence will not occur in the future. A majority of Pawnee's portfolio is made up of leases originated by brokers and subsequently assigned to Pawnee. These leases are originated by a large number of brokers and no single broker is responsible for the origination and assignment of more than 19.97% of the leases in Pawnee's portfolio. Accordingly, the occurrence of the foregoing broker related risks could likely have a material impact on the business, financial condition and results of operations of Pawnee and the amount of cash available for dividends to our Shareholders only if the occurrence of such risks were related to a high concentration of leases originated by a single broker or a number of higher volume brokers.

In most circumstances where the leased equipment is less than US\$15,000 (or US\$10,000, if for a home business) for Pawnee's core leasing product and US\$35,000 for the "B+" product, Pawnee's practice of requiring only a verbal confirmation that the leased property has been delivered and irrevocably accepted under the subject lease, and/or inspecting the leased property to confirm the same, could make Pawnee vulnerable to certain defenses. By way of example, Pawnee's deemed failure to deliver conforming property under the lease documents could be a defense to a lessee's "unconditional" obligation to pay the rents and certain other amounts under the related lease. Pawnee has not suffered any material losses relating to these practices, however, there can be no assurance that it would not in the future.

Changes in Governmental Regulations, Licensing and Other Laws and Industry Codes of Practice

Leasing companies are subject to laws and regulations relating to extending financing generally and are also members of industry associations which have adopted, among other things, codes of business practice. Laws, regulations and codes of business practice may be adopted with respect to existing leases or the leasing, marketing, selling, pricing, financing and collections processes, which might increase the costs of compliance of Pawnee and Lease-Win, or require them to alter their respective businesses, strategies or operations in a fashion that could hamper Pawnee's ability to conduct business in the future and which could have a material adverse impact on the business, financial condition and results of operations of Pawnee and the amount of cash available for dividends to our Shareholders.

A change in laws applicable to tort claims may reduce the availability of appropriate cases for Case Funding to underwrite. In addition, the litigation funding industry is relatively new and there is currently little applicable government regulation. New regulation or new licensing or other requirements may ultimately be introduced if determined to be warranted which could impact upon the manner or costs of conducting this business.

State Licensing Requirements

If an applicable court or regulatory authority were to make an adverse finding or otherwise take adverse action with respect to Pawnee or Case Funding based on their failure to have a finance lender's or other license or registration required in the applicable state, Pawnee or Case Funding would have to change business practices and could be subject to financial or other penalties.

Fees, Rates and Charges

Pawnee's lease documents require payment of late payment fees, late charge interest, and other charges either relating to the non-payment, or enforcement of its leases. Case Funding's attorney loans also include similar provisions. It could be determined that these fees and/or the interest rates charged exceed applicable statutory or other legal limits. If

the charges are deemed to be punitive and not compensatory, or to have other attributes that are inconsistent with or in violation of applicable laws, they could be difficult to enforce.

A number of charges payable with respect to lease transactions in the micro and small-ticket equipment finance market have been the subject of litigation by customers against financing parties over the past few years. Insurance non-compliance fees, in particular, have been the subject of recent class action litigation in Alabama and California, a state in which many of Pawnee's lessees are located. Several of these cases have settled with the payment of large sums by the lessors. Many cases involved "force-placed" insurance programs, under which the lessor collected a charge to defray the costs of arranging insurance protection where the lessee failed to do so as required by the lease. Among other things, the lessees alleged that the insurance fees they paid were unreasonably higher than the actual cost of insurance that the lessor arranged or could have arranged and that the lessors did not adequately disclose the risk that the lessee would suffer this additional cost or the fact that the lessor might profit from the insurance charges. Pawnee levies a non-compliance fee of 1% of the equipment cost per month on its lessees who fail to provide timely evidence of insurance to Pawnee or insure the leased equipment. While this surcharge has never been successfully challenged, there can be no assurance that a successful claim may not be brought in the future. Although Pawnee is not currently the subject of any such litigation, there can be no assurance that a lessee or a group of lessees will not attempt to bring a lawsuit against Pawnee in relation to fees and charges, which Pawnee may or may not be successful in defending.

Other litigation to which certain lessors have been subject has focused on late fees and administrative costs, generally based on similar claims of deceptive statements regarding the purpose of the fee, inadequate disclosure and unreasonable amounts. Pawnee has never been and currently is not a party to any such lawsuits claiming that any such provisions are deceptive, do not contain all adequate disclosure which are made in the lease document and by written notice to the lessee before collection or the fees are unreasonable.

Pawnee and Case Funding believe that fee programs are designed and administered so as to comply with legal requirements and are within the range of their company practices in their market segments. Nevertheless, certain attributes of these fees or charges, and Pawnee's practices, including that its leases typically provide for several different fees and charges resulting in a substantial amount of fee income and the possibility that the fees and charges may exceed actual costs involved or may otherwise be deemed excessive, could attract litigation, including class actions, that would be costly even if Pawnee were to prevail and as to which no assurance can be given of Pawnee's successful defense. In addition to the risk of litigation, fee income is important to Pawnee and the failure of Pawnee to continue to collect most or all of these fees could have a material adverse impact on the business, financial condition and results of operations of Pawnee and on the amount of cash available for dividends to our Shareholders.

Possible Acquisitions

The growth strategy for the Corporation includes seeking out acquisitions in the financial services industries. Acquisitions by the Corporation, if they occur, may increase the size of the operations as well as increase the amount of indebtedness that may have to be serviced by the Corporation and its subsidiaries. There is no assurance that such acquisitions can be made on satisfactory terms, or at all. The successful integration and management of acquired businesses involve numerous risks that could adversely affect the growth and profitability of the Corporation and its subsidiaries, including: (i) the risk that management may not be able to successfully manage the acquired operations and that the integration may place significant demands on management, diverting their attention from existing operations; (ii) the risk that existing operational, financial and management systems may be incompatible with or inadequate to effectively integrate and manage acquired systems; (iii) the risk that acquisitions may require substantial financial resources that otherwise could be used in the development of other aspects of the business; (iv) the risk that acquisitions may result in liabilities and contingencies, that could be significant to the operations of the Operating Companies; (v) the risk that personnel from the acquisitions and the existing business may not be able to work together successfully; and (vi) the risk that the acquisition may not be accretive to the Corporation, which could affect the operation of the businesses of the Operating Companies. There is no assurance that such acquisitions (including Case Funding) will be successfully integrated, and the failure to do so could have a material adverse impact on the respective businesses, financial condition and results of operations of the Operating Companies and the amount of cash available for dividends to our Shareholders.

Insurance

Each lease requires that the lessee maintain insurance covering a loss of, or physical damage to, the related equipment or vehicle in an amount that, if paid pursuant to a total loss, is intended to allow the lessor to recover its investment in the leased property suffering that loss. It is the lessee's responsibility to purchase insurance for the leased equipment and Pawnee's lease documents state that Pawnee will not purchase insurance or replacement insurance. Additionally, Pawnee's lease documents state that any charges or fees payable for the lessee's failure to purchase insurance do not constitute insurance.

To ensure that the lessor of the item of leased property suffering a loss receives the related insurance proceeds, the lease also requires that the lessor be named as a loss payee under the requisite casualty coverage. However, each lessee is ultimately relied upon to obtain and maintain the required coverage for leased equipment but there is no certainty that they will obtain the requisite coverage either conforming to the requirements of the lease, or at all. Additionally, there are often policy provisions including exclusions, deductibles and other conditions that by their terms, or by reason of a breach, could limit, delay or deny coverage. There can be no assurance that any insurance will protect the Operating Companies' interest in the equipment, and the failure by the lessee to obtain insurance or the failure by the Operating Companies to receive the proceeds from such insurance policies could have a material adverse impact on the business, financial condition and results of operations of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

The casualty insurance requirements under the lease may not be a reliable source for Pawnee to recover its investment if the leased property is either damaged and not repaired by the lessee or suffers a casualty.

Lessor Liability

There is a risk that a lessor, such as Pawnee or Lease-Win, could be deemed liable for harm to persons or property in connection with, among other things, the ownership or leasing of the leased property, or the conduct or responsibilities of the parties to the lease relating to that property. The liability may be contractual (such as warranties regarding the equipment), statutory such as federal, state or provincial environmental liability or pursuant to various legal theories (such as negligence). There have been cases in which a lessor has been held responsible for damage caused by leased property without a showing of negligence or wrong-doing on the lessor's part. Even if a lessor ultimately succeeds in defending itself or settling any related litigation, the related costs and any settlement amount could be significant, which could have a material adverse impact on the business, financial condition and results of operations of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

There may be certain defenses and safe harbors available to avoid significant liability. Also, like most equipment finance providers, Pawnee takes certain precautions so as to limit the likelihood that it will be forced to pay the costs to litigate any such claims, or pay out of its own funds a large settlement or award. However, some risk of exposure to these liability claims may not be susceptible to being addressed by practical means after taking into account Pawnee's other business purposes, and other considerations, including its use of short form lease documents and its acceptance of a risk fee if the lessee fails to obtain adequate liability insurance.

For example, the owner of a motor vehicle is said to be vicariously responsible for damages as a result of injury, if any, in the event of an accident by one of its lessees in which the fault was deemed to be that of the lessee. An Ontario court recently confirmed an out-of court settlement of a vicarious liability claim for personal injury against the insurer of a vehicle lessor for almost \$13 million – believed to be one of the largest personal injury settlements in Canadian history. There is now a limit to vicarious liability in Ontario and some other provinces and states. For example, recent amendments to the law in Ontario limit the vicarious liability of a leasing or rental company with respect to liability claims for bodily injury or death arising out of the use of a leased or rented vehicle to a cap (generally \$1 million, subject to reduction). Pawnee and Lease-Win carry insurance to protect themselves against such occurrence, however the amount of damages could potentially exceed their respective insurance coverage and each of Pawnee and Lease-Win may be found to be liable in certain circumstances as owner of the equipment. The United States recently enacted a law purporting to pre-empt state motor vehicle vicarious liability laws but this statute has not been construed by the courts and contains exceptions that might apply to Pawnee's leases and as such any vicarious liability of Pawnee would remain unaffected.

Liability for Misuse of Leased Equipment

There is no practical manner to ensure that leased equipment or a leased vehicle will be used, maintained or caused to comply with applicable law. Pawnee requires its lessees to deliver evidence of compliance with same as a condition to funding but has no assurance (and Lease-Win has no assurance) that a lessee will take the appropriate actions during the lease term to address any use, maintenance or compliance issues which may arise. A lessee's conduct (or lack thereof) could subject Pawnee or Lease-Win, as applicable, to liability to third parties, which could have a material adverse impact on the business, financial condition and results of operations of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

Estimates Relating to Value of Leases

Based on the particular terms of a lease, leasing companies estimate the residual value of the financed equipment or vehicle, which is recorded as an asset on its statement of financial position. At the end of the lease term, leasing companies seek to realize the recorded residual for the equipment or vehicle by selling the equipment or vehicle to the lessee or in the secondary market or through renewal of the lease by the lessee. The ultimate realization of the recorded residual values depends on numerous factors, including: accurate initial estimate of the residual value; the general market conditions and interest rate environment at the time of expiration of the lease; the cost of comparable new equipment or vehicle; the obsolescence of the leased equipment or vehicle; any unusual or excessive wear and tear on or damage to the equipment or vehicle; and the effect of any additional or amended government regulations.

With respect to Lease-Win, the ultimate realization on the recorded residual value also depends on the speed of prepayment, which is generally correlated with the movement of market interest rates. As market interest rates decline, for example, there is a corresponding increase in actual and expected borrower prepayments as customers refinance existing leases under more favourable interest rate terms. In turn, this reduces the anticipated cash flows from the residual interests. Prepayment rates are estimated using Lease-Win's historical experience.

If Pawnee or Lease-Win (in connection with those leases where the lessee is not obligated to either purchase the equipment or guarantee the residual value of the equipment at the end of the term of the lease) is unable to accurately estimate or realize the residual values of the leased equipment or vehicles subject to their leases, the amount of recorded assets on its statement of financial position will have been overstated.

Competition from Alternative Sources of Equipment Financing

The business of micro and small-ticket equipment finance in the United States is highly fragmented and competitive. Pawnee focuses its business on the segment of the micro and small-ticket equipment finance market involving start-up businesses that have not established business credit or established businesses that have experienced some credit difficulty in their history that do not meet the credit standards of more traditional financing sources. Pawnee's main competition comes from leasing companies, home equity loans, and credit cards.

If Pawnee expands its suite of products to target potential lessees with higher credit scores or if the creditworthiness of its potential customers increases for various external reasons, it can expect to face competition from more traditional financing sources as well, including: national, regional and local finance companies; captive finance and equipment finance companies affiliated with major equipment manufacturers; and financial services companies, such as commercial banks, thrifts and credit unions.

Many of the firms and institutions providing financing alternatives are substantially larger than Pawnee and have considerably greater financial, technical and marketing resources. Some of them may have a lower cost of funds and access to funding sources that are unavailable to Pawnee. A lower cost of funds could enable a competitor to offer leases with pricing lower than that of Pawnee, potentially forcing Pawnee to decrease its prices or lose origination volume. In addition, some financing sources may have higher risk tolerances or different risk assessments, which could allow them to establish more origination sources and customer relationships to increase their market share.

Further, because there are fewer barriers to entry with respect to the micro and small-ticket leasing market, new competitors could enter this market at any time, especially if an improvement in the economy leads to a greater ability of

small businesses to establish improved levels of creditworthiness. For example, firms and institutions that typically provide financing for large-ticket or mid-ticket transactions, which generally require higher levels of creditworthiness, could begin competing with Pawnee on micro and small-ticket leases. Also, due to the already large number of diverse financing alternatives for customers with higher creditworthiness, it may be difficult for Pawnee to develop additional products to attract customers with whom it has not historically done business. Because of all these competitive factors, Pawnee may be unable to sustain its operations at its current levels or generate growth in revenues or operating income, which could have a material adverse impact on the business, financial condition and results of operations and on the amount of cash available for dividends to our Shareholders.

Similarly, competition from a variety of other litigation funding sources may result in a decrease in demand for Case Funding's financing products.

Fraud by Lessees, Vendors or Brokers

While Pawnee makes every effort to verify the accuracy of information provided to it when making a decision whether to underwrite a lease and has implemented systems and controls to protect itself against fraud, in a small number of cases in the past Pawnee has been a victim of fraud by lessees, vendors and brokers where any one of the following events have occurred: (i) a signature has been forged or the lease is not with the properly documented entity; (ii) the equipment is purported to be new, but is used; (iii) Pawnee believes the equipment exists, but in fact it does not; (iv) not all of the lessees have been identified or the actual lessees have not executed the lease documentation; (v) the lessee has sold the equipment and ceases to make payments; (vi) the equipment has been moved from the location that Pawnee believes it to be; (vii) the equipment was included in a sale of the business to an unsuspecting or sometimes a conspiring, buyer; (viii) the soft costs are hidden in the cost of the equipment where, if known, would greatly exceed the soft cost allowance set out in the Pawnee's broker guidelines; or (ix) titled equipment has not been properly documented. Further, there are other incidents of fraud in broker transactions which to date Pawnee has not experienced. These include: (i) the broker funding the lease transaction with more than one finance company; (ii) the selling of equipment where there is no lessee; or (iii) the equipment being delivered is substantially different from that included in the lease. In cases of fraud, it is difficult and often unlikely that Pawnee will be able to collect amounts owing under a lease or repossess the related equipment. Increased rates of fraud could have a material adverse impact on the business, financial condition and results of operations of Pawnee and on the amount of cash available for dividends to our Shareholders.

Case Funding may face similar risks with respect to information provided to it by attorneys, plaintiffs, and medical facilities from which Case Funding purchases medical liens.

Protection of Intellectual Property

Pawnee continually develops and improves its brand recognition, which has been an important factor in maintaining its competitive position. No assurance can be given that others will not independently develop substantially similar branding. Despite Pawnee's efforts to protect its proprietary rights, unauthorized parties may attempt to obtain and use information that Pawnee regards as proprietary. Stopping unauthorized use of Pawnee's proprietary rights may be difficult, time-consuming and costly. There can be no assurance that Pawnee will be successful in protecting its proprietary rights.

Case Funding faces similar risks with respect to its brand.

Uncertainty of Outcome of Cases

The returns on loans, medical liens and/or advances made by Case Funding, and thus the returns for Chesswood, depend on litigation outcomes in the form of judgments or settlements. Litigation of individual cases entails a large degree of uncertainty, including the legal liability of the defendant, the level of actual or perceived damages assessed by a judge or a jury, the ability of the defendant, or the defendant's insurance company, to pay a settlement or judgment, the abilities of plaintiff's counsel, the assessment of fault and causation, the legal nature of the claim, and the amount of monetary damages ultimately awarded. It is also possible that a claimant may die or abandon his or her case, that the lawyer may abandon the plaintiff's case, or that the defendant, the law firm, or the defendant's insurance carrier may declare bankruptcy. Case Funding is also reliant on the capabilities of the attorneys handling the cases in which it

provides funding to effectively litigate claims with due skill and care. If an attorney fails to perform his or her duties effectively, the outcome of the case could be negatively impacted, which could have a material adverse effect on Case Funding's level of returns. Any negative event, including but not limited to those described above, may prevent Case Funding from realizing expected returns. While Case Funding undertakes to review the capabilities, experience and track records of the attorneys litigating cases it is considering for its loans, there is no guarantee that the actual outcome of a case will be in line with the expected outcome of that case, and Case Funding will not have any right to control, influence or manage the litigation or settlement of a case. Although Case Funding will seek to weigh such uncertainties in the due diligence conducted before making a funding decision, and intends to reduce risk by funding in a broad array of cases, there can be no assurance that the outcome of any given litigated claim or basket of claims can be predicted, whether or not the probabilities were correctly assessed by Case Funding.

Uncertainty in the Timing of Litigation Settlements and Awards

The nature of litigation recoveries, including the timing and amounts recovered, are outside the control of Case Funding. Individual claims may be resolved over drastically varying times: for example, as short as one month, or longer than three years. Case Funding will be required to wait for an indeterminate period of time after an advance/loan is made to fully collect money from judgment recoveries. Once an advance/loan made, the collection cycle is out of Case Funding's control. Therefore, there is no assurance as to collection times, and collections will likely be irregular. Also, there is no guarantee that Case Funding will be able to achieve results that will permit it to generate any particular rates of return in any given period. Case Funding may experience significant fluctuations in its operating results and cash flows from period to period due to a number of factors, including the changes in value of the advances/loans that it makes, and the collection and recognition of recoveries of its loans and returns. This may affect the amount of funds available each quarter for dividend payments.

Case Funding May Have Difficulty Collecting on its Investments

If plaintiffs or law firms to which Case Funding has loaned funds do not pay Case Funding pursuant to the terms of the loans/advances made, Case Funding may be required to pursue costly legal actions to collect. It is also possible that a plaintiff's attorney or a law firm may attempt to renegotiate the ultimate amount owed to Case Funding. In these cases, Case Funding may accept a smaller return than anticipated in order to accommodate and maintain business relationships or avoid litigation. In either event, the failure of Case Funding to collect or the necessity of legal action to collect could ultimately harm or reduce the potential cash flow.

Limited Underwriting Experience of, or Underwriting Errors by, Case Funding

Case Funding has a limited history of precedents upon which to base its case evaluation. While the Corporation believes that Case Funding's management and underwriters have the experience to evaluate plaintiffs, cases, and law firms, Case Funding itself is a new entity and thus has no history in underwriting upon which shareholders may rely. There is no guarantee that Case Funding will be able to successfully assess the merits of all cases in which it provides funding, which, in turn, could adversely affect the financial results and cash flows of the business and/or the Corporation.

Case Funding may fail to correctly apply its own underwriting standards to a loan and/or advance, or may fail to account for or identify a material risk factor which could impact the success or value of a loan and/or advance hereby impacting the value of the Company's interests in such a loan and/or an advance.

Case Funding may be Unable to Obtain Key Information about Cases

Case Funding's need for information about a case during its due diligence review may potentially result in an adverse outcome on the examined case. In general, communications between a client and the client's attorney are privileged. However, Case Funding requires certain information to assess the case. Case Funding keeps such information and communications confidential, but a court may determine that the disclosure of such communications to Case Funding amounts to a waiver by the client of the privilege attached to such information or documents. If this were to occur, the defendant may have the right to discover such communications and use them against the plaintiff in the course of the lawsuit. Alternatively, the prospect of a waiver of privilege may cause the plaintiff or the plaintiff's attorney to withhold key information about the case from Case Funding in order to preserve the privilege. Therefore, the inability of

Case Funding to obtain the information it needs to assess the case, or the possibility that privileged information could be discoverable by the defendants and used against the plaintiff, may increase the likelihood of negative outcomes on a loan and/or advance in that case.

Ethics and Legal Restrictions Vary by State

There have traditionally been legal and professional ethics restrictions on litigation financing in the United States. These include the general prohibition from purchasing claims from plaintiffs (known as maintenance, as well as a form of maintenance called champerty), restrictions on assignment of certain kinds of claims, and ethical restrictions on participating in a lawyer's contingent fee interests (including ethical rules against sharing fees with non-lawyers). Maintenance prohibits the maintaining, supporting, promoting or assisting of another person's lawsuit, with money or otherwise. Champerty makes it illegal for a stranger to acquire a party's right to sue. Different states impose rules regarding champerty. If Case Funding were to be found in violation of a state's maintenance or champerty laws it could have a material adverse effect on the results of its loans and/or advances. Courts in any or all of the jurisdictions in which the loans and/or advances are made may conclude that Case Funding's loans and/or advances constitute "champerty" or "maintenance."

Such a conclusion could make agreements with plaintiffs voidable, subject to fines or other sanctions, or otherwise negatively impact results. Due to these and similar rules, a number of states will not permit loans and/or advances like those Case Funding would typically make, and therefore Case Funding is limited in which states it may make loans and/or advances, which reduces the available funding opportunities. In other states, the funding of legal claims has not been considered by the courts or ethics authorities, nor specifically addressed by statute. In these situations, Case Funding may rely only on its own analysis as to the legality of loans and/or advances in these jurisdictions. Regardless of its analysis as to such legality, in jurisdictions where no legal or ethical guidance is available, Case Funding's loans and/or advances may be open to challenge, a reduction in value, or even cancellation, which would adversely impact financial results and the cash flow.

United States federal or state governmental bodies may enact laws limiting the rights of injured victims to sue or be compensated under some or all circumstances. Any such action could substantially limit or prevent entirely future funding opportunities for Case Funding. Changes in law or ethical rules in jurisdictions where restrictions on the types of loans and/or advances made by Case Funding currently do not apply could further reduce or limit opportunities for Case Funding to make loans and/or advances, or could result in the diminution or elimination of the value of the loans and/or advances already made by Case Funding in those jurisdictions.

Evaluation and Disclosure of Cases and Case Performance

Details of actual cases that Case Funding has funded in or intends to fund in will not be disclosed on a named basis to Shareholders, and in any event not all information relevant to the evaluation of any case will be permitted by law or professional ethics codes of conduct to be made available to Case Funding or the Shareholders. In particular, any sharing with Case Funding or the Shareholders of confidential information protected by attorney-client privilege or by attorney work-product doctrine could waive all protection of that information. Such waiver could severely damage the value of the underlying claim by giving the opponent access to sensitive information. Any agreement to share with Shareholders any information and evidence related to the case could preclude the plaintiff from entering into confidentiality agreements with co-plaintiffs in the same matter. Such sharing could also make discovery from the adverse party problematical as most discovery is covered by court-issued protective orders that ensure the confidentiality of all parties. A breach of a protective order could subject a party to serious sanctions that would impact the value of the underlying claim. In some instances, case settlements and case prospects will be confidential and/or subject to lawyer-client privilege. Accordingly, Shareholders will not have an opportunity to evaluate for themselves cases in which Case Funding intends to or does fund, and therefore Shareholders will be dependent upon the judgment and ability of Case Funding. The valuation of each potential loan or advance will be subject to policies adopted by Case Funding and may not reflect the actual financial prospects of such loan or advance at any given time.

Concentration Risk

Certain loans may represent a significant proportion of the Case Funding's total assets, especially in the earlier stages of its operations. As a result, the impact on Case Funding's performance and the potential returns will be more

adversely affected if any one of those loans were to perform badly, than would be the case if the Case Funding's portfolio of loans were more diversified.

Failure of Computer and Data Processing Systems

The Operating Companies are dependent upon the successful and uninterrupted functioning of their computer and data processing systems. The failure of these systems could interrupt operations or materially impact Pawnee's and Lease-Win's ability to originate and service their lease portfolios and (in the case of Pawnee) broker networks. If sustained or repeated, a system failure could negatively affect the operations of Pawnee and Lease-Win. Pawnee and Lease-Win maintain confidential information regarding lessees in their computer systems. This infrastructure may be subject to physical break-ins, computer viruses, programming errors, attacks by third parties or similar disruptive problems. A security breach of computer systems could disrupt operations, damage reputation, result in liability and could have a material adverse impact on the respective businesses, financial condition and results of operation of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

Competition in the Automobile Retailing Industry

The automotive retailing industry is competitive. In large metropolitan areas, consumers have a number of choices in deciding where to purchase a new or used vehicle and where to have such vehicle serviced.

In the new vehicle area, dealerships compete with other franchised dealers in their marketing areas. The Acura Sherway Dealership does not have any cost advantage in purchasing new vehicles from manufacturers, and typically relies on advertising and merchandising, sales expertise, service reputation and location of its dealership to sell new vehicles. In recent years, automobile dealers have also faced increased competition in the sale or lease of new vehicles from independent leasing companies and on-line purchasing services.

In used vehicles, dealerships compete with other franchised dealers, independent used car dealers, automobile rental agencies, private parties and used car "superstores" for supply and resale of used vehicles.

Management believes that the principal competitive factors in vehicle sales are the marketing campaigns conducted by the manufacturers, the ability of dealerships to offer a wide selection of the most popular vehicles, the location of dealerships and the quality of customer service. Other competitive factors include customer preference for particular brands of automobiles, pricing (including manufacturer rebates and other special offers) and warranties. Management believes that the Acura Sherway dealership is competitive in all of these areas.

In service, dealerships compete with other franchised dealers to perform warranty repairs and against other automobile dealers, franchised and independent service centre chains and independent garages for non-warranty repair and routine maintenance business. Dealerships compete with other automobile dealers, service stores and auto parts retailers in their parts operations. Management believes that the principal competitive factors in parts and service sales are price, the use of factory approved replacement parts, the familiarity with a manufacturer's brands and models and the quality of customer service. A number of regional or national chains offer selected parts and services at prices that may be lower than the dealership prices.

By reducing its relative share in the areas Acura Sherway serves, the above competitive forces could have a material adverse impact on the business, financial condition and results of operations of the Acura Sherway dealership and on the amount of cash available for dividends to our Shareholders.

Manufacturers' Control over Dealerships and the Acura Framework Agreement

Automobile dealerships operate pursuant to dealer agreements with automobile manufacturers. Through the terms and conditions of these dealer agreements, automobile manufacturers exert considerable influence over the operations of dealerships. These dealer agreements generally include provisions for the termination or non-renewal of the manufacturer-dealer relationship for a variety of causes. In connection with a change of ownership or management of a dealership, prior approval of the applicable vehicle manufacturer may be required under the dealer agreement.

Prior approval of the relevant vehicle manufacturer is required with respect to acquisitions of automobile dealerships, and a manufacturer may deny an application to make an acquisition or seek to impose further restrictions as a condition to granting approval for an acquisition. Informal policies of certain manufacturers may make it more difficult to acquire automotive dealerships for certain brands. To date, management has entered into agreements with respect to, among other things, the terms and provisions relating to acquisitions of Honda and Acura dealerships.

The success of an automobile dealership is highly dependent upon the overall success of the line of vehicles that each dealership sells. Sherway LP's business is affected to varying degrees by the demand for its manufacturers' vehicles, and by the financial condition, management, marketing, production and distribution capabilities of such manufacturers. In addition, the timing, structure and amount of manufacturer incentives may impact the timing and profitability of sales transactions. Events such as labour disputes and other production disruptions that may adversely affect a manufacturer may also adversely affect Sherway LP. Similarly, the delivery of vehicles from manufacturers later than scheduled or diminished availability to Sherway LP of popular makes, models and/or accessories, which may occur particularly during periods of new product introductions, can lead to reduced sales during such periods. Moreover, any event that causes adverse publicity involving such manufacturers may have an adverse effect on Sherway LP. Any of these events could have a material adverse impact on the business, financial condition and results of operations and on the amount of cash available for dividends to our Shareholders.

Security Risks

Despite implementation of network security measures similar to most other on-line e-commerce sites, the infrastructure of the cars4U.com website and the Corporation's management network is potentially vulnerable to computer break-ins and similar disruptive problems.

Cyclical and Seasonality

Sales of motor vehicles, particularly new vehicles, historically have been subject to cyclical and seasonal variations. Management believes that the industry is affected by many factors, including general economic conditions, consumer confidence, and the level of personal discretionary spending, interest rates and credit availability. There can be no assurance that the industry will not experience sustained periods of decline in vehicle sales, particularly new vehicle sales, in the future.

Imported Products

A significant portion of the new vehicle business of the Sherway LP dealership involves the sale of vehicles, parts or vehicles composed of parts that are manufactured outside North America. As a result, the operations of the Sherway LP dealership are subject to customary risks of selling imported merchandise, including fluctuations in the value of currencies, changes in import duties, exchange controls, trade restrictions, work stoppages and general political and economic conditions in foreign countries. Canada, the United States, or the countries from which Sherway LP's products are imported may, from time to time, impose new quotas, duties, tariffs or other restrictions or adjust presently prevailing quotas, duties or tariffs, which could affect the operations of the Sherway LP dealership and its ability to purchase imported vehicles and/or parts which could have a material adverse impact on the business, financial condition and results of operations of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

The implications of the recent earthquake in Japan (whether in terms of supply of cars and parts to our Acura dealership or otherwise) are not yet determinable.

Environmental Matters

Sherway LP is subject to a wide range of federal, provincial and local environmental laws and regulations, including those governing discharges to the air and water, the storage of petroleum substances and chemicals, the handling and disposal of wastes and the remediation of contamination arising from spills and releases. As with automobile dealerships generally, and parts, service and collision service centre operations in particular, Sherway LP's business involves the generation, use, handling and disposal of hazardous or toxic substances or wastes.

Operations involving the management of hazardous and non-hazardous wastes are subject to the requirements of federal and comparable provincial statutes. Pursuant to these laws, federal and provincial environmental agencies have established approved methods for storage, treatment and disposal of regulated wastes with which Sherway LP must comply.

Sherway LP's business also involves the use of above ground storage tanks. Under applicable laws and regulations, Sherway LP is responsible for the proper use, maintenance and abandonment of regulated storage tanks owned or operated by it and for the remediation of subsurface soils and ground water impacted by releases from such existing or abandoned above ground or underground storage tanks. Sherway LP is also subject to laws and regulations governing remediation of contamination at facilities it operates or to which it sends hazardous or toxic substances or wastes for treatment, recycling or disposal.

Environmental laws and regulations have become very complex and it has become very difficult for businesses that routinely handle hazardous and non-hazardous wastes to achieve and maintain full compliance with all applicable environmental laws. From time to time, Sherway LP can be expected to experience incidents and encounter conditions that will not be in compliance with environmental laws and regulations.

However, Sherway LP has not been subject to any material environmental liabilities in the past and it is not anticipated that any material environmental liabilities will be incurred by it in the future. In addition, to minimize the risk of environmental liability related to acquired dealerships, Sherway LP intends to obtain environmental studies on such dealerships as a condition to their acquisition.

Environmental laws and regulations and their interpretation and enforcement are changed frequently and the trend of more expansive and stricter environmental legislation and regulations is likely to continue. Hence, there can be no assurance that compliance with environmental laws or regulations or the future discovery of unknown environmental conditions will not require additional expenditures or that such expenditures would not be material which could have a material adverse impact on the business, financial condition and results of operations of Sherway LP and on the amount of cash available for dividends to our Shareholders.

Risks Related to the Structure of the Corporation and Exchange Rate

Fluctuations

The dividends expected to be paid to our Shareholders will be denominated in Canadian dollars, however, a significant percentage of the revenues of the Corporation are expected to be derived from the revenues of Pawnee (and Case Funding), which are in U.S. dollars. Changes in the value of the U.S. dollar could have a negative impact on the amount in Canadian dollars available for dividends to our Shareholders.

Unpredictability and Volatility of Share Price

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

Leverage, Restrictive Covenants

Pawnee, Lease-Win and Sherway LP have third party debt service obligations under their respective credit facilities. The degree to which Subsidiaries of the Corporation are leveraged could have important consequences to our Shareholders, including: (i) the ability of such subsidiaries to obtain additional financing for working capital in the future may be limited; (ii) a portion of the cash flow from the assets of such subsidiaries may be dedicated to the payment of

the principal of, and interest on, their respective indebtedness, thereby reducing funds available for distribution to the Corporation; and (iii) certain of the respective borrowings of such subsidiaries will be at variable rates of interest, which will expose them to the risk of increased interest rates. The ability of such subsidiaries to make scheduled payments of the principal of or interest on, or to refinance, their indebtedness will depend on their future cash flow, which is subject to their respective assets prevailing economic conditions, prevailing interest rate levels, and financial, competitive, business and other factors, many of which are beyond their control.

The Pawnee Credit Agreement and the credit facilities for Lease-Win and Sherway LP contain numerous restrictive covenants that limit the decision of management with respect to certain business matters. These covenants place significant restrictions on, among other things, the ability of the Operating Companies to create liens or other encumbrances, to pay distributions or to make certain other payments, investments, loans and guarantees and to sell or otherwise dispose of assets and merge or consolidate with another entity. In addition, the Pawnee Credit Agreement and the credit facilities for Lease-Win and Sherway LP contain financial covenants that require the Operating Companies to meet certain financial ratios and financial condition tests. A failure to comply with the obligations in Operating Companies' respective credit facilities could result in a default which, if not cured or waived, could permit acceleration of relevant indebtedness and could result in termination of distributions by the Operating Companies and, in turn, result in termination of dividends by the Corporation to our Shareholders. If any of the Operating Companies' indebtedness were to be accelerated, there can be no assurance that the assets of the Operating Companies would be sufficient to repay in full that indebtedness and the Operating Companies would not be able to fund any new leases. Such a default and the acceleration of the indebtedness would have a material adverse effect on the business, financial condition and results of operations of the Operating Companies and on the amount of cash available for dividends to our Shareholders.

Structural Subordination of the Common Shares

In the event of a bankruptcy, liquidation or reorganization of Holdco, U.S. Acquisitionco, or any of its Subsidiaries, holders of certain of their indebtedness and certain trade creditors will generally be entitled to payment of their claims from the assets of Holdco and U.S. Acquisitionco and those Subsidiaries before any assets are made available for distribution to Holding LP and, in turn, the Corporation. The Common Shares are effectively subordinated to most of the indebtedness and other liabilities of the Corporation Entities. None of the Corporation Entities is limited in its ability to incur secured or unsecured indebtedness.

Capital Investment

The timing and amount of capital expenditures by the Corporation Entities will directly affect the amount of cash available for dividends by the Corporation.

Restrictions on Potential Growth

The payout by Operating Companies of a significant portion of their earnings available for distribution will make additional capital and operating expenditures dependent upon increased cash flow or additional financing in the future. Lack of those funds could limit the future growth of the Operating Companies and their cash flow.

United States Income Tax Matters

There can be no assurance that U.S. federal income tax laws and administrative policies will not develop or be changed in a manner that adversely affects our Shareholders.

Subject to the "earnings stripping" rules and other restrictions on deductibility of interest, U.S. Acquisitionco treated the Subordinated Acquisitionco Debt as debt for all purposes, and claimed interest deductions with respect to the Subordinated Acquisitionco Debt in computing its income for U.S. federal income tax purposes. There is a risk that the U.S. Internal Revenue Service (the "IRS") could successfully argue that the Subordinated Acquisitionco Debt should have been treated as equity rather than debt for U.S. federal income tax purposes, in which case the otherwise deductible interest on such indebtedness would be treated as non-deductible dividends (and potentially subject to a dividend withholding tax).

A successful challenge of this position would increase the U.S. federal income tax liability of U.S. Acquisitionco, due to the absence of tax deductions for interest payments. Together with the possible dividend withholding tax on such payments, the amount of after-tax cash generated that would otherwise be available to make payments on the Subordinated Acquisitionco Debt and distributions to the Canadian subsidiary of the Corporation which is a shareholder of U.S. Acquisitionco would be reduced, thereby having an adverse effect on the cash flow of the Corporation available for dividends to our Shareholders.

Even if the Subordinated Acquisitionco Debt is respected as debt for U.S. federal income tax purposes, there is a risk that the IRS may challenge the interest rate on such indebtedness as having been in excess of an arm's length rate. If the IRS were successful in challenging the interest rate, U.S. Acquisitionco would not be able to fully deduct interest paid on such indebtedness, and a dividend withholding tax may result, both of which could increase the U.S. federal income tax liability and thereby reduce cash flow of the Corporation available for distribution to our Shareholders.

Other limitations on the deductibility of interest under U.S. federal income tax laws, potentially including limitations applicable to certain high-yield debt obligations, could have applied under certain circumstances to defer and/or eliminate all or a portion of the interest deduction that U.S. Acquisitionco has otherwise entitled to with respect to interest on such indebtedness. Furthermore, if the payment were recharacterized as a dividend, the imposition of a dividend withholding tax with respect to the payments coupled with the increased U.S. federal income tax liability of U.S. Acquisitionco would reduce the cash flow of the Corporation available for dividends to our Shareholders.

There is a risk that the "portfolio interest exemption" may not be available to any of the Corporation's non-U.S. Shareholders. If that occurs, U.S. withholding tax at a rate of 30% (subject to possible reduction to 10% under the Canada - U.S. tax treaty) may be imposed on interest payments on the Subordinated Acquisitionco Debt, and thus the cash flow of the Corporation available for dividends to our Shareholders may be adversely affected. U.S. Acquisitionco has taken the position that the "portfolio interest exemption" should apply for those non-U.S. Shareholders who meet certain ownership, identity and certification requirements, provided that the Corporation is classified as a partnership for U.S. federal income tax purposes (and as long as it meets the "qualifying income exception" to the U.S. publicly traded partnership rules). U.S. Acquisitionco has received an opinion from U.S. tax counsel that the portfolio interest exemption should apply to non-U.S. Shareholders. There is limited, non-binding IRS authority that the 10% threshold should be determined at the Shareholder level, not at the Corporation level, which generally would allow for the portfolio interest exemption to apply. There can be no certainty, however, that the IRS will not take a contrary position. Furthermore, Treasury or the U.S. Congress may enact regulations or legislation, respectively, that supersede this position. If the portfolio interest exemption did not apply, U.S. withholding tax would arise on the interest payments made to the Corporation that are attributable to non-U.S. Shareholders. This would have an adverse effect on the cash flow of the Corporation available for dividends to our Shareholders.

Although the burden of the U.S. tax liability would fall ultimately upon the non-U.S. Shareholder that does not qualify for the portfolio interest exemption, the obligation to withholding the U.S. taxes due would fall on U.S. Acquisitionco. U.S. Acquisitionco is not anticipating the imposition of any withholding obligation provided that the ownership, identity and certification requirements are met, and is not establishing any reserves or hold-backs to fund any such obligation. If the IRS were to seek collection of unpaid withholding taxes from U.S. Acquisitionco, U.S. Acquisitionco may also be subject to interest and penalties, which would reduce the available cash flow for all our Shareholders.

U.S. Acquisitionco has not established any procedure for monitoring the level of investment of non-U.S. Shareholders, so its assumption that individual non-U.S. Shareholders will hold less than 10% of the stock of U.S. Acquisitionco (after the application of U.S. attribution rules) is based solely upon its observations of patterns of trading in similar Canadian investment funds.

It is possible that new U.S. "corporate inversion" tax rules could apply to U.S. Acquisitionco's acquisition of Pawnee. If these rules were to apply, they could prevent certain types of income of Pawnee from being offset by certain tax attributes such as loss carryforwards. However, because it is not anticipated that Pawnee will have significant amounts of the types of income that are subject to these rules, the potential adverse effect of these rules should not be significant.

This discussion does not deal with all aspects of U.S. federal taxation that may be relevant to non-U.S. Shareholders including, without limitation, non-U.S. Shareholders subject to special treatment under the U.S. federal

income tax laws, non-U.S. Shareholders who are engaged in a U.S. trade or business or who have relinquished U.S. citizenship or ceased to be treated as U.S. resident aliens. It also does not address U.S. state, local, gift, estate or alternative minimum tax issues. Each person should seek advice based on the person's particular circumstances from an independent tax advisor.

DISTRIBUTIONS AND DIVIDENDS

The distributions declared per Unit from January 1, 2009 to December 31, 2009 was \$0.33 (being a monthly rate of \$0.025 per Unit for the first six months of the year and a monthly rate of \$0.030 per Unit for the final six months of the year). The distributions declared per Unit from January 1, 2010 to December 31, 2010 was \$0.465 (being a monthly rate of \$0.035 per Unit for the first six months of the year, a monthly rate of \$0.040 per Unit for the next three months of the year, and a monthly rate of \$0.045 for the last three months of the year). The dividends declared per Common Share from January 1, 2011 to December 31, 2011 was \$0.60.

Cautionary Note Regarding Future Dividends

The amount of any dividends payable by the Corporation will be at the discretion of the board of Directors, will be evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, the Corporation's earnings, financial requirements for its operating entities, growth opportunities, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time.

CAPITAL STRUCTURE AND DESCRIPTION OF THE CORPORATION

Common Shares

The Corporation is authorized to issue an unlimited number of Common Shares of which 9,811,234 are issued and outstanding as of March 16, 2012.

Each Common Share entitles the holder thereof to receive notice of, to attend, and to one vote at all meetings of the Shareholders. The holders of Common Shares will be entitled to receive any dividends, if, as and when declared by the Directors. The Shareholders will also be entitled to share equally, share-for-share, in any distribution of the assets of the Corporation upon the liquidation, dissolution or winding-up of the Corporation or other distribution of its assets among its Shareholders for the purpose of winding-up its affairs. Additional information relevant to the Common Shares, the rights of holders thereof and the operation and conduct of the Corporation can be found in the Corporation's Articles and by-laws, which have been filed under the Corporation's profile on SEDAR at www.sedar.com.

Special Voting Shares and Exchange Rights for Holders of U.S. Acquisitionco Shares

In connection with the acquisition of Pawnee by U.S. Acquisitionco, U.S. Acquisitionco issued to the Pawnee Vendors an aggregate of 1,274,601 Class B Acquisitionco Shares and 203,936 Class C Acquisitionco Shares. Each Class B Acquisitionco Share and Class C Acquisitionco Share is exchangeable (for no additional consideration) on a one-for-one basis for Common Shares, and are exchangeable at any time (prior to the Conversion, such shares were exchangeable on a one-for-one basis for Units). The Class B Acquisitionco Shares and Class C Acquisitionco Shares entitle the holders to per share distributions equal to any dividends made on the Common Shares.

In order to provide voting equivalency to the holders thereof with the rights of the holders of Common Shares, the Class B Acquisitionco Shares and Class C Acquisitionco Shares are non-voting, but one special voting share of the Corporation (each, a "**Special Voting Share**") was issued for (and effectively attached to) each Class B Acquisitionco Share and Class C Acquisitionco Share (prior to the Conversion, one special voting unit of the Fund was issued for each such share). Each Special Voting Share entitles the holder thereof to a number of votes at any meeting of Shareholders equal to the number of Common Shares which may be obtained upon the exchange of the Class B Acquisitionco Share or the Class C Acquisitionco Share to which the Special Voting Share relates. As of March 26, 2012, the Corporation had 1,478,537 issued and outstanding Special Voting Shares.

Except for the right to be counted towards a quorum and to requisition, vote at, and receive materials for, meetings of Shareholders, the Special Voting Shares do not confer any other rights upon the holders.

The amended and restated share exchange agreement with the Pawnee Vendors provides that if a non-exempt take-over bid from a person acting at arm's length to the holders of Class B Acquisitionco Shares and Class C Acquisitionco Shares (the "**Exchangeable Securities**") (or any affiliated entity or associate thereof) is made for the Common Shares and a contemporaneous identical offer is not made for the Exchangeable Securities (in terms of price, timing, proportion of securities sought to be acquired and conditions; provided that the offer for Exchangeable Securities may be conditional on Common Shares being taken up and paid for under the take-over bid), then all limitations on the exchange and transfer of Exchangeable Securities will terminate and, provided that (i) not less than 25% of the Common Shares (other than Common Shares held at the date of the take-over bid by or on behalf of the offeror or associates or affiliated entities of the offeror) are taken-up and paid for pursuant to the non-exempt bid from and after the date of first take-up of Common Shares under the said take-over bid and (ii) the take-over bid is not for any and all Common Shares tendered or is not structured such that holders of Exchangeable Securities can exchange into Common Shares conditional on take-up, the Exchangeable Securities will be exchangeable at an exchange ratio equal to 100% of the exchange ratio previously in effect, such that, based on the current one-to-one exchange ratio, on exchange the holder of Exchangeable Securities will receive one Common Share for each Common Share that the holder would otherwise have received. Notwithstanding any adjustment on completion of an exclusionary offer as described above, the voting rights attaching to the Special Voting Shares will not be similarly adjusted, and the distribution rights attaching to the Exchangeable Securities will not be adjusted until the exchange right is actually exercised.

Dividend Policy

The Corporation has paid dividends of \$0.05 per Common Share in respect of each of the months since the Conversion, reflecting an increase from the distribution rate of \$0.045 per Unit prior to the Conversion. The amount of any dividends payable by the Corporation will be at the discretion of the Directors, will be evaluated on an ongoing basis, and may be revised subject to business circumstances and expected capital requirements depending on, among other things, the Corporation's earnings, financial requirements for its operating entities, growth opportunities, the satisfaction of applicable solvency tests for the declaration and payment of dividends and other conditions existing from time to time. See also "Distributions".

Repurchase of Common Shares

The Corporation will be allowed, from time to time, to purchase Common Shares for cancellation in accordance with applicable securities legislation and the rules prescribed under applicable stock exchange or regulatory policies. Any such purchases will constitute an "issuer bid" under Canadian provincial securities legislation and must be conducted in accordance with the applicable requirements thereof (or, if applicable, available exemptions therefrom). See "Normal Course Issuer Bid".

Information and Reports

The Corporation furnishes to Shareholders and holders of Special Voting Shares, in accordance with applicable securities laws, all financial statements of the Corporation (including quarterly and annual financial statements and certifications) and other reports as are from time to time required by applicable law, including prescribed forms needed for the completion of Shareholders' tax returns under the Tax Act and equivalent provincial legislation.

Prior to each meeting of Shareholders, the Directors will provide to the Shareholders and the holders of Special Voting Shares (along with notice of the meeting) all information, together with such certifications, as is required by applicable law to be provided to Shareholders and holders of Special Voting Shares.

The Directors and the directors and senior officers of the other Corporation Entities are required to file insider reports and comply with insider trading provisions under applicable Canadian securities legislation in respect of trades made by such persons in Common Shares.

Book-Entry Only System

Registration of interests in, and transfers of, the Common Shares are made only through the book-entry only system (the “**Book-Entry Only System**”) administered by The Canadian Depository for Securities Limited (“**CDS**”). Common Shares must be purchased and transferred through a participant in the CDS depository service. All rights of a Shareholder must be exercised through, and all payments or other property to which a Shareholder is entitled will be made or delivered by, CDS or the CDS participant through which the Shareholder holds the Common Shares. Upon a purchase of any Common Shares, the Shareholder will receive only a customer confirmation from the registered dealer which is a CDS participant and from or through which the Common Shares are purchased. References in this annual information form to a Shareholder means, unless the context otherwise requires, the owner of the beneficial interest in those Common Shares.

The ability of a beneficial owner of Common Shares to pledge those shares or otherwise take action with respect to the Shareholder’s interest in those shares (other than through a CDS participant) may be limited due to the lack of a physical certificate.

The Corporation has the option to terminate registration of the Common Shares through the Book-Entry Only System, in which case certificates for the Common Shares in fully registered form would be issued to beneficial owners of those Common Shares or their nominees.

CAPITAL STRUCTURE AND DESCRIPTION OF U.S. ACQUISITIONCO

General

U.S. Acquisitionco is a corporation incorporated under the laws of the State of Delaware for the purpose of acquiring all of the outstanding shares of Pawnee.

Share Capital

The authorized capital of U.S. Acquisitionco consists of an unlimited number of Class A Acquisitionco Shares, Class B Acquisitionco Shares and Class C Acquisitionco Shares. All of the Class A Acquisitionco Shares are owned by Holdco and all of the Class B Acquisitionco Shares and Class C Acquisitionco Shares are owned by the Pawnee Vendors.

The Class A Acquisitionco Shares are voting common shares in the capital of U.S. Acquisitionco and the Class B Acquisitionco Shares and the Class C Acquisitionco Shares are non-voting common shares in the capital of U.S. Acquisitionco. The Class B Acquisitionco Shares and Class C Acquisitionco Shares are exchangeable, indirectly, on a one-for-one basis (subject to customary anti-dilution provisions and dilutive adjustments in certain circumstances as described under “Exchange Rights”) for Common Shares at the option of the holders (prior to the Conversion, such shares were exchangeable on a one-for-one basis for Units). Exchange rights in respect of the Class B Acquisitionco Shares and the Class C Acquisitionco Shares may be exercised at any time. In addition, distributions or advances to be made to holders of Class B Acquisitionco Shares and Class C Acquisitionco Shares are, to the greatest extent practicable, economically equivalent to any cash dividends made on the Common Shares.

While a majority of the source of cash to date for monthly distributions by the Fund on Units prior to the Conversion and by the Corporation since the Conversion originated from the business of Pawnee, a portion originates from the businesses of Lease-Win and Sherway LP, and such cash is not distributed through U.S. Acquisitionco. As a result, in order to provide distributions on the Class B Acquisitionco Shares and the Class C Acquisitionco Shares which reflect a *pro rata* entitlement as contemplated above, the distributions on the Class B Acquisitionco Shares and Class C Acquisitionco Shares represent a disproportionately larger portion per share of the aggregate distributions paid by U.S. Acquisitionco than the distributions paid on the Class A Acquisitionco Shares.

Distributions

Each Class B Acquisitionco Share and each Class C Acquisitionco Share entitles the holder thereof to dividends, to be declared and paid substantially concurrently with the declaration and payment of dividends by the Corporation to the Shareholders, with the amount to be distributed per share to be the U.S. dollar equivalent of the per Common Share amount being paid by the Corporation. The U.S. dollar equivalent of the per Common Share amount being paid will be determined using a spot rate on the date a dividend is paid to the holders of Class B Acquisitionco Shares or Class C Acquisitionco Shares. The balance of U.S. Acquisitionco's distributable cash will be distributed to Holdco, as the holder of all of the Class A Acquisitionco Shares.

Distributions are made on the Class A Acquisitionco Shares, Class B Acquisitionco Shares and Class C Acquisitionco Shares in a manner consistent with the Corporation's payment of dividends; however U.S. Acquisitionco may, in addition, make a distribution at any other time.

U.S. Acquisitionco's distributable cash will represent, in general, all of its cash, after:

- satisfaction of its debt service obligations (principal and interest);
- satisfaction of its other obligations (including withholding and other applicable taxes); and
- retaining reasonable reserves for administrative and other expense obligations and reasonable reserves for capital expenditures (if any) as may be considered appropriate by its board of directors.

Exchange Rights

On completion of the Fund's indirect acquisition of Pawnee, the Fund, U.S. Acquisitionco and the Pawnee Vendors entered into a share exchange agreement. This share exchange agreement granted the Pawnee Vendors the right to effectively exchange, on a one-for-one basis, through a series of steps, all or any portion of their Class B Acquisitionco Shares and Class C Acquisitionco Shares for Units. This share exchange agreement was amended and restated to reflect the exchange of Units for Common Shares as a result of the Conversion. Exchange rights in respect of the Class B Acquisitionco Shares and Class C Acquisitionco Shares may be exercised at any time.

The exchange procedure may be initiated at any time by the holder of a Class B Acquisitionco Share or a Class C Acquisitionco Share so long as all of the following conditions have been met:

- (i) the Corporation is legally entitled to issue the Common Shares in connection with the exercise of the exchange rights; and
- (ii) the person receiving the Common Shares upon the exercise of the exchange rights complies with all applicable securities laws.

The amended and restated share exchange agreement provides that if requested by a holder of Class B Acquisitionco Shares and/or Class C Acquisitionco Shares, the Corporation will cause a purchaser (other than the Corporation or an affiliate of the Corporation) of securities of U.S. Acquisitionco or any permitted assignee to purchase a *pro rata* portion of the securities of U.S. Acquisitionco held by such holder, on the same terms and subject to the same conditions as are applicable to the purchase of securities of U.S. Acquisitionco by the purchaser. The Corporation will be entitled, in connection with the direct or indirect sale of all of its interests in U.S. Acquisitionco, to require holders of Class B Acquisitionco Shares or Class C Acquisitionco Shares, as applicable, or any permitted assignee to sell its securities in U.S. Acquisitionco on the same conditions as are applicable to the Corporation's direct or indirect sale of all other interests in U.S. Acquisitionco, and upon the Corporation making such request and completing such sale, the holder of the Class B Acquisitionco Shares or Class C Acquisitionco Shares, as applicable, or any permitted assignee will have no further interest in U.S. Acquisitionco.

With the exception of administrative changes for the purpose of adding covenants for the protection of the holders of the Class B Acquisitionco Shares and Class C Acquisitionco Shares, and the making of necessary amendments

or curing ambiguities or clerical errors (in each case provided that the Directors and the board of directors of U.S. Acquisitionco are of the opinion that such amendments are not prejudicial to the interests of the holders of the Class B Acquisitionco Shares or Class C Acquisitionco Shares), the share exchange agreement may not be amended without the approval of all the holders of the Class B Acquisitionco Shares and the Class C Acquisitionco Shares.

CURRENCY HEDGING POLICY

Certain Corporation Entities generate cash flows and earn income in Canadian dollars, while others (most notably Pawnee) generate cash flows and earn income in U.S. dollars in the ordinary course. The currency mix of cash flows and earnings depends on factors which vary from period to period. In particular, cash flows from Pawnee (which are expected to continue to represent a significant majority of the cash flows of the Operating Companies) will be in U.S. dollars, while any dividends the Corporation makes to Shareholders in Canadian dollars. The Corporation does not currently have any currency hedging arrangements with respect to the anticipated monthly amounts of U.S. dollars to be paid up from Pawnee.

MARKET FOR SECURITIES

The Common Shares are listed and posted for trading on the TSX under the symbol “CHW”. The following table summarizes the high and low sales prices of the Common Shares and the average daily trading volume for each month in the period from January 1, 2011 to December 31, 2011, as reported by the TSX.

2011	High	Low	Average Daily Volume
January	\$8.18	\$6.25	36,477
February	\$8.20	\$7.94	11,628
March	\$8.14	\$4.85	8,091
April	\$8.36	\$7.41	11,080
May	\$8.20	\$7.78	4,484
June	\$7.85	\$6.86	9,079
July	\$7.79	\$6.86	4,838
August	\$7.43	\$5.80	5,531
September	\$7.25	\$6.50	3,412
October	\$6.74	\$5.90	5,825
November	\$7.25	\$5.78	4,224
December	\$6.40	\$5.93	5,468
	\$8.36	\$4.85	9,058

NORMAL COURSE ISSUER BID

Pursuant to a Notice of Intention to Make a Normal Course Issuer Bid (the “**Notice**”) dated August 24, 2011, the Corporation commenced a normal course issuer bid (“**NCIB**”) to purchase up to 655,072 of its outstanding Common Shares, representing approximately 10% of the public float of Common Shares outstanding as of August 19, 2011. Purchases under the NCIB were permitted to commence on the TSX on August 25, 2011 and will terminate on August 24, 2012. Common Shares purchased under the NCIB will be cancelled. Purchase and payment for the Common Shares are made by the Corporation in accordance with the rules and policies of the TSX and the price the Corporation paid for any Common Shares acquired by it is made at the market price of the Common Shares at the time of acquisition. As of March 26, 2012, no Common Shares had been purchased under the NCIB.

DIRECTORS AND OFFICERS

The names, province or state, and country of residence of each of the persons who are Directors and officers of the Corporation, their respective positions and offices held, their respective principal occupations during the five

preceding years, and the number of Common Shares beneficially owned, or controlled or directed, directly or indirectly, is set out below. The term of office for each of the Directors will expire at the time of the next annual meeting of the Shareholders. Each of the following Directors has also been nominated for re-election at the Corporation's next annual meeting being held on April 23, 2012 as more fully described in the Corporation's management information circular dated as of March 26, 2012.

Name and Municipality of Residence	Position(s)⁽⁵⁾	Principal Occupation	Common Shares held⁽⁶⁾
EDWARD SONSHINE, O.Ont., Q.C. ⁽¹⁾⁽²⁾ Toronto, Ontario Canada	Director Former Trustee and Director of the Administrator	Chief Executive Officer of RioCan Real Estate Investment Trust (a real estate investment trust)	1,323,612 Common Shares
FREDERICK W. STEINER ⁽¹⁾⁽³⁾ Toronto, Ontario Canada	Director Former Trustee and Director of the Administrator	Chief Executive Officer of Imperial Coffee and Services Inc. (an office food and beverage distribution company)	1,000,392 Common Shares
BARRY SHAFRAN Toronto, Ontario Canada	Chief Executive Officer of the Corporation, Director, Chief Executive Officer of Pawnee Former Chief Executive Officer of the Administrator and Director of the Administrator	President and Chief Executive Officer of the Corporation	91,858 Common Shares
DAVID OBRONT ⁽¹⁾ Toronto, Ontario Canada	Director Former Director of the Administrator	President of DOit Investments Ltd. (a private investment company)	107,739 Common Shares
CLARE R. COPELAND ⁽¹⁾⁽³⁾⁽⁴⁾ Toronto, Ontario Canada	Director Former Trustee and Director of the Administrator	Chairman of the Board, Toronto Hydro Corporation and CEO, Falls Management Company	19,885 Common Shares
JEFFREY WORTSMAN ⁽¹⁾⁽³⁾⁽⁴⁾ Toronto, Ontario Canada	Director Former Trustee and Director of the Administrator	President and Chief Executive Officer of Danier Leather Inc. (an apparel retailer)	1,090 Common Shares
SAMUEL L. LEEPER ⁽⁴⁾ Greeley, Colorado United States	Director Former Director of the Administrator	Retired	254,920 Special Voting Shares (related to Class B Acquisitionco Shares) 40,787 Special Voting Shares (related to Class C Acquisitionco Shares) 100,243 Common Shares
ROBERT J. DAY Incline Village, Nevada United States	Director Former Director of the Administrator	Retired	77,312 Common Shares 594,474 Special Voting

Name and Municipality of Residence	Position(s) ⁽⁵⁾	Principal Occupation	Common Shares held ⁽⁶⁾
			Shares (related to Class B Acquisitionco Shares)
			95,116 Special Voting Shares (related to Class C Acquisitionco Shares)
LISA STEVENSON Toronto, Ontario Canada	Director of Finance of the Corporation Former Director of Finance of the Administrator	Director of Finance of the Corporation	32,170 Common Shares

Notes:

- (1) Independent Director.
- (2) Chairman of the board of Directors.
- (3) Member of the Audit and Governance Committee.
- (4) Member of the Compensation Committee.
- (5) Each of the persons above who is a Director has been a Director since December 24, 2010 (other than Mr. Shafran, who has been a Director since March 19, 2010). Prior to the Conversion, each of the persons above held such positions with the Fund and Administrator as noted from May 2006 (other than Mr. Steiner who was appointed as a Trustee in July of 2006, but was a director of the Administrator since the commencement of operations of the Fund on May 10, 2006) until the effective date of the Conversion, being January 1, 2011.
- (6) As of March 16, 2012.

As of March 16, 2012, the Directors and executive officers of the Corporation, as a group, beneficially own, directly or indirectly, approximately 36.32% of the outstanding Common Shares (assuming the exchange of 985,297 Class B Acquisitionco Shares and the Class C Acquisitionco Shares held by certain Directors).

The biographies for each of the Directors and senior officers of the Corporation are set out below and where not otherwise stated, the current position and occupation as set out in their respective biography has been held by such person for the last five years.

Edward Sonshine, O.Ont., Q.C.

Mr. Sonshine is Chief Executive Officer of RioCan Real Estate Investment Trust. Mr. Sonshine has been the Chief Executive Officer of RioCan since it became a REIT in late 1993 and has overseen its growth starting from an enterprise value of under \$100 million to its current enterprise value in excess of \$12.5 billion. Mr. Sonshine is a member of the board of directors of Royal Bank of Canada and Cineplex Inc. and is Chair of the Corporation. Mr. Sonshine is active in the community and serves as Vice Chair of the Mount Sinai Hospital and as Chair of State of Israel Bonds/Canada-Israel Securities, Limited. In January of 2011, Mr. Sonshine was recognized for his entrepreneurial and philanthropic contributions to the community with the Order of Ontario.

Clare R. Copeland

Mr. Copeland is the Chief Executive Officer for Falls Management Company, a commercial development and casino in Niagara Falls, Ontario. Mr. Copeland is also Chairman of Toronto Hydro Corporation, a position he has held since 1999, and, from the beginning of 2000 until April 2002, Mr. Copeland was Chairman and Chief Executive Officer of OSF Inc., a manufacturer of retail store interiors. From 1993 to May 1999, he was Chief Executive Officer of People's Jewellers Corporation, a jewellery retailer. Mr. Copeland is also a trustee of RioCan Real Estate Investment Trust and is a director of Danier Leather Inc.

Jeffrey Wortsman

Mr. Wortsman is President and Chief Executive Officer and a director of Danier Leather Inc., a publicly traded company listed on the TSX. Mr. Wortsman joined Danier Leather Inc. in 1986 and has overseen its growth from \$15

million in sales to current sales of approximately \$164 million. Mr. Wortsman is also a director of Hockey Life and he holds a B.A. in Economics, as well as LL.B. and MBA degrees.

Frederick Steiner

Mr. Steiner is founder and Chief Executive Officer of Imperial Coffee and Services Inc. and has been a board member of cars4U Ltd. for more than ten years.

Barry Shafran

Mr. Shafran is the President and Chief Executive Officer of the Corporation, Chief Executive Officer of Pawnee, and was the President and Chief Executive Officer of the Administrator since the commencement of the Fund's operations. Prior thereto, Mr. Shafran was President and Chief Executive Officer of cars4U Ltd. From June 1998 to July 1999, Mr. Shafran served as the Director of Business Development and Senior Vice-President of Operations of CryptoLogic Inc. From November 1996 to June 1998, Mr. Shafran was President of Modern Building Cleaning Inc., a founding shareholder of Brukar Inc., an importer of custom metal components for the food services industry, and served as President of Selena Coffee Ltd. from 1989 to 1994. A Chartered Accountant, Mr. Shafran also holds a Bachelor of Arts degree in Commerce from the University of Toronto.

David Obront

Mr. Obront joined cars4U Ltd. following the sale of his dealership, Acura Sherway, to cars4U Ltd. in November 1999. He is currently President of DOit Investments Ltd., a money management and investment holding company. Mr. Obront holds an MBA from the University of Western Ontario and a BA Commerce/Economics from the University of Toronto.

Robert J. Day

Robert J. Day founded Pawnee in 1982 and continues to serve on the board of directors of both Pawnee and the Corporation. Mr. Day received his B.S. degree in Finance from the University of Tennessee in 1965. Following graduation he spent four years with the U.S. Marine Corps. Upon discharge from the Marines, he spent two years in banking and finance before returning to school and obtaining a degree in Optometry from Southern California College of Optometry in 1976.

Samuel L. Leeper

Sam L. Leeper joined Pawnee in 1997. Mr. Leeper's professional career includes 27 years in banking, with a focus on credit and general administration. From 1982 to 1987, he served as President of Intra West Bank of Greeley and from 1987 to 1988 served as President of United Banks of Fort Collins, Colorado and prior to joining Pawnee, Mr. Leeper served as Senior Vice President of Bank One Colorado. He received his B.S. degree in Engineering from the University of Illinois in 1963 and an MBA from Indiana University in 1968.

Lisa Stevenson

Ms. Stevenson is the Director of Finance of the Corporation and was the Director of Finance of the Administrator since the commencement of the Fund's operations. Prior thereto, Ms. Stevenson was the Director of Finance of cars4U Ltd. since February 2000. From 1997 to 1999, Ms. Stevenson served as Controller of CryptoLogic Inc. A Chartered Accountant, Ms. Stevenson also has an MBA from Saint Mary's University as well as a Bachelor of Business Management from Ryerson Polytechnic University.

Cease Trade Orders, Bankruptcies, Penalties or Sanctions

Mr. Copeland was a director and Chairman of the board of White Rose Crafts and Nursery Sales Limited ("**White Rose**") from September 2000 to June 2002. White Rose entered into bankruptcy protection under the *Bankruptcy and Insolvency Act* (Canada) in June 2002.

LEGAL PROCEEDINGS

Management of the Corporation is not aware of any litigation of a material nature outstanding, threatened or pending as of the date hereof by or against the Corporation or Holding LP or any of the Operating Companies.

AUDIT COMMITTEE INFORMATION

Composition of the Audit Committee

The Audit Committee of the Corporation is comprised of Frederick Steiner (Chairman), Clare R. Copeland and Jeffrey Wortsman. Prior to the Conversion, each of the Fund and the Administrator had an Audit Committee, each made up of the same individuals currently comprising the Audit Committee of the Corporation. The following chart sets out the assessment of each Audit Committee member's independence, financial literacy and relevant educational background and experience supporting such financial literacy.

Name	Independent	Financially Literate	Relevant Education and Experience
Frederick Steiner	Yes	Yes	In addition to his role on cars4U Ltd.'s audit committee since 1998, Mr. Steiner is a business executive with more than 30 years' experience in business, including ownership in a wide range of businesses in Canada and the United States. He has extensive experience with reading and interpreting financial statements.
Clare R. Copeland	Yes	Yes	Mr. Copeland has over 35 years' experience in industry. He has held senior executive positions with major corporations such as Peoples Jewellers and OSF Inc. He currently is the Chairman of Toronto Hydro Corporation and Chief Executive Officer of Falls Management Company. He serves as a trustee of RioCan Real Estate Investment Trust and also serves on their Audit Committees.
Jeffrey Wortsman	Yes	Yes	Mr. Wortsman has been the President and Chief Executive Officer of Danier Leather Inc. for over ten years. He served on the Audit Committee of cars4U Ltd. since 1999. Mr. Wortsman also holds a B.A. in economics, as well as an MBA degree.

External Auditor Audit Fees

The following table sets forth the audit service fees paid or accrued by the Corporation to BDO Canada LLP for the year ended December 31, 2011:

Audit fees – year-end	\$225,000
Taxation services	0
All other fees	45,160
Total	\$270,160

In addition, Pawnee paid fees of approximately US\$58,000 to its auditor with respect to financial statements prepared by Pawnee provided to its lender in the United States.

Pre-Approval Policies and Procedures

The Audit Committee must pre-approve all non-audit services to be provided to the Corporation and its subsidiaries by the external auditors, as described in the Audit Committee Charter attached hereto as Schedule "A".

INTEREST OF INSIDERS IN MATERIAL TRANSACTIONS

There are no proposed transactions which in either case have materially affected or are reasonably expected to affect the Corporation in which any of the Directors or officers of the Corporation had or has any material, direct or indirect, interest.

TRANSFER AGENT AND REGISTRAR

The transfer agent and registrar for the Common Shares is Equity Financial Trust Company at its principal offices in Toronto, Ontario.

MATERIAL CONTRACTS

The following are the only material contracts, other than contracts entered into in the ordinary course of business, that were either (i) entered into by the Corporation Entities in 2011, or (ii) entered into by the Corporation Entities prior to 2011, which were still in effect on December 31, 2011:

- (a) the Holding LP limited partnership agreement;
- (b) the Pawnee Credit Agreement, referred to under "Business Description – Business of Pawnee – Funding";
- (c) the shareholders' agreement of U.S. Acquisitionco;
- (d) the amended and restated share exchange agreement related to the Class B Acquisitionco Shares and Class C Acquisitionco Shares;
- (e) the credit agreement for Lease-Win; and
- (f) the credit agreement for Sherway LP.

Copies of these and certain other agreements have been filed by the Corporation on SEDAR and are available through the SEDAR website at www.sedar.com.

INTEREST OF EXPERTS

Our auditors are BDO Canada LLP. BDO Canada LLP provided an opinion on our financial statements for the year ended December 31, 2011 contained in filings pursuant to National Instrument 51-102 during the year ended December 31, 2011. BDO Canada LLP has informed us that they are independent in accordance with applicable rules of professional conduct.

ADDITIONAL INFORMATION

Information including securities authorized for issuance under the Corporation's equity incentive plan and remuneration of the Directors and officers of the Corporation and principal holders of the Common Shares is contained in the Corporation's management information circular for its annual meeting. Additional information of the Corporation is provided in the Corporation's consolidated financial statements and MD&A for the Corporation's fiscal year ended December 31, 2011.

Additional information about the Corporation is available:

- At the www.chesswoodgroup.com website
- At the www.sedar.com website
- Via email to investorrelations@chesswoodgroup.com, or
- Via phone at 416-386-3099

SCHEDULE A – AUDIT COMMITTEE CHARTER



CHARTER OF THE AUDIT AND GOVERNANCE COMMITTEE OF BOARD OF DIRECTORS OF CHESSWOOD GROUP LIMITED

I. Adoption

This Audit and Governance Committee Charter (this “**Charter**”) has been adopted by the board of directors (the “**Board**”) of Chesswood Group Limited (the “**Corporation**”) as of January 1, 2011.

II. Background

The Corporation is a corporation incorporated under the laws of the Province of Ontario and has succeeded to the various ownership interests of Chesswood Income Fund as a result of the conversion of such fund into a corporate structure through a plan of arrangement.

The Corporation is the sole limited partner of Chesswood Holding Limited Partnership (the “**Holding LP**”). The Holding LP is the holding entity through which the Corporation has its ownership interests in various operating entities. As at the date of this Charter, these operating entities are comprised of Lease-Win Limited, Sherway Limited Partnership (“**Sherway LP**”) and Pawnee Leasing Corporation (the Corporation’s direct and indirect subsidiary entities referred to herein as the “**Corporation Entities**”).

III. Purpose

The Audit and Governance Committee of the board of directors (the “**Board**”) of the Corporation (the “**Audit and Governance Committee**”) is a committee of the directors of the Corporation (the “**Directors**”) and appointed by the Directors to assist the Board in fulfilling its oversight responsibilities relating to (i) the financial accounting and reporting process and internal controls for the Corporation and (ii) the nominating of Directors and the enhancement of governance.

The Audit and Governance Committee will primarily fulfill its responsibilities by carrying out the activities enumerated in Part VI (“Responsibilities and Duties”) of this Charter. The primary function of the Audit and Governance Committee is to assist the Directors in fulfilling their legal and fiduciary obligations and responsibilities.

IV. Composition and Meetings

Audit and Governance Committee

The Audit and Governance Committee will be composed of three or more Directors as shall be determined by the Directors from time to time, all of whom must be Independent (as defined below). In accordance with National Instrument 58-101, a Director is considered “**Independent**” to the Corporation if he or she has no direct or indirect “material relationship” with any of the Corporation Entities which could, in the view of the Directors, reasonably interfere with the exercise of his or her independent judgment. Notwithstanding the foregoing, a Director will be deemed to have a “material relationship” with the Corporation (and therefore be considered as not Independent) if he or she falls in one of the categories listed in Appendix “A” attached hereto. All members of the Audit and Governance Committee must also be “financially literate” (meaning that he or she has the ability to read and understand a set of financial

statements that present a breadth and level of complexity of accounting issues that are generally comparable to the breadth and complexity of the issues that can reasonably be expected and be raised by the Corporation's financial statements).

The members of the Audit and Governance Committee will be elected by the Directors at the annual organizational meeting of the Directors or until their successors are duly elected and qualified. Unless a Chairman is elected by the Directors, the members of the Audit and Governance Committee may designate a Chairman by majority vote of the full Audit and Governance Committee membership.

The Audit and Governance Committee is to meet as frequently as circumstances require (but at least quarterly). The Audit and Governance Committee will meet prior to the filing of quarterly financial statements to review and discuss the unaudited financial results for the preceding quarter and the related management discussion and analysis ("MD&A"), and will meet prior to filing the annual audited financial statements to review and discuss the audited financial results for the year and related MD&A. As part of its job to foster open communications, the Audit and Governance Committee should meet at least annually with management of the Corporation and the external auditors in separate executive sessions to discuss any matters that the Audit and Governance Committee or each of these groups believe should be discussed privately.

Quorum for the transaction of business at any meeting of the Audit and Governance Committee is the presence in person or by telephone or other communication equipment of a majority of the number of members of the Audit and Governance Committee or such greater number as the Audit and Governance Committee shall by resolution determine.

If within one hour of the time appointed for a meeting of the Audit and Governance Committee, a quorum is not present, the meeting shall stand adjourned to the same hour on the second business day following the date of such meeting at the same place. If at the adjourned meeting a quorum as hereinbefore specified is not present within one hour of the time appointed for such adjourned meeting, the quorum for the adjourned meeting will consist of the members then present.

If and whenever a vacancy exists, the remaining members of the Audit and Governance Committee may exercise all of its powers and responsibilities so long as a quorum remains in office.

Notice of a meeting of the Audit and Governance Committee may be given verbally, in writing or by telephone, fax or other means of communication, and need not specify the purposes of the meeting.

Minutes are to be kept of meetings of the Audit and Governance Committee which are to be submitted to the Directors. The Audit and Governance Committee may, from time to time, appoint any person, who need not be a member, to act as secretary at any meeting.

All decisions of the Audit and Governance Committee will require the vote of a majority of its members present at a meeting at which a quorum is present.

V. Authority of the Audit and Governance Committee

The Audit and Governance Committee has the authority to (a) engage independent counsel and other advisors as it determines necessary to carry out its duties; (b) to set and pay the compensation for any advisors employed by it; and (c) to communicate directly with the Corporation's internal and external auditors.

The Audit and Governance Committee also has the authority to conduct or authorize investigations into any matters within the scope of its responsibilities.

The Audit and Governance Committee may request the external auditors as well as any Director or member of management of the Corporation, outside counsel of the Corporation or others, to attend an Audit and Governance Committee meeting or to meet with members of, or advisors to, the Audit and Governance Committee and to provide pertinent information as necessary. For purposes of performing their oversight related duties, members of the Audit and Governance Committee are to have full access to the books and records of the Corporation Entities and are to be

permitted to discuss such information and any other matters relating to the financial position of the Corporation Entities with senior employees, management and external auditors and advisors of the Corporation Entities.

VI. Responsibilities and Duties

To fulfill their responsibilities and duties, the Audit and Governance Committee is expected to:

General Responsibilities

2. Review and assess this Charter at least annually, as conditions dictate, and submit any proposed revisions to the Board for approval.
3. Create an agenda for each meeting and for the ensuing year.
4. Report periodically (but no less frequently than quarterly) to the Board.

Review of Financial Documents

Annual Financial Statements

5. Meet with management and external auditors to review the financial statements and the results of the audit as well as to discuss significant issues regarding accounting principles, practices and judgments of management.
6. Review the audited annual financial statements to satisfy itself that, to the best of the knowledge of its members, such statements are presented in accordance with generally accepted accounting principles (“GAAP”), including any reconciliation of Canadian and applicable non-Canadian GAAP..
7. Recommend to the Board whether or not the audited financial statements and all related documents should be approved, prior to their being publicly disclosed and filed with the appropriate regulatory authorities.
8. Satisfy itself that adequate procedures are in place for the review of the Corporation’s public disclosure of financial information extracted or derived from the Corporation’s financial statements and periodically assess the adequacy of such procedures.
9. Review the post-audit or management letter containing the recommendations of the external auditors and management’s response and subsequent follow-up to any identified weaknesses.
10. Review the MD&A relating to annual financial statements.
11. Review complex and/or unusual transactions, and judgmental areas such as significant claims and contingencies that could materially impact the Corporation’s consolidated financial position.

Interim Financial Statements

12. Review the interim financial statements.
13. Meet with management to review the financial statements and to obtain explanations from management on whether, to the best of management’s knowledge, information and belief, after reasonable inquiry:
 - (a) actual financial results for the interim period varied significantly from budgeted or forecasted results;
 - (b) changes in financial ratios and the relationships between the interim financial statements are consistent with changes in the operations and financing practices of the Corporation Entities;

- (c) GAAP has been consistently applied, including any reconciliation of Canadian and applicable non-Canadian GAAP;
 - (d) there are any actual or proposed changes in accounting or financial reporting practices;
 - (e) there are any significant or unusual events or transactions; and
 - (f) the interim financial statements contain adequate and appropriate disclosures.
14. Recommend to the Board whether (and, if so, the nature of) review of interim financial statements and/or related documents by the Corporation's external auditors is in the best interests of the Corporation and its shareholders having regard to cost and other relevant factors.
 15. Recommend to the Board whether or not the interim financial statements and all related documents should be approved, prior to their being publicly disclosed and filed with the appropriate regulatory authorities.
 16. Review the MD&A relating to interim financial statements.

Other

17. Review the Corporation's interim and annual earnings press releases and any other public disclosure documents that are required to be reviewed by the Audit and Governance Committee under any applicable laws prior to their public disclosure and/or filing with any governmental body.
18. Review policies and procedures with respect to the non-chargeable expenses of the Directors and the senior management of the Corporation.
19. Review all related party transactions entered into by Corporation Entities.

External Audit

20. Recommend to the Directors (i) the external auditors to be nominated for the purpose of preparing or issuing an auditor's report or performing other audit, review and attest services for the Corporation, and (ii) the compensation of the external auditors.
21. Instruct the external auditors that they are to report directly to the Audit and Governance Committee and ensure that significant findings and recommendations made by the external auditors are received and discussed by the Audit and Governance Committee on a timely basis.
22. Pre-approve all audit and non-audit services not prohibited by law to be provided to the Corporation Entities by the external auditors.
23. Review the external auditors' audit plan, including scope, approach, procedures and timing of the audit and ensure no unjustified restrictions or limitations have been placed on the scope of the audit.
24. Monitor and assess the relationship between management and the external auditors including reviewing any management letters or other reports of the external auditor and discussing and resolving any material differences of opinion between management and the external auditors.
25. Monitor, confirm, review and discuss, on an annual basis, with the external auditors all significant relationships they have with Corporation Entities and the range of services provided to determine the independence and objectivity of the external auditors.

26. Oversee the work and review the performance of the external auditors and approve any proposed discharge of the external auditors when circumstances warrant. Consider with management and the external auditors the rationale for employing accounting/auditing firms other than the principal external auditors.
27. Periodically consult with the external auditors out of the presence of management about any matters that the Audit and Governance Committee or the external auditors believe should be discussed privately.
28. Review the draft audit opinion on annual financial statements, including matters related to the conduct of the audit.
29. Arrange for the external auditors to be available to the Audit and Governance Committee, and the Directors as needed.
30. Review the fees paid to the external auditors and other professionals in respect of audit and non-audit services for Corporation Entities on an annual basis.
31. Review and approve the hiring policies of the Corporation regarding partners, employees and former partners and employees of the present and former external auditors of the Corporation (and its predecessor entities).

Internal Controls

32. Review the plans of the internal (if any) and external auditors to determine whether the Audit and Governance Committee believes that the proposed combined evaluation and testing of control would be comprehensive, well coordinated, cost effective and appropriate to risks, business activities and changing circumstances.
33. Review the qualifications of senior management of the Corporation.
34. Review management control procedures.
35. Consider how management is held to account for security of computer systems and applications, and the contingency plans for processing financial information in the event of a systems breakdown.
36. Gain an understanding of whether internal control recommendations made by the external auditors have been implemented by management.

Financial Reporting Processes

37. Review, in consultation with the external auditors, the integrity of the organization's financial reporting processes, both internal and external.
38. Consider the external auditor's judgments about the quality and appropriateness, not just the acceptability, of the Corporation's accounting principles and financial disclosure practices, as applied in its financial reporting, particularly about the degree of aggressiveness or conservatism of its accounting principles and underlying estimates and whether those principles are common practices or are minority practices.
39. Consider and approve, if appropriate, major changes to the accounting principles and practices of the Corporation Entities as suggested by management with the concurrence of the external auditors and ensure that management's reasoning is described in determining the appropriateness of changes in accounting principles and disclosure.

Process Improvement

40. Establish regular and separate systems of reporting to the Audit and Governance Committee by each of management and the external auditors regarding any significant judgments made in management's preparation of the financial statements and the view of each as to appropriateness of such judgments.
41. Review the scope and plans of the external auditors' audit and reviews prior to the audit and reviews being conducted. The Audit and Governance Committee may authorize the external auditors to perform supplemental reviews or audits as the Audit and Governance Committee may deem desirable.
42. Following completion of the annual audit and quarterly reviews, review separately with each of management and the external auditors any significant changes to planned procedures, any difficulties encountered during the course of the audit and reviews, including any restrictions on the scope of work or access to required information and the cooperation that the external auditors received during the course of the audit and reviews.
43. Review and resolve any significant disagreements among management and the external auditors in connection with financial reporting or the preparation of the financial statements.
44. Ensure, where there are significant unsettled issues, that there is an agreed course of action for the resolution of such matters.
45. Review with the external auditors and management significant findings during the year and the extent to which changes or improvements in financial or accounting practices, as approved by the Audit and Governance Committee, have been implemented. This review should be conducted at an appropriate time subsequent to implementation of changes or improvements, as decided by the Audit and Governance Committee.

Risk Management

46. Review management's program of risk assessment and steps taken to address significant risks or exposures, including insurance coverage, and obtain the external auditors' opinion of management's assessment of significant financial risks facing the Corporation Entities and how effectively such risks are being managed or controlled.

Ethical and Legal Compliance

47. Establish procedures for the receipt, retention and treatment of reports ("**Reports**") received by the Corporation regarding accounting, internal accounting controls, auditing matters or violations of the Corporation's Code of Business Conduct and Ethics relating to financial matters, and the confidential, anonymous submission by employees of Reports.
48. Review management's monitoring of the systems that are in place to ensure that the Corporation's financial statements, reports and other financial information disseminated to governmental organizations and the public satisfy legal requirements.
49. Obtain regular updates from management and others, including internal and external auditors and legal counsel, concerning the compliance of Corporation Entities with financial related laws and regulations such as tax and financial reporting laws and regulations and legal withholding requirements.
50. Review insider stock trades for compliance with the Corporation's Timely Disclosure, Confidentiality and Insider Trading Policy.
51. Be satisfied that, to the best of the knowledge of its members, all regulatory compliance matters have been considered in the preparation of financial statements.
52. Review the findings of any examination by regulatory agencies.

Nominating Responsibilities

53. Establish competencies and skills the Directors, as a group, should possess, recognizing that the particular competencies and skills required for one issuer may not be the same as those required for another.
54. Assess competencies and skills of each of the existing Directors as well as of the Directors, as a group, recognizing the personality and other qualities of each Director.
55. Establish procedures for identifying possible nominees who meet these criteria (and who are likely to bring the competencies and skills the Corporation needs as a whole.
56. Establish an appropriate review selection process for new nominees for election as Directors.
57. Establish procedures and approve appropriate orientation and education programs for new Directors.
58. Analyze the needs of the Corporation when vacancies arise among the Independent members and identify and recommend nominees who meet such needs for election as Independent members.
59. Establish procedures for filling vacancies.

Governance Responsibilities

60. Ensure that there is an appropriate number of Independent Directors.
61. Facilitate the independent functioning and maintain an effective relationship between the Directors and management of the Corporation.
62. Assess the effectiveness of the Chairman's agenda.
63. Annually review performance and qualification of existing Directors in connection with their re-election.
64. Assess, at least annually, the composition and effectiveness of the Board, committees of the Board and the contribution of individual Directors, including making recommendations where appropriate that sitting Directors be removed or not re-appointed.
65. Keep up to date with regulatory requirements and other new developments in governance and develop and review the quality of the Corporation's governance and suggest changes to such governance practices as determined appropriate.
66. Consider annually the appropriateness of the number of Directors.
67. Ensure that disclosure and securities compliance policies, including communications policies, are in place and that such policies are reviewed annually.

VII. Other Responsibilities

While the Audit and Governance Committee has the responsibilities and duties as set out in this Charter, it shall perform any other activities consistent with this Charter, the *Business Corporations Act* (Ontario), the constating documents of the Corporation and all applicable legal, regulatory and listing requirements (including, without limitation, those of the Ontario Securities Commission and the Toronto Stock Exchange), as it or the Board deems necessary or appropriate.

VIII. Caveat

The Audit and Governance Committee is not responsible for planning or conducting the audit or for determining whether the Corporation's financial statements are complete and accurate and are in accordance with GAAP.

APPENDIX “A”

Meaning of “material relationship”

A “material relationship” is a relationship that could, in the view of the issuer’s board of directors, be reasonably expected to interfere with the exercise of a member’s independent judgment. The following individuals are considered to have a material relationship with the issuer:

- A. an individual who is, or has been within the last three years, an employee or executive officer of the issuer;
- B. an individual whose immediate family member is, or has been within the last three years, an executive officer of the issuer;
- C. an individual who: (i) is a partner of a firm that is the issuer’s internal or external auditor, (ii) is an employee of that firm, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
- D. an individual whose spouse, minor child or stepchild, or child or stepchild who shares a home with the individual: (i) is a partner of a firm that is the issuer’s internal or external auditor; (ii) is an employee of that firm and participates in its audit, assurance or tax compliance (but not tax planning) practice, or (iii) was within the last three years a partner or employee of that firm and personally worked on the issuer’s audit within that time;
- E. an individual who, or whose immediate family member, is or has been within the last three years, an executive officer of an entity if any of the issuer’s current executive officers serves or served at that same time on the entity’s compensation committee; and
- F. an individual who received, or whose immediate family member who is employed as an executive officer of the issuer received, more than \$75,000 in direct compensation from the issuer during any 12 month period within the last three years.

An individual will not be considered to have a material relationship with the issuer solely because (a) he or she had a relationship identified above if that relationship ended before March 30, 2004; or (b) he or she had a relationship identified above by virtue of such relationship being with a subsidiary entity or a parent of that issuer, if that relationship ended before June 30, 2005.

An individual will not be considered to have a material relationship with the issuer solely because the individual or his or her immediate family member (a) has previously acted as an interim chief executive officer of the issuer, or (b) acts, or has previously acted, as a chair or vice-chair of the board of directors or of any board committee of the issuer on a part-time basis.

For the purposes of “C” and “D” above, a partner does not include a fixed income partner whose interest in the firm that is the internal or external auditor is limited to the receipt of fixed amounts of compensation (including deferred compensation) for prior service with that firm if the compensation is not contingent in any way on continued service.

For the purposes of “F” above, direct compensation does not include: (a) remuneration for acting as a member of the board of directors or of any board committee of the issuer, and (b) the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

Despite any determination made whether an individual has a material relationship with an issuer, an individual who (a) accepts directly or indirectly, any consulting, advisory or other compensatory fee from the issuer or any subsidiary entity of the issuer, other than as remuneration for acting in his or her capacity as a member of the board of directors or any board committee, or as a part-time chair or vice-chair of the board or any board committee; or (b) is an affiliated entity of the issuer or any of its subsidiary entities, is considered to have a material relationship with

the issuer. The indirect acceptance by an individual of any such consulting, advisory or other compensatory fee includes acceptance of a fee by (a) an individual's spouse, minor child or stepchild, or a child or stepchild who shares the individual's home; or (b) an entity in which such individual is a partner, member, an officer such as a managing director occupying a comparable position or executive officer, or occupies a similar position (except limited partners, non-managing members and those occupying similar positions who, in each case, have no active role in providing services to the entity) and which provides accounting, consulting, legal, investment banking or financial advisory services to the issuer or any subsidiary entity of the issuer. Compensatory fees do not include the receipt of fixed amounts of compensation under a retirement plan (including deferred compensation) for prior service with the issuer if the compensation is not contingent in any way on continued service.

“company” - any corporation, incorporated association, incorporated syndicate or other incorporated organization;

“control” - the direct or indirect power to direct or cause the direction of the management and policies of a person or company, whether through ownership of voting securities or otherwise;

“executive officer” of an entity – means an individual who is (a) a chair of the entity; (b) a vice-chair of the entity; (c) the president of the entity; (d) a vice-president of the entity in charge of a principal business unit, division or function including sales, finance or production; (e) an officer of the entity or any of its subsidiary entities who performs a policy-making function in respect of the entity; or (f) any other individual who performs a policy-making function in respect of the entity;

“issuer” includes a subsidiary entity of the issuer and a parent of the issuer;

“person” - an individual partnership, unincorporated association, unincorporated syndicate, unincorporated organization, trust, trustee, executor, administrator, or other legal representative; and

“subsidiary entity” - a person or company is considered to be a subsidiary entity of another person or company if (a) it is controlled by (i) that other, or (ii) that other and one or more persons or companies each of which is controlled by that other, or (iii) two or more persons or companies, each of which is controlled by that other; or (b) it is a subsidiary entity of a person or company that is the other's subsidiary entity.